

MLD

FORM PTO-1594 (Substitute)

5-26-98

RE

05-28-1998



EET

U.S. DEPARTMENT OF COMMERCE
Patent and Trademark Office

To the Honorable Commissioner of Patents

100721351

1 original documents or copy thereof.

1. Name of conveying party(ies):

Paramount Cards Inc.

- Individual
- General Partnership
- Corporation-State
- Other: _____
- Association
- Limited Partnership

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

2. Name and address of receiving party(ies):

Name: Mellon Bank, N.A.

Address: Mellon Bank Center, 1735 Market St.

City: Phila. State: PA Zip: 19101

3. Nature of conveyance:

- Assignment
- Security Agreement
- Other: Security Agreement and Mortgage
- Merger
- Change of Name

Execution Date: May 21, 1998

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

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

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

4. Application number(s) or patent number(s)

A. Trademark Application No(s).

B. Trademark Registration No(s).

See Schedule "A" attached hereto for a complete listing.

Additional numbers attached? Yes No

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

Name: GENNIFER KWIAKOWSKI, PARALEGAL
REED SMITH SHAW & McCLAY LLP

Address: P.O. Box 7839

City: PRINCETON State: NJ Zip: 08543

6. Total number of applications and registrations involved:

16

7. Total fee (37 CFR 2.6(b)(6)):

\$415.00

- Enclosed
- Authorized to be charged to deposit account
- Charge any deficiency to deposit account

8. Deposit account number:

18-0582

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

DO NOT USE THIS SPACE

9. Statement and signature

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

GENNIFER K. KWIAKOWSKI
Name of Person Signing

Genifer K. Kwiatkowski
Signature

5/22/98
Date

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

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

TRADEMARK
FD-481
FD-482
FD-483
FD-484
FD-485
FD-486
FD-487
FD-488
FD-489
FD-490
FD-491
FD-492
FD-493
FD-494
FD-495
FD-496
FD-497
FD-498
FD-499
FD-500

REEL: 1730 FRAME: 0159

RECEIVED
ASSIGNMENT
MAY 27 1998
00000043 180550
40 00 00
375 00 00

SCHEDULE "A"

All of the following trademarks, trade names and service marks of Paramount Cards, all of which have been properly registered in the United States Patent and Trademark Office in Washington, D.C.:

<u>Trademark</u>	<u>Registration Date</u>	<u>Registration No.</u>
1. Paper Rainbow	October 18, 1994	1,858,550
2. Paramount from the heart	October 9, 1990	1,616,679
3. The mark consists of a fanciful representation of a heart	June 9, 1987	1,442,082
4. Telecard	January 14, 1986	1,378,617
5. Pups 'n Purrs	March 26, 1985	1,326,916
6. Words from the heart	September 14, 1982	1,208,303
7. From the Heart	March 3, 1981	1,148,010
8. Parafilm	May 13, 1980	1,135,124
9. Polly Patches	June 5, 1979	1,119,634
10. images	July 17, 1979	1,122,357
11. Moments Shared	January 23, 1979	1,111,781
12. photogram	August 29, 1972	942,002
13. Parachrome	September 3, 1968	856,028
14. Paramount	May 14, 1963	749,439
15. Continental	February 20, 1962	727,727
16. Card\$mart	November 5, 1996	2,013,981

TRADEMARK

REEL: 1730 FRAME: 0160

PRCLUB-0045771.01-GMKWIATK
May 22, 1998 2:21 PM

**TRADEMARK AND TRADENAME
SECURITY AGREEMENT AND MORTGAGE**

THIS TRADEMARK AND TRADENAME SECURITY AGREEMENT AND MORTGAGE (hereinafter as it may be from time to time amended, modified, extended, renewed, refinanced and/or supplemented shall be referred to as this "Agreement") is made as of this 21st day of May, 1998 by and between,

PARAMOUNT CARDS INC., a corporation duly organized, validly existing and in good standing under the laws of the State of Rhode Island, having its principal office located at 400 Pine Street, Pawtucket, Rhode Island 02860 (hereinafter referred to as the "Grantor"),

AND

MELLON BANK, N.A., a national banking association duly organized and validly existing under the laws of the United States of America, having an office located at Mellon Bank Center, 1735 Market Street, Philadelphia, Pennsylvania 19101, in its capacity as the agent for the "Lenders" (as such term is defined in the Loan Agreement) (hereinafter referred to as the "Agent").

W I T N E S S E T H :

WHEREAS, the Grantor is engaged in the business of designing, manufacturing and marketing greeting cards and related items for consumers in the United States and overseas; and

WHEREAS, the Grantor has requested that the Lenders make available to the Grantor and to Paramount Retail, Inc., a Rhode Island corporation (hereinafter referred to as "Paramount Retail") a secured recourse revolving credit loan in the aggregate principal amount of up to Six Million and 00/100 (\$6,000,000.00) Dollars for the purposes of financing a portion of the Grantor's and Paramount Retail's general corporate requirements, including, without limitation, (i) working capital and (ii) commercial/documentary and standby letters of credit (hereinafter referred to as the "Revolving Credit Loan Facility #1); and

WHEREAS, the Grantor has requested that the Lenders also make available to the Grantor and to Paramount Retail a secured recourse term loan in the aggregate principal amount of Two Million Seven Hundred Thousand and 00/100 (\$2,700,000.00) Dollars for the purposes of refinancing existing equipment acquisition debt due and owing from the Grantor and Paramount Retail to Citizens Bank of Rhode Island (hereinafter referred to as "Citizens") (hereinafter referred to as the "Term Loan Facility"); and

WHEREAS, the Grantor has requested that the Lenders also make available to the Grantor and to Paramount Retail a secured recourse revolving credit loan which converts to a three year term loan in the aggregate principal amount of up to Four Million and 00/100

(\$4,000,000.00) Dollars for the purposes of financing capital expenditures related to Card\$mart store openings (up to a sublimit for this purpose of Two Million Five Hundred Thousand and 00/100 (\$2,500,000.00) Dollars) as well as for general corporate purposes of the Grantor and of Paramount Retail (hereinafter referred to as the "Revolving Credit Loan Facility #2"); and

WHEREAS, for the purposes of this Agreement, the Revolving Credit Loan Facility #1, the Term Loan Facility and the Revolving Credit Loan Facility #2, as they may from time to time be hereinafter amended, modified, extended, renewed, refinanced and/or otherwise supplemented, shall be collectively referred to as the "Loan Facilities"; and

WHEREAS, the Loan Facilities are all made pursuant to the terms and conditions set forth in a certain Revolving Credit Loan and Term Loan Agreement dated of even date herewith, executed by and between the Grantor, Paramount Retail, the Agent, Mellon Bank, N.A., strictly in its capacity as a Lender, Citizens and all other Lenders a party thereto from time to time (hereinafter said Revolving Credit Loan and Term Loan Agreement as it may be from time to time amended, modified, refinanced, extended, renewed and/or supplemented shall be referred to as the "Loan Agreement"); and

WHEREAS, the Grantor, Paramount Retail, the Agent and the Lenders anticipate and contemplate that the Lenders may desire to sell, assign and transfer from time to time after the date hereof, a portion of their respective interests in the Loan Facilities to other Lenders; and

WHEREAS, the Lenders have requested that the Agent act as administrative and collateral agent for the Lenders in connection with the Loan Facilities, and the Agent has agreed to accept such responsibilities and duties, subject to the terms, conditions and provisions as set forth in the Loan Agreement; and

WHEREAS, the Grantor is the owner and holder of the Trademarks listed on Schedule "A" annexed hereto and made a part hereof, together with all of the goodwill of the business symbolized by each of the Trademarks; and

WHEREAS, to induce the Lenders to enter into the Loan Agreement and to make available the loans, advances and extensions of credit to the Grantor and to Paramount Retail in accordance with the Loan Agreement, the Grantor has offered to execute and deliver this Agreement to the Agent, on behalf of the Lenders, granting and conveying to the Agent, on behalf of the Lenders, a security interest, first in priority, upon the Collateral (as such term is hereinafter defined); and

WHEREAS, all words and terms not expressly defined herein shall have the respective meanings and be construed herein as provided for in the Loan Agreement.

NOW, THEREFORE, in consideration of the foregoing, in consideration of the premises set forth in the Loan Agreement and in order to induce the Lenders to make available the loans, advances and extensions of credit to the Grantor and to Paramount Retail in

accordance with the Loan Agreement, the Grantor hereby agrees with the Agent for its benefit as follows:

1. Certain Defined Terms. As used in this Agreement, unless the context otherwise requires:

(a) “Collateral” - shall mean, collectively and individually--

(i) each of the Trademarks listed on Schedule “A” annexed hereto and made a part hereof and the goodwill of the business symbolized by each of those Trademarks;

(ii) each of the Licenses;

(iii) all accounts, contract rights and general intangibles of the Grantor arising under or relating to the Licenses, whether now existing or hereafter arising, including, without limitation, (1) all moneys due and to become due under any License, (2) any damages arising out of or for breach or default in respect of any such License, (3) all other amounts from time to time paid or payable under or in connection with any such License, and (4) the right of the Grantor to terminate any such License or to perform and to exercise all remedies thereunder;

(iv) any claims by the Grantor against third parties, and all proceeds of suits, for infringement of the Trademarks, and the rights to sue for past, present and future infringements and all rights corresponding thereto in the United States; and

(v) as to all of the foregoing (i) through (iv) inclusive, and any and all cash proceeds, non-cash proceeds and products thereof, additions and accessions thereto, replacements and substitutions therefor, and all related books, records, journals, computer print-outs and data, of the Grantor.

(b) “Licenses” - shall mean, collectively and individually, any and all Trademark license agreements granted by the Grantor to third parties, whether now existing or hereafter arising, as any of same may from time to time be amended or supplemented, including, but not limited to, the license agreements listed on Schedule “B” annexed hereto and made a part hereof.

(c) “Obligations” - shall mean all loans, advances, indebtedness, notes, liabilities, overdrafts, outstanding Letters of Credit not drawn upon, Letters of Credit drawn upon and not yet reimbursed, outstanding Acceptances, and other amounts, liquidated or unliquidated, each of every kind, nature and description, whether arising under this Agreement or otherwise, including, without limitation, principal and interest, and whether secured or unsecured, direct or indirect, absolute or contingent, due or to become due, now existing or hereafter contracted.

(d) “Trademarks” - shall mean, collectively and individually, all--

(i) trademarks, trade names, trade dress, service marks, prints and labels on which said trademarks, trade names, trade dress and service marks have appeared or appear, designs and general intangibles of like nature, now existing or hereafter adopted or acquired, all right, title and interest therein and thereto, all applications thereof filed under Section 1(a) of the Lanham Act (15 U.S.C.A. 1051(a)), and all registrations and recordings of any of the foregoing, including, without limitation, registrations and recordings in the United States Patent and Trademark Office or in any similar office or agency of the United States, any State thereof, or any other country or any political subdivision thereof, all whether now or hereafter owned or licensable by any Grantor, including, but not limited to, those listed on Schedule "A" annexed hereto and made a part hereof; and

(ii) trademarks, trade names, trade dress and service marks, whether now or hereafter owned by the Grantor which has not or is not required to be registered or recorded in any jurisdiction; and

(iii) reissues, extensions or renewals thereof and all licenses thereof (including, without limitation, all license agreements).

2. Grant of Security. To secure payment and performance of all of the Obligations of the Grantor to the Agent and the Lenders, the Grantor hereby mortgages to and pledges with the Agent and grants and conveys to the Agent a security interest in all of the Grantor's right, title and interest in and to the Collateral, which security interest shall remain in full force and effect until all of the Obligations of the Grantor to the Agent and the Lenders are fully paid and satisfied; provided, however, anything herein, in the Loan Agreement or in any other document, instrument, writing or agreement related thereto to the contrary notwithstanding, the maximum liability of the Grantor secured by the Collateral hereunder and under the Loan Agreement shall in no event exceed an amount equal to the largest amount that would not render the Grantor's obligations hereunder subject to avoidance under Section 548 of the Title 11 of the U.S. Code, as amended, or any equivalent provision of the law of any state.

3. Representations, Warranties and Covenants of the Grantor. The Grantor hereby represents, warrants, covenants and agrees as follows:

(a) Title to the Trademarks. The Grantor has sole, exclusive, full, clear and unencumbered right, title and interest in and to the Trademarks and the registrations of the Trademarks are valid and subsisting and in full force and effect. The Trademarks have not been abandoned, suspended, voluntarily terminated or canceled by the Grantor, have not been adjudged invalid or unenforceable and, to the best of the Grantor's knowledge, there is no reason why the Trademarks should be adjudged invalid or unenforceable.

(b) Use of the Trademarks. Except to the extent that (i) the Agent, upon prior written notice by the Grantor shall consent or (ii) the Grantor determines in its reasonable business judgment that a Trademark of the Grantor has negligible economic value and such Trademark is no longer utilized in the ordinary course of the Grantor's business, the Grantor (either itself or through licensees) has used and will continue to use the Trademarks on each and

every trademark class of goods applicable to its current line as reflected in its current catalogs, brochures and price lists in order to maintain the Trademarks in full force free from any claim of abandonment for non-use and the Grantor will not (and will not permit any licensee thereof to) do any act or knowingly omit to do any act whereby any of the Trademarks would become invalidated, abandoned, unenforceable, avoided, avoidable or otherwise diminished in value, and shall notify the Agent promptly if it knows of any reason under which any of the foregoing may occur.

(c) License or Assignment of Trademarks. Without the prior written consent of the Agent, the Grantor shall not license or assign any of the Trademarks to any party.

(d) Further Assurances. The Grantor will perform all acts and execute all further instruments and documents, including, without limitation, assignments for security in form suitable for filing with the United States Patent and Trademark Office, reasonably requested by the Agent at any time to evidence, perfect, maintain, record and enforce the Agent's interest in the Collateral or otherwise in furtherance of the provisions of this Agreement, and the Grantor hereby authorizes the Agent to execute and file (with or without the signature of the Grantor) one or more financing statements (and similar documents) or copies thereof or this Agreement with respect to the Collateral signed only by the Agent.

(e) Costs and Expenses. The Grantor shall pay on demand all reasonable and necessary expenses and expenditures of the Agent, including, without limitation, reasonable attorney's fees and expenses, incurred or paid by the Agent in protecting, enforcing or exercising its interests, rights or remedies created by, connected with or provided in this Agreement, or performance pursuant to this Agreement.

(f) Pledge of Additional Trademarks. In the event the Grantor, either itself or through any agent, employee, licensee or designee shall:

(i) file or record an application for the registration of any Trademark with the United States Patent and Trademark Office or any similar office or agency of the United States, any State thereof, or any other country or any political subdivision thereof; or

(ii) file or record any assignment of any Trademark which the Grantor may acquire, own or license from a third party, with the United States Patent and Trademark Office or any similar office or agency of the United States, any State thereof or any other country or any political subdivision thereof;

the Grantor shall promptly, but in no event more than fifteen (15) days subsequent to such filing, notify the Agent thereof, and, upon request of the Agent shall promptly, but in no event more than twenty (20) days subsequent to such notice, execute and deliver any and all assignments, agreements, instruments, documents and papers as the Agent may reasonably request to evidence the Agent's interest in such trademark and the goodwill of the Grantor relating thereto or represented thereby. The Grantor hereby grants the Agent, on behalf of the Lenders, a power of attorney, irrevocable until the Obligations of the Grantor to the Agent and the Lenders are fully

paid and satisfied, to modify this Agreement by amending Schedule "A" and Schedule "B", as applicable, to include any future Trademarks or Licenses, including, without limitation, registrations or applications appurtenant thereto, covered by this Agreement.

(g) Grantor's Authority, etc. The Grantor has the right and power to mortgage and pledge the Collateral and to grant the security interest in the Collateral herein granted; and the Collateral is not now, and at all times hereafter will not be subject to any liens, licenses (other than as permitted under subparagraph 3(c) of this Agreement), pledges, assignments, registered license agreement, covenants not to sue by the Grantor or other encumbrance of any nature whatsoever, and the Grantor has not received any notice from any third party claiming any right or interest in and to any of the Collateral or that the Grantor's use thereof infringes the rights of any third party.

(h) Negative Pledge. The Grantor will not, without the prior written consent of the Agent, assign (by operation of law or otherwise), sell, mortgage, lease, transfer, pledge, hypothecate, grant a security interest in or lien upon, grant an exclusive or non-exclusive license upon (other than those existing Licenses listed on Schedule "B" annexed hereto and made a part hereof), or otherwise encumber, grant rights to any other person upon or dispose of any of the Collateral, and nothing in this Agreement shall be deemed a consent by the Agent or any Lender to any such action except as expressly permitted herein. The Grantor shall defend the Collateral against and shall take such other action as is necessary to remove any lien, security interest, claim, right or other encumbrance of any nature whatsoever in or to the Collateral, and will defend the right, title and interest of the Agent in and to any of the Grantor's rights under the Collateral against the claims or demands of all persons whomsoever.

(i) No Additional Trademarks. As of the date hereof, the Grantor does not own any Trademarks, or have any Trademarks registered in or the subject of pending applications in the United States Patent and Trademark Office or any similar office or agency in any other country or any political subdivision thereof, other than those grants, registrations or applications for registrations listed on Schedule "A" annexed hereto and made a part hereof.

(j) Additional Further Assurances. Subject to Section 3(b) hereof, the Grantor shall have the duty and will take all necessary steps in any proceeding before the United States Patent and Trademark Office or any similar office or agency in any other country, or any political subdivision thereof, (i) to maintain each registration and grant of the Trademarks and Licenses and (ii) in accordance with its reasonable business judgment and at its expense, to halt any infringement of the Trademarks and shall properly exercise its duty to control the nature and quality of the goods offered by any licensees in connection with the Licenses.

(k) Responsibility and Liability. The Grantor assumes all responsibility and liability arising from the use of the Trademarks and Licenses, and hereby indemnifies and holds the Agent, each Lender and each director, officer, employee, affiliate and agent thereof, harmless from and against any claim, suit, loss, damage or expense (including attorneys' fees and expenses) arising out of any alleged defect in any product manufactured, promoted or sold by the Grantor in connection with any of the Trademarks or otherwise arising out of the Grantor's

operation of its business from the use of the Trademarks; provided, however, the Grantor shall not so indemnify and hold harmless from and against any claim, suit, loss, damage or expense (including attorneys' fees and expenses) arising after the Agent has foreclosed its security interest in the Trademarks and Licenses. In any suit, proceeding or action brought by the Agent or any Lender under any License for any sum owing thereunder, or to enforce any provisions of such License, the Grantor will indemnify and keep the Agent and each of the Lenders harmless from and against all expense, loss or damage suffered by reason of any defense, set off, recoupment, claim, counterclaim, reduction or liability whatsoever of the obligee thereunder or arising out of a breach of the Grantor of any obligation thereunder or arising out of any other agreement, indebtedness or liability at any time owing to or in favor of such obligee or its successors from the Grantor, and all such obligations of the Grantor shall be and remain enforceable against and only against the Grantor and shall not be enforceable against the Agent or against any Lender.

(l) Agent's Rights. Subject to Section 3(b) hereof, the Agent may, in its sole discretion, pay any amount or do any act required of the Grantor hereunder or requested by the Agent and/or the Lenders to preserve, defend, protect, maintain, record or enforce the Grantor's obligations contained herein, the Obligations of the Grantor to the Agent, the Collateral, or the right, title and interest granted the Agent herein, and which the Grantor fails to do or pay, and any such payment shall be deemed an advance by the Agent to the Grantor and shall be payable on demand together with interest thereon at the default rate as specified in the Loan Agreement.

(m) Protection of the Trademarks. Subject to Section 3(b) hereof, the Grantor agrees that if it learns of any use by any person of any term or design likely to cause confusion with any Trademark, or of any claim of any lien, security interest, claim, right or other encumbrance of any nature whatsoever in or to the Collateral, the Grantor shall promptly notify the Agent of such use, lien, security interest, claim, right or other encumbrance and, if requested by the Agent or by any Lender, shall join with the Agent, at the Grantor's expense, in such action as the Agent, in its reasonable discretion, may deem advisable for the protection of the Agent's interest in and to the Trademarks, it being understood that the foregoing shall not preclude the Grantor from bringing an action against a person for the protection of the Grantor's interest in and to such Trademarks.

4. Agent's Appointment as Attorney-in-Fact.

(a) The Grantor hereby irrevocably constitutes and appoints the Agent, and any officer or agent thereof, with full power of substitution, as its true and lawful attorney-in-fact with full irrevocable power and authority in the place and stead of the Grantor and in the name of the Grantor or in its own name, from time to time in the Agent's discretion, for the purposes of carrying out the terms of this Agreement, to take any and all appropriate action and to execute any and all documents and instruments which may be necessary or desirable to accomplish the purposes of this Agreement and, without limiting the generality of the foregoing, hereby gives the Agent, on behalf of the Lenders, the power and right, on behalf of the Grantor, to do the following:

(i) Upon prior written notice to the Grantor, to pay or discharge taxes, liens, security interests or other encumbrances levied or placed on or threatened against the Collateral, to effect any repairs or any insurance called for by the terms of this Agreement or the Loan Agreement and to pay all or any part of the premiums therefor and the costs thereof;

(ii) Upon the occurrence of an Event of Default:

(1) to ask, demand, collect, receive and give acquittances and receipts for any and all moneys due and to become due under any Licenses and, in the name of the Grantor or in its own name or otherwise, to take possession of and endorse and collect any checks, drafts, notes, acceptances or other instruments for the payment of moneys due under any License and to file any claim or to take any other action or proceeding in any court of law or equity or otherwise deemed appropriate by the Agent for the purpose of collecting any and all such moneys due under any License whatsoever;

(2) to direct any party liable for any payment under any of the Licenses to make payment of any and all moneys due and to become due thereunder directly to the Agent or as the Agent shall direct;

(3) to receive payment of and receipt for any and all moneys, claims and other amounts due and to become due at any time in respect of or arising out of any Collateral;

(4) to commence and prosecute any suits, actions or proceedings at law or in equity in any court of competent jurisdiction to collect the Collateral or any part thereof and to enforce any other right in respect of any Collateral;

(5) to defend any suit, action or proceeding brought against the Grantor with respect to any Collateral;

(6) to settle, compromise, or adjust any suit, action or proceeding described above and, in connection therewith, to give such discharges or releases as the Agent may deem appropriate; and

(7) generally, to sell, transfer, pledge, make any agreement with respect to or otherwise deal with any of the Collateral as fully and completely as though the Agent were the absolute owner thereof for all purposes, and to do, at the Agent's option, all acts and things which the Agent deems necessary to protect, preserve or realize upon the Collateral and the Agent's security interest therein, in order to effect the intent of this Agreement, all as fully and effectively as the Grantor might do.

(b) This power of attorney is a power coupled with an interest and shall be irrevocable. Notwithstanding the foregoing, the Grantor further agrees to execute any additional documents which the Agent may require in order to confirm this power of attorney, or which the Agent may deem necessary to enforce any of its rights contained in this Agreement.

(c) The powers conferred on the Agent hereunder are solely to protect the Agent's and the Lenders' interests in the Collateral and shall not impose any duty upon the Agent or on any Lender to exercise any such powers. The Agent shall be accountable only for amounts that it actually receives as a result of the exercise of such powers and neither the Agent nor any of the Lenders nor any of their officers, directors, employees or agents shall be responsible to the Grantor for any act or failure to act, except for the Agent's or such Lender's own gross negligence or willful misconduct.

(d) The Grantor also authorizes the Agent to execute, in connection with any sale provided for in this Agreement, any endorsements, assignments or other instruments of conveyance or transfer with respect to the Collateral.

5. Event of Default. The occurrence of any one or more of the following shall constitute an Event of Default under this Agreement:

(a) The occurrence of any Default or Event of Default under the Loan Agreement; and

(b) A breach by the Grantor of any covenant contained in this Agreement; and

(c) If any warranty or representation contained in this Agreement, including, without limitation, the warranties and representations contained in Section 3 of this Agreement, shall be incorrect in any material respect, when made or deemed to have been made.

6. Remedies.

(a) Upon the occurrence of an Event of Default, in addition to all other rights and remedies of the Agent, whether under law, in equity or otherwise (all such rights and remedies being cumulative, not exclusive and enforceable alternatively, successively or concurrently):

(i) the Agent shall have all of the rights and remedies set forth in the Loan Agreement;

(ii) immediately upon the Agent's written request, the Grantor shall not make any further use of the Trademarks or any mark similar thereto for any purposes;

(iii) the Agent may, at any time and from time to time, license, whether general, special or otherwise, and whether on an exclusive or nonexclusive basis, any of the Trademarks, throughout the world for such term or terms, on such conditions, and in such manner, as the Agent shall in its sole discretion determine;

(iv) the Agent may (without assuming any obligations or liability thereunder), at any time, enforce (and shall have the exclusive right to enforce) against any

licensee or sublicensee all rights and remedies of the Grantor in, to and under any one or more license agreements with respect to the Collateral, including, without limitation the Licenses, and take or refrain from taking any action under any license or sublicense thereof, and the Grantor hereby releases the Agent and the Lenders from, and agrees to hold the Agent and the Lenders free and harmless from and against, any claims arising out of any action taken or omitted to be taken with respect to any such license agreements;

(v) the Agent may foreclose upon the Collateral for the purpose of using, assigning, selling or otherwise disposing of the Collateral or any of it, either with or without special or other conditions or stipulations, and record any documents with the United States Patent and Trademark Office necessary to evidence the Lender's ownership in the Collateral;

(vi) the Agent may appear before the United States Patent and Trademark Office as owner of the Collateral, without recording or filing any documents to evidence the Agent's ownership in the Collateral;

(vii) whether or not the Agent forecloses upon the Collateral in accordance with this Agreement, the Agent may, at any time and from time to time, assign, sell, or otherwise dispose of, the Collateral or any of it either with or without special or other conditions or stipulations, with power to buy the Collateral or any part of it, and with power also to execute assurances, and do all other acts and things for completing the assignment, sale or disposition which the Agent shall, in its sole discretion, deems appropriate or proper; and

(viii) in addition to the foregoing, in order to implement the assignment, sale or other disposal of any of the Collateral, the Agent may, at any time, pursuant to the authority granted in the Special Power of Attorney (such authority becoming effective on the occurrence of an Event of Default), execute and deliver on behalf of the Grantor, one or more instruments of assignment of the Trademarks (or any application or registration thereof), in form suitable for filing, recording or registration in any country. The Grantor agrees to pay when due all reasonable costs and expenses incurred in any such transfer of the Trademarks, including any taxes, fees and reasonable attorneys' fees, and all such costs shall be added to the Obligations of the Grantor to the Agent and the Lenders. The Agent may apply the proceeds actually received from any such license, assignment, sale or other disposition to the payment of the Obligations of the Grantor to the Agent and the Lenders as provided for in the Loan Agreement. The Grantor shall remain liable for any deficiency with respect to the Obligations of the Grantor to the Agent and the Lenders, which shall bear interest and be payable at the Default Rate under the Loan Agreement. The rights of the Grantor to receive any surplus shall be subject to any duty of the Agent imposed by law to the holder of any subordinate security interest in the Collateral known to the Agent. Nothing contained herein shall be construed as requiring the Agent to take any such action at any time.

(b) Notwithstanding anything contained in this Agreement to the contrary, the Agent shall not foreclose upon, dispose of or be deemed the owner of any Trademark unless and until the Agent has provided the Grantor with advance written notice of its intent to foreclose upon, dispose of or take an ownership interest in any Trademark. Any writing given by the

Agent to the Grantor under this Paragraph 6 must make explicit reference to this Agreement and of the Agent's intent to exercise its rights and remedies hereunder.

7. Execution of Special Power of Attorney. Concurrently with the execution and delivery of this Agreement, the Grantor is executing and delivering to the Agent, on behalf of the Lenders, a certain Special Power of Attorney for the implementation of the sale, assignment, licensing or other disposition of the Collateral pursuant to this Agreement.

8. Amendments and Modification. No provision hereof shall be modified, altered, waived or limited except by a written instrument expressly referring to this Agreement and executed by the party to be charged.

9. Binding Nature. This Agreement shall be binding upon and inure to the benefit of the successors, assigns or other legal representatives of the Grantor, and shall, together with the rights and remedies of the Lender hereunder, be binding upon and inure to the benefit of the Agent, its successors, assigns or other legal representatives.

10. GOVERNING LAW. THIS AGREEMENT SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS OF THE COMMONWEALTH OF PENNSYLVANIA WITHOUT GIVING EFFECT TO THE CONFLICT OF LAW PRINCIPLES THEREOF.

11. Notices. All notices, requests, demands and other communications provided for hereunder shall be in writing (unless otherwise expressly provided herein) and shall be sent and deemed to have been received as set forth in the Loan Agreement.

12. Continuing Security Interest; Assignments. This Agreement shall create a continuing security interest in the Collateral and shall (a) remain in full force and effect until payment in full in cash or in another manner acceptable to Lender and termination of the Obligations of the Grantor to the Agent and the Lenders, (b) be binding upon and inure to the benefit of, and be enforceable by, the Grantor, its successors and assigns and (c) be binding upon and inure to the benefit of, and be enforceable by, the Agent, the Lenders and their successors, transferees and assigns. Upon the payment in full in cash or in another manner acceptable to Agent and the Lenders and termination of the Obligations of the Grantor to the Agent and the Lenders then outstanding, the security interest granted hereby shall terminate and all rights granted as security in the Collateral to the Agent shall revert to the Grantor. Upon any such termination, the Agent will, at Grantor's expense, execute and deliver to the Grantor such documents as the Grantor shall reasonably request to evidence such termination.

14. Counterparts. This Agreement may be executed in counterparts, each of which, when taken together, shall be deemed one and the same instrument.

15. Headings. Section headings herein are included for convenience of reference only and shall not constitute a part of this Agreement for any other purpose.

16. Acknowledgment of Receipt. The Grantor acknowledges receipt of a copy of this Agreement.

17. No Waiver. No course of dealing between the Grantor and the Agent or any Lender, and no delay or omission of the Agent or any Lender in exercising or enforcing any of the Agent's or any Lender's rights and remedies hereunder shall constitute a waiver thereof; and no waiver by the Agent or any Lender of any Event of Default shall operate as a waiver of any other Event of Default.

18. Severability. If any of the provisions of this Agreement shall contravene or be held invalid under the laws of any jurisdiction, this Agreement shall be construed as if not containing such provisions and the rights, remedies, warranties, representations, covenants, and provisions hereof shall be construed and enforced accordingly in such jurisdiction and shall not in any manner affect such provision in any other jurisdiction, or any other provisions of this Agreement in any jurisdiction.

19. Interest Granted to Agent. Notwithstanding any provision of this Agreement to the contrary, the interest granted to the Agent under this Agreement is intended to be a pledge and a security interest only, and the execution of this Agreement is not intended to create an assignment or a transfer of title or any other property rights to the Trademarks.

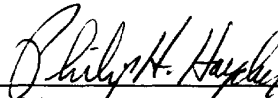
20. WAIVER OF JURY TRIAL. THE GRANTOR, THE AGENT AND THE LENDERS HEREBY WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM BROUGHT ON ANY MATTER WHATSOEVER ARISING OUT OF OR IN ANY WAY CONNECTED WITH THIS AGREEMENT.

IN WITNESS WHEREOF, the Grantor has caused this Agreement to be duly executed as of the day and year first above written.

WITNESS:

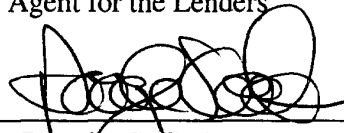


PARAMOUNT CARDS INC.,
a Rhode Island corporation, as the Grantor

By: 

Philip H. Hayden
Chief Financial Officer and Secretary

MELLON BANK, N.A.,
as the Agent for the Lenders

By: 

Douglas S. Graham
Vice President

CORPORATE ACKNOWLEDGMENT

STATE OF NEW JERSEY)

:ss.

COUNTY OF ESSEX)

I certify that on the 21st day of May, 1998, personally came before me and this person acknowledged under oath, to my satisfaction, that:

(a) this person signed and delivered this document as the Chief Financial Officer and Secretary of **PARAMOUNT CARDS INC.**, the corporation named in this document; and

(b) this document was signed and delivered by the corporation as its voluntary act duly authorized by a proper resolution of its Board of Directors.

A handwritten signature in cursive script, appearing to read "John A. Ralston", is written over a horizontal line.

CORPORATE ACKNOWLEDGMENT

STATE OF NEW JERSEY)

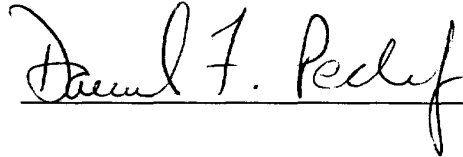
:ss.

COUNTY OF ESSEX)

I certify that on the 21st day of May, 1998, personally came before me and this person acknowledged under oath, to my satisfaction, that:

(a) this person signed and delivered this document as the Vice President of **MELLON BANK, N.A.**, the corporation named in this document; and

(b) this document was signed and delivered by the corporation as its voluntary act duly authorized by a proper resolution of its Board of Directors.

A handwritten signature in cursive script, appearing to read "Daniel F. Peck", is written over a horizontal line.

SCHEDULE "A"

**ATTACHED TO AND MADE A PART OF THAT CERTAIN
TRADEMARK AND TRADENAME SECURITY AGREEMENT
AND MORTGAGE BY AND BETWEEN PARAMOUNT CARDS INC.,
AS THE GRANTOR, AND MELLON BANK, N.A.,
AS THE AGENT, DATED MAY 21, 1998**

TRADEMARKS AND TRADENAMES

All of the following trademarks, trade names and service marks of Paramount Cards, all of which have been properly registered in the United States Patent and Trademark Office in Washington, D.C.:

<u>Trademark</u>	<u>Registration Date</u>	<u>Registration No.</u>
1. Paper Rainbow	October 18, 1994	1,858,550
2. Paramount from the heart	October 9, 1990	1,616,679
3. The mark consists of a fanciful representation of a heart	June 9, 1987	1,442,082
4. Telecard	January 14, 1986	1,378,617
5. Pups 'n Purrs	March 26, 1985	1,326,916
6. Words from the heart	September 14, 1982	1,208,303
7. From the Heart	March 3, 1981	1,148,010
8. Parafilm	May 13, 1980	1,135,124
9. Polly Patches	June 5, 1979	1,119,634
10. images	July 17, 1979	1,122,357
11. Moments Shared	January 23, 1979	1,111,781
12. photogram	August 29, 1972	942,002
13. Parachrome	September 3, 1968	856,028
14. Paramount	May 14, 1963	749,439
15. Continental	February 20, 1962	727,727
16. Card\$mart	November 5, 1996	2,013,981

SCHEDULE "B"

**ATTACHED TO AND MADE A PART OF THAT CERTAIN
TRADEMARK AND TRADENAME SECURITY AGREEMENT
AND MORTGAGE BY AND BETWEEN PARAMOUNT CARDS INC.,
AS THE GRANTOR, AND MELLON BANK, N.A.,
AS THE AGENT, DATED MAY 21, 1998**

LICENSES

None.