

3/4/04

Form PTO-1594
(Rev. 10/02)
OMB No. 0651-0027 (exp. 6/30/2005)
Tab settings ⇨ ⇨ ⇨ ▼

03-04-2004



T U.S. DEPARTMENT OF COMMERCE
U.S. Patent and Trademark Office

To the Honorable Commissioner

102685011

Send original documents or copy thereof.

1. Name of conveying party(ies):

American Pad & Paper LLC

- Individual(s)
- General Partnership
- Corporation-State
- Other Delaware limited liability company
- Association
- Limited Partnership

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

3. Nature of conveyance:

- Assignment
- Security Agreement
- Other
- Merger
- Change of Name

Execution Date: 02/26/04

2. Name and address of receiving party(ies)

Name: Wells Fargo Foothill, Inc.,

Internal

Address:

Street Address: 2450 Colorado Ave., Ste 3000W

City: Santa Monica State: CA Zip: 90404

- Individual(s) citizenship
- Association
- General Partnership
- Limited Partnership
- Corporation-State California
- 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

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

A. Trademark Application No.(s) See attached

B. Trademark Registration No.(s) See attached

Additional number(s) attached Yes No

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

Name: Josh S. Ridout, Esq.

Internal Address:

Paul, Hastings, Janofsky & Walker LLP

Street Address: 515 South Flower Street

25th Floor

City: Los Angeles State: CA Zip: 90071-2228

6. Total number of applications and registrations involved:

37

7. Total fee (37 CFR 3.41) \$ 940.00

- Enclosed
- Authorized to be charged to deposit account

8. Deposit account number:

16-0752

DO NOT USE THIS SPACE

9. Signature.

Josh S. Ridout

Name of Person Signing

Signature

3/3/04

Date

Total number of pages including cover sheet, attachments, and document: 19

03/05/2004 LMOELLER 00000018 2284117

01 FC:8521
02 FC:8522

40.00 DP
900.00 DP

Mail documents to be recorded with required cover sheet information to:
Commissioner of Patent & Trademarks, Box Assignments
Washington, D.C. 20231

TRADEMARK
REEL: 002923 FRAME: 0222

ATTACHMENT TO TRADEMARK RECORDATION COVER SHEET**TRADEMARK REGISTRATIONS**

<u>Name of Mark</u>	<u>Registration No.</u>
ACCUFILE	2,284,117
AMPAD	1,027,904
CITADEL	801,895
COMPUSETTE	1,416,631
CONFIDENTIAL	1,472,269
DUAL-PAD	1,639,070
EFFICIENCY	654,473
EMBASSY	1,444,074
EMBASSY	1,517,994
EVIDENCE	796,402
EXTREME COLORS	2,251,459
GOLD FIBRE	1,186,672
GREEN CYCLE	1,629,147
GREEN CYCLE	1,696,038
GREEN CYCLE and Design	1,669,893
K and Design	771,898
LETTER EDGE	1,306,998
LETTEREX	436,206
MARION	1,340,657

MISCELLANEOUS DESIGN	2,246,161
NOTE PERFECT	1,411,275
PC PAPERS	2,200,752
SHADE	854,633
SOFT SCENES	2,414,179
STIFF BACK	1,424,802
STYLE FOLDER	2,783,304
WIRELOCK	1,323,236
WORLD FIBRE	1,928,410
REGAL MILLS	2,400,949
MISCELLANEOUS DESIGN	2,589,057
LEFT*WRITE	1,347,784
POP PAPERS	2,069,367
ACCUPAD	2,172,992

TRADEMARK APPLICATIONS

<u>Name of Mark</u>	<u>Serial No.</u>
ENVIROTECH	78/142,680
STYLE EXPANDABLES	78/181,798
TUFF PAD	78/319,113
SOFT SCENES	78/296,733

TRADEMARK SECURITY AGREEMENT

This **TRADEMARK SECURITY AGREEMENT** (this "Agreement"), dated as of February 26, 2004, is made by **AMERICAN PAD & PAPER LLC**, a Delaware limited liability company ("Debtor"), in favor of **WELLS FARGO FOOTHILL, INC.**, a California corporation, as collateral agent for Project Paper, Inc., a Delaware corporation ("PPI") (in such capacity, together with its successors and assigns, if any, in such capacity, "Collateral Agent"), with reference to the following:

WHEREAS, PPI, Debtor and Collateral Agent are entering into that certain Registered Lease Financing and Purchase Option Agreement dated as of the date hereof (as amended, restated, supplemented or otherwise modified from time to time, the "Lease Agreement") pursuant to which PPI will lease certain assets to Debtor, and Collateral Agent shall act as Collateral Agent for PPI;

WHEREAS, PPI, Debtor, Collateral Agent and First Islamic Investment Funding Limited, a Cayman Islands limited liability company, are entering into that certain Working Capital Murabaha Facility Agreement dated as of the date hereof (as amended, restated, supplemented or otherwise modified from time to time, the "Murabaha Facility Agreement") pursuant to which PPI will make available to Debtor a working capital murabaha facility of up to \$35,000,000, subject to certain increases and reductions as more particularly described therein, and Collateral Agent shall act as collateral agent for PPI;

WHEREAS, to induce PPI to enter into the Lease Agreement, the Murabaha Facility Agreement and other agreements and documents ancillary thereto, Debtor desires to pledge, grant, transfer, and assign Collateral Agent, for the benefit of PPI, a security interest in the Trademark Collateral (as hereinafter defined) to secure the Obligations (as hereinafter defined), as provided herein.

NOW, THEREFORE, in consideration of the premises set forth above, the terms and conditions contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and each intending to be bound hereby, Collateral Agent and Debtor agree as follows:

1. Definitions; Interpretation.

(a) Certain Defined Terms. All capitalized terms used herein and not otherwise defined herein shall have the meanings ascribed to them in the Lease Agreement. As used in this Agreement, the following terms shall have the following meanings:

"Agreement" has the meaning set forth in the preamble hereto, and any joinders, extension, riders, supplements, notes, amendments or modifications to or in connection hereof.

"Bankruptcy Code" means the United States Bankruptcy Code (11 U.S.C. § 101 et seq.), as amended, and any successor statute.

“Collateral Agent” has the meaning set forth in the preamble hereto.

“Debtor” has the meaning set forth in the preamble hereto.

“Event of Default” has the meaning set forth in Section 8.

“Lease Agreement” has the meaning set forth in the recitals to this Agreement.

“Murabaha Documents” means the Murabaha Facility Agreement and any and all other documents and agreements including, without limitation, acknowledgments and consents with respect thereto, assignments thereof and exhibits thereto, delivered in connection with the Murabaha Facility Agreement, all as the same may be amended, restated, supplemented or otherwise modified from time to time.

“Murabaha Facility Agreement” has the meaning set forth in the recitals to this Agreement.

“Obligations” has the meaning set forth in the Security Agreement.

“PPI” has the meaning set forth in the preamble hereto.

“Proceeds” means whatever is receivable or received from or upon the sale, lease, license, collection, use, exchange or other disposition, whether voluntary or involuntary, of any Trademark Collateral, including “proceeds” as such term is defined in the UCC, and all proceeds of proceeds. Proceeds shall include (i) any and all accounts, chattel paper, instruments, general intangibles, cash and other proceeds, payable to or for the account of Debtor, from time to time in respect of any of the Trademark Collateral, (ii) any and all proceeds of any insurance, indemnity, warranty or guaranty payable to or for the account of Debtor from time to time with respect to any of the Trademark Collateral, (iii) any and all claims and payments (in any form whatsoever) made or due and payable to Debtor from time to time in connection with any requisition, confiscation, condemnation, seizure or forfeiture of all or any part of the Trademark Collateral by any Person acting under color of governmental authority, and (iv) any and all other amounts from time to time paid or payable under or in connection with any of the Trademark Collateral or for or on account of any damage or injury to or conversion of any Trademark Collateral by any Person.

“PTO” means the United States Patent and Trademark Office and any successor thereto.

“Record” means information that is inscribed on a tangible medium or which is stored in an electronic or other medium and is retrievable in perceivable form.

“Secured Party” means, individually and collectively, each of Collateral Agent and PPI.

“Security Agreement” means that certain Security Agreement dated as of the date hereof by and between Debtor and Collateral Agent.

“Trademark Collateral” has the meaning set forth in Section 2.

“Trademarks” has the meaning set forth in Section 2.

“Transaction Documents” means this Agreement, the Lease Agreement, the other Lease Documents, the Supplemental Agreement, the other Lease Security Documents and the Murabaha Documents.

“UCC” means the Uniform Commercial Code as in effect from time to time in the State of New York.

“United States” and “U.S.” each mean the United States of America.

(b) Terms Defined in UCC. Where applicable and except as otherwise defined herein, terms used in this Agreement shall have the meanings assigned to them in the UCC.

(c) Interpretation. Unless the context of this Agreement clearly requires otherwise, references to the plural include the singular, references to the singular include the plural, the term “including” is not limiting, and the term “or” has, except where otherwise indicated, the inclusive meaning represented by the phrase “and/or.” The words “hereof,” “herein,” “hereby,” “hereunder,” and similar terms in this Agreement refer to this Agreement as a whole and not to any particular provision of this Agreement. Section, subsection, clause, schedule, and exhibit references are to this Agreement unless otherwise specified. All of the exhibits or schedules attached to this Agreement shall be deemed incorporated herein by reference. Any reference in this Agreement or in any of the other Transaction Documents to this Agreement or to any of the other Transaction Documents shall include all alterations, amendments, changes, extensions, modifications, renewals, replacements, substitutions, joinders, and supplements, thereto and thereof, as applicable (subject to any restrictions on such alterations, amendments, changes, extensions, modifications, renewals, replacements, substitutions, joinders, and supplements set forth therein). In the event of a direct conflict between the terms and provisions of this Agreement and the Lease Agreement, it is the intention of the parties hereto that both such documents shall be read together and construed, to the fullest extent possible, to be in concert with each other. In the event of any actual, irreconcilable conflict that cannot be resolved as aforesaid, the terms and provisions of the Lease Agreement shall control and govern; provided, however, that the inclusion herein of additional obligations on the part of Debtor and supplemental rights and remedies in favor of Collateral Agent, in each case in respect of the Trademark Collateral, shall not be deemed a conflict with the Lease Agreement. Any reference herein to any Person shall be construed to include such Person’s successors and assigns. Any requirement of a writing contained herein shall be satisfied by the transmission of a Record and any Record transmitted shall constitute a representation and warranty as to the accuracy and completeness of the information contained therein. The captions and headings are for convenience of reference only and shall not affect the construction of this Agreement. References to statutes or regulations are to be construed as including all statutory and regulatory provisions consolidating, amending or replacing the statute or regulation referred to.

2. Security Interest.

(a) Grant of Security in respect of the Obligations. To secure the prompt payment and performance of the Obligations, Debtor hereby grants to Collateral Agent, for the benefit of Secured Party, a continuing security interest in all of Debtor's right, title and interest in and to the following property, whether now existing or hereafter acquired or arising and whether registered or unregistered (collectively, the "Trademark Collateral"):

(i) all state (including common law) and federal trademarks, service marks and trade names, corporate names, company names, business names, fictitious business names, trade styles, trade dress, logos, other source or business identifiers, designs and other indicia of source, now existing or hereafter adopted or acquired, together with and including all licenses therefor held by Debtor, and all registrations and recordings thereof, and all applications filed or to be filed in connection therewith, including registrations and applications in the PTO, any state of the United States (but excluding each application to register any trademark, service mark, or other mark prior to the filing under applicable law of a verified statement of use (or the equivalent) for such trademark or service mark) and all extensions or renewals thereof, including without limitation any of the foregoing identified on Schedule A hereto (as the same may be amended, modified or supplemented from time to time), and the right (but not the obligation) to register claims under any state or federal trademark law or regulation and to apply for, renew and extend any of the same, to sue or bring opposition or cancellation proceedings in Debtor's name or in the name of Collateral Agent for past, present or future infringement or unconsented use thereof, and all rights arising therefrom throughout the world (collectively, the "Trademarks");

(ii) all claims, causes of action and rights to sue for past, present or future infringement or unconsented use of any Trademarks and all rights arising therefrom and pertaining thereto;

(iii) all general intangibles related to or arising out of any of the Trademarks and all the goodwill of Debtor's business symbolized by the Trademarks or associated therewith; and

(iv) all Proceeds of any and all of the foregoing.

(b) Continuing Security Interest. Debtor hereby agrees that this Agreement shall create a continuing security interest in the Trademark Collateral which shall remain in effect until terminated in accordance with Section 18.

(c) Licenses. Debtor may grant licenses of the Trademark Collateral in accordance with the terms of the Lease Agreement or otherwise as agreed to by Collateral Agent in writing.

3. Further Assurances; Appointment of Collateral Agent as Attorney-in-Fact. Debtor at its expense shall execute and deliver, or cause to be executed and delivered, to Collateral Agent any and all documents and instruments, in form and substance reasonably satisfactory to Collateral Agent, and take any and all action, which Collateral Agent, in the

exercise of its discretion, may request from time to time, to perfect and continue the perfection or to maintain the priority of, or provide notice of the security interest in the Trademark Collateral held by Collateral Agent for the benefit of Secured Party and to accomplish the purposes of this Agreement. If Debtor refuses to execute and deliver, or fails timely to execute and deliver, any of the documents it is requested to execute and deliver by Collateral Agent in accordance with the foregoing, Collateral Agent shall have the right, in the name of Debtor or otherwise, without notice to or assent by Debtor, and Debtor hereby irrevocably constitutes and appoints Collateral Agent (and any of Collateral Agent's officers or employees or agents designated by Collateral Agent) as Debtor's true and lawful attorney-in-fact with full power and authority, (i) to sign the name of Debtor on all or any of such documents or instruments and perform all other acts that Collateral Agent in the exercise of its discretion deems necessary in order to perfect or continue the perfection of, maintain the priority or enforceability of or provide notice of the security interest in the Trademark Collateral held by Collateral Agent for the benefit of Secured Party, and (ii) to execute any and all other documents and instruments, and to perform any and all acts and things for and on behalf of Debtor, which Collateral Agent, in the exercise of its discretion, may deem necessary or advisable to maintain, preserve and protect the Trademark Collateral and to accomplish the purposes of this Agreement, including (A) to defend, settle, adjust or institute any action, suit or proceeding with respect to the Trademark Collateral, (B) to assert or retain any rights under any license agreement for any of the Trademark Collateral, and (C) to execute any and all applications, documents, papers and instruments for Collateral Agent to use the Trademark Collateral, to grant or issue any exclusive or non-exclusive license with respect to any Trademark Collateral, and to assign, convey or otherwise transfer title in or dispose of the Trademark Collateral. The power of attorney set forth in this Section 3, being coupled with an interest, is irrevocable so long as this Agreement shall not have terminated in accordance with Section 18; provided that the foregoing power of attorney shall terminate when all of the Obligations have been fully and finally paid and performed in full and Collateral Agent's obligation to extend credit under the Transaction Documents is terminated.

4. Representations and Warranties. Debtor represents and warrants, in each case to the best of its knowledge, information, and belief, as follows:

(a) No Other Trademarks. Schedule A sets forth a true and correct list of all of Debtor's existing Trademarks (other than abandoned Trademarks) that are registered, or for which any application for registration has been filed with the PTO or any corresponding or similar trademark office of any other U.S. jurisdiction, and that are owned or held (whether pursuant to a license or otherwise) by Debtor.

(b) Trademarks Subsisting. Each of Debtor's Trademarks listed in Schedule A is subsisting and has not been adjudged invalid or unenforceable, in whole or in part, and, to the best of Debtor's knowledge, each of the Trademarks set forth on Schedule A is valid and enforceable.

(c) Ownership of Trademark Collateral; No Violation. To the best of Debtor's knowledge, (i) Debtor owns or has rights in and good and defensible title to the Trademark Collateral which is listed on Schedule A, (ii) Debtor is the sole and exclusive owner of the Trademark Collateral listed on Schedule A, free and clear of any Liens and rights of others (other than Permitted Liens, nonexclusive licenses and liens set forth in Schedule A), including

any exclusive licenses and covenants by Debtor not to sue third persons, and (iii) with respect to any material Trademarks for which Debtor is either a licensor or a licensee pursuant to a license or licensing agreement regarding such Trademark, each such license or licensing agreement is in full force and effect, Debtor is not in material default of any of its obligations thereunder, and (A) other than the parties to such licenses or licensing agreements, or (B) in the case of any non-exclusive license or license agreement entered into by Debtor or any such licensor regarding such Trademark, the parties to any other such non-exclusive licenses or license agreements entered into by Debtor or any such licensor with any other Person, no other Person has any rights in or to any of the Trademark Collateral. To the best of Debtor's knowledge, the past, present and contemplated future use of the Trademark Collateral by Debtor has not, does not and will not infringe upon or violate any right, privilege or license agreement of or with any other Person or give any such Person the right to terminate any such right, privilege or license agreement.

(d) No Infringement. To the best of Debtor's knowledge, (i) no material infringement or unauthorized use presently is being made of any of the Trademark Collateral by any Person, and (ii) the past, present, and contemplated future use of the Trademark Collateral by Debtor has not, does not and will not materially infringe upon or materially violate any right, privilege, or license arrangement of or with any other Person or give such Person the right to terminate any such license arrangement.

(e) Powers. Debtor has the unqualified right, power and authority to pledge and to grant to Collateral Agent, for the benefit of Secured Party, security interests in the Trademark Collateral pursuant to this Agreement, and to execute, deliver and perform its obligations in accordance with the terms of this Agreement, without the consent or approval of any other Person except as already obtained.

(f) No holding, decision or judgment has been rendered by any Governmental Authority which would materially limit, cancel and question the validity of any Trademark of the Debtor.

(g) No action or proceeding is pending which seeks to limit, cancel or question the validity of any Trademark of the Debtor in any material respect, or which, if adversely determined, would have a material adverse effect on the value of any such Trademark.

(h) All applications pertaining to the Trademarks of the Debtor have been duly and properly filed, and all registrations pertaining to such Trademarks have been duly and properly issued, and all of such Trademarks are valid and enforceable.

(i) Debtor has not made or entered into any assignment or agreement which is in conflict with the security interest of the Trademarks of the Debtor hereunder.

5. Covenants. So long as any of the Obligations remain unsatisfied, Debtor agrees: (i) that it will comply in all material respects with all of the covenants, terms and provisions of this Agreement, the Lease Agreement and the other Transaction Documents, and (ii) upon learning of an event that could reasonably be expected to have a material adverse effect on any of the Trademarks and the Trademark Collateral, including any petition under the

Bankruptcy Code filed by or against any licensor of any of the Trademarks for which Debtor is a licensee, it will promptly give Collateral Agent written notice of such event. Debtor shall:

(a) (i) Continue to use each material Trademark in order to maintain such Trademark in full force free from any claim of abandonment for non-use, (ii) maintain the same level of quality for products and services offered under each Trademark as maintained in the past, (iii) employ such Trademark with the appropriate notice of registration, (iv) not adopt or use any mark which is confusingly similar or a colorable imitation of such Trademark unless the Collateral Agent, for the benefit of PPI, shall obtain a perfected security interest in such mark pursuant to this Agreement, and (v) not (and not permit any licensee or sublicensee thereof to) do any act or knowingly omit to do any act whereby any material Trademark may become invalidated.

(b) Promptly notify the Collateral Agent if it knows, or has reason to know, that any application or registration relating to any material Trademark may become abandoned, or of any adverse determination or development (including, without limitation, the institution of, or any such determination or development in, any proceeding in the United States Patent and Trademark Office or any court or tribunal in Canada or in any other country) regarding Debtor's ownership of any such Trademark or its right to register the same or to keep, maintain and use the same.

(c) Take all reasonable and necessary steps, including, without limitation, in any proceeding before the United States Patent and Trademark Office, or any similar office or agency in Canada or in any other country or any political subdivision thereof, to maintain and pursue each application, to obtain the relevant registration and to maintain the registrations for each of the Trademarks, including, without limitation, filing of applications for renewal, affidavits of use and affidavits of incontestability, except to the extent that the failure to do so could not reasonably be expected to have a Material Adverse Effect.

(d) Promptly notify the Collateral Agent and PPI after it learns that any Trademark included in the Collateral is infringed, misappropriated or diluted by a third party to an extent that could reasonably be expected to have a Material Adverse Effect and promptly sue for infringement, misappropriation or dilution, to seek injunctive relief where appropriate and to recover any and all damages for such infringement, misappropriation or dilution, or take such other actions as it shall reasonably deem appropriate under the circumstances to protect such Trademark.

(e) Not make or enter into any assignment or agreement in conflict with the security interest in the Trademarks of Debtor hereunder.

Notwithstanding the foregoing, in the event that notices of abandonment are not issued by the United States Patent and Trademark Office with respect to the registered Trademarks "LETTER EDGE" (Registration No. 1,306,998) and "SHADE" (Registration No. 854,633) (the "Excluded Marks") as of the date of this Agreement, the covenants set forth in Sections 5(a)(i) and 5(c) above shall not apply to such Excluded Marks.

6. Future Rights. For so long as any of the Obligations shall remain outstanding, or, if earlier, until Collateral Agent shall have released or terminated, in whole but not in part, its interest in the Trademark Collateral, if and when Debtor shall obtain rights to any new Trademarks, or any reissue or renewal with respect to registered Trademarks or extension of any Trademarks, the provisions of Section 2 shall automatically apply thereto and Debtor shall give to Collateral Agent prompt notice thereof. Debtor shall do all things deemed necessary by Collateral Agent in the exercise of its discretion to ensure the validity, perfection, priority and enforceability of the security interests of Collateral Agent in any such future acquired Trademark Collateral. If Debtor refuses to execute and deliver, or fails timely to execute and deliver, any of the documents it is requested to execute and deliver by Collateral Agent in connection herewith, Debtor hereby authorizes Collateral Agent to modify, amend or supplement the Schedules hereto and to re-execute this Agreement from time to time on Debtor's behalf and as its attorney-in-fact to include any future Trademarks which are or become Trademark Collateral and to cause such re-executed Agreement or such modified, amended or supplemented Schedules to be filed with the PTO.

7. Duties of Collateral Agent and PPI. Notwithstanding any provision contained in this Agreement, neither the Collateral Agent nor PPI shall have any duty to exercise any of the rights, privileges or powers afforded to it and shall not be responsible to Debtor or any other Person for any failure to do so or delay in doing so. Neither of Collateral Agent nor PPI shall have any duty or liability to exercise or preserve any rights, privileges or powers pertaining to the Trademark Collateral other than the exercise of commercially reasonable behavior in accordance with applicable law.

8. Events of Default. The occurrence of an Event of Default (as such term is defined in the Lease Agreement) or an Event of Default (as such term is defined in the Murabaha Facility Agreement) shall each constitute an "Event of Default" hereunder.

9. Remedies. From and after the occurrence and during the continuation of an Event of Default, Collateral Agent shall have all rights and remedies available to it under the Lease Agreement, the Murabaha Facility Agreement or the Security Agreement and applicable law (which rights and remedies are cumulative) with respect to the security interests in any of the Trademark Collateral. Debtor hereby agrees that such rights and remedies include the right of Collateral Agent, on behalf of Secured Party, to sell or otherwise dispose of the Trademark Collateral after default, pursuant to the UCC. Debtor hereby agrees that Collateral Agent shall at all times have such royalty-free licenses, to the extent permitted by law and the Transaction Documents, for any Trademark Collateral that is reasonably necessary to permit the exercise of any of Collateral Agent's rights or remedies upon or after the occurrence of (and during the continuance of) an Event of Default with respect to (among other things) any tangible asset of Debtor in which Collateral Agent has a security interest, including Collateral Agent's rights to sell inventory, tooling or packaging which is acquired by Debtor (or its successor, assignee or trustee in bankruptcy). In addition to and without limiting any of the foregoing, upon the occurrence and during the continuance of an Event of Default, Collateral Agent shall have the right but shall in no way be obligated to bring suit, or to take such other action as Collateral Agent, in the exercise of its discretion, deems necessary, in the name of Debtor or Collateral Agent, to enforce or protect any of the Trademark Collateral, in which event Debtor shall, at the request of Collateral Agent, do any and all lawful acts and execute any and all documents

required by Collateral Agent necessary to such enforcement. To the extent that Collateral Agent shall elect not to bring suit to enforce such Trademark Collateral, Debtor, in the exercise of its reasonable business judgment, agrees to (a) use all reasonable measures and its diligent efforts, whether by action, suit, proceeding or otherwise, to prevent the infringement, misappropriation or violation thereof by others and (b) diligently to maintain any action, suit or proceeding against any Person necessary to prevent such infringement, misappropriation or violation.

10. Binding Effect. This Agreement shall be binding upon, inure to the benefit of and be enforceable by Debtor and Collateral Agent for the benefit of Secured Party and its respective successors and assigns.

11. Notices. All notices and other communications hereunder shall be in writing and shall be mailed, sent or delivered in accordance with the Lease Agreement.

12. Governing Law. This Agreement shall be governed by, and construed and enforced in accordance with, the laws of the State of New York, except to the extent that the validity or perfection of the security interests hereunder in respect of the Trademark Collateral are governed by federal law, in which case such choice of New York law shall not be deemed to deprive Collateral Agent of such rights and remedies as may be available under federal law.

13. Entire Agreement; Amendment. This Agreement and the other Transaction Documents, together with the Schedules hereto and thereto, contains the entire agreement of the parties with respect to the subject matter hereof and supersede all prior drafts and communications relating to such subject matter. Neither this Agreement nor any provision hereof may be modified, amended or waived except by the written agreement of the parties to this Agreement. Notwithstanding the foregoing, Collateral Agent may reexecute this Agreement or modify, amend or supplement the Schedules hereto as provided in Section 6 hereof.

14. Severability. If one or more provisions contained in this Agreement shall be invalid, illegal or unenforceable in any respect in any jurisdiction or with respect to any party, such invalidity, illegality or unenforceability in such jurisdiction or with respect to such party shall, to the fullest extent permitted by applicable law, not invalidate or render illegal or unenforceable any such provision in any other jurisdiction or with respect to any other party, or any other provisions of this Agreement.

15. Counterparts; Telefacsimile Execution. This Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute but one and the same agreement. Delivery of an executed counterpart of this Agreement by telefacsimile shall be equally as effective as delivery of an original executed counterpart of this Agreement. Any party delivering an executed counterpart of this Agreement by telefacsimile also shall deliver an original executed counterpart of this Agreement but the failure to deliver an original executed counterpart shall not affect the validity, enforceability, and binding effect of this Agreement.

16. Transaction Documents. Debtor acknowledges that the rights and remedies of Collateral Agent with respect to the security interest in the Trademark Collateral granted hereby

are more fully set forth in the Lease Agreement and the other Transaction Documents and all such rights and remedies are cumulative.

17. No Inconsistent Requirements. Debtor acknowledges that this Agreement and the other Transaction Documents may contain covenants and other terms and provisions variously stated regarding the same or similar matters, and Debtor agrees that all such covenants, terms and provisions are cumulative and all shall be performed and satisfied in accordance with their respective terms.

18. Termination. Upon the payment and performance in full of the Obligations, including the cash collateralization, expiration, or cancellation of all Obligations, if any, consisting of letters of credit, and the full and final termination of any commitment to extend any financial accommodations under the Transaction Documents, this Agreement shall terminate, and Collateral Agent shall execute and deliver such documents and instruments and take such further action reasonably requested by Debtor, at Debtor's expense, as Debtor shall reasonably request to evidence termination of the security interest granted by Debtor to Collateral Agent for the benefit of Secured Party hereunder, including cancellation of this Agreement by written notice from Collateral Agent to the PTO.

[Signature page follows]

IN WITNESS WHEREOF, Debtor has duly executed this Agreement, as of the date first above written.

DEBTOR:

**AMERICAN PAD & PAPER LLC, a
Delaware limited liability company**

By: _____

Name: _____

Title: _____

[SIGNATURE PAGE TO TRADEMARK SECURITY AGREEMENT]

SCHEDULE A

Trademarks of Debtor

CANADA

ISSUED TRADEMARKS/SERVICE MARKS

Registration No. 398,616 - Registered on May 29, 1992
EMBASSY (Class 16)

Registration No. TMA437,504 - Registered on December 30, 1994
EVERGREEN (Class 16)

Registration No. TMA 577,492 - Registered on March 14, 2003
MISCELLANEOUS DESIGN (new Ampad logo) (Class 16)

MEXICO

ISSUED TRADEMARKS/SERVICE MARKS

Registration No. 751,578 - Registered on June 26, 2002
AMPAD (Class 16)

Registration No. 751,544 - Registered on June 26, 2002
MISCELLANEOUS DESIGN (new Ampad logo) (Class 16)

UNITED KINGDOM/EUROPE

ISSUED TRADEMARKS/SERVICE MARKS

Registration No. 1,267,536- Registered on August 8, 1988
(United Kingdom) A AND DESIGN

Registration No. 348.544 - Registered on November 3, 1986
(Switzerland) AMPAD (Class 16)

Registration No. A1,267,535 - Registered on May 26, 1986
(Great Britain) AMPAD (Class 16)

UNITED STATES OF AMERICA

ISSUED TRADEMARKS/SERVICE MARKS

Registration No. 2,284,117 - Registered on October 5, 1999
ACCUFILE (Class 16)

Registration No. 1,027,904 - Registered on December 23, 1975
AMPAD (Class 16)

Registration No. 801,895 - Registered on January 11, 1966
CITADEL (Class 16)

Registration No. 1,416,631 - Registered on November 11, 1986
COMPUSETTE (Class 16)

Registration No. 1,472,269 - Registered on January 12, 1988
CONFIDENTIAL (Class 16)

Registration No. 1,639,070 - Registered on March 26, 1991
DUAL-PAD (Class 16)

Registration No. 654,473 - Registered on November 12, 1957
EFFICIENCY (Class 16)

Registration No. 1,444,074 - Registered on June 23, 1987
EMBASSY (Class 16)

Registration No. 1,517,994 - Registered on December 27, 1988
EMBASSY (Class 16)

Registration No. 796,402 - Registered on September 21, 1965
EVIDENCE (Class 16)

Registration No. 2,251,459 - Registered on June 8, 1999
EXTREME COLORS (Class 16)

Registration No. 1,186,672 - Registered on June 8, 1999
GOLD FIBRE (Class 16)

Registration No. 1,629,147 - Registered on December 25, 1990
GREEN CYCLE (Class 16)

Registration No. 1,696,038 - Registered on June 23, 1992
GREEN CYCLE (Class 16)

Registration No. 1,669,893 - Registered on December 24, 1991
GREEN CYCLE and design (Class 16)

Registration No. 771,898 - Registered on June 23, 1964
K and design (Class 16)

Registration No. 1,306,998 - Registered on November 27, 1984
LETTER EDGE (Class 16)

Registration No. 436,206- Registered on January 27, 1948
LETTEREX (Class 16)

Registration No. 1,340,657 - Registered on June 11, 1985
MARION (Class 16)

Registration No. 2,246,161 - Registered on May 18, 1999
MISCELLANEOUS DESIGN (Fleur-de-lis) (Class 16)

Registration No. 1,411,275 - Registered on September 30, 1986
NOTE PERFECT (Class 16)

Registration No. 2,200,752 - Registered on October 27, 1998
PC PAPERS (Class 16)

Registration No. 854,633 - Registered on August 13, 1968
SHADE (Class 16)

Registration No. 2,414,179 - Filed on December 19, 2000
SOFT SCENES (Class 16)

Registration No. 1,424,802 - Registered on January 13, 1987
STIFF BACK (Class 16)

Registration No. 2,783,304- Registered on November 11, 2003
STYLE FOLDER (Class 16)

Registration No. 1,323,236 - Registered on March 5, 1985
WIRELOCK (Class 16)

Registration No. 1,928,410 - Registered on October 17, 1995
WORLD FIBRE (Class 16)

Registration No. 2,400,949 - Registered on October 31, 2000
REGAL MILLS (Class 16)

Registration No. 2,589,057 - Registered on July 2, 2002
MISCELLANEOUS DESIGN (new Ampad logo) (Class 16)

Registration No. 1,347,784 - Registered on July 9, 1985
LEFT*WRITE (Class 16)

Registration No. 2,069,367 - Registered on June 10, 1997
POP PAPERS (Class 16)

Registration No. 2,172,992 - Registered on July 14, 1998
ACCUPAD (Class 16)

UNITED STATES OF AMERICA

PENDING TRADEMARKS/SERVICE MARKS

Serial No. 78/142,680 - Filed on July 10, 2002
ENVIROTECH (Class 16)

Serial No. 78/181,798 - Filed on November 5, 2002
STYLE EXPANDABLES (Class 16)

Serial No. 78/296,733 - Registered on September 5, 2003
SOFT SCENES (Class 16)

Serial No. 78/319,113 - Filed on October 27, 2003
TUFF PAD (Class 16)

CLOSED, ABANDONED OR EXPIRED TRADEMARKS

Registration No. 1,233,554 - Registered on April 5, 1983
THE AMPAD (Class 16)

Registration No. 744,093 - Registered on January 22, 1963
EFFICIENCY SWIFTY RASE BOND

Registration No. 528,604 - Registered on March 30, 1999
(European Community) EVIDENCE (Class 16)

Registration No. 2,063,934 - Registered on May 20, 1997
JET-COAT and Design

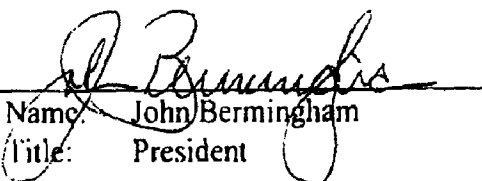
Registration No. 1,228,839 - Registered on February 22, 1983
THE STIFF ONE

Registration No. 752,130 - Registered on July 2, 1963
WIREMASTER (Class 16)

IN WITNESS WHEREOF, Debtor has duly executed this Agreement, as of the date first above written.

DEBTOR:

AMERICAN PAD & PAPER LLC, a
Delaware limited liability company

By: 
Name: John Bermingham
Title: President

[SIGNATURE PAGE TO TRADEMARK SECURITY AGREEMENT]

S-1