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**TRADEMARK**

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|---|--|

**Conveying Party**       Mark if additional names of conveying parties attached

Name The Leshner Corporation      Execution Date 07/28/98  
 Formerly \_\_\_\_\_  
 Individual     General Partnership     Limited Partnership     Corporation     Association  
 Other \_\_\_\_\_  
 Citizenship/State of Incorporation/Organization \_\_\_\_\_

**Receiving Party**       Mark if additional names of receiving parties attached

Name NationsBank, N.A. (successor by merger to NationsBank of Texas, N.A.)  
 DBA/AKA/TA \_\_\_\_\_  
 Composed of \_\_\_\_\_  
 Address (line 1) 901 Main Street  
 Address (line 2) 67th Floor  
 Address (line 3) Dallas City      Texas State/Country      75202 Zip Code  
 Individual     General Partnership     Limited Partnership     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 should be attached. (Designation must be a separate document from Assignment.)  
 Corporation     Association  
 Other National Bank Association  
 Citizenship/State of Incorporation/Organization \_\_\_\_\_

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**Domestic Representative Name and Address** Enter for the first Receiving Party only.

Name

Address (line 1)

Address (line 2)

Address (line 3)

Address (line 4)

**Correspondent Name and Address** Area Code and Telephone Number

Name

Address (line 1)

Address (line 2)

Address (line 3)

Address (line 4)

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

**Trademark Application Number(s) or Registration Number(s)**  Mark if additional numbers attached

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

| Trademark Application Number(s) |                      |                      | Registration Number(s)               |                                      |                                       |
|---------------------------------|----------------------|----------------------|--------------------------------------|--------------------------------------|---------------------------------------|
| <input type="text"/>            | <input type="text"/> | <input type="text"/> | <input type="text" value="2073041"/> | <input type="text" value="1762923"/> | <input type="text" value="1691621"/>  |
| <input type="text"/>            | <input type="text"/> | <input type="text"/> | <input type="text" value="1762922"/> | <input type="text" value="1908535"/> | <input type="text" value="RN111153"/> |
| <input type="text"/>            | <input type="text"/> | <input type="text"/> | <input type="text" value="RN54102"/> | <input type="text" value="RN16333"/> | <input type="text" value="2191180"/>  |

**Number of Properties** Enter the total number of properties involved. #

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

Method of Payment: Enclosed  Deposit Account

Deposit Account (Enter for payment by deposit account or if additional fee 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.

Bee Archaphorn  12/03/99

Name of Person Signing Signature Date Signed

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**INTELLECTUAL PROPERTY SECURITY AGREEMENT AND ASSIGNMENT**

**Between**

**THE LESHNER CORPORATION  
as Debtor**

**and**

**NATIONSBANK OF TEXAS, N.A.  
Collateral Agent**

**July 28, 1998**

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## INTELLECTUAL PROPERTY SECURITY AGREEMENT

INTELLECTUAL PROPERTY SECURITY AGREEMENT, dated as of July 28, 1998, between The Leshner Corporation, an Ohio corporation (the "Debtor"), and NationsBank, N.A. (successor by merger to NationsBank of Texas, N.A.), a national banking association, in its capacity as collateral agent (the "Collateral Agent"), for itself, each lender (and affiliate thereof that has entered into a Hedge Agreement with any Obligor (as defined in the Credit Agreements defined below) a party to the Amended and Restated Credit Agreement described below (the "Revolving Lenders"), NationsBank of Texas, N.A., in its capacity as administrative agent under the Amended and Restated Credit Agreement (the "Revolving Agent"), each lender (and affiliate thereof that has entered into a Hedge Agreement with any Obligor (as defined in the Credit Agreements defined below) a party to the Term Credit Agreement described below (the "Term Lenders"), and NationsBank of Texas, N.A., in its capacity as administrative agent under the Term Credit Agreement (the "Term") (singularly, a "Secured Party" and collectively, "Secured Parties").

### RECITALS

(1) Pillowtex Corporation, a Texas corporation (the "Borrower"), the Revolving Agent and the Revolving Lenders entered into that certain Amended and Restated Credit Agreement, dated as of December 19, 1997, amended by a First Amendment to Amended and Restated Credit Agreement dated as of June 19, 1998 (as amended, modified, supplemented or restated from time to time, the "Amended and Restated Credit Agreement").

(2) The Borrower, the Term Agent and the Term Lenders entered into that certain Term Credit Agreement, dated as of December 19, 1997, amended by a First Amendment to Term Credit Agreement, dated as of June 19, 1998 (as amended, modified, supplemented or restated from time to time, the "Term Credit Agreement"). The Amended and Restated Credit Agreement and the Term Credit Agreement are herein, collectively, the "Credit Agreements." Capitalized terms used herein and not otherwise defined herein shall have the meanings given to them in each of the Credit Agreements or in Section 5.1.

(3) It is the intention of the parties hereto that this Agreement create a first priority security interest in certain property of the Debtor securing the payment of the obligations set forth in Section 1.2 hereof, subject to only Permitted Liens.

(4) It is a requirement of Section 5.12 of the Credit Agreements that the Debtor shall have executed and delivered to the Collateral Agent this Agreement.

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## AGREEMENT

NOW, THEREFORE, in consideration of the premises set forth herein and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, and in order to induce Secured Parties, as appropriate, to, among other things, make the Advances and issue, or participate in the issuance of, Letters of Credit under the Credit Agreements, the Debtor hereby agrees with the Collateral Agent for its benefit and the ratable benefit of the other Secured Parties, as hereinafter set forth.

### ARTICLE 1

#### Grant of Security Interest

Section 1.1 Assignment and Grant of Security Interest. The Debtor hereby assigns to, and pledges and grants to the Collateral Agent, for its benefit and the ratable benefit of the other Secured Parties, a security interest in, the entire right, title and interest of the Debtor, in and to the Collateral.

Section 1.2 Security for Obligations. This Agreement creates an enforceable security interest in the Collateral, subject only to Permitted Liens, as provided herein, securing the payment and performance of any and all obligations now or hereafter existing of the Debtor and each other Obligor under the Credit Agreements and the other Loan Documents, including any extensions, modifications, substitutions, amendments and renewals thereof, whether for principal, interest, fees, expenses, indemnification or otherwise) (all such obligations of the Debtor and each other Obligor being the "Obligations"). Without limiting the generality of the foregoing, this Agreement secures the payment of all amounts which constitute part of the Obligations and would be owed by the Debtor and each other Obligor to the Collateral Agent or any other Secured Party under any Loan Document, but for the fact that they are unenforceable or not allowable due to the existence of a bankruptcy, reorganization or similar proceeding under any Debtor Relief Law involving the Debtor and any other Obligor (including all such amounts which would become due or would be secured but for the filing of any petition in bankruptcy, or the commencement of any insolvency, reorganization or like proceeding of the Debtor, any other Obligor or any other Person under any Debtor Relief Law). Notwithstanding anything herein to the contrary, in any action or proceeding involving any state corporate law, or any state or federal bankruptcy, insolvency, reorganization or other law affecting the rights of creditors generally if the Security Interest granted by the Debtor herein shall be held void, invalid or unenforceable, or subordinated to the liens or claims of any other creditors, on account of the amount of the Obligations secured by such Security Interest then, the amount of the Obligations secured by such Security Interest shall, without any action by the Debtor, the Collateral Agent, any other Secured Party or any other Persons, be automatically limited and reduced to the highest amount that is valid and enforceable and not subordinated to the claims of other creditors as determined in such action or proceeding.

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**Section 1.3 Validity and Priority of Security Interest.** The Debtor agrees that the Security Interest shall at all times be valid, perfected, continuing and binding and enforceable against the Debtor and all other Persons, in accordance with the terms hereof, as security for the Obligations, and that the Collateral shall not at any time be subject to any other Lien, except Permitted Liens.

**Section 1.4 Maintenance of Status of Security Interest, Collateral and Rights.**

(a) **Required Action.** The Debtor shall take all action that may be necessary and that the Collateral Agent may reasonably request, so as at all times (i) to maintain the validity, perfection, enforceability and priority of the Security Interest in the Collateral in conformity with the requirements of Section 1.3, and (ii) to protect and preserve, and to enable the exercise or enforcement of, the rights of the Collateral Agent hereunder, including (A) immediately discharging all Liens, except Permitted Liens, and (B) executing and delivering financing or continuation statements, instruments of pledge, notices and instructions in each case in form and substance reasonably satisfactory to the Collateral Agent.

(b) **Protection of Collateral.** Except as permitted under the Credit Agreements, the Debtor shall protect, preserve, renew and maintain, in each case in a manner consistent with reasonably responsible business and legal practices, all rights of the Debtor in the Collateral, including (i) prosecuting such suits, proceedings or other actions for infringement, unfair competition, dilution or other damage as the Debtor in its reasonable business judgment deems appropriate under the circumstances or (ii) appearing in and defending any action or proceeding that may materially adversely affect the Debtor's title to or the Collateral Agent's security interest in all or any material part of the Collateral, when such action is in the Debtor's reasonable business judgment necessary to protect the Debtor's Collateral. Any expenses incurred by the Debtor in protecting, preserving, renewing and maintaining the Collateral shall be borne by the Debtor. To the maximum extent permitted by Laws, during the continuance of an Event of Default, the Collateral Agent shall have the right, without taking title to any Collateral, to bring suit to enforce any or all Collateral or its Security Interest in any or all of the Collateral, in which event the Debtor shall, at the reasonable request of the Collateral Agent, do any and all lawful acts and execute any and all proper documents reasonably required by the Collateral Agent in aid of such enforcement. All reasonable costs, reasonable expenses and other moneys reasonably advanced by the Collateral Agent in connection with the foregoing shall, whether or not there are then outstanding any amounts under the Credit Agreements, be treated as Obligations, but the making of any advances by the Collateral Agent or any other Secured Party shall not relieve the Debtor of any default hereunder.

(c) **Authorized Action.** The Collateral Agent is hereby authorized to file one or more continuation statements, and during the continuance of an Event of Default, financing statements, amendments thereto and instruments of pledge, notices and instructions without the signature of or in the name of the Debtor when permitted by Applicable Law provided that the Collateral Agent. A carbon, photographic or other reproduction of this Agreement or of any financing

statement filed in connection with this Agreement shall be sufficient as a financing statement where permitted by Applicable Law.

(d) **Registrations.** Except as permitted under the Credit Agreements, the Debtor shall renew or maintain, as specified in and permitted by any Applicable Law, and shall make any filings necessary to renew or maintain the Registrations referred to in Section 2.4.

**Section 1.5 Debtor Remains Obligated; the Collateral Agent and Secured Parties Not Obligated.** The grant by the Debtor to the Collateral Agent of the Security Interest shall not relieve the Debtor from the performance of any term, covenant, condition or agreement on its part to be performed or observed (including by virtue of the exercise by the Collateral Agent of any of its rights hereunder), or from any liability to any Person, under or in respect of any of the Collateral or impose any obligation on the Collateral Agent or any Secured Party or impose any liability on the Collateral Agent or any other Secured Party for any act or omission on the part of the Debtor relative thereto.

**Section 1.6 Termination.**

(a) After the latest of the Release Dates set forth in the Credit Agreements, (i) this Agreement shall terminate and be of no further force and effect (except as provided in Section 1.6(b)) and all rights to the Collateral shall revert to the Debtor, and (ii) the Collateral Agent will, at the Debtor's expense, execute and deliver to the Debtor such documents as the Debtor shall reasonably request to evidence such termination.

(b) The Debtor agrees that, to the extent permitted by Applicable Law, if at any time all or any part of any payment theretofore applied by the Collateral Agent and the other Secured Parties to any of the Obligations is or must be rescinded or returned by any Person for any reason whatsoever (including the insolvency, bankruptcy or reorganization of the Debtor or any other Person), such Obligations shall, for the purposes of this Agreement, to the extent that such payment is or must be rescinded or returned, be deemed to have continued in existence, notwithstanding such application by the Collateral Agent or any other Secured Party, and the Security Interest granted hereunder shall continue to be effective or be reinstated, as the case may be, as to such Obligations, all as though such application by the Collateral Agent or any other Secured Party had not been made.

**ARTICLE 2**

**Representations and Warranties**

The Debtor represents and warrants as follows:

**Section 2.1 Authorization: Enforceability: Required Consents: Absence of Conflicts.** The Debtor has the legal power, and has taken all necessary legal action to authorize it, to execute, deliver and perform in accordance with its terms this Agreement and to execute and deliver all financing statements and other filings contemplated hereby, including those supplementary or additional filings referred to in Section 3.5. This Agreement has been duly executed and delivered by the Debtor and is the legal, valid and binding obligation of the Debtor, enforceable in accordance with its terms subject to (i) equitable principles generally and (ii) the Debtor Relief Laws (insofar as such laws relate to the bankruptcy, insolvency or similar event of the Debtor). The execution, delivery and performance in accordance with its terms by the Debtor of this Agreement does not and (absent any change in any Law) will not (a) except for the filing in the jurisdiction set forth in Schedule 1 hereto and acceptance of financing statements and continuation statements in connection therewith delivered to the Collateral Agent describing this Agreement and the Collateral under the UCC, the timely filing of this Agreement with the United States Patent and Trademark Office and acceptance thereof to the extent permitted by Applicable Law and those supplementary or additional filings referred to in Section 3.5, require any consent or approval on or prior to the Agreement Date not already obtained, including any consent or approval of any shareholder or partner of or other holder of an equity interest in the Debtor except to the extent that the failure to obtain such consent or approval could not reasonably be expected to have a Material Adverse Effect, (b) violate or conflict with its organizational documents, or (c) violate or conflict with, result in a breach of, constitute a default under, or result in or require the creation of any Lien (other than the Security Interest) upon any assets of the Debtor under any contract or agreement or Applicable Laws, in each case the effect of which could reasonably be expected to have a Material Adverse Effect.

**Section 2.2 Rights of the Debtor.** The Debtor is the legal and beneficial owner of the Collateral free and clear of any Lien, except for the Security Interest and Permitted Liens. No effective financing statement or other instrument similar in effect naming the Debtor as "debtor" covering all or any part of the Collateral is on file in any recording office, except such as (a) may have been filed in favor of the Collateral Agent relating to this Agreement, (b) may be filed in respect of Permitted Liens, and (c) may be filed in connection with respect to which the requirements of Section 3.1(i) of each of the Credit Agreements have been notified.

**Section 2.3 Perfection.** This Agreement, together with the filings referred to in Section 2.1(a) above, will create in favor of the Collateral Agent valid and perfected security interests in the Collateral and such security interests will be a first priority security interest on existing Registrations, subject only to Permitted Liens; provided that additional actions may be required with respect to the perfection of proceeds of the Collateral held on the date hereof.

**Section 2.4 Registrations.** Annexes A-1, A-2, B-1 and B-2, as applicable, set forth a true and complete list of all material Registrations in the United States Patent and Trademark Office and related state filings owned by the Debtor as of the date hereof.

Section 2.5 Other Property. On the date hereof, the Debtor has no interest in any Copyright that is material to the operation of the Debtor's existing and anticipated business and that are registered or subject to any application for registration, except where the failure to do so could not reasonably be expected to have a Material Release Effect, and the Debtor does not believe, after appropriate review of all relevant facts and circumstances, that any registration or filing with respect to any interest the Debtor may have in any property which may constitute Copyrights is material to the operation of the Debtor's existing and anticipated business.

### ARTICLE 3

#### Covenants

Section 3.1 Chief Executive Office. The Debtor shall maintain its chief executive office and the office where the books and records relating to the Collateral are kept only at the location specified on Schedule 1 to the Security Agreement executed by the Debtor pursuant to the Credit Agreements.

Section 3.2 Preservation of Existence and Preservation of Enforceability. The Debtor shall, so long as any of the Obligations remain outstanding, take all reasonable action and obtain all material Necessary Authorizations reasonably required so that its obligations under this Agreement will at all times be legal, valid and binding and enforceable in accordance with its terms, subject to (i) equitable principles generally and (ii) the Debtor Relief Laws (insofar as such laws relate to the bankruptcy, insolvency or similar event of the Debtor), except, in each case, where the failure to obtain such Necessary Authorizations could not reasonably be expected to have a Material Adverse Effect.

Section 3.3 No Disposition of Collateral. Except to the extent permitted by the Credit Agreements, the Debtor shall not sell, transfer or otherwise dispose of any of the Collateral or any interest therein that is material to the Debtor's business, or grant any license thereunder, except for licenses granted or other dispositions in the ordinary course of business.

Section 3.4 Additional Property. If after the date hereof, the Debtor uses or acquires any interest in any Registration which is within the definition of "Collateral" or modification, reformulation or other alteration to any Registration that is material to the Debtor's business, the Debtor shall execute and deliver to the Collateral Agent all documents and instruments the Collateral Agent may reasonably require to grant to the Collateral Agent a perfected first priority Lien therein (subject only to Permitted Liens) and to subject all of such interest to this Agreement, including but not limited to any new, supplementary or additional filings.

ARTICLE 4

Event of Default

Upon the occurrence and during the continuance of an Event of Default:

Section 4.1 Application of Proceeds. All cash proceeds received by the Collateral Agent upon any sale of, collection of, or other realization upon, all or any part of the Collateral shall be applied as follows:

First: To the payment of all reasonable out-of-pocket costs and expenses incurred in connection with the sale of, collection of or other realization upon Collateral, including reasonable attorneys' fees and disbursements;

Second: To the payment of the Obligations as provided in the Intercreditor Agreement and in such order and in such manner as provided in the Intercreditor Agreement (with the Debtor remaining liable for any deficiency); and

Third: To the extent of the balance (if any) of such proceeds, to the payment to the Debtor or other Person legally entitled thereto.

Section 4.2 Remedies.

(a) If an Event of Default has occurred and is continuing, the Collateral Agent may exercise in respect of the Collateral, in addition to other rights and remedies provided for herein or otherwise available to it, all the rights and remedies of a secured party on default under the Uniform Commercial Code in effect in the State of Texas at that time (the "UCC") (whether or not the Uniform Commercial Code applies to the affected Collateral), and also may (i) require the Debtor to, and the Debtor hereby agrees that it will at its expense and upon request of the Collateral Agent forthwith, assemble all or part of the Collateral (to the extent capable of being assembled) as directed by the Collateral Agent and make it available to the Collateral Agent at a place to be designated by the Collateral Agent, which is reasonably convenient to both parties or (ii) without notice, except as specified below, sell the Collateral or any portion thereof in one or more parcels at public or private sale, at any of the Collateral Agent's offices or elsewhere, for cash, on credit or for future delivery, and upon such other terms as the Collateral Agent may deem commercially reasonable. The Debtor agrees that, to the extent notice of sale shall be required by Applicable Law, ten days' written notice to the Debtor of the time and place of any public sale or the time after which any private sale is to be made shall constitute reasonable notification, provided that ten days' written notice does not violate any Applicable Law. The Collateral Agent shall not be obligated to make any sale of Collateral regardless of notice of sale having been given. The Collateral Agent may adjourn any public or private sale from time to time by announcement at the time and place fixed therefor, and such sale may, without further notice, be made at the time and place to which it was so adjourned. The Collateral Agent may be the

purchaser at any sale of the Collateral and pay all or any part of the purchase price thereof by cancelling part or all of the Obligations.

(b) If an Event of Default has occurred and is continuing, the Collateral Agent may obtain the appointment of a receiver of the Collateral.

(c) If an Event of Default has occurred and is continuing, the Collateral Agent may without notice to the Debtor and at such time or times as the Collateral Agent in its reasonable discretion may determine, exercise any or all of the Debtor's rights in, to and under, or in any way connected with or related to, any or all of the Collateral in accordance with Section 6.4, including (i) enforcing the performance of, and exercising any or all of the Debtor's rights with respect to the Collateral, in each case by legal proceedings or otherwise and (ii) settling, adjusting, compromising, extending, renewing, discharging and releasing any or all of, and any legal proceedings brought with respect to any or all of, the Debtor's rights with respect to the Collateral.

(d) If an Event of Default has occurred and is continuing, the Collateral Agent may exercise any other right or remedy available under any other Loan Document or Applicable Laws.

(e) The Debtor agrees that, in any sale of any of the Collateral after an Event of Default that has occurred and is continuing, the Collateral Agent is authorized to comply with any limitation or restriction in connection with such sale as counsel may advise the Collateral Agent is necessary in order to avoid any violation of applicable Law (including compliance with such procedures as may restrict the number of prospective bidders or purchasers, require that such prospective bidders and purchasers have certain qualifications, and restrict such prospective bidders and purchasers to Persons who will represent and agree that they are purchasing for their own account or investment and not with a view to the distribution or resale of such Collateral), or in order to obtain any required approval of the sale or of the purchase by any Tribunal, and the Debtor further agrees that such compliance shall not result in such sale being considered or deemed not to have been made in a commercially reasonable manner, nor shall the Collateral Agent or any other Secured Party be liable or accountable to the Debtor for any discount allowed solely by reason of the fact that such Collateral was sold in compliance with any such limitation or restriction.

(f) Upon written demand of the Collateral Agent, after an Event of Default has occurred and is continuing the Debtor shall execute and deliver to the Collateral Agent an assignment or assignments of the Collateral and such other documents as are reasonably necessary to carry out the intent and purposes of this Agreement. The Debtor agrees that such an assignment and/or recording shall be applied to reduce the Obligations outstanding only to the extent that the Collateral Agent or any other Secured Party receives cash proceeds in respect of the sale of, or realization upon, the Collateral.

(g) For the purpose of enabling the Collateral Agent to exercise rights and remedies under this Section 4.2 at such time as the Collateral Agent shall be lawfully entitled to exercise such rights and remedies, and for no other purpose, the Debtor hereby grants to the Collateral Agent, an irrevocable, non-exclusive license (exercisable without payment of royalty or other compensation to the Debtor) to use, assign, license or sublicense any of the Collateral now owned or hereafter acquired by the Debtor, wherever the same may be located, including in such license reasonable access to all media in which any of the licensed items may be recorded or stored and to all computer programs used for the compilation or printout thereof.

**Section 4.3 Indemnity and Expenses.**

(a) **THE DEBTOR AGREES TO INDEMNIFY (WHICH SHALL BE PAYABLE FROM TIME TO TIME ON DEMAND) THE COLLATERAL AGENT AND OTHER SECURED PARTIES FROM AND AGAINST ANY AND ALL CLAIMS, LOSSES AND LIABILITIES (INCLUDING REASONABLE ATTORNEYS' FEES) ARISING OUT OF OR RESULTING FROM THIS AGREEMENT (INCLUDING ENFORCEMENT OF THIS AGREEMENT), EXPRESSLY INCLUDING SUCH CLAIMS, LOSSES, OR LIABILITIES ARISING OUT OF MERE NEGLIGENCE OF THE COLLATERAL AGENT OR ANY OTHER SECURED PARTY, EXCEPT CLAIMS, LOSSES OR LIABILITIES AS FINALLY JUDICIALLY DETERMINED BY A COURT OF COMPETENT JURISDICTION TO HAVE RESULTED SOLELY FROM THE COLLATERAL AGENT'S OR ANY SECURED PARTY'S GROSS NEGLIGENCE OR WILLFUL MISCONDUCT, BUT EXCLUDING (i) ANY CLAIM OR LIABILITY THAT ARISES AS A DIRECT RESULT OF THE OPERATION OF ANY COLLATERAL BY THE COLLATERAL AGENT OR ANY OF THE OTHER SECURED PARTIES AFTER TAKING POSSESSION THEREOF BY FORECLOSURE OR BY TRANSFER IN LIEU OF FORECLOSURE (PROVIDED THAT SUCH CLAIM OR LIABILITY DOES NOT RELATE TO ANY CONDITION EXISTING ON OR WITH RESPECT TO SUCH COLLATERAL PRIOR TO FORECLOSURE OR TRANSFER IN LIEU OF FORECLOSURE), (ii) MATTERS RAISED EXCLUSIVELY BY A PARTICIPANT AGAINST THE COLLATERAL AGENT OR ANY OTHER SECURED PARTY, AND (iii) MATTERS RAISED BY ONE LENDER AGAINST A LENDER OR BY ANY SHAREHOLDERS OF A LENDER AGAINST A LENDER OR ITS MANAGEMENT.**

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

ARTICLE 5

Interpretation

Section 5.1 Definitional Provision.

(a) Certain Terms Defined by Reference. The terms "collateral", "inventory", "rights", and "security interest" shall have the meanings ascribed thereto in the UCC, or, when capitalized, the meanings specified in subsection (b) below.

(b) Other Defined Terms. For purposes of this Agreement:

"Agreement" means this Agreement, including all schedules, annexes and exhibits hereto.

"Collateral" means the Debtor's rights, title and interests, (whatever they may be) in each of the following, in each case whether now or hereafter existing or now owned or hereafter acquired by the Debtor and whether or not the same is subject to Article 9 of the UCC, and wherever the same may be located, but only to the extent such assets are not presently encumbered:

- (i) the Trademarks and Goodwill;
- (ii) the Patents;
- (iii) all registrations or letters patent issued or applied for (now or hereafter) with respect to the Trademarks and Patents and renewals thereof in the United States and any state thereof (the "Registrations");
- (iv) any renewal, reissue, re-examination certificate, extension or the like with respect to the Trademarks and Patents;
- (v) all rights to use the Trademarks as trade names or assumed names in all aspects of its business;
- (vi) all inventions, processes, production methods, proprietary information, know-how and trade secrets related to the Patents;
- (vii) all licenses, sublicenses or user or other agreements granted in favor of or from the Debtor with respect to any of the foregoing to the extent assignable without violation thereof, together with any Goodwill connected with or symbolized by any such licenses and agreements and the right to prepare for sale and sell any and all inventory of the Debtor now or hereafter covered by such licenses and agreements;



(viii) all proceeds and products of the foregoing. The inclusion of "proceeds" of Collateral in the definition of "Collateral" shall not be deemed a consent by the Collateral Agent to any sale or other disposition of any Collateral not otherwise specifically permitted by the terms hereof or by the Credit Agreements.

**"Copyright"** means any copyright, copyright registration and applications for such registration, all subject matter related to such copyrights, in any and all forms, and all copyrights and applications for registration of copyrights related to such copyrights.

**"Goodwill"** means the goodwill of the businesses connected with the use of (or associated with) and symbolized by the Trademarks, but not any other goodwill.

**"Governmental Approval"** means any authorization, consent, approval, license or exemption of, registration or filing with, or report or notice to, any Tribunal.

**"Information"** means data, certificates, reports, statements (including financial statements), documents and other information in form (including electronic media) reasonably acceptable to the Collateral Agent.

**"Patents"** means all patents, all inventions and subject matter related to such patents, in any and all forms, and all patents and applications for patents related to such patents, including but not limited to the patents listed on Annex A-1 attached hereto, all inventions and all subject matter related to such patents, in any and all forms, and all patents and applications for patents related to such patents, including those patents and applications listed on Annex A-2 attached hereto, together with the reissues, divisions, continuations, renewals, extensions and continuations-in-part thereof, all income, royalties, damages and payments now or hereafter due and payable under and with respect thereto, including, without limitation, damages for past or future infringements thereof and the right to sue for past, present and future infringements thereof.

**"Security Interest"** means the continuing security interest of the Collateral Agent in the Collateral intended to be effected by the terms of this Agreement or any financing and continuation statements or other filings contemplated hereby.

**"Trademarks"** means all trade names, trademarks, and service marks, in any and all forms, and all trade name, trademark and service mark registrations and applications for registration related to such trademarks, trade names and service marks, including but not limited to the registered trade names, trademarks, and service marks listed on Annex B-1 attached hereto, and all applications for registration of trade names, trademarks, and service marks, including those applications listed on Annex B-2 attached hereto, all common law rights to such trade names, trademarks and service marks, the right to recover for all past, present and future infringements thereof, and all other rights of any kind whatsoever accruing thereunder or pertaining thereto.

"UCC" means Article 9 of the Uniform Commercial Code as in effect from time to time in the State of Texas.

(c) Other Definitional Provisions.

(i) Except as otherwise specified herein, all references herein (A) to any Person shall be deemed to include such Person's successors and assigns, (B) to any Applicable Law referred to herein shall be deemed references to such Applicable Law as the same may have been or may be amended or supplemented from time to time and (C) to this Agreement or other agreement defined or referred to herein shall be deemed a reference to this Agreement or other agreement as the terms thereof may have been or may be amended, supplemented, waived or otherwise modified from time to time.

(ii) Whenever the context so requires, the neuter gender includes the masculine or feminine, the masculine gender includes the feminine, and the singular number includes the plural, and vice versa.

(iii) Except as otherwise indicated, any reference herein to the "Collateral", the "Obligations" or any other collective or plural term shall be deemed to be a reference to each and every item included within the category described by such collective or plural term, so that a reference to the "Collateral" or the "Obligations" shall be deemed a reference to any or all of the Collateral or the Obligations, as the case may be.

(iv) Capitalized Terms not otherwise defined herein have the meaning specified in the Credit Agreements, and, to the extent of any conflict, terms as defined in the Credit Agreements shall control (provided, that a more expansive or explanatory definition shall not be deemed a conflict).

Section 5.2 Power of Attorney. Each power of attorney, license and other authorization in favor of the Collateral Agent or any other Person granted by or pursuant to this Agreement shall be deemed to be irrevocable and coupled with an interest.

## ARTICLE 6

### Miscellaneous

Section 6.1 Expenses of the Debtor's Agreements and Duties. The Collateral Agent and the other Secured Parties shall not be liable for the costs and expenses of the Debtor arising out of the Debtor's performance or observance of the terms, conditions, covenants and agreements to be observed or performed by the Debtor under this Agreement.

Section 6.2 Collateral Agent's Right to Perform on the Debtor's Behalf. If the Debtor shall fail to observe or perform any of the terms, conditions, covenants and agreements to be observed or performed by it under this Agreement, the Collateral Agent may (but shall not be obligated to) do the same or cause it to be done or performed or observed, either in its name or in the name and on behalf of the Debtor, and in the event that the Debtor shall have failed to observe or perform any of the terms, conditions, covenants and agreements to be observed or performed by it under this Agreement, then the Debtor hereby authorizes the Collateral Agent to do so, and the Debtor hereby appoints the Collateral Agent, and any other Person the Collateral Agent may designate, as the Debtor's attorney-in-fact (exercisable during the continuance of an Event of Default) to do, or cause to be done, in the name, place and stead of the Debtor in any way in which the Debtor itself could do, or cause to be done, any or all things necessary to observe or perform the terms, conditions, covenants and agreements to be observed or performed by the Debtor under this Agreement. In addition, the Debtor hereby irrevocably appoints the Collateral Agent as the Debtor's attorney-in-fact (exercisable during the continuance of an Event of Default) to execute and deliver in the Debtor's name and stead to any purchaser at any sale held under Section 4.2 hereof any and all documents and instruments of assignment, transfer and conveyance necessary or appropriate to transfer to such purchaser the Collateral sold at such sale. This appointment as attorney-in-fact shall terminate upon the termination of this Agreement.

Section 6.3 Collateral Agent's Right to Use Agents. The Collateral Agent may exercise its rights under this Agreement through an agent or other designee.

Section 6.4 Limitation of the Collateral Agent's Obligations With Respect to Collateral.

(a) Except for (i) exercising reasonable care in respect of Collateral held by the Collateral Agent and (ii) accounting for moneys actually received by it hereunder, the Collateral Agent shall not have any duty or liability to protect or preserve any Collateral or to preserve rights pertaining thereto, except to the extent of any gross negligence or willful misconduct of the Collateral Agent or other Secured Parties.

(b) Nothing contained in this Agreement shall be construed as requiring or obligating the Collateral Agent, and the Collateral Agent shall not be required or obligated, to (i) present or file any claim or notice or take any action, with respect to any Collateral or in connection therewith or (ii) notify the Debtor of any decline in the value of any Collateral.

Section 6.5 Rights of the Collateral Agent under UCC and Applicable Law. The Collateral Agent shall have, with respect to the Collateral, in addition to all of their rights under this Agreement, (a) the rights of a secured party under the UCC, whether or not the UCC would otherwise apply to the collateral in question, and (b) the rights of a secured party under all other Applicable Laws.

Section 6.6 Waivers of Rights Inhibiting Enforcement. To the extent not prohibited by Applicable Law, the Debtor waives all rights of redemption, appraisalment, or marshalling of assets.

Section 6.7 Notices and Deliveries.

(a) Manner of Delivery. All notices and other communications provided for hereunder shall be in writing (except in those cases where giving notice by telephone is expressly permitted) and shall be deemed to have been given on the date personally delivered or sent by telecopy (answer back received), or three days after deposit in the mail, designated as certified mail, return receipt requested, postage prepaid, or one day after being entrusted to a reputable commercial overnight delivery service, addressed to the party to which such notice is directed at its address determined as provided in this Section 5.9.

(b) Addressees. All notices, communications and materials to be given or delivered pursuant to this Agreement shall be given or delivered at the following respective addresses and telecopier and telephone numbers and to the attention of the following individuals or departments:

(i) if to the Debtor, to it at:

Pillowtex Corporation  
411 Mint Way  
Dallas, Texas 75237  
Telephone No.: (214) 333-3225  
Telecopier No.: (214) 330-6016

Attention: Chief Financial Officer

(ii) if to the Collateral Agent, to it at:

NationsBank, N.A.  
901 Main Street, 67th Floor  
Dallas, Texas 75202  
Telephone No.: (214) 508-0280  
Telecopier No.: (214) 508-0980

Attention: Suzanne Smith

or at such other address or, telecopier or telephone number or to the attention of such other individual or department as the party to which such information pertains may hereafter specify by giving 10 days' written notice to the other specifically captioned "Notice of Change of Address".

Section 6.8 Rights and Remedies Cumulative. Each of the Collateral Agent's rights and remedies under this Agreement shall be in addition to all of its other rights and remedies under this Agreement and Applicable Law, and nothing herein shall be construed as limiting any such rights or remedies.

Section 6.9 Amendments; Waivers. Any term, covenant, agreement or condition of this Agreement may be amended, and any right under this Agreement may be waived, if, but only if, such amendment or waiver is in writing and is signed by the Collateral Agent and, in the case of an amendment, by the Debtor. Unless otherwise specified in such waiver, a waiver of any right under this Agreement shall be effective only in the specific instance and for the specific purpose for which given. No election not to exercise, failure to exercise or delay in exercising any right, nor any course of dealing or performance, shall operate as a waiver of any right of the Collateral Agent under this Agreement or Applicable Law, nor shall any single or partial exercise of any such right preclude any other or further exercise thereof or the exercise of any other right of the Collateral Agent under this Agreement or Applicable Law.

**Section 6.10 GOVERNING LAW. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE INTERNAL LAWS OF THE STATE OF TEXAS (WITHOUT REFERENCE TO PRINCIPLES OF CONFLICTS OF LAWS) AND THE UNITED STATES OF AMERICA, EXCEPT TO THE EXTENT THAT THE VALIDITY OR PERFECTION OF THE SECURITY INTEREST HEREUNDER, OR REMEDIES HEREUNDER, IN RESPECT OF ANY PARTICULAR COLLATERAL ARE REQUIRED TO BE GOVERNED BY THE LAWS OF A JURISDICTION OTHER THAN THE STATE OF TEXAS.**

**Section 6.11 WAIVER OF JURY TRIAL. THE COLLATERAL AGENT AND THE DEBTOR HEREBY WAIVE, TO THE MAXIMUM EXTENT PERMITTED BY LAW, ALL RIGHT TO TRIAL BY JURY IN ANY JUDICIAL PROCEEDINGS INVOLVING, DIRECTLY OR INDIRECTLY, ANY MATTER (WHETHER IN TORT, CONTRACT OR OTHERWISE) IN ANY WAY ARISING OUT OF OR RELATED TO, THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY.**

Section 6.12 Consent to Jurisdiction; Waiver of Immunities.

(a) The Debtor and the Collateral Agent each hereby irrevocably submits to the non-exclusive jurisdiction of any United States Federal or Texas State courts sitting in Dallas, Texas, in any action or proceeding arising out of or relating to this Agreement, and the Debtor and the Collateral Agent hereby irrevocably waives any objection it may now or hereafter have as to the venue of any such suit, action or proceeding brought in such court or that such court is an inconvenient forum.

(b) Nothing in this section shall limit the right of the Debtor, the Collateral Agent or any other Secured Party to bring any action or proceeding against any other party or its property in the courts of any other jurisdictions.

Section 6.13 Severability. Any provision of this Agreement which is for any reason prohibited or found or held invalid or unenforceable by any court or governmental agency shall be ineffective to the extent of such prohibition or invalidity or unenforceability, without invalidating the remaining provisions hereof in such jurisdiction or affecting the validity or enforceability of such provision in any other jurisdiction.

Section 6.14 Counterparts. This Agreement may be signed in any number of counterparts, each of which when so executed and delivered shall be deemed to be an original, but all such counterparts together shall constitute but one and the same instrument.

Section 6.15 Successors and Assigns. All of the provisions of this Agreement shall be binding and inure to the benefit of the parties hereto and their respective successors and permitted assigns.

Section 6.16 Loan Documents. This Agreement is a Loan Document executed pursuant to the Credit Agreements and shall (unless otherwise expressly indicated herein) be construed, administered and applied in accordance with the terms and provisions thereof.

Section 6.17 Obligations Not Affected. To the fullest extent permitted by Applicable Law, the obligations of the Debtor under this Agreement shall remain in full force and effect without regard to, and shall not be impaired or affected by:

(a) any amendment or modification or addition or supplement to any Loan Documents or any instrument delivered in connection therewith or any assignment or transfer thereof;

(b) any exercise, non-exercise, or waiver by the Collateral Agent or any other Secured Party of any right, remedy, power or privilege under or in respect of, or any release of any guaranty or the Collateral or any part thereof provided pursuant to, this Agreement or any other Loan Documents;

(c) any waiver, consent, extension, indulgence or other action or inaction in respect of this Agreement, any other Loan Documents or any assignment or transfer of any thereof; or

(d) any bankruptcy, insolvency, reorganization, arrangement, readjustment, composition, liquidation or the like of the Debtor or any other Person, whether or not the Debtor shall have notice or knowledge of any of the foregoing.

Section 6.18 ENTIRE AGREEMENT. **THIS WRITTEN AGREEMENT, TOGETHER WITH THE OTHER LOAN DOCUMENTS, REPRESENT THE FINAL**

**AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL ARGUMENTS BETWEEN THE PARTIES.**

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- 17 -

**TRADEMARK**  
**REEL: 002000 FRAME: 0855**

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their duly authorized officers all as of the date first above written.

THE LESHNER CORPORATION

By: Kenn E Koger  
Name: KENNETH E. KOGER  
Title: VP / TREASURER

c/o Pillowtex Corporation  
411 Mint Way  
Dallas, Texas 75237  
Telephone No.: (214) 333-3225  
Telecopier No.: (214) 330-6016

Attention: Chief Financial Officer

SECURED PARTY:

NATIONSBANK, N.A. (successor by merger to NationsBank of Texas, N.A.), as the Collateral Agent

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_



IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their duly authorized officers all as of the date first above written.

**THE LESHNER CORPORATION**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

c/o Pillowtex Corporation  
411 Mint Way  
Dallas, Texas 75237  
Telephone No.: (214) 333-3225  
Telecopier No.: (214) 330-6016

Attention: Chief Financial Officer


**SECURED PARTY:**

**NATIONSBANK, N.A. (successor by merger to NationsBank of Texas, N.A.), as the Collateral Agent**

By: *Suzanne B. Smith*  
Name: SUZANNE B. SMITH  
Title: VICE PRESIDENT

Annex A-1

Patents



Nature of Interest  
(e.g. owner, licensee)  
NONE

Patent No.

Issue Date

Country of  
Issue

TRADEMARK  
REEL: 002000 FRAME: 0858

Annex A-2

Patent Applications

Nature of Interest  
(e.g. owner, licensee)  
NONE

Serial No.

Filing Date

Country of  
Issue

TRADEMARK  
REEL: 002000 FRAME: 0859

## Annex B-1

Registered Trademarks

| <u>Nature of Interest e.g. owner, licensee)</u> | <u>Registered Trademark</u> | <u>Registration No.</u> | <u>Int'l Class Covered</u> | <u>Goods or Services Covered</u> | <u>Date Registered</u> | <u>Country of Reg.</u> |
|---|-----------------------------|-------------------------|----------------------------|----------------------------------|------------------------|------------------------|
| Owner   | ALL SEASONS                 | 2073041                 | No                         | Home Textiles                    | 6/24/97                | U.S.A.                 |
| Owner   | FAMILY PACK                 | 1762923                 | No                         | Home Textiles                    | 4/6/93                 | U.S.A.                 |
| Owner   | GOURMET GRAPHICS            | 1691621                 | No                         | Home Textiles                    | 6/9/92                 | U.S.A.                 |
| Owner   | HOUSEWARMERS                | 1762922                 | No                         | Home Textiles                    | 4/6/93                 | U.S.A.                 |
| Owner   | L. LESHNER                  | 1908535                 | No                         | Home Textiles                    | 8/1/95                 | U.S.A.                 |
| Owner   | LESHNER                     | RN111153                | No                         | Home Textiles                    | 2/28/98                | OHIO                   |
| Owner   | COTTON MILLS STORE          | RN54102                 | No                         | Home Textiles                    | 6/29/94                | OHIO                   |
| Owner   | ST. MARY'S COTTON MILLS     | RN16333                 | No                         | Home Textiles                    | 9/1/95                 | OHIO                   |
| Owner   | SYMPHONY                    | 2191180                 | No                         | Home Textiles                    | 9/22/98                | U.S.A.                 |

**TRADEMARK**  
**REEL: 002000 FRAME: 0860**

Trademark Applications

| Nature of Interest<br>(e.g. owner,<br><u>licensee</u> ) | Trademark<br>Application<br>relates to<br>following<br><u>Trademark</u> | Serial<br><u>No.</u> | Int'l<br>Class<br><u>Covered</u> | Goods or<br>Services<br><u>Covered</u> | Date of<br><u>Appl.</u> | Country of<br><u>Appl.</u> |
|---|---|----------------------|----------------------------------|--|-------------------------|----------------------------|
|---|---|----------------------|----------------------------------|--|-------------------------|----------------------------|

NONE

Annex C-1

Copyrights

Type  
Sales Flier

Title  
PRESIDENTIAL

Registration No.  
VA642-024

Issue Date  
2/25/94

Country of Issue  
U.S.A.

TRADEMARK  
REEL: 002000 FRAME: 0862

Annex C-2

Copyright Applications



Type  
NONE

Title

Application No.

Filing Date

Country of Issue

RECORDED: 12/06/1999

TRADEMARK  
REEL: 002000 FRAME: 0863