

04-15-2002

4-15-02



ET

TO: The Commissioner of Patents and
Submission Type

102055273
Conveyance Type

original document(s) or copy(ies).

New

4-15-02

Assignment

License

Resubmission (Non-Recordation)
Document ID#

Security Agreement

Nunc Pro Tunc Assignment

Correction of PTO Error
Reel # Frame #

Merger

Effective Date
Month Day Year

04 09 2002

Corrective Document
Reel # Frame #

Change of Name

Other

Conveying Party(ies)

Mark if additional names of conveying parties attached

Name Factory Card Outlet of America Ltd.

Execution Date
Month Day Year

04 09 2002

Formerly

Individual General Partnership Limited Partnership Corporation Association

Other

State of Incorporation State of Illinois

Receiving Party

Mark if additional names of conveying parties attached

Name William Kaye, as Collateral Trustee

DBA/AKA/TA

Composed of

Address (line 1) 31 Rose Lane

Address (line 2)

Address (line 3) East Rockaway

New York

11518

City

State/Country

Zip Code

Individual General Partnership Limited Partnership

Corporation Association

Other

State of Incorporation

If document to be recorded is an assignment and the receiving party is not domiciled in the United States, an appointment of a domestic representative is attached. (Designation must be a separate document from Assignment)

FOR OFFICE USE ONLY

04/15/2002 DBYRNE 00000172 76380142

01 FC:481 40.00 DP
02 FC:482 100.00 DP

Public burden reporting for this collection of information is estimated to average approximately 30 minutes per Cover Sheet to be recorded, including time for reviewing the document and gathering the data needed to complete the Cover Sheet. Send comments regarding this burden estimate to the U.S. Patent and Trademark Office, Chief Information Officer, Washington, D.C. 20231 and to the Office of Information and Regulatory Affairs, Office of Management and Budget, Paperwork Reduction Project (0651-0027), Washington, D.C. 20503. See OMB nation Collection Budget Package 0651-0027, Patent and Trademark Assignment Practice. DO NOT SEND REQUESTS TO RECORD ASSIGNMENT DOCUMENTS TO THIS ADDRESS.

Mail documents to be recorded with required cover sheet(s) information to:
Commissioner of Patents and Trademarks, Box Assignments, Washington, D.C. 20231

TRADEMARK

Domestic Representative Name and Address

Enter for the first Receiving Party only.

Name Otterbourg, Steindler, Houston & Rosen, P.C.

Address (line 1) Lorenzo Marinuzzi, Esq.

Address (line 2) 230 Park Avenue

Address (line 3) New York, New York 10169

Address (line 4)

Correspondent Name and Address

Area Code and Telephone Number

212-661-9100

Name Otterbourg, Steindler, Houston & Rosen, P.C.

Address (line 1) Joseph T. Makseyn

Address (line 2) 230 Park Avenue

Address (line 3) New York, New York 10169

Address (line 4)

Pages

Enter the total number of pages of the attached conveyance document including any attachments.

11

Trademark Application Number(s) or Registration Number(s)

Mark if additional numbers attached

Enter either the Trademark Application Number or the Trademark Number (DO NOT ENTER BOTH numbers for the same property).

Trademark Application Number(s)

Registration Number(s)

76/380,142

1,834,212

1,834,213

2,093,234

76/380,143

Number of Properties

Enter the total number of properties involved. #

5

Fee Amount

Fee Amount for Properties Listed (37 CFR 3.41): \$

\$140.00

Method of Payment:

Enclosed Deposit Account

Deposit Account

(Enter for payment by deposit account or if additional fees can be charged to the account)

Deposit Account Number:

#

Authorization to charge additional fees:

Yes No

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. Charges to deposit account are authorized, as indicated herein.

Joseph T. Makseyn

4/12/02

Name of Person Signing

Signature

Date

INTELLECTUAL PROPERTY SECURITY AGREEMENT

This Intellectual Property Security Agreement (as amended, supplemented or otherwise modified from time to time, the "Intellectual Property Security Agreement") is made and effective as of April 9, 2002, by Factory Card Outlet of America Ltd., an Illinois corporation (including any successors or permitted assignees thereof, collectively, the "Grantor"), in favor of **WILLIAM KAYE**, as Collateral Trustee (as defined in the Plan as hereinafter defined) for the benefit of the holders of the Trade Conversion Notes and the holders of Allowed General Unsecured Claims. Capitalized terms used and not otherwise defined in this Intellectual Property Security Agreement have their respective meanings set forth in the Plan or in the Security Agreement (as hereinafter defined). All other terms contained in this Intellectual Property Security Agreement, unless the context indicates otherwise, have the meanings set forth in the Code (as hereinafter defined).

W I T N E S S E T H:

WHEREAS, pursuant to the terms of the Grantor's Amended Joint Plan of Reorganization, dated February 5, 2002, confirmed by order of the United States Bankruptcy Court for the District of Delaware (as amended, supplemented or modified from time to time, the "**Plan**"), the Grantor and its parent, Factory Card & Party Outlet Corp (f/k/a Factory Card Outlet Corp.), (collectively, the "**Debtors**") have jointly and severally executed and delivered to the Trade Conversion Participants the Trade Conversion Notes;

WHEREAS, pursuant to the Plan, the Debtors have agreed to grant to the Collateral Trustee, for the benefit of the holders of the Trade Conversion Notes, as security for the Trade Conversion Notes, a second priority Lien upon all property of the Debtors constituting Collateral (including the Intellectual Property Collateral, as hereinafter defined);

WHEREAS, pursuant to the Plan, each holder of an Allowed General Unsecured Claim is to receive a Pro Rata Share of the Extended Creditor Payment Amount;

WHEREAS, pursuant to the Plan, the Debtors have agreed to grant to the Collateral Trustee, for the benefit of the holders of Allowed General Unsecured Claims, as security for the Extended Creditor Payment Obligation, a third priority Lien upon the Collateral (including the Intellectual Property Collateral);

WHEREAS, the Debtors and the Collateral Trustee have entered into the Collateral Trust Agreement, dated as of the date hereof, pursuant to which the Collateral Trustee will administer the Collateral (including the Intellectual Property Collateral) for the benefit of the holders of the Trade Conversion Notes and the holders of Allowed General Unsecured Claims (collectively, the "**Beneficiaries**");

WHEREAS, pursuant to the Plan and the terms of the Loan and Security Agreement, dated on or about the date hereof, by and among the Grantor, as Borrower, Wells Fargo Retail Finance, LLC, as Agent (the "Agent"), and the other Senior Lenders (as defined therein) (as the same may now exist or may hereafter be amended, modified, supplemented, extended, renewed, restated or replaced, the "Senior Credit Agreement"), the Grantor has granted to the Lender, as security for the obligations under the Senior Credit Agreement, a first priority Lien upon the Collateral (including the Intellectual Property Collateral);

WHEREAS, the Debtors and the Collateral Trustee have entered into a Security Agreement, dated as of the date hereof, pursuant to which the Debtors agreed to grant to the Collateral Trustee, for the benefit of the holders of the Trade Conversion Notes and holders of Allowed General Unsecured Claims, security interests and liens in and to certain of the Debtors' personal property, as more particularly set forth therein (the "Security Agreement");

WHEREAS, the Agent, the Collateral Trustee and the Debtors have entered into a Subordination and Intercreditor Agreement, dated as of the date hereof, pursuant to which the Liens granted hereunder and under the Security Agreement are subordinate to the Liens granted to the Senior Lenders as security for the obligations under the Senior Credit Agreement (as amended, supplemented or otherwise modified, the "Intercreditor Agreement");

WHEREAS, the Security Agreement and this Intellectual Property Security Agreement are subject to the terms of the Intercreditor Agreement;

NOW THEREFORE, in consideration of the premises, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Grantor hereby agrees with the Collateral Trustee, for the benefit of the holders of the Trade Conversion Notes and the holders of the Allowed General Unsecured Claims, as follows:

1. Grant of Security Interest. To secure the Grantor's prompt, punctual and faithful performance of all and each of the Obligations, the Grantor hereby grants to the Collateral Trustee, for its benefit and the benefit of each of the Beneficiaries, a continuing second and third priority security interest in all of the right, title and interest of the Grantor in and to the following property, whether now owned or hereafter acquired (the "Intellectual Property Collateral"):

(a) the U.S and foreign copyrights, associated copyright registrations and applications for copyright registration, and copyright licenses set forth on Schedule A attached hereto (collectively, the "Copyrights");

(b) the U.S. and foreign patents and patent applications, and patent licenses set forth on Schedule B attached hereto, including, without

limitation, improvements, divisions, continuations, renewals, reissues, extensions and continuations-in-part of the same (collectively, the "Patents");

(c) the U.S., state and foreign trademark and service mark registrations, trademark and service mark applications, and trademark and service mark licenses set forth on Schedule C attached hereto and all goodwill associated with the foregoing (collectively, the "Trademarks");

(d) the domain names and registrations set forth on Schedule D attached hereto and all goodwill associated with the foregoing (collectively, the "Domain Names");

(e) any and all claims and causes of action for past, present or future infringement of any of the Intellectual Property Collateral, with the right, but not the obligation, to sue for and collect damages for infringement of the Intellectual Property Collateral;

(f) any and all licenses or rights granted under any of the Intellectual Property Collateral, and all license fees and royalties arising from such licenses or rights, to the extent permitted by such licenses or rights;

(g) any and all amendments, renewals, extensions, reissues and replacements of any of the Intellectual Property Collateral; and

(h) any and all products and proceeds of any of the foregoing.

2. Requested Recordation. The Grantor authorizes and requests that the Registrar of Copyrights and the Commissioner of Patents and Trademarks (and any state, foreign or other authorities to which this Intellectual Property Security Agreement is submitted) file and record this Intellectual Property Security Agreement (and any corresponding or separate application forms of such jurisdiction) in order to reflect publicly the interests of the Collateral Trustee in the Intellectual Property Collateral.

3. Assignment. Upon the occurrence of and during continuation of an Event of Default, the Grantor shall execute and deliver to the Collateral Trustee an absolute assignment transferring its entire right, title, and interest in and to the Intellectual Property Collateral to the Collateral Trustee, for its benefit and the benefit of the Beneficiaries.

4. Power of Attorney. The Grantor hereby irrevocably grants the Collateral Trustee for its benefit and for the benefit of the Beneficiaries a power of attorney, to act as the Grantor's attorney-in-fact, with full authority in the name, place and stead of the Grantor, from time to time in the Collateral Trustee's discretion, to take any action and to execute any instrument which the Collateral Trustee may deem

reasonably necessary or advisable to accomplish the purposes of this Intellectual Property Security Agreement. This authority includes, without limitation, the following:

(a) to modify or amend (in sole discretion of the Collateral Trustee and the Lenders and without first obtaining the Grantor's approval of or signature thereto) Schedule A, Schedule B, Schedule C, and/or Schedule D hereof, as appropriate, to include references to any registered intellectual property (or application or license therefor) acquired by the Grantor after the execution hereof or to delete any reference to any Intellectual Property Collateral in which the Grantor no longer has or claims any right, title or interest;

(b) to execute, file and pursue (in sole discretion of the Collateral Trustee and without first obtaining the Grantor's approval of or signature thereto, unless otherwise prohibited by applicable law) any application, form or other document in order to perfect, maintain, continue or otherwise protect the Collateral Trustees' interest or the Grantor's rights in the Intellectual Property Collateral, including, without limitation, executing and filing (i) any financing statement, any continuation statement or any amendment thereto, and (ii) any document in any proceeding before the United States Patent and Trademark Office, the United States Copyright Office or the relevant office of any state or foreign jurisdiction (including, without limitation, the filing of applications for renewal, affidavits of use, affidavits of incontestability and opposition, interference and cancellation proceedings) and to pay any fees and taxes in connection therewith or otherwise; and

(c) to execute any document required to acknowledge, register or perfect the interest of the Collateral Trustee in any part of the Intellectual Property Collateral without the signatures of the Grantor unless prohibited by applicable law.

The foregoing power of attorney is coupled with an interest and is irrevocable.

5. Release. Unless otherwise agreed in writing by the parties, the security interests granted herein will terminate (and all rights to the Intellectual Property Collateral will revert to the Grantor) upon satisfaction of the following conditions: (a) payment and performance in full of all the Obligations secured hereby (unconditionally and indefeasibly) and (b) the termination of the Security Agreement. Upon any such termination, the Collateral Trustee (at the Grantor's request and sole expense) will promptly execute and deliver to the Grantor (without any representation, warranty or recourse of any kind whatsoever) such documents as the Grantor may reasonably request and provide to the Collateral Trustee to evidence such termination.

6. Miscellaneous.

(a) This Intellectual Property Security Agreement has been entered into in conjunction with the provisions of and the security interest granted to the Collateral Trustee, for its benefit and the benefit of the Beneficiaries, under the Plan. The rights and remedies of the Grantor and the Collateral Trustee with respect to the security interests granted herein are in addition and without prejudice to those set forth in the Plan and Security Agreement, all terms and provisions of which are hereby incorporated herein by reference. In the event that any provisions of this Intellectual Property Security Agreement are deemed to conflict with the Plan or the Security Agreement, the provisions of the Plan or the Security Agreement shall govern.

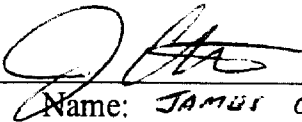
(b) This Intellectual Property Security Agreement may be executed in any number of counterparts with the same effect as if all the signatures on such counterparts appeared on one document; each such counterpart will be deemed to be an original but all counterparts together will constitute one and the same instrument.

[Signatures appear on following pages.]

IN WITNESS WHEREOF, the parties hereto have executed this Intellectual Property Security Agreement, as an instrument under seal, through their duly authorized officers, as of the date first written above.

GRANTOR:

FACTORY CARD OUTLET OF AMERICA LTD.

By: 
Name: JAMES CONSTANTINE
Title: Executive Vice President

COLLATERAL TRUSTEE:

WILLIAM KAYE

IN WITNESS WHEREOF, the parties hereto have executed this Intellectual Property Security Agreement, as an instrument under seal, through their duly authorized officers, as of the date first written above.

GRANTOR:

FACTORY CARD OUTLET OF AMERICA, LTD.

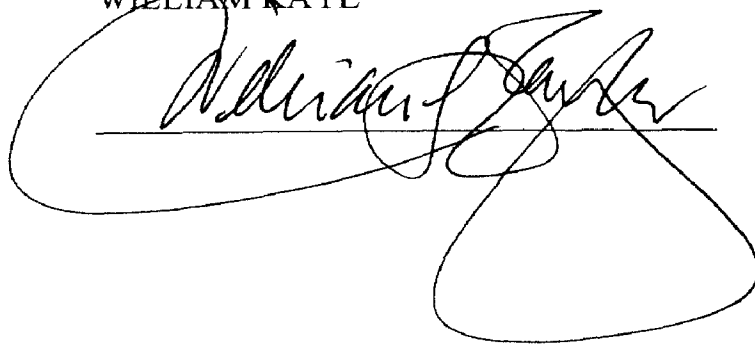
By: _____

Name:

Title:

COLLATERAL TRUSTEE:

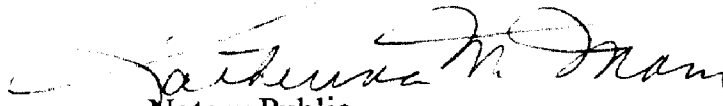
WILLIAM KAYE

A handwritten signature in black ink, appearing to read "William Kaye", is written over a horizontal line. The signature is highly stylized and cursive, with large loops and flourishes extending above and below the line.

ACKNOWLEDGMENT

STATE OF MASSACHUSETTS :
: SS
COUNTY OF SUFFOLK :

Before me, the undersigned, a Notary Public, on this ____ day of April, 2002, personally appeared James D. Constantine to me known personally, who, being by me duly sworn, did say that he/she is the Senior Vice President and Chief Financial Officer of FACTORY CARD OUTLET OF AMERICA LTD., and that said Intellectual Property Security Agreement was signed on behalf of said FACTORY CARD OUTLET OF AMERICA LTD., by authority of its board of directors and/or as authorized by the Debtors' Amended Joint Plan of Reorganization Under Chapter 11 of the Bankruptcy Code, dated February 5, 2001 and the Order Confirming Debtors' Amended Joint Plan of Reorganization Under Chapter 11 of the Bankruptcy Code Dated February 5, 2002, and the said James D. Constantine acknowledged said instrument to be his/her free act and deed.


Notary Public
My Commission Expires: _____

KATHERINE MANNI
NOTARY PUBLIC
My Commission Expires May 29, 2003

SCHEDULE A
COPYRIGHT COLLATERAL

Registered Copyrights

None

Pending Copyright Applications

None

SCHEDULE B

PATENT COLLATERAL

Registered Patents

None

Pending Patent Applications

None

SCHEDULE C

TRADEMARK COLLATERAL

Registered Trademarks

<u>Jurisdiction</u>	<u>Title</u>	<u>Registration No.</u>	<u>Registration Date</u>
United States	PARTY MANIA! (STYLIZED)	1,834,212	May 3, 1994
United States	PARTY MANIA	1,834,213	May 3, 1994
United States	FACTORY CARD OUTLET	2,093,234	September 2, 1997

Trademark Applications

<u>Jurisdiction</u>	<u>Title</u>	<u>Application Serial No.</u>	<u>Filing Date</u>
United States	FACTORY CARD & PARTY OUTLET	76/380,142	March 8, 2002
United States	FACTORY CARD & PARTY OUTLET (AND DESIGN)	76/380,143	March 8, 2002

Trademark Licenses

None

Unregistered Trademarks

WE MAKE EVERY OCCASION SPECIAL

SCHEDULE D
DOMAIN NAMES

None

OTTERBOURG, STEINDLER, HOUSTON & ROSEN, P.C.

230 PARK AVENUE
NEW YORK, NY 10169-0075

JOSEPH MAKSEYN
jmakseyn@oshr.com

TELEPHONE: (212) 661-9100
TELECOPIER: (212) 682-6104

April 12, 2002

VIA FEDERAL EXPRESS

U.S. Patent and Trademark Office
Office of Public Records
Attn: Customer Services Counter
1213 Jefferson Davis Highway, 3rd Floor
Arlington, VA 22202

Re: C/C of Factory Card Outlet Corp.

Dear Sir or Madam:

In connection with the above-referenced matter, we enclose an original Recordation Form Cover Sheet "Trademarks Only," together with an original Intellectual Property Security Agreement, dated April 9, 2002, by Factory Card Outlet of America Ltd. in favor of William Kaye, as Collateral Trustee for recordation with the United States Patent and Trademark Office.

Check No. 18306, in the amount of \$140.00 made payable to the Commissioner of Patents and Trademarks is also enclosed.

If you have any questions with regard to any of the foregoing, please do not hesitate to telephone the undersigned to discuss the matter.

Kindly acknowledge receipt of the foregoing on the enclosed copy of this letter annexed hereto and return same in the self addressed stamped envelope.

Thank you for your prompt attention to this matter.

TRADEMARK
REEL: 002483 FRAME: 0015

Sincerely,

OTTERBOURG, STEINDLER, HOUSTON & ROSEN, P.C.



Joseph Makseyn
Legal Assistant

cc: Alan Kardon, Esq.
Lorenzo Marinuzzi, Esq.

RECEIPT ACKNOWLEDGED:

By: _____

Title: _____