

MTP
1/2/99
**RECORDATION
TRADE**

07-06-1999



To the Honorable Commissioner of Patents and Trademarks

Documents or copy thereof.

1. Name of conveying party(ies): *mtp*
7.2.99
Santa's Best

Individual(s) Association
 General Partnership (Illinois) Limited Liability

Corporation
 Other _____

Additional name(s) of conveying party(ies) attached? Yes No

101083113

Name: LaSalle Bank National Association

Internal Address: 135 South LaSalle Street

City: Chicago State: IL ZIP: 60603

Individual(s) citizenship _____
 Association National Banking Association
 General Partnership _____

Limited Partnership _____
 Corporation-State _____
 Other _____

If assignee is not domiciled in the United States, a domestic representative designation is attached: Yes No
 (Designations must be a separate document from Assignment)

Additional name(s) & address(es) attached? Yes No

3. Nature of conveyance:

Assignment Merger
 Security Agreement Change of Name
 Other _____

Execution Date: June 25, 1999

4. Application number(s) or registration number(s):

A. Trademark Application No.(s)
SEE ATTACHED SCHEDULE A

B. Trademark registration No.(s)
SEE ATTACHED SCHEDULE B

Additional numbers attached? Yes No

5. Name and address of party to whom correspondence concerning document should be mailed:

Name: VEDDER,PRICE, KAUFMAN & KAMMHOLZ
 Attention: Tammy S. Settle
 Internal Address: _____

Street Address: 222 North LaSalle Street
Suite 2600

City: Chicago State: IL ZIP: 60601

6. Total number of applications and registrations involved: 63

7. Total Fee (37 CFR 3.41) \$ 1,590.00

Enclosed
 Authorized to be charged to deposit account
 (Any Deficiencies)

8. Deposit account number: 22-0259

(Attach duplicate copy of this page if paying by deposit account)

DO NOT USE THIS SPACE

9. Statement and signature.
To the best of my knowledge and belief, the foregoing information is true and correct and any attached copy is a true copy of the original document.

Tammy S. Settle *Tammy S. Settle* July 1, 1999
 Name of Person Signing Signature Date

Total number of pages including cover sheet, attachments, and document: 15

Mail documents to be recorded with required cover sheet information to:

Commissioner of Patents and Trademarks
Box Assignments
Washington, D.C. 20231

07/02/1999 NTHA11 00000138 7560967

01 FC:481
02 FC:482

40.00 OP
1550.00 OP

**Trademark Applications
SCHEDULE A**

MARK	SERIAL NO.
SPARKLING ANGELS	75/680,967
SANTA CLASSICS	75/680,966
C.W. MOOSE	75/680,961
SPARKLING SILVER TWIST	75/648,727
NORTH POLE SNOWMEN	75/497,507
PLUSHETTE	75/456,828
SNOWKIDS	75/328,332
SPARKLING TWIST	75/235,296
EZ LIGHT	466,314

**Trademark Registrations
SCHEDULE B**

MARK	REGISTRATION NO.
CUBBY BEARS	2,226,764
ULTIMATE	2,181,545
CRYSTAL	2,229,967
CUBBY BEAR	2,141,598
FLYING FUN KINS & DESIGN	2,078,996
CHRISTMAS IN VAIL	2,114,764
FUN STIKS & DESIGN	2,116,860
SANTA'S BEST & DESIGN	2,078,094
SPARKLE	1,904,551
CHRISTMAS IN VERMONT	2,024,346
SANTA'S BEST	1,873,895
EZ LIGHT	2,201,575
TREE AND TRIM	1,886,191
CLOUDTEX	1,873,994
PLUSHETTE	1,869,786
BEND 'N POSE	1,876,739
GLITTERTEX	1,891,203
DESIGN ONLY	1,967,467
SANTA'S PRIDE	1,829,508
HANG 'N STUFF	1,839,509
CURLY CRYSTAL	1,839,508
STREETS OF LONDON	1,831,375
SANTAKINS	1,825,279

MARK	REGISTRATION NO.
HALLOWEENKINS	1,826,456
CHRISTMAS CHARMERS	1,943,342
SANTA'S PRIDE	1,894,501
SPIRIT OF AMERICA	1,870,574
OUR TOWN	1,843,680
MARABOU	1,860,470
HALLOWEENKIDS	1,846,282
CURLY VELVET	1,821,481
SANTA'S BEST	1,597,582
SANTA'S BEST	1,597,502
SEND-A-SOCK	1,596,403
CRYSTAL ICICLES	1,528,422
TREE & TRIM	1,505,438
DESIGN ONLY	1,411,478
ULTRA VELVET	1,410,755
VELVETTOUCH	1,411,476
FANCY VELVET	1,410,753
ROYAL VELVET	1,402,374
CRYSTAL	1,400,523
SNO-JEWELS	1,399,708
ICE-GLO	1,399,707
NATURAL TREE	1,311,238
POLARIS BEAR	1,289,185
BALDY	1,289,184
SANTA STUBBY	1,289,183

MARK	REGISTRATION NO.
SANTA GRUBBY	1,289,182
SANTA CHUBBY	1,289,181
SANTA'S BEST	1,098,100
VELVET	1,037,560
SANTA'S BEST (Stylized)	876,570
NATIONAL (Stylized)	583,663

GRANT OF SECURITY INTEREST IN
PATENTS, TRADEMARKS AND LICENSES

THIS GRANT OF SECURITY INTEREST IN PATENTS, TRADEMARKS AND LICENSES (this "Agreement") is made as of this 25th day of June, 1999, by and among SANTA'S BEST, an Illinois general partnership (herein the "Grantor"), and LASALLE BANK NATIONAL ASSOCIATION, a national banking association, as agent ("Agent"), on behalf of itself and the banks ("Banks") party to that certain Third Amended and Restated Credit and Security Agreement of even date herewith (as amended, modified or restated from time to time, the "Credit Agreement") among Agent, Banks and Grantor.

WITNESSETH:

WHEREAS, Grantor, Agent and the Banks have entered into the Credit Agreement pursuant to which the Banks have agreed to extend credit and make certain other financial accommodations to Grantor; and

WHEREAS, the Credit Agreement provides, among other things, (i) for the Banks to make certain loans, advances and extensions of credit, all to or for the account of Grantor and (ii) for the grant by Grantor to Agent, for the benefit of the Banks, of a security interest in all of the Grantor's assets, including, without limitation, its patents, patent applications and/or registrations, trademarks, trademark applications and/or registrations, tradenames, goodwill and licenses.

NOW THEREFORE, in consideration of the premises set forth herein and for other good and valuable consideration, receipt and sufficiency of which is hereby acknowledged, the Grantor agrees as follows:

1. Definitions. Capitalized terms used herein and defined in the Credit Agreement shall have the meanings set forth therein unless otherwise specifically defined herein.

2. Grant of Security Interest. To secure the payment of the Obligations, the Grantor hereby grants to Agent, for the benefit of the Banks, a security interest, effective immediately, in all of the Grantor's right, title and interest in and to all of the following described property, whether now owned or hereafter acquired (collectively herein the "Intellectual Property Collateral"):

(i) Patents and patent applications and/or registrations together with the inventions and improvements described and claimed therein including, without limitation, the patents and applications, if any, listed on Schedule A attached hereto and made a part hereof, and any and all reissues and renewals thereof and all income, royalties, damages and payments now and hereafter due and/or payable in connection therewith including, without limitation, damages and payments for

past or future infringements thereof (all of the foregoing are sometimes hereinafter individually and/or collectively referred to as the "Patent Collateral");

(ii) Trademarks, trademark registrations and/or applications and tradenames and service marks, including, without limitation, the trademarks, trademark registrations and applications, tradenames and service marks, if any, listed on Schedule B attached hereto and made a part hereof, and any and all reissues and/or renewals thereof, and all income, royalties, damages and payments now and hereafter due and/or payable in connection therewith including, without limitation, damages and payments for past or future infringements thereof (all of the foregoing are sometimes hereinafter individually and/or collectively referred to as the "Trademark Collateral");

(iii) Any license agreement in which the Grantor is or becomes licensed to use any patents and/or trademarks owned by a third party including, without limitation, the licenses, if any, listed on Schedule C attached hereto and made a part hereof (all of the foregoing are sometimes referred to herein individually and/or collectively as the "License Collateral");

(iv) The goodwill of the Grantor's business connected with and symbolized by the Intellectual Property Collateral; and

(v) All cash and non-cash proceeds of the foregoing.

3. Agent's Rights. Upon the occurrence of any Event of Default hereunder, Agent, for the benefit of the Banks, shall have all the rights and remedies of a secured party under the Uniform Commercial Code and any other applicable state or federal laws. Agent will give the Grantor reasonable notice of the time and place of any public sale of the Intellectual Property Collateral or the time after which any private sale of the Intellectual Property Collateral or any other intended disposition thereof is to be made. Unless otherwise provided by law, the requirement of reasonable notice shall be met if such notice is mailed, postage prepaid to the address of the Grantor set forth above at least ten (10) days before the date of such sale or disposition. In addition to the foregoing and all other rights and remedies of Agent, for the benefit of the Banks, upon the occurrence of any Event of Default hereunder, Agent, for the benefit of the Banks, shall thereupon have the immediate right to transfer to itself or to sell, assign and transfer to any other person all right, title and interest in and to all or any part of the Intellectual Property Collateral. A formal irrevocable power of attorney (in the form annexed hereto) is being executed and delivered by the Grantor to Agent, for the benefit of the Banks, concurrently with this Agreement to enable such rights to be carried out. The Grantor agrees that, in the event Agent, for the benefit of the Banks, exercises its rights hereunder and/or pursuant to said power of attorney in accordance with its terms, after written notification of such exercise from Agent to the Grantor, the Grantor shall never thereafter, without the prior written authorization of the owner or owners of such Intellectual Property Collateral, use any of such Intellectual Property Collateral. The condition of the foregoing provision is such that unless and until there occurs an Event of Default under this Agreement, the Grantor shall continue to own and use

the Intellectual Property Collateral in the normal course of its business and to enjoy the benefits, royalties and profits therefrom provided, however, that from and after the occurrence of an Event of Default and the exercise by Agent of the rights provided by this Agreement, such rights shall be revoked and the right of the Grantor to enjoy the uses, benefits, royalties and profits of said Intellectual Property Collateral will wholly cease, whereupon Agent, for the benefit of the Banks, or their transferee(s) shall be entitled to all of the Grantor's right, title and interest in and to the Intellectual Property Collateral hereby so assigned. This Agreement will not operate to place upon Agent any duty or responsibility to maintain the Intellectual Property Collateral.

4. **Fees.** The Grantor will pay all filing fees with respect to the security interest created hereby which Agent may deem necessary or advisable in order to perfect and maintain the perfection of its security interest in the Intellectual Property Collateral.

5. **Representations and Warranties.** The Grantor represents and warrants to Agent, for the benefit of the Banks, that: (a) the Grantor lawfully possesses and owns the Intellectual Property Collateral; (b) except for the security interest granted hereby and Permitted Liens, the Intellectual Property Collateral will be kept free from all liens, security interests, claims and encumbrances whatsoever; (c) the Grantor has not made or given any prior assignment, transfer or security interest in the Intellectual Property Collateral or any of the proceeds thereof; (d) the Intellectual Property Collateral is and will continue to be, in all respects, in full force and effect; and (e) there are no known infringements of the Intellectual Property Collateral.

6. **Application of Proceeds.** The proceeds of any sale, transfer or disposition of the Intellectual Property Collateral shall be applied first to all costs and expenses, including, but not limited to, reasonable attorneys' fees and expenses and court costs, incurred by Agent, for the benefit of the Banks, in connection with such sale and the exercise of Agent's rights and remedies hereunder and under the Credit Agreement; next, such proceeds shall be applied to the payment, in whole or in part, of the Obligations due Agent in such order as Agent may elect; and the balance, if any, shall be paid to the Grantor or as a court of competent jurisdiction may direct.

7. **Defense of Claims.** The Grantor will defend at its own cost and expense any action, claim or proceeding affecting the Intellectual Property Collateral or the interest of Agent, on behalf of the Banks, therein. The Grantor agrees to reimburse Agent for all costs and expenses incurred by Agent in defending any such action, claim or proceeding.

8. **Rights Cumulative.** This Agreement shall be in addition to the Credit Agreement and shall not be deemed to affect, modify or limit the Credit Agreement or any rights that Agent has under the Credit Agreement. The Grantor agrees to execute and deliver to Agent (at the Grantor's expense) any further documentation or papers necessary to carry out the intent or purpose of this Agreement including, but not limited to, financing statements under the Uniform Commercial Code.

9. Construction and Invalidity. Any provisions hereof contrary to, prohibited by or invalid under any laws or regulations shall be inapplicable and deemed omitted herefrom, but shall not invalidate the remaining provisions hereof.

10. CHOICE OF LAW. THE GRANTOR AGREES THAT THE VALIDITY, INTERPRETATION AND ENFORCEMENT OF THIS AGREEMENT AND ALL RIGHTS HEREUNDER SHALL BE GOVERNED BY THE LAWS OF THE STATE OF ILLINOIS. THIS AGREEMENT, TOGETHER WITH THE CREDIT AGREEMENT, CONSTITUTES THE ENTIRE AGREEMENT OF THE GRANTOR AND AGENT, ON BEHALF OF THE BANKS, WITH RESPECT TO THE INTELLECTUAL PROPERTY COLLATERAL, CAN ONLY BE CHANGED OR MODIFIED IN WRITING AND SHALL BIND AND BENEFIT THE GRANTOR, AGENT AND THEIR RESPECTIVE SUCCESSORS AND ASSIGNS. THE GRANTOR AND AGENT, ON BEHALF OF THE BANKS, EACH HEREBY EXPRESSLY WAIVES ANY RIGHT OF TRIAL BY JURY ON ANY CLAIM, DEMAND, ACTION OR CAUSE OF ACTION ARISING HEREUNDER

11. Events of Default. Any of the following shall constitute an Event of Default under this Agreement: (a) the Grantor shall fail to perform or observe any agreement, covenant or condition required under this Agreement; (b) any warranty or representation made by Grantor in this Agreement shall be or becomes false or misleading in any material respect; or (c) any Event of Default shall occur under the Credit Agreement which is not waived by Agent, on behalf of the Banks, in accordance with the terms thereof.

12. Notices. The Grantor covenants and agrees that, with respect to the Intellectual Property Collateral, it will give Agent written notice in the manner provided in the Credit Agreement of (a) any claim by a third party that the Grantor has infringed on the rights of a third party, (b) any suspected infringement by a third party on the rights of the Grantor, or (c) any Intellectual Property Collateral created, arising or acquired by the Grantor after the date hereof.

13. Further Assurances. The Grantor will take any such action as Agent, on behalf of the Banks, may reasonably require to further confirm or protect Agent's and Banks' rights under this Agreement in the Intellectual Property Collateral. In furtherance thereof, the Grantor hereby grants to Agent, on behalf of the Banks, a power of attorney coupled with an interest which shall be irrevocable during the term of this Agreement to execute any documentation or take any action in the Grantor's behalf required to effectuate the terms, provisions and conditions of this Agreement.

14. Termination. This Agreement shall terminate upon termination of the Credit Agreement and full, final and indefeasible payment of all Obligations of the Grantor thereunder. Upon the Grantor's request, Agent, on behalf of the Banks, shall within a reasonable time after any such termination execute and deliver to the Grantor (at the Grantor's expense) such documents and

instruments as are reasonably necessary to evidence such termination and release of the security interest granted herein on any applicable public record.

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement as of the day and year first above written.

SANTA'S BEST, an Illinois general partnership

By: Tinsel/Ruff Group Limited Partnership
Its: General Partner

By: National Tinsel Mfg., Co.
Its: General Partner

By: William F. Protz
Its: William F. Protz, President

Agreed to and accepted this 25th
day of June, 1999:

LASALLE BANK NATIONAL ASSOCIATION,
a national banking association, for itself and as Agent

By: [Signature]
Its: FVP

IRREVOCABLE POWER OF ATTORNEY

SANTA'S BEST, an Illinois general partnership, (hereinafter referred to as the "Grantor"), hereby grants to LASALLE BANK NATIONAL ASSOCIATION, a national banking association ("Agent") on behalf of the banks ("Banks") party to that certain Third Amended and Restated Credit and Security Agreement of even date herewith ("Financing Agreement") among Agent, Banks and Grantor, the exclusive Irrevocable Power of Attorney to transfer to Agent, for the benefit of the Banks, or to any designee of Agent all Intellectual Property Collateral listed on the Schedules attached to the Grant of Security Interest in Patents, Trademarks and Licenses dated as of the date hereof between the Grantor and Agent, on behalf of the Banks (the "Agreement"), including, without limitation, all patents, patent applications and/or registrations, trademarks, trademark applications and/or registrations, and licenses together with the goodwill of the business connected with or symbolized by such Intellectual Property Collateral and the Grantor's entire inventory of labels and decals bearing any trademarks not affixed to its products, and the right to operate and control, sell, assign, and transfer the business under those trademarks under the following terms and conditions:

1. The Power of Attorney granted hereunder shall be effective as of the date hereof and shall last for as long as any now existing or hereafter arising indebtedness, liabilities or obligations of the Grantor to Agent and Banks are outstanding under the Credit Agreement referred to in the Agreement;
2. The Power of Attorney granted herein shall be irrevocable throughout the duration of its life as specified in Paragraph 1 hereinabove;
3. The Power of Attorney granted herein shall only be exercisable by Agent, for the benefit of the Banks, after the occurrence of an Event of Default under the Agreement; and
4. Agent shall give the Grantor ten (10) days prior written notice of the exercise of the powers granted hereby, and the waiver by Agent, on behalf of the Banks, of any particular Event of Default under the Agreement shall have no force or effect unless made in accordance with the Credit Agreement described therein. Even then, such waiver shall not constitute or be considered a waiver of any other Event of Default then existing or thereafter arising whether similar or not.

[Signature Page Follows]

TRADEMARK

REEL: 001917 FRAME: 0265

IN WITNESS WHEREOF, the Grantor has caused this Power of Attorney to be executed
as of the 25th day of June, 1999.

SANTA'S BEST, an Illinois general partnership

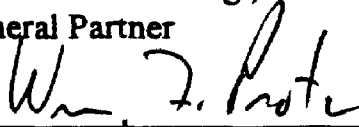
By: Tinsel/Ruff Group Limited Partnership

Its: General Partner

By: National Tinsel Mfg., Co.

Its: General Partner

By:



Its: William F. Protz, President

TRADEMARK

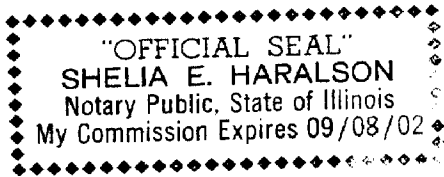
REEL: 001917 FRAME: 0266

STATE OF ILLINOIS)
)
COUNTY OF COOK)

On June 25, 1999, before me, the undersigned, a notary public in and for said State, personally appeared William F. Protz, known to me to be the President of the General Partner of Santa's Best, an Illinois general partnership, the partnership that executed the foregoing instrument and power of attorney, and acknowledged to me that he/she executed such instrument and power of attorney on behalf of such corporation pursuant to authority granted by the General Partner of such partnership, as its free act and deed for the uses and purposes therein set forth.

WITNESS my hand and official seal.

Shelia E. Haralson
Notary Public
Commission Expires:



**SCHEDULE B TO GRANT OF SECURITY INTEREST IN PATENTS,
TRADEMARKS AND LICENSES**

**between
SANTA'S BEST
and
LASALLE BANK NATIONAL ASSOCIATION**

U.S. TRADEMARKS

(See Attached)

VPCHI01/#478611

**TRADEMARK
REEL: 001917 FRAME: 0268**

**SCHEDULE C TO GRANT OF SECURITY INTEREST IN PATENTS,
TRADEMARKS AND LICENSES**

**between
SANTA'S BEST
and
LASALLE BANK NATIONAL ASSOCIATION**

U.S. LICENSES

None

VPCHI01/#478611

RECORDED: 07/02/1999

**TRADEMARK
REEL: 001917 FRAME: 0269**