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To the Honorable Commissioner of Patents and Trademarks, please return the attached original documents or copy thereof.

1. Name of conveying party(ies):

Cavalier Specialty Yarn Company U S A

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

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

3. Nature of conveyance:

- Assignment Merger
Security Agreement Change of Name
Other

Execution Date:

2. Name and address of receiving party(ies)

Name: Bank of America Canada

Internal Address: Suite 2700

Street Address: 200 Front Street West
Ontario M5V 3L2 Canada

City: Toronto State: ZIP:

- 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)

369,408
1,791,014

Additional numbers attached? Yes No

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

Name: James D. Wright

Internal Address: Troutman Sanders LLP

Suite 5200

Street Address: 600 Peachtree Street, N.E.

City: Atlanta State: GA ZIP: 30308-2216

07/20/1999 DNGUYEN 00000347 369408

6. Total number of applications and registrations involved: 2

7. Total fee (37 CFR 3.41).....\$ 80.00

Enclosed

Authorized to be charged to deposit account

Please charge any additional fees or credits

8. Deposit account number: 011,156

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

1 FC:481 40.00 OP
2 FC:482 25.00 OP

DO NOT USE THIS SPACE

9. Statement and signature.

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

James D. Wright

Name of Person Signing

Signature

June 30, 1999

Date

Total number of pages including cover sheet, attachments, and document: 14

Mail documents to be recorded with required cover sheet information to: Commissioner of Patents & Trademarks, Box Assignments

07/20/1999 DNGUYEN 001204000
Name: 011156
Number: 369408
FC

CONDITIONAL ASSIGNMENT AND SECURITY AGREEMENT (TRADEMARK)

THIS CONDITIONAL ASSIGNMENT AND SECURITY AGREEMENT (TRADEMARK) ("Agreement"), dated as of May 18, 1999 between CAVALIER SPECIALTY YARN COMPANY USA (the "Grantor") and BANK OF AMERICA CANADA, for itself as the Canadian Lender and as agent for the Lenders (the "Agent");

WITNESSETH:

WHEREAS, pursuant to a Loan Agreement dated as of May 18, 1999 between, inter alia, the Grantor and the Agent, as the same may be amended, supplemented, revised or restated from time to time (the "Loan Agreement"), the Agent and the Lenders have agreed to make extensions of credit to, amongst others, the Grantor, subject to the terms and provisions of the Loan Agreement.

WHEREAS, in connection with the Loan Agreement, the Grantor has executed and delivered a Security Agreement dated of even date herewith (together with all amendments, supplements, restatement, and other modifications, if any, from time to time made thereto, the "Security Agreement");

WHEREAS, as a condition to the making of loans under the Loan Agreement, the Grantor is required to execute and deliver this Agreement and to grant to the Agent an assignment and transfer and a continuing security interest in all of the Trademark Collateral (as hereinafter defined) to secure: (a) the payment of principal and interest and all other moneys from time to time owing by the Grantor to the Agent and the Lenders arising under or in connection with the Loan Agreement; and (b) the payment and performance of all other indebtedness and obligations of the Grantor to the Agent and the Lenders in connection therewith (all of the foregoing being herein collectively called the "Obligations"); and

WHEREAS, the Grantor has duly authorized the execution, delivery and performance of this Agreement.

NOW THEREFORE, for good and valuable consideration, the receipt of which is hereby acknowledged, the Grantor agrees as follows:

1. **Definitions.** Unless otherwise defined herein or the context otherwise requires, terms used in this Agreement, including its preamble and recitals, have the meanings provided in the Loan Agreement.

2. Grant of Security Interest. For good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, to secure the payment and performance of all of the Obligations, the Grantor hereby transfers and assigns a continuing security interest to and in favour of the Agent, to the full extent possible, in all of its right, title and interest in and all of the following property (the "Trademark Collateral"), whether now owned or hereafter acquired or existing:

- (a) all trademarks, trade names, corporate names, company names, business names, fictitious business names, trade dress, service marks, certification marks, collective marks, logos, other source of business identifiers, prints and labels on which any of the foregoing have appeared or appear and designs owned by the Grantor (all of the foregoing items in this clause (a) being collectively called a "Trademark"), now existing anywhere in the world or hereafter adopted or acquired whether currently in use or not, all registrations and recordings thereof and all applications in connection therewith, whether pending or in preparation for filing, including registrations, recordings and applications with the Canadian Intellectual Property Office or in any office or agent of the United States of America (including the United States Patent and Trademark Office) or any foreign country, including those referred to in Schedule "A" hereto and all reissues, extensions or renewals thereof;
- (b) all Trademark licenses and other agreements providing the Grantor with the right to use, or pursuant to which the Grantor provides the right to use, any of the items described in Section 2(a), including each Trademark license referred to in Schedule "B" hereto;
- (c) all of the goodwill of the business connected with the use of, and symbolized by the items described in Section 2(a);
- (d) the right to sue third parties for past, present or future infringements of any Trademark Collateral described in Section 2(a) and, to the extent applicable, Section 2(b); and
- (e) all proceeds of, and rights associated with, the foregoing, including any claim by the Grantor against third parties for past, present or future infringement to or dilution of any Trademark, Trademark registration or Trademark license, including any Trademark, Trademark registration, or Trademark license referred to in Schedule "A" and Schedule "B" hereto, or for any injury to the goodwill associated with the use of any such Trademark or for breach or enforcement of any Trademark license and all rights corresponding thereto throughout the world.

3. Restrictions on Future Agreements. The Grantor agrees that until all Obligations shall have been satisfied in full and the Loan Agreement shall have been terminated, the Grantor will not, without the Agent's prior written consent enter into any agreement including, without limitation, any license agreement, which is inconsistent with the Grantor's obligations under this

Agreement if such action would reasonably be expected to materially adversely affect the fair market value of the Trademark Collateral or the benefits of this Agreement to the Agent, and the Grantor further agrees that it will not take any action, or permit any action to be taken by others subject to its control, including licensees, or fail to take any action, which would materially adversely affect the validity or enforcement of the rights transferred to the Agent under this Agreement.

4. New Trademarks. The Grantor represents and warrants to the Agent that the Trademarks listed on Schedule "A" hereto and the license agreements listed on Schedule "B" hereto constitute all of the Trademarks now owned by or licensed to the Grantor for which registrations have been issued or applied for in the Canadian Intellectual Property Office and the United States Patent and Trademark Office, as the case may be. If, before the Obligations have been satisfied in full and the Loan Agreement terminated, the Grantor shall (i) obtain rights to any new trademarks, trademark registrations or applications or tradenames used in Canada, the United States or in any foreign country or (ii) become entitled to the benefit of any trademark application, trademark, trademark registration or tradename used in Canada, the United States or in any foreign country, the provisions of Section 2 above shall automatically apply thereto and the Grantor shall give to the Agent prompt written notice thereof. The Grantor hereby authorizes the Agent to modify this Agreement upon such written notice by amending Schedule "A" and Schedule "B" hereto to include any future trademarks, trademark registrations, trademark applications, tradenames and license agreements which are Trademarks, as applicable, under Section 2 above or under this Section 4.

5. Use of Trademark Collateral. Notwithstanding the provisions of this Agreement, the Grantor shall be entitled to use and apply the Trademark Collateral in the ordinary course of business until the occurrence of any Event of Default.

6. Remedies Upon Default; Power of Attorney.

- (a) In addition to the grant of the security interest contained in Section 2 hereof, upon the occurrence of an Event of Default which is continuing or upon the exercise by the Agent and/or the Lenders of its and their rights under Section 11.2 of the Loan Agreement and, upon the election of the Agent, all right, title and interest in and to the Trademark Collateral shall be automatically granted, assigned, conveyed and delivered to the Agent or its designee. The Grantor hereby irrevocably constitutes and appoints the Agent and any officer, agent or employee 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 the Agent's own name or the name of the Agent's designee, all acts of said attorney being hereby ratified and confirmed, upon the occurrence of an Event of Default: (i) to complete, date, execute and file, or cause to be filed, the Assignment attached hereto as Exhibit A and incorporated hereby by reference (the "Assignment") in the United States Patent and Trademark Office and in all other applicable offices, and to execute and deliver any and all documents and instruments which may be necessary or desirable to accomplish the purpose of the Assignment, including, without limitation, the right (but not the

obligation) to prosecute applications in the name of the Grantor or the Agent, and to take any other actions deemed necessary by the Agent to maintain such registrations in effect; (ii) to collect proceeds from the Trademark Collateral (including, by way of example, license royalties and proceeds of infringement suits); (iii) to convey in any transaction authorized by the Loan Agreement, any goods covered by the registrations applicable to the Trademark Collateral to any purchaser thereof; and (iv) to make payment or to discharge taxes or liens levied or placed upon or threatened against any goods covered by the Trademark Collateral, the legality or validity thereof and the amounts necessary to discharge the same to be determined by the Agent in its sole discretion, and such payments made by the Agent to become the obligations of the Grantor to the Agent, due and payable immediately without demand. Such power, being coupled with an interest, is irrevocable.

- (b) The Agent shall have, in addition to all other rights and remedies given it by this Agreement, those allowed by law and the rights and remedies of a secured party under any applicable law, and, without limiting the generality of the foregoing, the Agent may, if any Event of Default shall have occurred, immediately, without demand or performance and without other notice (except as set forth below) or demand whatsoever to the Grantor, all of which are hereby expressly waived, and without advertisement, sell at public or private sale or otherwise realize upon, the Trademark Collateral, together with the goodwill of the business symbolized by the Trademark Collateral, and after deducting from the proceeds of sale or other disposition of the Trademark Collateral all expenses (including all reasonable expenses for brokers' fees and legal services), shall apply the residue of such proceeds in accordance with the Loan Agreement. Without in any way requiring notice to be given in the following manner, notice of any sale or other disposition of the Trademark Collateral may be given to the Grantor at least seven Business Days before the time of any intended public or private sale or other disposition of the Trademark Collateral is to be made, which the Grantor hereby agrees shall be reasonable notice of such sale or other disposition. At any such sale or other disposition, the Agent or any Lender may, to the extent permissible under applicable law, purchase the whole or any part of the Trademark Collateral sold, free from any right of redemption on the part of the Grantor, which right is hereby waived and released. The Grantor hereby agrees to execute any documents reasonably requested by the Agent in connection with any disposition hereunder.
- (c) Upon the occurrence of the conditional assignment provided for herein, the Grantor shall not have any right, title, or interest in or to any of the Trademark Collateral and the Grantor shall cease and desist in the use of the Trademark Collateral and of any colorable imitation thereof, and shall, upon written demand of the Agent, or pursuant to the terms of the Loan Agreement, deliver to the Agent all goods bearing the Trademark Collateral.

7. Agent not liable. Notwithstanding the assignment herein, the Agent does not by virtue of this Agreement assume any obligations whatsoever in respect of the Trademark Collateral

including, without limitations any obligation to renew registrations of or defend the validity, enforceability or distinctiveness of the Trademark Collateral.

8. Additional Representations and Warranties. The Grantor hereby represents, warrants, covenants and agrees that:

- (a) It is the owner of all right, title and interest in the Trademarks listed on Schedule "A" and Schedule "B" (other than any licensed to the Grantor) and, if not, it will forthwith take all necessary actions where commercially reasonable to become the owner thereof. Except as otherwise provided herein or in the Loan Agreement, it is and will continue to be the owner of all right, title and interest in the Trademark Collateral so long as the Trademarks shall continue in force, free from any lien or security interest in favour of any Person except for the security interest granted to the Agent.
- (b) It has the right and power to grant the security interest in the Trademark Collateral made hereby.
- (c) It has made no previous assignment, transfer or agreements in conflict herewith or constituting a present or future assignment, transfer, or encumbrance on any of the Trademark Collateral except for license agreements to use such Trademarks granted to licensees described on Schedule "B" hereto.
- (d) There is no effective financing statement or other document or instrument now signed or on file in any public office covering any part of the Trademark Collateral, except those financing statements showing the Agent as secured party or those disclosed to the Agent permitted under the Loan Agreement. So long as the Loan Agreement has not terminated, it will not execute, without the consent of the Agent, such consent not to be unreasonably withheld, and there will not be on file in any public office, any such financing statement or other document or instruments, except financing statements filed or to be filed in favour of the Agent.
- (e) To the best of the Grantor's knowledge, no material infringement or unauthorized use presently is being made of any of the Trademark Collateral which would materially adversely affect the fair market value of the Trademark Collateral or the benefits of this agreement granted to the Agent including, without limitation, the priority or perfection of the security interest granted herein or the remedies of the Agent hereunder.

9. Additional Covenants of the Grantor. The Grantor shall have the duty (i) where commercially reasonable to file and prosecute diligently any trademark or service mark application that is part of the Trademark Collateral pending as of the date hereof or thereafter until all Obligations have been paid in full and the Loan Agreement shall have been terminated, and (ii) where commercially reasonable to preserve and maintain all rights in the Trademark

Collateral. Any expenses incurred in connection with this Section 9 shall be borne by the Grantor.

If the Grantor fails to comply with any of the foregoing duties, upon notice to the Grantor (it being understood that no such notice shall be required if an Event of Default has occurred and is continuing or if the Agent and/or the Lenders has/have exercised its or their rights under Section 11.2 of the Loan Agreement and, it being further understood that failure to give such notice will not result in any liability to the Agent or any Person acting on its behalf) the Agent may do so in the Grantor's name to the extent permitted by law, but at the Grantor's expense, and the Grantor hereby agrees to reimburse the Agent in full for all expenses, including the reasonable fees and disbursements of counsel incurred by the Agent in protecting, defending and maintaining the Trademark Collateral.

In the event that the Grantor shall fail to pay when due any fees required to be paid by it hereunder, or shall fail to discharge any lien or security interest prohibited hereby, or shall fail to comply with any other duty hereunder, the Agent may, but shall not be required to, pay, satisfy, discharge or bond the same for the account of the Grantor, and all moneys so paid out shall be Obligations repayable on demand, together with interest at the highest rate applicable to the loans under the Loan Agreement.

10. Security Agreement. This shall be a continuing agreement and the security interests granted hereby are in addition to and not in substitution for any other security held by the Agent in respect of any of the Obligations or otherwise and shall not operate as a merger, or suspend the fulfillment of, or affect the rights, remedies and powers of the Agent in respect of any of the Obligations.

11. Release of Security Interest. Upon payment in full of all Obligations and the termination of the Loan Agreement, the Agent shall, at the Grantor's expense, execute and deliver to the Grantor all instruments and other documents as may be necessary or proper to release the lien in any security interest in the Trademark Collateral which has been granted hereunder.

12. Acknowledgment. The Grantor does hereby further acknowledge and affirm that the right and remedies of the Agent with respect to the security interest in the Trademark Collateral granted hereby are more fully set forth in the Security Agreement, the terms and provisions of which (including the remedies provided for therein) are incorporated by references herein as if fully set forth herein.

13. Paramountcy. Notwithstanding any other term or provision hereof, in the event that any provisions hereof contradict and are incapable of being construed in conjunction with the provisions of the Loan Agreement, the provisions of the Loan Agreement take precedence over those contained herein and, in particular, if any act of the Grantor is expressly permitted under the Loan Agreement but is prohibited hereunder, any such act shall be permitted hereunder and any encumbrance expressly permitted hereunder and thereunder. This instrument, document or agreement may be sold, assigned or transferred by the Agent in accordance with the terms of the Loan Agreement.


14. Counterparts. This Agreement may be executed by the parties hereto in several counterparts, each of which shall be deemed to be an original and all of which shall constitute together but one and the same agreement.

15. Successors and Assigns. This Agreement shall endure to the benefit of and be binding upon the parties hereto and their respective successors and assigns.


16. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of North Carolina.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered by their respective officers thereunto duly authorized as of the day and first year above written.

CAVALIER SPECIALTY YARN COMPANY USA

Per: 
Name: DAVID TEED
Title: DIRECTOR

BANK OF AMERICA CANADA, for itself and as Agent

Per: 
Name: ROBERT KIZELL
Title: VICE PRESIDENT

SCHEDULE "A"

TRADEMARKS (detail all applications and registered and unregistered marks)

<u>TRADEMARK NAME</u>	<u>TRADEMARK APPLICATION NUMBER</u>	<u>REGISTRATION</u>
Premier Rayon	N/A	369,408
Twinspun	N/A	1,791,014

SCHEDULE "B"

NONE

**ASSIGNMENT OF TRADEMARKS
AND GOODWILL**

THIS ASSIGNMENT, dated the ____ day of _____, _____, from CAVALIER SPECIALTY YARN COMPANY USA (the "Assignor"), to BANK OF AMERICA CANADA, as Agent (the "Assignee"), recites and provides:

WHEREAS, the Assignor is the owner of certain trademarks and service marks and the registrations and applications to register therefor listed in Schedule A hereto (the "Trademarks"); and

WHEREAS, the Assignee desires to obtain for the Lenders and the other Secured Creditors (as defined in the Conditional Assignment and Security Agreement (Trademark) dated as of _____, 1999 among the Assignor and the Assignee (the "Security Agreement")), all of the Assignor's right, title and interest in all such Trademarks.

NOW, THEREFORE, for good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the Assignor hereby grants, assigns and conveys to the Assignee, its successors and assigns, the entire right, title and interest of the Assignor in and to the Trademarks and all other Trademark Collateral (as defined in the Security Agreement), including without limitation all proceeds thereof (such as, by way of example, license royalties and proceeds of infringement suits), and the right to sue for past, present and future infringements, together with the goodwill of the business symbolized by the Trademarks. The Assignor acknowledges that it has granted the Assignee the right to secure the assets of the Assignor associated with the business symbolized by the Trademarks, under separate agreement.

The Assignor further agrees to execute such further instruments and documents and perform such further acts as the Assignee may deem necessary to secure to the Assignee the rights herein conveyed.

The Assignor warrants and represents that it is the sole owner of the interest conveyed hereunder and that such interest is not the subject of any prior transfer, assignment, lien, mortgage or other transaction which would affect the Assignor's ability to transfer such interest. The Assignor further agrees to indemnify the Assignee for any breach of the above warranty.

IN WITNESS WHEREOF, the Assignor has executed this Assignment under seal as of the day and year first above written.

CAVALIER SPECIALTY YARN COMPANY USA

By: _____
Name: _____
Title: _____

IN THE UNITED STATES PATENT AND TRADEMARK OFFICE

Trademark: PREMIER RAYON
Registration No. 369,408
Registration Date: July 25, 1939
Docket No.: 55295.00.0005
Registrant: Bank of America Canada

APPOINTMENT OF DOMESTIC REPRESENTATIVE

Assistant Commissioner for Trademarks
2900 Crystal Drive
Arlington, Virginia 22202-3513

Dear Sir:

Registrant Bank of America Canada is the owner of a security interest in the above-referenced trademark by assignment. NationsBank, N.A. whose postal address is 600 Peachtree Street, N.E., Atlanta, Georgia 30308, is hereby designated Registrant's representative upon whom notice or process in proceedings affecting the mark may be served.

Please direct all correspondence to:

Angela Leake
Vice President
NationsBank, N.A.
600 Peachtree Street, N.E.
13th Floor
Atlanta, Georgia 30308
(404) 607-5372

BANK OF AMERICA CANADA

Dated JULY 5, 1999

By: 
Name: Robert S. Kizell
Title: Vice President

IN THE UNITED STATES PATENT AND TRADEMARK OFFICE

Trademark: TWINSPIN
Registration No. 1,791,014
Registration Date: August 31, 1993
Docket No.: 55295.00.0005
Registrant: Bank of America Canada

APPOINTMENT OF DOMESTIC REPRESENTATIVE

Assistant Commissioner for Trademarks
2900 Crystal Drive
Arlington, Virginia 22202-3513

Dear Sir:

Registrant Bank of America Canada is the owner of a security interest in the above-referenced trademark by assignment. NationsBank, N.A. whose postal address is 600 Peachtree Street, N.E., Atlanta, Georgia 30308, is hereby designated Registrant's representative upon whom notice or process in proceedings affecting the mark may be served.

Please direct all correspondence to:

Angela Leake
Vice President
NationsBank, N.A.
600 Peachtree Street, N.E.
13th Floor
Atlanta, Georgia 30308
(404) 607-5372

BANK OF AMERICA CANADA

Dated July 5, 1999

By: 
Name: Robert S. Kizell
Title: Vice President