

FORM PTO-1594

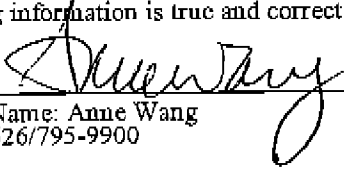
Docket No. 30.1/AW/B728

RECORDATION FORM COVER SHEET  
TRADEMARKS ONLY

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

Post Office Box 7068  
Pasadena, CA 91109-7068

Commissioner of Patents and Trademarks: Please record the attached original documents or copy thereof:

<p>1. Name of conveying party(ies): <b>Bankers Trust Company</b></p> <p><input type="checkbox"/> Individual(s)      <input type="checkbox"/> Association  <input type="checkbox"/> General Partnership      <input type="checkbox"/> Limited Partnership  <input checked="" type="checkbox"/> Corporation  <input type="checkbox"/> Other  <input checked="" type="checkbox"/> Exists Under Laws of New York</p> <p>Additional name(s) of conveying party(ies) attached: none</p>	<p>2. Name and address of receiving party(ies): Name: <b>Barth &amp; Dreyfuss of California</b> Street Address: <b>2255 North Ontario Street, Suite 300 Burbank, CA 91504</b></p> <p><input type="checkbox"/> Individual(s) citizenship  <input type="checkbox"/> Association  <input type="checkbox"/> General Partnership  <input type="checkbox"/> Limited Partnership  <input checked="" type="checkbox"/> Corporation  <input type="checkbox"/> Other:  <input checked="" type="checkbox"/> Exists Under Laws of California</p>
<p>3. Name of conveyance: <input type="checkbox"/> Assignment      <input type="checkbox"/> Merger  <input type="checkbox"/> Security Agreement      <input type="checkbox"/> Change of Name  <input checked="" type="checkbox"/> Other: <b>Release of Pledge and Security Interest recorded at Reel/Frames 0643/265-284 on or about March 17, 1989</b></p> <p>Execution Date: <b>June 25, 2002</b></p>	<p>If assignee is not domiciled in the United States, a domestic representative designation is attached: <b>no</b> (Designation must be a separate document from Assignment). Additional name(s) &amp; address(es) attached? <b>No</b></p>
<p>4. A. Trademark Application No.(s)</p>	<p>4. B. Trademark Registration No.(s) 577039; 985064; 1016945; 1102183; 1111344; 1117729; 1171327; 1209762; 1219171; 1335604; 1400387; 2111433; and 2557229</p> <p>Additional numbers attached? <b>No</b></p>
<p>5. Please return the recorded document and address all correspondence to: <b>CHRISTIE, PARKER &amp; HALE, LLP</b> P.O. Box 7068 Pasadena, CA 91109-7068 Attention:</p>	<p>6. Total number of applications or registrations involved..... <span style="border: 1px solid black; padding: 2px;">13</span></p> <p>7. <input type="checkbox"/> Total fee enclosed (37 CFR 3.41): \$</p> <p>8. <input checked="" type="checkbox"/> Any deficiency or overpayment of fees should be charged or credited to <b>Deposit Account No. 03-1728</b>, except for payment of issue fees required under 37 CFR § 1.18. Please show our docket number with any credit or charge to our Deposit Account.</p>
<p>10. <input type="checkbox"/> Explanatory letter is enclosed.</p>	
<p>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. Date: June 27, 2002</p> <p>By  Name: <b>Anne Wang</b> 626/795-9900</p> <p>Total number of pages including cover sheet, attachments, and document: <span style="border: 1px solid black; padding: 2px;">24</span></p>	

RELEASE OF PLEDGE AND SECURITY INTEREST

WHEREAS, Barth & Dreyfuss of California, a California corporation ("Barth"), granted Bankers Trust Company as agent ("Agent") for certain secured parties ("Banks"), a security interest in assets identified in Section 1 of the Pledge and Security Agreement ("Agreement"), pursuant thereto, recorded at Reel 0643 Frame 265 on or about March 17, 1989 with the U.S. Patent and Trademark Office, a copy of which is attached hereto, as security for the obligations (as defined in the Agreement); and

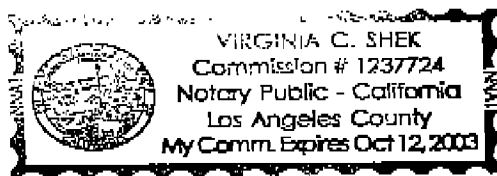
WHEREAS, Barth has been released from its obligations to perform the Obligations and, accordingly, Agent is willing to release its security interest in said assets identified in Section 1 of the Agreement in its entirety ("Assets");

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Agent, on behalf of Banks, hereby,

1. Release all of its security interest in the Assets, including all now existing or hereafter acquired patent applications, patents, copyrights, rights and interests in copyrights and works protectable by copyright, trade secrets, trademarks, service marks, designs, logos, indicia, corporate names, company names, business names, fictitious business names, tradenames, trade styles and registrations, issues with respect to any of the foregoing used in any of Barth's businesses or in which Barth otherwise has an interest and the goodwill of the business connected with the use of, and symbolized by, each such trademark, and in all uses, products and proceeds of the foregoing.

2. Authorizes and requests the Commissioner of Patents and Trademarks of the United States of America to record this Release of Pledge and Security Interest granted hereunder with the respect to the Assets, including the trademark registrations for which the Agreement was recorded on or about March 17, 1989, as set forth in Schedule A attached hereto.

IN WITNESS WHEREOF, Agent has caused this Release of Pledge and Security Interest to be signed by its duly authorized officer this 25<sup>th</sup> day of June, 2002.



Bankers Trust Company  
(as Agent)

By: *Vicki Floyd*  
Vicki Floyd, Managing Director

SCHEDULE A

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**CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT**

No. 5907

State of California

County of Los Angeles

On June 25 2002 before me, VIRGINIA C. SHELK  
DATE NAME, TITLE OF OFFICER - E.G., "JANE DOE, NOTARY PUBLIC"

personally appeared VICTORIA ANN FLOYD  
NAME(S) OF SIGNER(S)

personally known to me - OR -  proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.

Virginia C. Shelk  
SIGNATURE OF NOTARY

**OPTIONAL**

Though the data below is not required by law, it may prove valuable to persons relying on the document and could prevent fraudulent reattachment of this form.

**CAPACITY CLAIMED BY SIGNER**

- INDIVIDUAL
- CORPORATE OFFICER
- \_\_\_\_\_ TITLE(S)
- PARTNER(S)  LIMITED  GENERAL
- ATTORNEY-IN-FACT
- TRUSTEE(S)
- GUARDIAN/CONSERVATOR
- OTHER: \_\_\_\_\_

**DESCRIPTION OF ATTACHED DOCUMENT**

Release of Pledge and Security Interest  
TITLE OR TYPE OF DOCUMENT

2 (Two)  
NUMBER OF PAGES

June 25, 2002  
DATE OF DOCUMENT

**SIGNER IS REPRESENTING:**  
NAME OF PERSON(S) OR ENTITY(IES)  
\_\_\_\_\_  
\_\_\_\_\_

\_\_\_\_\_  
SIGNER(S) OTHER THAN NAMED ABOVE

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**PLEDGE AND SECURITY AGREEMENT  
(FIXED ASSETS AND STOCK)**

This PLEDGE AND SECURITY AGREEMENT is dated as of October 30, 1985 (this "Agreement") and is made by PAPER-CRAFT ACQUISITION CORPORATION, a Pennsylvania corporation ("Acquisition"), PAPER-CRAFT CORPORATION, a Pennsylvania corporation ("Old Paper-craft"), AMERICAN TECHNICAL INDUSTRIES, INC., a New York corporation ("ATI"), BARTH & DREYFUSS OF CALIFORNIA, a California corporation ("Barth"), KNOMARK, INC., a New York corporation ("Knomark"), and LePAGE'S, INC., a Pennsylvania corporation ("LePage"), MODERN ORTHO CORPORATION, a New York corporation ("Ortho"), PAPER-CRAFT PROPERTIES, INC., a Pennsylvania corporation ("Papercraft Properties") and PCT HOLDINGS CORPORATION, a Delaware corporation ("PCT"). (ATI, Barth, Knomark, LePage, Ortho, Papercraft Properties and PCT are collectively hereinafter referred to as the "Subsidiaries" and the Subsidiaries, Acquisition and Old Papercraft are collectively hereinafter referred to as "Grantors"), in favor of and for the benefit of BANKERS TRUST COMPANY, as Agent ("Agent") on behalf of the BANKS named in the Credit Agreement referred to below ("Banks").

WHEREAS, pursuant to the terms of an Agreement and Plan of Merger dated as of September 9, 1985 (the "Merger Agreement"), between Acquisition, Papercraft Holding Corporation, a Delaware corporation ("Holding") and Old Papercraft, Acquisition will merge with and into Old Papercraft (the "Merger").

WHEREAS, pursuant to the terms of a Credit Agreement dated as of October 18, 1985 (said Agreement, as it may hereafter be amended or otherwise modified from time to time, being the "Credit Agreement", the terms defined therein and not otherwise defined herein being used herein as therein defined) between Acquisition, Holding, Agent and Banks, Banks agreed to extend certain credit facilities to Acquisition to provide financing for the Merger and, thereafter, to the corporation surviving the Merger ("Surviving Papercraft") and the Subsidiaries for general corporate purposes.

WHEREAS, pursuant to the terms of an Assumption and Guaranty Agreement which had been executed prior to the consummation of the Merger by Acquisition, Old Papercraft, the Subsidiaries, Agent and Holding (the "Assumption and Guaranty"), Old Papercraft has agreed that Surviving Papercraft shall assume all of the Obligations of Acquisition under the Credit Agreement, the Subsidiaries have agreed to assume all rights of Acquisition under the Credit Agreement with respect to the Working Capital Commitment and Old Papercraft has agreed that Surviving Papercraft shall guarantee, and the Subsidiaries have agreed, to guarantee certain of the Obligations.

WHEREAS, it is a condition concurrent to the making of the Initial Loans by Banks under the Credit Agreement that Grantors shall have granted the security interest contemplated by this Agreement to secure the payment and performance of the Obligations undertaken by them under the

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PAGE.003

terms of the Credit Agreement and the Assumption and Guaranty Agreement.

NOW, THEREFORE, in consideration of the premises and in order to induce Banks to make Loans under the Credit Agreement, Grantors hereby agree with Agent for its benefit and the ratable benefit of Banks as follows:

SECTION 1. Grant of Security. Grantors hereby assign and pledge to Agent for its benefit and the ratable benefit of Banks, and hereby grant to Agent for its benefit and the ratable benefit of Banks a security interest in all of Grantors' right, title and interest in and to the following (the "Collateral"):

(a) All equipment in all of its forms, wherever located, now or hereafter existing and all parts thereof and all additions and accessions thereto and replacements therefor (any and all such equipment, parts, additions, accessions and replacements being the "Equipment");

(b) To the extent not included in paragraph (a) above, all plant fixtures, business fixtures and other fixtures and storage office facilities, wherever located, now or hereafter existing, and all additions and accessions thereto and replacements therefor and products thereof;

(c) All now existing or hereafter acquired patent applications, patents, copyrights, rights and interests in copyrights and works protectable by copyright, trade secrets, trademarks, service marks, designs, logos, indicia, corporate names, company names, business names, fictitious business names, tradenames, trade styles and registrations issued with respect to any of the foregoing used in any of Grantors' businesses or in which any of Grantors otherwise have an interest and the goodwill associated with the foregoing;

(d) All shares of capital stock now owned or hereafter acquired by any Grantor in any Subsidiary (the "Pledged Subsidiaries") and all other shares of capital stock of any other issuer now owned or hereafter acquired by any Grantor, and as listed in Schedule I hereto, together with certificates representing all of such shares (the "Pledged Shares"), all cash, securities, dividends and other property at any time and from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all of the Pledged Shares, and all additional shares of stock of any class of any issuer of the Pledged Shares at any time and from time to time acquired by any Grantor in any manner, and certificates representing such additional shares, and all cash, securities, dividends and other property at any time and from time to time received, receivable or otherwise distributed in respect of or in exchange or substitution for any or all of such additional shares; provided that, notwithstanding the foregoing or any other provision of this Agreement, nothing herein shall be deemed to grant to Agent a security interest in Margin Stock;

(e) All property of each Grantor wherever located and whether now owned or hereafter acquired by Grantors (other than real

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PAGE.004

property) which is not subject to the security interest created by the Pledge and Security Agreement (Current Assets); and

(f) All proceeds of any and all of the foregoing Collateral and, to the extent not otherwise included, all payments under insurance (whether or not Banks are or Agent is the loss payee thereof), or any indemnity, warranty or guaranty, payable by reason of loss or damage to or otherwise with respect to any of the foregoing Collateral. For purposes of this Agreement the term "proceeds" includes whatever is receivable or received when Collateral or proceeds are sold, collected, exchanged or otherwise disposed of, whether such disposition is voluntary or involuntary, and includes, without limitation, all rights to payment, including returned premiums, with respect to any insurance relating thereto.

SECTION 2. Security for Obligations. The security interest granted by each Grantor secures the payment and performance of all of the Obligations of that Grantor under the Loan Documents.

SECTION 3. Grantors Remain Liable. Anything herein to the contrary notwithstanding, (a) Grantors shall remain liable under the contracts and agreements included in the Collateral to the extent set forth therein to perform all of their duties and obligations thereunder to the same extent as if this Agreement had not been executed, (b) the exercise by Agent of any of the rights hereunder shall not release Grantors from any of their duties or obligations under the contracts and agreements included in the Collateral, and (c) Agent shall not have any obligation or liability under the contracts and agreements included in the Collateral by reason of this Agreement, nor shall Agent be obligated to perform any of the obligations or duties of the Grantors thereunder or to take any action to collect or enforce any claim for payment assigned hereunder.

SECTION 4. Representations and Warranties. Each Grantor represents and warrants as follows:

(a) All of the Equipment of each Grantor is located at the addresses specified for such Grantor in Schedule II hereto. The chief place of business and chief executive office of each Grantor are located at the addresses specified for such Grantor in Schedule III.

(b) Each Grantor is the legal and beneficial owner of its Collateral, free and clear of any lien, security interest, charge or encumbrance except for the security interest created by this Agreement and Liens permitted under subsection 6.2 of the Credit Agreement. No effective financing statement or other instrument similar in effect covering all or any part of such Collateral is on file in any recording office, except such as may have been filed in favor of Agent relating to this Agreement or for which duly executed termination statements have been delivered to Agent.

(c) The pledge of and grant of a security interest in the Collateral pursuant to this Agreement together with steps for perfection creates a valid and perfected first priority security interest in the Collateral securing the payment of the Obligations, subject only to

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PAGE.005

such Liens as are permitted under subsection 5.2 of the Credit Agreement.

(d) Grantors do not do business under any fictitious business names or trade names and, except as is permitted by subsection 5(d), will not do business under any fictitious business names or trade names.

(e) Except for the filing or recording of any UCC Financing Statements, fixture filings or filings with the United States Copyright Office, the United States Patent and Trademark Office and any State or foreign trademark office necessary to perfect the security interests created hereunder, no authorization, approval or other action by, and no notice to or filing with, any governmental authority or regulatory body is required either (i) for the grant by each Grantor of the security interest in the Collateral pursuant to this Agreement or for the execution, delivery or performance of this Agreement by each Grantor or (ii) for the perfection of such security interest or the exercise by Agent of the voting rights and remedies or other rights provided for in this Agreement (except as may be required in connection with such disposition or perfection by laws affecting the offering and sale of securities generally or by laws affecting the transferring of certificates of title for motor vehicles).

**SECTION 5. Further Assurances.**

(a) Each Grantor agrees that at any time and from time to time, at the expense of Grantors, each Grantor will promptly execute and deliver all further instruments and documents, and take all further action, that may be necessary, or that Agent may reasonably request, in order to perfect and protect any security interest granted or purported to be granted hereby or to enable Agent to exercise and enforce its rights and remedies hereunder with respect to any Collateral. Without limiting the generality of the foregoing, each Grantor will: (i) if an Event of Default shall have occurred and be continuing mark conspicuously, at the request of Agent, each of its records pertaining to the Collateral with a legend, in form and substance satisfactory to Agent, indicating that such Collateral is subject to the security interest granted hereby; (ii) execute and file such financing or continuation statements, or amendments thereto, and such other instruments or notices, as may be necessary or desirable, or as Agent may request, in order to perfect and preserve the security interests granted or purported to be granted hereby and (iii) deliver to Agent any and all certificates representing additional shares of stock of any class of Plledged Shares. Notwithstanding any of the provisions of this Section 5(a), no Grantor shall be required to give notice to any Person other than another Grantor or an Affiliate of a Grantor of the security interest created hereby unless (i) an Event of Default shall have occurred and be continuing or (ii) such notice is the only means available to perfect the security interest granted hereunder.

(b) Each Grantor hereby authorizes Agent to file one or more financing or continuation statements, or fixture filings and amendments thereto, relative to all or any part of the Collateral without the signature of any Grantor where permitted by law.

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PAGE.006

(c) Each Grantor will furnish to Agent from time to time statements and schedules further identifying and describing the Collateral and such other reports in connection with the Collateral as Agent or any Bank may reasonably request, all in reasonable detail.

(d) No Grantor will make any change in its corporate name or conduct its business operations under any fictitious business name or trade name without giving to Agent at least 30 days' prior written notice of such changed or new name.

**SECTION 6. As to Equipment. Grantors shall:**

(a) Keep the Equipment owned by each of them at the places therefor specified in Section 4(a) or, upon 30 days' prior written notice to Agent, at such other places in jurisdictions where all action required by Section 5 shall have been taken with respect to the Equipment.

(b) Cause the Equipment owned by each of them to be maintained and preserved in good working order (normal wear and tear excepted) and shall forthwith, or in the case of any loss or damage to any of the Equipment as quickly as practicable after the occurrence thereof, make or cause to be made all repairs, replacements, and other improvements in connection therewith which are necessary or desirable to such end. Grantors shall promptly furnish to Agent a statement respecting any loss or damage to any of the Equipment.

(c) Pay promptly when due all property and other taxes, assessments and governmental charges or levies imposed upon, and all claims (including claims for labor, materials and supplies) against, the Equipment, except to the extent the validity, application or amount thereof is being contested in good faith.

**SECTION 7. Insurance; Condemnation Awards.**

(a) Grantors shall, at their own expense, maintain insurance with financially sound and reputable insurers against loss or damage to the Collateral (including liability insurance) of such types, against such risks and in such amounts as are customarily carried under similar circumstances by corporations of established reputation engaged in the same or similar businesses and similarly situated. Each policy for property damage insurance shall bear a standard first mortgage endorsement in favor of Agent and shall provide that, upon notification by Agent to the appropriate insurer that an Event of Default has occurred and is continuing, all losses (except for losses of less than \$50,000 per occurrence) shall be paid directly to Agent, on behalf of Banks. Each policy of insurance shall in addition (i) name the appropriate Grantor and Agent, on behalf of Banks, as insured parties thereunder (without any representation or warranty by or obligation upon Agent or any Bank) as their interests may appear, (ii) contain the agreement by the insurer that any loss thereunder shall be payable to Agent, on behalf of Banks (except that reimbursement under any liability insurance may be paid directly to the person who shall have incurred liability covered by such insurance),

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PAGE.007

notwithstanding any action, inaction or breach of representation or warranty by Grantors, (iii) provide that there shall be no recourse against Agent or any Bank for payment of premiums or other amounts with respect thereto and (iv) provide that at least 10 days prior written notice of cancellation or of lapse shall be given to Agent by the insurer. Grantors shall furnish to Agent insurance certificates, in form and substance satisfactory to Agent, evidencing compliance by each of them with the terms of this Section 7, and, if so requested by Agent, shall deliver to Agent original or duplicate policies of such insurance and, as often as Agent may reasonably request, a report of a reputable insurance broker with respect to such insurance. Further, each Grantor shall, at the request of Agent at any time after an Event of Default has occurred and is continuing, duly execute and deliver instruments of assignment of such insurance policies to comply with the requirements of Section 5 and cause the respective insurers to acknowledge notice of such assignment.

(b) Prior to the expiration of each insurance policy, upon written request of Agent, each Grantor shall furnish Agent with evidence satisfactory to Agent of the reissuance of a policy continuing insurance in force as required by this Agreement and at or prior to the date payment of the premium therefor is due, evidence satisfactory to Agent of such payment. In the event any Grantor fails to provide, maintain, keep in force or deliver and furnish to Agent the policies of insurance required by this Section 7, Agent, upon fifteen (15) days' prior written notice to such Grantor, may procure such insurance or single interest insurance for such risks covering Agent's interest, and Grantors will pay all premiums thereon promptly upon demand by Agent, together with interest thereon at the Prime Rate plus 3% per annum, from the date of expenditure by Agent until reimbursement by Grantors.

(c) Subject to the provision of Section 7(a), all policies of insurance required to be furnished by Grantors pursuant to this Section 7 shall have attached thereto the Lender's Loss Payable Endorsement or its equivalent, or a loss payable clause acceptable to Agent, for the benefit of Agent, on behalf of Banks.

(d) Except as otherwise provided in subsection 6(b), the Grantor who is the owner of such Collateral shall make or cause to be made the necessary repairs to or replacements of such Collateral (regardless of whether or not there are insurance proceeds available or whether any such proceeds are sufficient in amount). Except as otherwise provided in subsection 6(b), any proceeds of insurance maintained by any Grantor pursuant to this Section 7 shall be paid to said Grantor as reimbursement for the costs of such repairs or replacements.

(e) If, but only if, the proceeds of any insurance policies provided for in this Section 7 are paid to Agent, the following provisions shall be applicable:

(i) Agent is hereby authorized to hold such proceeds in investments permitted by subsection 6.3(i) of the Credit

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Agreement and to pay out such proceeds with interest as provided in this Section 7, all such interest to be the income of the Grantor who is the owner of the insurance policy paying such proceeds, to be held by Agent subject to the terms and conditions of this Agreement. Said Grantor shall pay all taxes upon such income and indemnify Agent against and save Agent harmless from all liability, loss, cost, damage or expense, including reasonable attorneys' fees, in connection therewith. Agent is authorized to retain from the proceeds the necessary expenses incidental to the collection of any such funds, and a reasonable amount for its services in connection with the collection and disbursement of such funds.

(ii) In case of an Event of Default which is continuing the insurance proceeds shall be applied by Agent (and each Bank) in accordance with Section 14 hereof. Otherwise, Agent shall disburse such insurance proceeds to the Grantor who is the owner of the Collateral for which such insurance proceeds were paid, if within ninety (90) days after receipt thereof said Grantor submits a plan which is acceptable to Agent for repair or replacement of the Collateral which was damaged, lost, stolen or destroyed. In the event Agent disburses insurance proceeds to said Grantor, said Grantor shall use such funds solely in the manner and for the purposes set forth in the plan for repair or replacement of the Collateral which was damaged, lost, stolen or destroyed, and any portion of such funds not used for such repair or replacement shall be delivered to Agent for distribution in accordance with the provisions of Section 14. If, however, Agent does not receive such plan from said Grantor within said ninety (90) day period, then Agent (and each Bank) shall apply such insurance proceeds in accordance with the provisions of Section 14 hereof.

(iii) All insurance money received by Agent shall be held by Agent (on behalf of Banks) to secure the performance by the Grantor who is the owner of the Collateral insured thereby of its obligations under this Agreement to repair, replace or reconstruct any portion of the Collateral that has been damaged, lost, stolen or destroyed, or to pay the Obligations and indebtedness secured hereunder as herein provided.

(f) In the event of any condemnation or taking by eminent domain of all or any part of the Collateral, the Grantor who is the owner of such Collateral will give Agent prompt written notice thereof and if a Potential Event of Default or an Event of Default shall have occurred and be continuing unremedied, Agent, on behalf of Banks, shall be entitled to receive directly (and said Grantor shall promptly pay over to Agent, on behalf of Banks), any awards or other amounts payable with respect to such condemnation, requisition or other taking. Any such award or other amount shall be paid to and applied by Agent (and each Bank) as specified in Section 14.

**SECTION 8. As to Pledged Shares.** All certificates or instruments representing or evidencing the Pledged Shares shall be delivered to and held by or on behalf of Agent pursuant hereto and shall be in suitable

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TO 16265778800-2468

PAGE.009

form for transfer by delivery, or shall be accompanied by duly executed instruments of transfer or assignment in blank, all in form and substance satisfactory to Agent. Agent shall have the right, upon the occurrence and during the continuance of an Event of Default, without notice to any Grantor, to transfer to or to register in the name of Agent or any of its nominees any or all of the Pledged Shares. In addition, Agent shall have the right at any time to exchange certificates or instruments representing or evidencing Pledged Shares for certificates or instruments of smaller or larger denominations.

**SECTION 9. Transfers and Other Liens.** Except as otherwise permitted by the Credit Agreement, Grantors shall not:

(a) Sell, assign (by operation of law or otherwise) or otherwise dispose of any of the Collateral, except that each Grantor may license to any other Grantor the right to use any trademark, patent or copyright owned by it.

(b) Create or suffer to exist any lien, security interest or other charge or encumbrance upon or with respect to any of the Collateral to secure debt of any person or entity, except for the security interest created by this Agreement.

**SECTION 10. Agent Appointed Attorney-in-Fact.** Each Grantor hereby irrevocably appoints Agent its attorney-in-fact, with full authority in the place and stead of each Grantor and in the name of each Grantor, Agent or otherwise, from time to time in Agent's discretion upon the occurrence and during the continuance of an Event of Default, to take any action and to execute any instrument which Agent may deem necessary or advisable to accomplish the purposes of this Agreement, including, without limitation:

(i) to obtain and adjust insurance required to be paid to Agent on behalf of Banks pursuant to Section 7,

(ii) to ask, demand, collect, sue for, recover, compound, receive and give acquittance and receipts for moneys due and to become due under or in respect of any of the Collateral,

(iii) to receive, endorse, and collect any drafts or other instruments, documents and chattel paper, in connection with clause (i) and (ii) above, and

(iv) to file any claims or take any action or institute any proceedings which Agent may deem necessary or desirable for the collection of any of the Collateral or otherwise to enforce the rights of Agent with respect to any of the Collateral.

**SECTION 11. Agent May Perform.** If any Grantor fails to perform any agreement contained herein, Agent may itself perform, or cause performance of, such agreement, and the expenses so incurred in connection therewith shall be payable by Grantors pursuant to Section 15(b).

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PAGE.010

**SECTION 12. Agent's Duties.** The powers conferred on Agent hereunder are solely to protect its interest in the Collateral and shall not impose any duty upon it to exercise any such powers. Except for the safe custody of any Collateral in its possession and the accounting for moneys actually received by it hereunder, Agent shall have no duty as to any Collateral or as to the taking of any necessary steps to preserve rights against prior parties or any other rights pertaining to any Collateral. Agent shall be deemed to have exercised reasonable care in the custody and preservation of the Pledged Shares in its possession if the Pledged Shares are accorded treatment substantially equal to that which Agent accords its own property consisting of negotiable securities, it being understood that neither Agent nor any Bank shall have responsibility for (i) ascertaining or taking action with respect to calls, conversions, exchanges, maturities, tenders or other matters relative to any Pledged Shares, whether or not Agent or any Bank has or is deemed to have knowledge of such matters, or (ii) taking any necessary steps to preserve rights against any parties with respect to any Pledged Shares unless so reasonably requested by a Grantor.

**SECTION 13. Remedies.** If any Event of Default shall have occurred and be continuing, Agent may exercise in respect of the Collateral, in addition to other rights and remedies provided for herein or otherwise available to it, all the rights and remedies of a secured party on default under the Uniform Commercial Code (the "Code") (whether or not the Code applies to the affected Collateral) and also may (i) require Grantors and any of them to, and Grantors hereby agree that they will at their expense and upon request of Agent forthwith, assemble all or part of the Collateral owned by each of them as directed by Agent and make it available to Agent at a place to be designated by Agent which is reasonably convenient to both parties, (ii) to the full extent permitted by law, without notice or demand or legal process, enter upon any premises of Grantors and take possession of the Collateral, and (iii) without notice except as specified below, sell the Collateral or any part thereof in one or more parcels at public or private sale, at any of the Agent's offices or elsewhere, at such time or times, for cash, on credit or for future delivery, and at such price or prices and upon such other terms as shall be commercially reasonable. Grantors agree that, to the extent notice of sale shall be required by law, at least ten days' notice to Grantors of the time and place of any public sale or the time after which any private sale is to be made shall constitute reasonable notification. With respect to the Pledged Shares or other securities constituting Collateral, Agent shall be authorized at any such sale (to the extent it deems it advisable to do so, in its sole discretion or as may be required by applicable law) to restrict the prospective bidders or purchasers to persons who in the Agent's sole judgment are sufficiently sophisticated and who will represent and agree that they are purchasing the Pledged Shares or other securities constituting Collateral then being sold for their own account and not with a view to the distribution or resale thereof, and upon consummation of any such sale Agent shall have the right to assign, transfer and deliver to the purchaser or purchasers thereof the Pledged Shares or other securities constituting Collateral so sold. If deemed necessary or appropriate by Agent in its sole discretion in the exercise of its rights under this Section 13, Agent may transfer the Pledged Shares or any of them into its own name or the name of its nominee. At any sale of the Collateral, if permitted by law, Agent may bid

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TO 16265778800-2468

PAGE.011

(which bid may be, in whole or in part, in the form of cancellation of indebtedness) for and purchase the Collateral or any portion thereof for the account of Agent (on behalf of Banks). Agent shall not be obligated to make any sale of Collateral regardless of notice of sale having been given. Agent may adjourn any public or private sale from time to time by announcement at the time and place fixed therefor, and such sale may, without further notice, be made at the time and place to which it was so adjourned.

**SECTION 14. Application of Proceeds.** All proceeds received by Agent (or any Bank) in respect of any sale of, collection from, or other realization upon all or any part of the Collateral may, in the discretion of Agent be held by Agent as Collateral for, and/or then or at any time thereafter applied in whole or in part by Agent against the Obligations in the following order of priority:

**FIRST:** To the payment of the costs and expenses of such sale, collection or other realization, and all expenses, liabilities and advances made or incurred by Agent in connection therewith, in accordance with Section 15;

**SECOND:** After payment in full of the amount specified in the preceding subparagraph, to the payment of all of the Obligations of the Grantors relating to the Acquisition Commitment and the Acquisition Loans and issuance of Acquisition Notes thereunder (the "Acquisition Obligations") for the equal and ratable benefit of Agent and Banks in accordance with the respective amounts so due and owing to them;

**THIRD:** After payment in full of the amounts specified in the preceding subparagraphs, to the payment of all of the Obligations of the Grantors relating to the Overdraft Agreement and the payment reimbursement of Overdraft Amounts to Bankers;

**FOURTH:** After payment in full of the amounts specified in the preceding subparagraphs, to the payment of all of the Obligations of the Grantors relating to the Working Capital Commitment and the Working Capital Loans and issuance of Working Capital Notes thereunder (the "Working Capital Obligations") for the equal and ratable benefit of Agent and Banks in accordance with the respective amounts so due and owing to them; and

**FIFTH:** After payment in full of the amounts specified in the preceding subparagraphs, to the payment to or upon the order of the Grantors, or to whomsoever may be lawfully entitled to receive the same (or as a court of competent jurisdiction may direct, of any surplus then remaining from such proceeds.

**SECTION 15. Indemnity and Expenses.**

(a) Grantors jointly and severally agree to indemnify Agent from and against any and all claims, losses and liabilities growing out of or resulting from this Agreement (including, without limitation, enforcement of this Agreement), except claims, losses or liabilities resulting from Agent's gross negligence or wilful misconduct.

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TO 16265778800-2468

PAGE 012

(b) Grantors jointly and severally agree to pay upon demand to Agent the amount of any and all reasonable expenses, including the reasonable fees and disbursements of counsel and of any experts and agents, which Agent may incur in connection with (i) the administration of this Agreement, (ii) the custody, preservation, use or operation of, or the sale of, collection from, or other realization upon, any of the Collateral, (iii) the exercise or enforcement of any of the rights of Agent hereunder or (iv) the failure by any of the Grantors to perform or observe any of the provisions hereof.

#### SECTION 16. Voting Rights; Dividends, Etc.

(a) So long as an Event of Default shall not have occurred and be continuing:

(i) Grantors shall be entitled to exercise any and all voting and/or consensual rights and powers relating to or pertaining to the Pledged Shares or other securities constituting the Collateral or any part thereof for any purpose not in violation of the terms of this Agreement; provided, however, that no Grantor shall be permitted to exercise or refrain from exercising any such right or power if, in the judgment of Agent, such action could reasonably be expected to have a material adverse effect on the value of the Collateral or any part thereof.

(ii) Grantors shall be entitled to receive and retain any and all ordinary cash dividends and interest paid in respect of the Pledged Shares or other securities constituting Collateral, provided, however, that any and all stock and/or liquidating dividends, distributions in property, returns of capital or other distributions made on or in respect of such Collateral, whether resulting from a subdivision, combination or reclassification of the outstanding capital stock of any issuer thereof or received in exchange for such Collateral or any part thereof or as a result of any merger, consolidation, acquisition or other exchange of assets to which any such issuer may be a party or otherwise, and any and all cash and other property received in payment of the principal of or in redemption of or in exchange for any of such Collateral (either at maturity, upon call for redemption or otherwise), shall be and become part of the Collateral and, if received by any Grantor shall be held in trust for the benefit of Agent (on behalf of Banks) and shall forthwith be delivered to Agent or its designated agent (accompanied by proper instruments of assignment and/or stock and/or bond powers executed by the appropriate Grantor in accordance with the Agent's instructions) to be held subject to the terms of this Agreement.

(iii) Agent shall execute and deliver (or cause to be executed and delivered) to Grantors all such proxies, powers of attorney, dividend orders, interest coupons and other instruments as Grantors may reasonably request for the purpose of enabling Grantors to exercise the voting and/or consensual rights and powers which they are entitled to exercise pursuant to subsection 16(a)(i) above and/or to receive the dividends and/or interest

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TO 16265778800-2468

PAGE.013

payments which they are authorized to receive and retain pursuant to subsection 16(a)(ii) above.

(b) Upon the occurrence of an Event of Default (other than an Event of Default pursuant to subsection 7.5 of the Credit Agreement) which is continuing, all rights of Grantors to exercise the voting and/or consensual rights and powers which they are entitled to exercise pursuant to subsection 15(a)(i) and/or to receive the dividends and interest payments which they are authorized to receive and retain pursuant to subsection 16(a)(ii) shall cease, and all such rights shall thereupon become vested in Agent who shall have the sole and exclusive right and authority to exercise such voting and/or consensual rights and powers and/or to receive and retain (on behalf of Banks) the dividends and/or interest payments which Grantors would otherwise be authorized to receive and retain pursuant to subsection 16(a). Any and all money and other property paid over to or received by Agent pursuant to the provisions of this subsection 16(b) shall be retained by Agent as part of the Collateral and be applied in accordance with the provisions of Section 14 hereof.

**SECTION 17. Amendments; Etc.** No amendment or waiver of any provision of this Agreement nor consent to any departure by any Grantor herefrom, shall in any event be effective unless the same shall be in writing and signed by the Agent and the Grantor, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given.

**SECTION 18. Addresses for Notices.** All notices and other communications to any party provided for hereunder shall be in writing (including telegraphic or telecopy communication) and mailed or telegraphed or delivered to such party, addressed to it at the address of such party specified on the appropriate signature page hereof, or as to any party at such other address as shall be in a written notice to each other party complying as to delivery with the terms of this Section. All such notices and other communications shall be deemed to have been given when delivered in person, upon receipt of telecopy or telex or four Business Days after deposit in the United States mail, registered or certified, with postage prepaid and properly addressed as aforesaid.

**SECTION 19. Continuing Security Interest; Transfer of Note.** This Agreement shall create a continuing security interest in the Collateral and shall (i) remain in full force and effect until payment in full of the Obligations and termination of the Commitments of Banks under the Credit Agreement, (ii) be binding upon Grantors, their successors and assigns and (iii) inure to the benefit of Banks and Agent, on behalf of Banks, and their successors, transferees and assigns, including any successor "Agent" appointed in accordance with the provisions of subsection 8.8 of the Credit Agreement. Without limiting the generality of the foregoing clause (iii) but subject to the provisions of the Credit Agreement, any Bank may assign or otherwise transfer the Notes held by it to any other person or entity, and such other benefits in respect thereof granted to that Bank herein or otherwise. Upon the payment in full of the Obligations and termination of the Commitments of Banks under the Credit Agreement, the security interest granted hereby shall terminate and all rights to the Collateral shall



MAY 8 '02 12:40

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TO 16265778800-2468

PAGE 014

revert to Grantors. Upon any such termination, Agent will, at Grantors expense, execute and deliver to Grantors such documents as Grantors shall reasonably request to evidence such termination.

**SECTION 20. Governing Law; Terms.** This Agreement shall be governed by and construed in accordance with the laws of the State of New York. Unless otherwise defined herein or in the Credit Agreement, terms used in Article 9 of the Uniform Commercial Code in the State of New York are used herein as therein defined.

**SECTION 21. Credit Agreement Controls.** In case of any irreconcilable conflict between the provisions of this Agreement and the Credit Agreement, the provisions of the Credit Agreement shall control.

**SECTION 22. Conflict with Pledge and Security Agreement (Current Assets).** The parties intend that this Agreement create a security interest in property, plant and equipment (other than real property) and in shares of capital stock owned by Grantors, that the Pledge and Security Agreement (Current Assets) create a security interest in inventory, accounts receivable, cash and cash equivalents, short-term investments and other assets which would in accordance with GAAP be classified as "current assets," and that these two Collateral Documents create security interests in substantially all of the personal property of Grantors. The parties wish that the foregoing intention be given effect in resolving any conflict as to whether any particular item of property of any Grantor is subject to this Agreement or the Pledge and Security Agreement (Current Assets).

**SECTION 23. Counterparts.** This Agreement and any amendments, waivers, consents or supplements may be executed in any number of counterparts, each of which when so executed and delivered shall be deemed an original, but all such counterparts together shall constitute but one and the same instrument.

IN WITNESS WHEREOF, Grantors have caused this Agreement to be duly executed and delivered by their officer thereunto duly authorized as of the date first above written.

PAPERCRAFT ACQUISITION CORPORATION

By: [Signature]  
Title: President

Notice Address:

c/o Papercraft Corporation  
Papercraft Park  
Pittsburgh, Pennsylvania 15238

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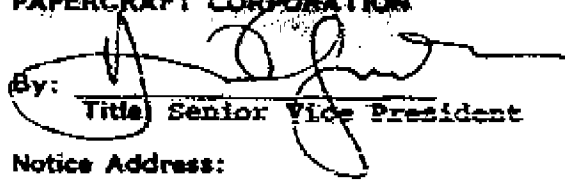
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PAPERCRAFT CORPORATION

By:   
Title: Senior Vice President

Notice Address:

Papercraft Park  
Pittsburgh, Pennsylvania 15238

AMERICAN TECHNICAL INDUSTRIES, INC.

By:   
Title: Senior Vice President

Notice Address:

c/o Papercraft Corporation  
Papercraft Park  
Pittsburgh, Pennsylvania 15238

BARTH & DREYFUSS OF CALIFORNIA

By:   
Title: Senior Vice President

Notice Address:

c/o Papercraft Corporation  
Papercraft Park  
Pittsburgh, Pennsylvania 15238

KNOMARK, INC.

By:   
Title: Senior Vice President

Notice Address:

c/o Papercraft Corporation  
Papercraft Park  
Pittsburgh, Pennsylvania 15238

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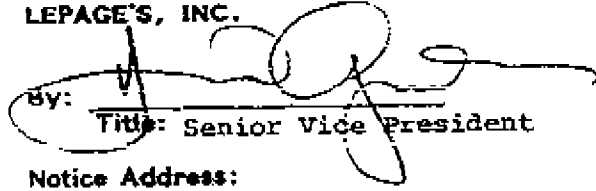
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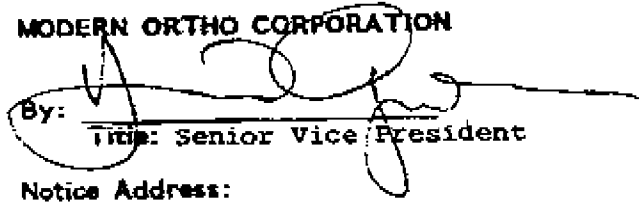
LEPAGE'S, INC.

By:   
Title: Senior Vice President

Notice Address:

c/o Papercraft Corporation  
Papercraft Park  
Pittsburgh, Pennsylvania 15238

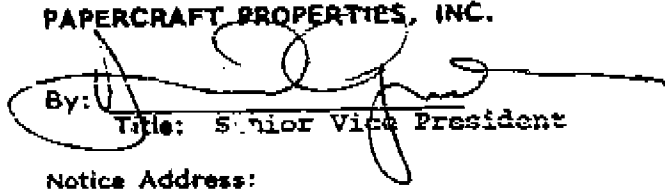
MODERN ORTHO CORPORATION

By:   
Title: Senior Vice President

Notice Address:

c/o Papercraft Corporation  
Papercraft Park  
Pittsburgh, Pennsylvania 15238

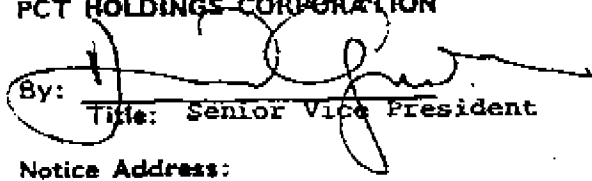
PAPERCRAFT PROPERTIES, INC.

By:   
Title: Senior Vice President

Notice Address:

c/o Papercraft Corporation  
Papercraft Park  
Pittsburgh, Pennsylvania 15238

PCT HOLDINGS CORPORATION

By:   
Title: Senior Vice President

Notice Address:

c/o Papercraft Corporation  
Papercraft Park  
Pittsburgh, Pennsylvania 15238

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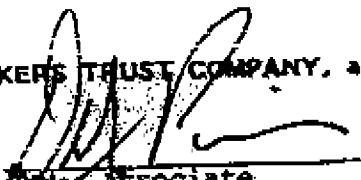
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BANKERS TRUST COMPANY, as Agent

By:   
Title: Associate

Notice Address:  
400 South Hope Street  
Los Angeles, California 90071

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**SCHEDULE I**  
**TO**  
**PLEDGE AND SECURITY AGREEMENT**  
**(FIXED ASSETS AND STOCK)**  
**Pledged Shares**

<u>Issuer</u>	<u>Grantor</u>	<u>Description</u>
Papercraft Corporation	American Technical Industries, Inc.	Common Stock 1,425,618
Papercraft Corporation	LePage's, Inc.	Common Stock 1,000 Shares
Papercraft Corporation	Barth & Dreyfuss of California	Common Stock 100 Shares
Papercraft Corporation	Knomark, Inc.	Common Stock 100 Shares
Papercraft Corporation	Modern Ortho Corporation	Common Stock 100 Shares
Papercraft Corporation	Papercraft Properties, Inc.	Common Stock 1,000 Shares
Papercraft Corporation	PCT Holdings Corporation	Common Stock 100 Shares
Papercraft Corporation	Papercraft Domestic International Sales Corporation	Common Stock 2,500 Shares
Knomark, Inc.	Knomark Canada, Inc.	Common Stock 1,000 Shares

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PAGE 019

SCHEDULE II  
TO  
PLEDGE AND SECURITY AGREEMENT  
(FIXED ASSETS AND STOCK)

Locations of Equipment:

(1) Papercraft Acquisition Corporation: None

(2) Papercraft Corporation:

Papercraft Park  
Pittsburgh, PA 15238

American Tree Co.  
Jingle Bell Lane  
Aurora, IL 60506

American Tree Co.  
855 Manchester Street  
Lexington, KY 40508

American Tree Co.  
3401 Etiwanda Avenue  
Building 931B  
Mira Loma Specr Center  
Mira Loma, CA 91752

(3) American Technical Industries, Inc.:

4311 S. Congress Avenue  
Austin, TX 78745

Old Country Road & Bronk Mill Road  
West Coxsackie, NY 12192

328 Gale Street  
Aurora, IL 60506

Papercraft Park  
Pittsburgh, PA 15238

Main Street & Lincoln Avenue  
Blakely, PA 15447

Toy Center North  
1107 Broadway  
New York, NY 10010

Mira Plastics Company, Inc.  
P.O. Box 399  
Mira Avenue  
Newton, NJ 07860

1454 Jingle Bell Lane  
Lexington, KY 40505

Bailey Street  
West Coxsackie, NY 12192

3401 Etiwanda Avenue  
Mira Loma, CA 91752

Matthews Drive  
Industrial Park  
Americus, GA

5500 "F" & "G" West Touhy Ave.  
Skokie, IL 60076

Scott Industries, Inc.  
4817 Albion Avenue  
Louisville, KY 40214

Val's Tool & Die Company  
130 McQuiston Parkway South  
Mt. Vernon, NY 10550

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PAGE 020

Mell Tool & Plastics Corporation  
2319 Lynch Road  
Evansville, IN 47711

(4) Barth & Dreyfuss of California:

2260 E. 15th Street  
Los Angeles, CA 90021

1521 Los Palos Avenue  
Los Angeles, Ca 90023

100 N. Bivens Road  
Monroe, NC 28110

285 Fifth Avenue  
Room 907  
New York, NY 10016

2079 E. 15th Street  
Los Angeles, CA 90021

1364 Merchandise Mart  
Chicago, IL 60654

2030 Kingsley  
Albemarle, NC 28001

(5) Knomark, Inc.:

132-20 Merrick Blvd.  
Jamaica, NY 11434

(6) LaPage's, Inc.:

P.O. Box 291  
Essex Avenue  
Gloucester, MA 01930-0291

American Tree Co.  
1454 Jingle Bell Lane  
Lexington, KY 40505

(7) Modern Ortho Corporation:

584-588 Broadway  
New York, NY 10012

(8) Papercraft Properties, Inc.: None

(9) PCT Holdings Corporation: None

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SCHEDULE III

TO

PLEDGE AND SECURITY AGREEMENT  
(FIXED ASSETS AND STOCK)

COMMISSIONER OF PATENT  
& TRADEMARK OFFICE

Chief Places of Business/Executive Offices of Grantors:

- (1) Papercraft Acquisition Corporation  
Papercraft Park  
Pittsburgh, PA 15238
- (2) Papercraft Corporation  
Papercraft Park  
Pittsburgh, PA 15238
- (3) American Technical Industries, Inc.  
American Plaza (Papercraft Park)  
Pittsburgh, PA 15238
- (4) Barth & Drayfuss of California  
2260 E. 15th Street  
Los Angeles, CA 90021
- (5) Knomark, Inc.  
132-20 Merrick Blvd.  
Jamaica, NY 11434
- (6) L. Page's, Inc.  
Papercraft Park  
Pittsburgh, PA 15238
- (7) Modern Ortho Corporation  
132-20 Merrick Blvd. (Executive Offices)  
Jamaica, NY 11434  
584-588 Broadway (Chief Place of Business)  
New York, NY 10012
- (8) Papercraft Properties, Inc.  
Papercraft Park  
Pittsburgh, PA 15238
- (9) PCT Holdings Corporation  
Papercraft Park  
Pittsburgh, PA 15238

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