

TRADEMARKS/TRADENAMES OWNED BY
COLLINS & AIKMAN FLOORCOVERINGS, INC.

U.S. Trademark Registrations

MARK	REGISTRATION NUMBER	COUNTRY
COLLINS & AIKMAN INDUSTRY AND ECOLOGY	1,860,032	US
DYNEX SD	2,289,432 *	US
ER3	2,296,732	US
ER3 stylized	2,079,747	US
GUARDIAN	1,355,589	US
MODU-TEC	2,178,487	US
PLEXUS	2,223,798	US
POWER-BLOC	2,246,585	US
POWER STOP	2,290,544	US
POWERBOND	879,194	US
POWERBOND RS	2,218,388	US
SOURCE ONE	2,190,765	US
SYON-5	2,383,988	US
TEX-TILES stylized	967,633	US

U.S. Trademark Applications

MARK	APPLICATION NUMBER	COUNTRY
ACCUWEAVE	75/756,886	US
ACCUWEAVE COLLECTION	75/756,832	US
DYNEX	75/377,693	US
MINING BUILDINGS FOR OUR RESOURCES RATHER THAN EARTH	75/625,491	US
PLEXUS IDEAS	75/804,049	US
PROTECTING OUR FUTURE BY RECLAIMING OUR PAST	75/627,894	US
REPEAT	75/943,836	US
SEE AVISION FOR A SUSTAINABLE FUTURE	75/700898	US
SHARED CIRCLE OF RESPONSIBILITY	75/606,377	US
SYMTEX	76/026,855	US

U.S. Patent Applications

APPLICATION NUMBER	COUNTRY
08/388,986	US
09/039,913	US
09/172,314	US
09/191,065	US
09/221,426	US
09/368,983	US
90/005,640	US
09/621,591	US
09/637,408	US

Non-U.S. Patent Registrations

ISSUED PATENTS:

TITLE	PATENT NUMBER	COUNTRY
Foam-Backed Carpet with Adhesive Release Surfaces and Method for Utilizing the Same	1854086	Japan
Foam-Backed Carpet with Adhesive Release Surfaces and Method of Installing Same	0340038	Europe (designated countries: Germany, France, Great Britain, Luxembourg, Belgium)
Carpet Having Nonwoven Fleece Adhered to Secondary Backing by Embossing and Method of Making Same ³	2026624	Canada
Floor coverings - comprises carpet having textile fibres and primary backing to which textile fibres are secured and secondary backing permanently adhered to lower surface of primary backing	2283576	Canada
Stick down carpet - has release covering for oleophobic pressure sensitive adhesive on vinyl-based	68916477	Germany

³ This patent is currently being recorded in the name of Collins & Aikman Floorcoverings, Inc. from Collins & Aikman Floor Coverings.

TITLE	PATENT NUMBER	COUNTRY
plastisol secondary backing		
Foam-Backed Carpet with Adhesive Release Surface and Method of Installing Same ⁴	1286969	Canada

Non-U.S. Patent Applications

APPLICATION NUMBER	COUNTRY
PCT/US99/30767	PCT - International Application
98301859.9	Europe (designated countries: Belgium, Germany, France and Great Britain)
98301862.3	Europe (designated countries: Belgium, Germany, France and Great Britain)
99301655.9	Europe (designated countries: Belgium, Germany, France and Great Britain)
2232555	Canada
2232481	Canada
2256614	Canada
99US30767	WIPO

⁴ This patent is currently being recorded in the name of Collins & Aikman Floorcoverings, Inc. from Collins & Aikman Floor Coverings.

SECURITY AGREEMENT dated as of January 25, 2001, among COLLINS & AIKMAN FLOORCOVERINGS, INC., a Delaware corporation (the "*Borrower*"), CAF HOLDINGS, INC., a Virginia corporation ("*Holdings*"), each Domestic Subsidiary of the Borrower listed on Schedule I hereto (each such Subsidiary individually a "*Subsidiary Guarantor*" and collectively, the "*Subsidiary Guarantors*"; the Subsidiary Guarantors, Holdings and the Borrower are referred to collectively herein as the "*Grantors*") and CREDIT SUISSE FIRST BOSTON, a bank organized under the laws of Switzerland, acting through its New York branch ("*CSFB*"), as collateral agent (in such capacity, the "*Collateral Agent*") for the Secured Parties (as defined herein).

Reference is made to (a) the Credit Agreement dated as of January 25, 2001 (as amended, supplemented or otherwise modified from time to time, the "*Credit Agreement*"), among the Borrower, Holdings, the lenders from time to time party thereto (the "*Lenders*") and CSFB, as administrative agent for the Lenders (in such capacity, the "*Administrative Agent*") and as Collateral Agent, (b) the Parent Guarantee Agreement dated as of January 25, 2001 (as amended, supplemented or otherwise modified from time to time, the "*Parent Guarantee Agreement*"), between Holdings and the Collateral Agent and (c) the Subsidiary Guarantee Agreement dated as of January 25, 2001 (as amended, supplemented or otherwise modified from time to time, the "*Subsidiary Guarantee Agreement*"), among the Subsidiary Guarantors and the Collateral Agent.

The Lenders have agreed to make Loans to the Borrower, and the Issuing Bank has agreed to issue Letters of Credit for the account of the Borrower, pursuant to, and upon the terms and subject to the conditions specified in, the Credit Agreement. Each of Holdings and the Subsidiary Guarantors has agreed to guarantee, among other things, all the obligations of the Borrower under the Credit Agreement. The obligations of the Lenders to make Loans and of the Issuing Bank to issue Letters of Credit are conditioned upon, among other things, the execution and delivery by the Grantors of an agreement in the form hereof to secure (a) the due and punctual payment of (i) the principal of and premium, if any, and interest (including interest accruing during the pendency of any bankruptcy, insolvency, receivership or other similar proceeding, regardless of whether allowed or allowable in such proceeding) on the Loans, when and as due, whether at maturity, by acceleration, upon one or more dates set for prepayment or otherwise, (ii) each payment required to be made by the Borrower under the Credit Agreement in respect of any Letter of Credit, when and as due, including payments in respect of reimbursement of disbursements, interest thereon and obligations to provide cash collateral and (iii) all other monetary obligations, including fees, costs, expenses and indemnities, whether primary, secondary, direct, contingent, fixed or otherwise (including monetary obligations incurred during the pendency of any bankruptcy, insolvency, receivership or other similar proceeding, regardless of whether allowed or allowable in such

proceeding), of the Loan Parties to the Secured Parties under this Agreement, the Credit Agreement and the other Loan Documents, (b) the due and punctual payment and performance of all covenants, agreements, obligations and liabilities of the Borrower under or pursuant to the Credit Agreement and the other Loan Documents, (c) the due and punctual payment and performance of all covenants, agreements, obligations and liabilities of each other Loan Party under or pursuant to the Loan Documents and (d) the due and punctual payment and performance of all obligations of the Borrower, monetary or otherwise, under each Hedging Agreement (including, without limitation, in connection with the early termination thereof) entered into with a counterparty that was a Lender (or an Affiliate of a Lender) at the time such Hedging Agreement was entered into (all the monetary and other obligations referred to in the preceding lettered clauses (a) through (d) being referred to collectively as the "*Obligations*").

Accordingly, the Grantors and the Collateral Agent, on behalf of itself and each Secured Party (and each of their respective successors or assigns), hereby agree as follows:

ARTICLE I

Definitions

SECTION 1.01. *Definition of Terms Used Herein.* Unless the context otherwise requires, all capitalized terms used but not defined herein shall have the meanings set forth in the Credit Agreement. Except as otherwise specified herein, all references to the Uniform Commercial Code shall mean the Uniform Commercial Code as in effect from time to time in the State of New York.

SECTION 1.02. *Definition of Certain Terms Used Herein.* As used herein, the following terms shall have the following meanings:

"*Account Debtor*" shall mean any person who is or who may become obligated to any Grantor under, with respect to or on account of an Account.

"*Accounts*" shall mean any and all right, title and interest of any Grantor to payment for goods and services sold or leased, including any such right evidenced by Chattel Paper, whether due or to become due, whether or not it has been earned by performance, and whether now or hereafter acquired or arising in the future, including accounts receivable from Affiliates of the Grantors.

"*Accounts Receivable*" shall mean all Accounts and all right, title and interest in any returned goods, together with all rights, titles, securities and guarantees with respect thereto, including any rights to stoppage in transit, replevin, reclamation and resales, and all related

security interests, liens and pledges, whether voluntary or involuntary, in each case whether now existing or owned or hereafter arising or acquired.

“Chattel Paper” shall mean (a) a writing or writings which evidence both a monetary obligation and a security interest in or a lease of specific Equipment and (b) all other property now or hereafter constituting “chattel paper” under the Uniform Commercial Code as in effect in the State of New York or its equivalent in other jurisdictions, in each case that are now or hereafter owned by any Grantor.

“Collateral” shall mean all (a) Accounts Receivable, (b) Documents, (c) Equipment, (d) General Intangibles, (e) Inventory, (f) cash and cash accounts (but excluding deposit accounts maintained in trust by such Grantor or otherwise segregated from other funds of such Grantor for the benefit of customers of such Grantor and containing only funds owing to such customers), (g) Investment Property and (h) Proceeds.

“Commodity Account” shall mean an account maintained by a Commodity Intermediary in which a Commodity Contract is carried out for a Commodity Customer.

“Commodity Contract” shall mean a commodity futures contract, an option on a commodity futures contract, a commodity option or any other contract that, in each case, is (a) traded on or subject to the rules of a board of trade that has been designated as a contract market for such a contract pursuant to the federal commodities laws or (b) traded on a foreign commodity board of trade, exchange or market, and is carried on the books of a Commodity Intermediary for a Commodity Customer.

“Commodity Customer” shall mean a person for whom a Commodity Intermediary carries a Commodity Contract on its books.

“Commodity Intermediary” shall mean (a) a person who is registered as a futures commission merchant under the federal commodities laws or (b) a person who in the ordinary course of its business provides clearance or settlement services for a board of trade that has been designated as a contract market pursuant to federal commodities laws.

“Copyright License” shall mean any written agreement, now or hereafter in effect, granting any right to any third party under any Copyright now or hereafter owned by any Grantor or which such Grantor otherwise has the right to license, or granting any right to such Grantor under any Copyright now or hereafter owned by any third party, and all rights of such Grantor under any such agreement.

“Copyrights” shall mean all of the following now owned or hereafter acquired by any Grantor: (a) all copyright rights in any work subject to the copyright laws of the United States or any other country, whether as author, assignee, transferee or otherwise, and (b) all registrations and applications for registration of any such copyright in the United States or any other

country, including registrations, recordings, supplemental registrations and pending applications for registration in the United States Copyright Office, including those listed on Schedule II.

“*Credit Agreement*” shall have the meaning assigned to such term in the preliminary statement of this Agreement.

“*Documents*” shall mean all instruments, files, records, ledger sheets and documents covering or relating to any of the Collateral.

“*Entitlement Holder*” shall mean a person identified in the records of a Securities Intermediary as the person having a Security Entitlement against the Securities Intermediary. If a person acquires a Security Entitlement by virtue of Section 8-501(b)(2) or (3) of the Uniform Commercial Code, such person is the Entitlement Holder.

“*Equipment*” shall mean all equipment, furniture and furnishings, and all tangible personal property similar to any of the foregoing, including tools, parts and supplies of every kind and description, and all improvements, accessions or appurtenances thereto, that are now or hereafter owned by any Grantor. The term Equipment shall include Fixtures.

“*Financial Asset*” shall mean (a) a Security, (b) an obligation of a person or a share, participation or other interest in a person or in property or an enterprise of a person, which is, or is of a type, dealt with in or traded on financial markets, or which is recognized in any area in which it is issued or dealt in as a medium for investment or (c) any property that is held by a Securities Intermediary for another person in a Securities Account if the Securities Intermediary has expressly agreed with the other person that the property is to be treated as a Financial Asset under Article 8 of the Uniform Commercial Code. As the context requires, the term Financial Asset shall mean either the interest itself or the means by which a person's claim to it is evidenced, including a certificated or uncertificated Security, a certificate representing a Security or a Security Entitlement.

“*Fixtures*” shall mean all items of Equipment, whether now owned or hereafter acquired, of any Grantor that become so related to particular real estate that an interest in them arises under any real estate law applicable thereto.

“*General Intangibles*” shall mean all choses in action and causes of action and all other assignable intangible personal property of any Grantor of every kind and nature (other than Accounts Receivable) now owned or hereafter acquired by any Grantor, including rights and interests in partnerships, limited partnerships, limited liability companies and other entities (in each case to the extent not constituting Securities), corporate or other business records, indemnification claims, contract rights (including rights under leases, whether entered into as lessor or lessee, Hedging Agreements and other agreements), Intellectual Property, goodwill, registrations, franchises, tax refund claims and any letter of credit,

guarantee, claim, security interest or other security held by or granted to any Grantor to secure payment by an Account Debtor of any of the Accounts Receivable.

“Intellectual Property” shall mean all intellectual and similar property of any Grantor of every kind and nature now owned or hereafter acquired by any Grantor, including Patents, Copyrights, Licenses, Trademarks, inventions, designs, trade secrets, confidential or proprietary technical and business information, know-how, show-how or other data or information, software and databases and all embodiments or fixations thereof and related documentation, registrations and franchises, and all additions, improvements and accessions to, and books and records describing or used in connection with, any of the foregoing.

“Inventory” shall mean all goods of any Grantor, whether now owned or hereafter acquired, held for sale or lease, or furnished or to be furnished by any Grantor under contracts of service, or consumed in any Grantor's business, including raw materials, intermediates, work in process, packaging materials, finished goods, semi-finished inventory, scrap inventory, manufacturing supplies and spare parts, and all such goods that have been returned to or repossessed by or on behalf of any Grantor.

“Investment Property” shall mean all Securities (whether certificated or uncertificated), Security Entitlements, Securities Accounts, Commodity Contracts or Commodity Accounts and of any Grantor, whether now owned or hereafter acquired by any Grantor.

“License” shall mean any Patent License, Trademark License, Copyright License or other license or sublicense agreement to which any Grantor is a party, including those listed on Schedule III (other than those Patent Licenses, Trademark Licenses, Copyright Licenses or other license or sublicense agreements in existence on the date hereof and listed on Schedule III and those license or sublicense agreements entered into after the date hereof, which by their terms prohibit assignment or a grant of a security interest by such Grantor as licensee thereunder).

“Obligations” shall have the meaning assigned to such term in the preliminary statement of this Agreement.

“Patent License” shall mean any written agreement, now or hereafter in effect, granting to any third party any right to make, use or sell any invention on which a Patent, now or hereafter owned by any Grantor or which any Grantor otherwise has the right to license, is in existence, or granting to any Grantor any right to make, use or sell any invention on which a Patent, now or hereafter owned by any third party, is in existence, and all rights of any Grantor under any such agreement.

“Patents” shall mean all of the following now owned or hereafter acquired by any Grantor: (a) all letters patent of the United States or any other country, all registrations and

recordings thereof, and all applications for letters patent of the United States or any other country, including registrations, recordings and pending applications in the United States Patent and Trademark Office or any similar offices in any other country, including those listed on Schedule IV, and (b) all reissues, continuations, divisions, continuations-in-part, renewals or extensions thereof, and the inventions disclosed or claimed therein, including the right to make, use and/or sell the inventions disclosed or claimed therein.

“Perfection Certificate” shall mean a certificate substantially in the form of Annex 1 hereto, completed and supplemented with the schedules and attachments contemplated thereby, and duly executed by a Financial Officer of the Borrower.

“Proceeds” shall mean any consideration received from the sale, exchange, license, lease or other disposition of any asset or property that constitutes Collateral, any value received as a consequence of the possession of any Collateral and any payment received from any insurer or other person or entity as a result of the destruction, loss, theft, damage or other involuntary conversion of whatever nature of any asset or property which constitutes Collateral, and shall include (b) any and all other amounts from time to time paid or payable under or in connection with any of the Collateral.

“Secured Parties” shall mean (a) the Lenders, (b) the Administrative Agent, (c) the Collateral Agent, (d) the Issuing Bank, (e) each counterparty to a Hedging Agreement entered into with the Borrower if such counterparty was a Lender (or an Affiliate of a Lender) at the time the Hedging Agreement was entered into, (f) the beneficiaries of each indemnification obligation undertaken by any Grantor under any Loan Document and (g) the successors and assigns of each of the foregoing.

“Securities” shall mean any obligation of an issuer or any shares, participations or other interests in an issuer or in property or an enterprise of an issuer which (a) are represented by a certificate representing a security in bearer or registered form, or the transfer of which may be registered upon books maintained for that purpose by or on behalf of the issuer, (b) are one of a class or series or by its terms is divisible into a class or series of shares, participations, interests or obligations and (c)(i) are, or are of a type, dealt with or traded on securities exchanges or securities markets or (ii) are a medium for investment and by their terms expressly provide that they are a security governed by Article 8 of the Uniform Commercial Code.

“Securities Account” shall mean an account to which a Financial Asset is or may be credited in accordance with an agreement under which the person maintaining the account undertakes to treat the person for whom the account is maintained as entitled to exercise rights that comprise the Financial Asset.

“*Securities Intermediary*” shall mean (a) a clearing corporation or (b) a person, including a bank or broker, that in the ordinary course of its business maintains Securities Accounts for others and is acting in that capacity.

“*Security Entitlements*” shall mean the rights and property interests of an Entitlement Holder with respect to a Financial Asset.

“*Security Interest*” shall have the meaning assigned to such term in Section 2.01.

“*Trademark License*” shall mean any written agreement, now or hereafter in effect, granting to any third party any right to use any Trademark now or hereafter owned by any Grantor or which any Grantor otherwise has the right to license, or granting to any Grantor any right to use any Trademark now or hereafter owned by any third party, and all rights of any Grantor under any such agreement.

“*Trademarks*” shall mean all of the following now owned or hereafter acquired by any Grantor: (a) all trademarks, service marks, trade names, corporate names, company names, business names, fictitious business names, trade styles, trade dress, logos, other source or business identifiers, designs and general intangibles of like nature, now existing or hereafter adopted or acquired, all registrations and recordings thereof, and all registration and recording applications filed in connection therewith, including registrations and registration applications in the United States Patent and Trademark Office, any State of the United States or any similar offices in any other country or any political subdivision thereof, and all extensions or renewals thereof, including those listed on Schedule V, (b) all goodwill associated therewith or symbolized thereby and (c) all other assets, rights and interests that uniquely reflect or embody such goodwill.

SECTION 1.03. *Rules of Interpretation.* The rules of interpretation specified in Section 1.02 of the Credit Agreement shall be applicable to this Agreement.

ARTICLE II

Security Interest

SECTION 2.01. *Security Interest.* As security for the payment or performance, as the case may be, in full of the Obligations, each Grantor hereby pledges, assigns and grants unto the Collateral Agent, its successors and assigns, for the ratable benefit of the Secured Parties, a security interest in, all of such Grantor's right, title and interest in, to and under the Collateral (the “*Security Interest*”). Without limiting the foregoing, the Collateral Agent is hereby authorized to file one or more financing statements (including fixture filings), continuation statements, filings with the United States Patent and Trademark Office or United States Copyright Office (or any successor office or any similar office in any other

country) or other documents for the purpose of perfecting, confirming, continuing, enforcing or protecting the Security Interest granted by each Grantor, without the signature of any Grantor, and naming the appropriate Grantor or Grantors as debtors and the Collateral Agent as secured party. Notwithstanding anything herein to the contrary, in no event shall the Collateral include, and no Grantor shall be deemed to have granted a security interest in, any of such Grantor's rights or interests in any General Intangibles, contracts or agreements to which such Grantor is a party on the date hereof or any of its rights or interests thereunder to the extent, but only to the extent, that such a grant would, under the terms thereof, result in a breach of the terms of, or constitute a default thereunder (other than to the extent that any such term would be rendered ineffective pursuant to Section 9-318(4) of the Uniform Commercial Code of any relevant jurisdiction or any other applicable law (including the Bankruptcy Code) or principles of equity); provided, that immediately upon the ineffectiveness, waiver, lapse or termination of any such provision, the Collateral shall include, and such Grantor shall be deemed to have granted a security interest in, all such rights and interests as if such provision had never been in effect. In addition, notwithstanding anything herein to the contrary, in no event shall the Collateral include more than 65% of the issued and outstanding voting Equity Interests of any Foreign Subsidiary.

SECTION 2.02. *No Assumption of Liability.* The Security Interest is granted as security only and shall not subject the Collateral Agent or any other Secured Party to, or in any way alter or modify, any obligation or liability of any Grantor with respect to or arising out of the Collateral.

ARTICLE III

Representations and Warranties

The Grantors jointly and severally represent and warrant to the Collateral Agent and the Secured Parties that:

SECTION 3.01. *Title and Authority.* Except as may be specifically noted on Schedules II, III, IV and V, each Grantor has good and valid rights in and title to the Collateral with respect to which it has purported to grant a Security Interest hereunder and has full power and authority to grant to the Collateral Agent the Security Interest in such Collateral pursuant hereto and to execute, deliver and perform its obligations in accordance with the terms of this Agreement, without the consent or approval of any other person other than any consent or approval which has been obtained.

SECTION 3.02. *Filings.* (a) The Perfection Certificate has been duly prepared, completed and executed and the information set forth therein is correct and complete in all material respects. Fully executed Uniform Commercial Code financing statements

(including fixture filings, as applicable) naming each Grantor as "debtor", naming the Collateral Agent as "Secured Party" and containing a description of the Collateral have been delivered to the Collateral Agent for filing in each governmental, municipal or other office specified in Schedule 6 to the Perfection Certificate, which are all the filings (other than filings required to be made in the United States Patent and Trademark Office and the United States Copyright Office in order to perfect the Security Interest in Collateral consisting of United States Patents, Trademarks and Copyrights) that are necessary to publish notice of and protect the validity of and to establish a legal, valid and perfected security interest in favor of the Collateral Agent (for the ratable benefit of the Secured Parties) in respect of all Collateral in which the Security Interest may be perfected by filing Uniform Commercial Code financing statements in the United States (or any political subdivision thereof) and its territories and possessions, and no further or subsequent filing, refiling, recording, rerecording, registration or reregistration is necessary in any such jurisdiction, except as provided under applicable law with respect to the filing of continuation statements.

(b) Each Grantor represents and warrants that fully executed security agreements in the form hereof and containing a description of all Collateral consisting of Intellectual Property with respect to United States Patents, United States registered Trademarks (and Trademarks for which United States registration applications are pending) and United States registered Copyrights have been delivered to the Collateral Agent for recording by the United States Patent and Trademark Office and the United States Copyright Office pursuant to applicable federal law, and otherwise as may be required pursuant to the laws of any other necessary jurisdiction, to protect the validity of and to establish a legal, valid and perfected security interest in favor of the Collateral Agent (for the ratable benefit of the Secured Parties) in respect of all Collateral consisting of Patents, Trademarks and Copyrights in which a security interest may be perfected by filing, recording or registration in the United States (or any political subdivision thereof) and its territories and possessions, or in any other necessary jurisdiction, and no further or subsequent filing, refiling, recording, rerecording, registration or reregistration is necessary (other than such actions as are necessary to perfect the Security Interest with respect to any Collateral consisting of Patents, Trademarks and Copyrights (or registration or application for registration thereof) acquired or developed after the date hereof).

SECTION 3.03. *Validity of Security Interest.* The Security Interest constitutes (a) a legal and valid security interest in all the Collateral securing the payment and performance of the Obligations, (b) subject to the filings described in Section 3.02 above, a perfected security interest in all Collateral in which a security interest may be perfected by filing, recording or registering a Uniform Commercial Code financing statement or analogous document in the United States (or any political subdivision thereof) and its territories and possessions pursuant to the Uniform Commercial Code or other applicable law in such jurisdictions and (c) a security interest that shall be perfected in all Collateral in which a security interest may be perfected upon the receipt and recording of this

Agreement with the United States Patent and Trademark Office and the United States Copyright Office, as applicable. The Security Interest is and shall be prior to any other Lien on any of the Collateral, other than Liens expressly permitted to be prior to the Security Interest pursuant to Section 6.02 of the Credit Agreement.

SECTION 3.04. *Absence of Other Liens.* The Collateral is owned by the Grantors free and clear of any Lien, except for Liens expressly permitted pursuant to Section 6.02 of the Credit Agreement. The Grantor has not filed or consented to the filing of (a) any financing statement or analogous document under the Uniform Commercial Code or any other applicable laws covering any Collateral, (b) any assignment in which any Grantor assigns any Collateral or any security agreement or similar instrument covering any Collateral with the United States Patent and Trademark Office or the United States Copyright Office or (c) any assignment in which any Grantor assigns any Collateral or any security agreement or similar instrument covering any Collateral with any foreign governmental, municipal or other office, which financing statement or analogous document, assignment, security agreement or similar instrument is still in effect, except, in each case, for Liens expressly permitted pursuant to Section 6.02 of the Credit Agreement.

ARTICLE IV

Covenants

SECTION 4.01. *Maintain Records.* Each Grantor agrees to maintain, at its own cost and expense, such complete and accurate records with respect to the Collateral owned by it as is consistent with its current practices and in accordance with such prudent and standard practices used in industries that are the same as or similar to those in which such Grantor is engaged, but in any event to include complete accounting records indicating all payments and proceeds received with respect to any part of the Collateral, and, at such time or times as the Collateral Agent may reasonably request, promptly to prepare and deliver to the Collateral Agent a duly certified schedule or schedules in form and detail satisfactory to the Collateral Agent showing the identity, amount and location of any and all Collateral.

SECTION 4.02. *Protection of Security.* Each Grantor shall, at its own cost and expense, take any and all actions reasonably necessary to defend title to the Collateral against all persons and to defend the Security Interest of the Collateral Agent in the Collateral and the priority thereof against any Lien not expressly permitted pursuant to Section 6.02 of the Credit Agreement.

SECTION 4.03. *Further Assurances.* Each Grantor agrees, at its own expense, to execute, acknowledge, deliver and cause to be duly filed all such further instruments and

documents and take all such actions as the Collateral Agent may from time to time reasonably request to better preserve, protect and perfect the Security Interest and the rights and remedies created hereby, including the payment of any fees and taxes required in connection with the execution and delivery of this Agreement, the granting of the Security Interest and the filing of any financing statements (including fixture filings) or other documents in connection herewith or therewith. If any amount payable under or in connection with any of the Collateral shall be or become evidenced by any promissory note or other instrument, such note or instrument shall be promptly pledged and delivered to the Collateral Agent, duly endorsed in a manner reasonably satisfactory to the Collateral Agent.

Without limiting the generality of the foregoing, each Grantor hereby authorizes the Collateral Agent, with prompt notice thereof to the Grantors, to supplement this Agreement by supplementing Schedule II, III, IV or V hereto or adding additional schedules hereto to specifically identify any Collateral that may constitute Copyrights, Licenses, Patents or Trademarks; *provided, however*, that any Grantor shall have the right, exercisable within 10 days after it has been notified by the Collateral Agent of the specific identification of such Collateral, to advise the Collateral Agent in writing of any inaccuracy of the representations and warranties made by such Grantor hereunder with respect to such Collateral. Each Grantor agrees that it will use its best efforts to take such action as shall be necessary in order that all representations and warranties hereunder shall be true and correct with respect to such Collateral within 30 days after the date it has been notified by the Collateral Agent of the specific identification of such Collateral.

SECTION 4.04. *Inspection and Verification.* The Collateral Agent and such persons as the Collateral Agent may reasonably designate shall have the right, from time to time, during normal business hours, upon three Business Days' prior written notice and at the Grantors' own cost and expense, to inspect the Collateral, all records related thereto (and to make extracts and copies from such records) and the premises upon which any of the Collateral is located, to discuss the Grantors' affairs with the officers of the Grantors and their independent accountants (so long as a representative of the Grantors is present) and to verify under reasonable procedures the validity, amount, quality, quantity, value, condition and status of, or any other matter relating to, the Collateral, including, in the case of Accounts or Collateral in the possession of any third person (only upon the occurrence and during the continuance of a Default or Event of Default), by contacting Account Debtors or the third person possessing such Collateral for the purpose of making such a verification. The Collateral Agent shall have the absolute right to share any information it gains from such inspection or verification with any Secured Party (it being understood that any such information provided by any Grantor shall be deemed to be "Information" subject to the provisions of Section 9.16).

SECTION 4.05. *Taxes; Encumbrances.* Upon the occurrence and during the continuance of the Event of Default, at its option, the Collateral Agent may discharge past due taxes, assessments, charges, fees, Liens, security interests or other encumbrances at

any time levied or placed on the Collateral and not permitted pursuant to Section 6.02 of the Credit Agreement, and may pay for the maintenance and preservation, in each case, in accordance with commercially reasonable standards, of the Collateral to the extent any Grantor fails to do so as required by the Credit Agreement or this Agreement, and each Grantor jointly and severally agrees to reimburse the Collateral Agent on written demand for any payment made or any expense incurred by the Collateral Agent pursuant to the foregoing authorization; *provided, however*, that nothing in this Section 4.05 shall be interpreted as excusing any Grantor from the performance of, or imposing any obligation on the Collateral Agent or any Secured Party to cure or perform, any covenants or other promises of any Grantor with respect to taxes, assessments, charges, fees, liens, security interests or other encumbrances and maintenance as set forth herein or in the other Loan Documents.

SECTION 4.06. *Assignment of Security Interest.* If at any time any Grantor shall take a security interest in any property of an Account Debtor or any other person to secure payment and performance of an Account, such Grantor shall promptly assign such security interest to the Collateral Agent. Such assignment need not be filed of public record unless necessary to continue the perfected status of the security interest against creditors of and transferees from the Account Debtor or other person granting the security interest.

SECTION 4.07. *Continuing Obligations of the Grantors.* Each Grantor shall remain liable to observe and perform in all material respects all the conditions and obligations to be observed and performed by it in accordance with such Grantor's reasonable business judgment under each contract, agreement or instrument relating to the Collateral, all in accordance with the terms and conditions thereof, and each Grantor jointly and severally agrees to indemnify and hold harmless the Collateral Agent and the Secured Parties from and against any and all liability for such performance.

SECTION 4.08. *Use and Disposition of Collateral.* No Grantor shall make or permit to be made an assignment, pledge or hypothecation of the Collateral or shall grant any other Lien in respect of the Collateral, except as expressly permitted by Section 6.02 of the Credit Agreement. No Grantor shall make or permit to be made any transfer of the Collateral and each Grantor shall remain at all times in possession of the Collateral owned by it, except that (a) Inventory may be sold in the ordinary course of business and (b) unless and until the Collateral Agent shall notify the Grantors that an Event of Default shall have occurred and be continuing and that during the continuance thereof the Grantors shall not sell, convey, lease, assign, transfer or otherwise dispose of any Collateral (which notice may be given by telephone if promptly confirmed in writing), the Grantors may use, license, sublicense and dispose of the Collateral in any lawful manner not inconsistent with the provisions of this Agreement, the Credit Agreement or any other Loan Document. Without limiting the generality of the foregoing, each Grantor agrees that it shall not permit any Inventory to be in the possession or control of any

warehouseman, bailee, agent or processor at any time unless such warehouseman, bailee, agent or processor shall have been notified of the Security Interest and shall have agreed in writing to hold the Inventory subject to the Security Interest and the instructions of the Collateral Agent and to waive and release any Lien held by it with respect to such Inventory, whether arising by operation of law or otherwise.

SECTION 4.09. *Limitation on Modification of Accounts.* No Grantor will, without the Collateral Agent's prior written consent, grant any extension of the time of payment of any of the Accounts Receivable, compromise, compound or settle the same for less than the full amount thereof, release, wholly or partly, any person liable for the payment thereof or allow any credit or discount whatsoever thereon, other than extensions, credits, discounts, compromises or settlements granted or made in the ordinary course of business and consistent with its current practices and in accordance with such prudent and standard practices used in industries that are the same as or similar to those in which such Grantor is engaged.

SECTION 4.10. *Insurance.* The Grantors, at their own expense, shall maintain or cause to be maintained insurance covering physical loss or damage to the Inventory and Equipment in accordance with Section 5.02 of the Credit Agreement. Each Grantor irrevocably makes, constitutes and appoints the Collateral Agent (and all officers, employees or agents designated by the Collateral Agent) as such Grantor's true and lawful agent (and attorney-in-fact) for the purpose, during the continuance of an Event of Default, of making, settling and adjusting claims in respect of Collateral under policies of insurance, endorsing the name of such Grantor on any check, draft, instrument or other item of payment for the proceeds of such policies of insurance and for making all determinations and decisions with respect thereto. In the event that any Grantor at any time or times shall fail to obtain or maintain any of the policies of insurance required hereby or to pay any premium in whole or part relating thereto (only upon the occurrence and during the continuance of the Event of Default), the Collateral Agent may, without waiving or releasing any obligation or liability of the Grantors hereunder or any Event of Default, in its sole discretion, obtain and maintain such policies of insurance and pay such premium and take any other actions with respect thereto as the Collateral Agent deems advisable. All sums disbursed by the Collateral Agent in connection with this Section 4.10, including reasonable attorneys' fees, court costs, out-of-pocket expenses and other charges relating thereto, shall be payable, upon written demand, by the Grantors to the Collateral Agent and shall be additional Obligations secured hereby.

SECTION 4.11. *Legend.* Each Grantor shall legend, at the request of, and in form and manner satisfactory to, the Collateral Agent, its Accounts Receivable and its books, records and documents evidencing or pertaining thereto with an appropriate reference to the fact that such Accounts Receivable have been assigned to the Collateral Agent for the benefit of the Secured Parties and that the Collateral Agent has a security interest therein.

SECTION 4.12. *Covenants Regarding Patent, Trademark and Copyright*

Collateral. (a) Each Grantor agrees that it will not, nor will it knowingly permit any of its licensees to, do any act, or omit to do any act, whereby any Patent which is material to the conduct of such Grantor's business may become invalidated or dedicated to the public, and agrees that it shall continue to mark any products covered by a Patent with the relevant patent number as necessary and sufficient to establish and preserve its maximum rights under applicable patent laws. Unless an Event of Default shall have occurred and be continuing, each Grantor shall retain the sole right to use, abandon and license its Patents in accordance with such Grantor's reasonable business judgment to the extent not inconsistent with or prohibited by the provisions of this Agreement, the Credit Agreement or any Loan Document.

(b) Each Grantor (either itself or through its licensees or its sublicensees) will, for each Trademark material to the conduct of such Grantor's business, (i) maintain such Trademark in full force free from any claim of abandonment or invalidity for non-use, (ii) maintain the quality of products and services offered under such Trademark, (iii) display such Trademark with notice of Federal or foreign registration to the extent necessary and sufficient to establish and preserve its maximum rights under applicable law and (iv) not knowingly use or knowingly permit the use of such Trademark in violation of any third party rights. Unless an Event of Default shall have occurred and be continuing, each Grantor shall retain the sole right to use, abandon and license its Trademarks in accordance with such Grantor's reasonable business judgment to the extent not inconsistent with or prohibited by the provisions of this Agreement, the Credit Agreement or any Loan Document.

(c) Each Grantor (either itself or through licensees) will, for each work covered by a material Copyright, continue to publish, reproduce, display, adopt and distribute the work with appropriate copyright notice as necessary and sufficient to establish and preserve its maximum rights under applicable copyright laws. Unless an Event of Default shall have occurred and be continuing, each Grantor shall retain the sole right to use, abandon and license its Copyrights in accordance with such Grantor's reasonable business judgment to the extent not inconsistent with or prohibited by the provisions of this Agreement, the Credit Agreement or any Loan Document.

(d) Each Grantor shall notify the Collateral Agent immediately if it knows or has reason to know that any Patent, Trademark or Copyright material to the conduct of its business may become abandoned, lost or dedicated to the public, or of any adverse determination or development (including the institution of, or any such determination or development in, any proceeding in the United States Patent and Trademark Office, United States Copyright Office or any court or similar office of any country) regarding such Grantor's ownership of any Patent, Trademark or Copyright, its right to register the same, or to keep and maintain the same.

(e) In no event shall any Grantor, either itself or through any agent, employee, licensee or designee, file an application for any Patent, Trademark or Copyright (or for the registration of any Trademark or Copyright) with the United States Patent and Trademark Office, United States Copyright Office or any office or agency in any political subdivision of the United States or in any other country or any political subdivision thereof, unless it promptly informs the Collateral Agent, and, upon request of the Collateral Agent, executes and delivers any and all agreements, instruments, documents and papers as the Collateral Agent may request to evidence the Collateral Agent's security interest in such Patent, Trademark or Copyright, and each Grantor hereby appoints the Collateral Agent as its attorney-in-fact to execute and file such writings for the foregoing purposes, all acts of such attorney being hereby ratified and confirmed; such power, being coupled with an interest, is irrevocable.

(f) Each Grantor will take all reasonable and necessary steps that are consistent with the practice in any proceeding before the United States Patent and Trademark Office, United States Copyright Office or any office or agency in any political subdivision of the United States or in any other country or any political subdivision thereof, to maintain and pursue each material application relating to the Patents, Trademarks and/or Copyrights (and to obtain the relevant grant or registration) and to maintain each issued Patent and each registration of the Trademarks and Copyrights that is material to the conduct of any Grantor's business, including timely filings of applications for renewal, affidavits of use, affidavits of incontestability and payment of maintenance fees, and, if consistent with good business judgment, to initiate opposition, interference and cancellation proceedings against third parties.

(g) In the event that any Grantor believes that any Collateral consisting of a Patent, Trademark or Copyright material to the conduct of any Grantor's business has been, is or is about to be infringed, misappropriated or diluted by a third party, such Grantor promptly shall notify the Collateral Agent and shall, if consistent with good and reasonable business judgment, promptly sue for infringement, misappropriation or dilution and recovery of any and all damages for such infringement, misappropriation or dilution, and shall take such other actions that such Grantor deems reasonable and appropriate under the circumstances to protect such Collateral.

(h) Upon and during the continuance of an Event of Default, each Grantor shall use its best efforts to obtain all requisite consents or approvals by the licensor of each Copyright License, Patent License or Trademark License to effect the assignment of all of such Grantor's right, title and interest thereunder to the Collateral Agent or its designee.

ARTICLE V

Power of Attorney

Each Grantor irrevocably makes, constitutes and appoints the Collateral Agent (and all officers, employees or agents designated by the Collateral Agent) as such Grantor's true and lawful agent and attorney-in-fact, and in such capacity the Collateral Agent shall have the right, with power of substitution for each Grantor and in each Grantor's name or otherwise, for the use and benefit of the Collateral Agent and the Secured Parties, upon the occurrence and during the continuance of an Event of Default (a) to receive, endorse, assign and/or deliver any and all notes, acceptances, checks, drafts, money orders or other evidences of payment relating to the Collateral or any part thereof; (b) to demand, collect, receive payment of, give receipt for and give discharges and releases of all or any of the Collateral; (c) to sign the name of any Grantor on any invoice or bill of lading relating to any of the Collateral; (d) to send verifications of Accounts Receivable to any Account Debtor; (e) to commence and prosecute any and all suits, actions or proceedings at law or in equity in any court of competent jurisdiction that the Collateral Agent reasonably deems necessary to collect or otherwise realize on all or any of the Collateral or to enforce any rights of the Collateral Agent (on behalf of the Secured Parties) in respect of any Collateral; (f) to settle, compromise, compound, adjust or defend any actions, suits or proceedings relating to all or any of the Collateral as the Collateral Agent deems reasonably necessary to realize upon the Collateral or protect its rights therein; (g) to notify, or to require any Grantor to notify, Account Debtors to make payment directly to the Collateral Agent; and (h) to use, sell, assign, transfer, pledge, make any agreement with respect to or otherwise deal with all or any of the Collateral, as fully and completely as though the Collateral Agent were the absolute owner of the Collateral for all purposes, and to do all other acts and things that the Collateral Agent reasonably deems necessary to carry out the purposes of this Agreement; *provided, however*, that nothing herein contained shall be construed as requiring or obligating the Collateral Agent or any Secured Party to make any commitment or to make any inquiry as to the nature or sufficiency of any payment received by the Collateral Agent or any Secured Party, or to present or file any claim or notice, or to take any action with respect to the Collateral or any part thereof or the moneys due or to become due in respect thereof or any property covered thereby, and no action taken or omitted to be taken by the Collateral Agent or any Secured Party with respect to the Collateral or any part thereof shall give rise to any defense, counterclaim or offset in favor of any Grantor or to any claim or action against the Collateral Agent or any Secured Party. It is understood and agreed that the appointment of the Collateral Agent as the agent and attorney-in-fact of the Grantors for the purposes set forth above is coupled with an interest and is irrevocable. The provisions of this Section shall in no event relieve any Grantor of any of its obligations hereunder or under any other Loan Document with respect to the Collateral (other than the exercise of reasonable care in the custody of any Collateral in its possession and the accounting for moneys actually received by it) or any part thereof or impose any obligation on the Collateral Agent or any Secured Party to proceed in any particular manner with respect to the Collateral or any part thereof, or in any way limit the exercise by the Collateral Agent or any Secured Party of any other or further right which it may have on the date of this Agreement or hereafter, whether hereunder, under any

other Loan Document, by law or otherwise. The Collateral Agent and the other Secured Parties shall be accountable only for amounts actually received as a result of the exercise of the powers granted to them herein, and neither they nor their officers, directors, employees or agents shall be responsible to any Grantor for any act or failure to act hereunder, except for their own bad faith, gross negligence or willful misconduct.

ARTICLE VI

Remedies

SECTION 6.01. *Remedies upon Default.* Upon the occurrence and during the continuance of an Event of Default, each Grantor agrees to deliver each item of Collateral (to the extent commercially practicable) to the Collateral Agent on written demand, and it is agreed that the Collateral Agent shall have the right to take any of or all the following actions at the same or different times: (a) with respect to any Collateral consisting of Intellectual Property, on written demand, to cause the Security Interest to become an assignment, transfer and conveyance of any of or all such Collateral by the applicable Grantors to the Collateral Agent, or to license or sublicense, whether general, special or otherwise, and whether on an exclusive or non-exclusive basis, any such Collateral throughout the world on such terms and conditions and in such manner as the Collateral Agent shall determine in its reasonable business judgment (other than in violation of any then-existing licensing arrangements to the extent that waivers cannot be obtained), and (b) with or without legal process and with or without prior notice or demand for performance, to take possession of the Collateral and without liability to any Grantor for trespass to enter any premises where the Collateral may be located for the purpose of taking possession of or removing the Collateral and, generally, to exercise any and all rights afforded to a secured party under the Uniform Commercial Code or other applicable law. Without limiting the generality of the foregoing, each Grantor agrees that the Collateral Agent shall have the right, subject to the mandatory requirements of applicable law, to sell or otherwise dispose of all or any part of the Collateral, at public or private sale or at any broker's board or on any securities exchange, for cash, upon credit or for future delivery as the Collateral Agent shall deem appropriate. The Collateral Agent shall be authorized at any such sale (if it deems it advisable to do so) to restrict the prospective bidders or purchasers to persons who will represent and agree that they are purchasing the Collateral for their own account for investment and not with a view to the distribution or sale thereof, and upon consummation of any such sale the Collateral Agent shall have the right to assign, transfer and deliver to the purchaser or purchasers thereof the Collateral so sold. Each such purchaser at any such sale shall hold the property sold absolutely, free from any claim or right on the part of any Grantor, and each Grantor hereby waives (to the extent permitted by law) all rights of redemption, stay and appraisal which such Grantor now has or may at any time in the future have under any rule of law or statute now existing or hereafter enacted.

The Collateral Agent shall give the Grantors 10 Business Days' written notice (which each Grantor agrees is reasonable notice within the meaning of Section 9-504(3) of the Uniform Commercial Code as in effect in the State of New York or its equivalent in other jurisdictions) of the Collateral Agent's intention to make any sale of Collateral. Such notice, in the case of a public sale, shall state the time and place for such sale and, in the case of a sale at a broker's board or on a securities exchange, shall state the board or exchange at which such sale is to be made and the day on which the Collateral, or portion thereof, will first be offered for sale at such board or exchange. Any such public sale shall be held at such time or times within ordinary business hours and at such place or places as the Collateral Agent may fix and state in the notice (if any) of such sale. At any such sale, the Collateral, or portion thereof, to be sold may be sold in one lot as an entirety or in separate parcels, as the Collateral Agent may (in its sole and absolute discretion) determine. The Collateral Agent shall not be obligated to make any sale of any Collateral if it shall determine not to do so, regardless of the fact that notice of sale of such Collateral shall have been given. The Collateral Agent may, without notice or publication, adjourn any public or private sale or cause the same to be adjourned from time to time by announcement at the time and place fixed for sale, and such sale may, without further notice, be made at the time and place to which the same was so adjourned. In case any sale of all or any part of the Collateral is made on credit or for future delivery, the Collateral so sold may be retained by the Collateral Agent until the sale price is paid by the purchaser or purchasers thereof, but the Collateral Agent shall not incur any liability in case any such purchaser or purchasers shall fail to take up and pay for the Collateral so sold and, in case of any such failure, such Collateral may be sold again upon like notice. At any public (or, to the extent permitted by law, private) sale made pursuant to this Section, any Secured Party may bid for or purchase, free (to the extent permitted by law) from any right of redemption, stay, valuation or appraisal on the part of any Grantor (all said rights being also hereby waived and released to the extent permitted by law), the Collateral or any part thereof offered for sale and may make payment on account thereof by using any claim then due and payable to such Secured Party from any Grantor as a credit against the purchase price, and such Secured Party may, upon compliance with the terms of sale, hold, retain and dispose of such property without further accountability to any Grantor therefor. For purposes hereof, a written agreement to purchase the Collateral or any portion thereof shall be treated as a sale thereof; the Collateral Agent shall be free to carry out such sale pursuant to such agreement and no Grantor shall be entitled to the return of the Collateral or any portion thereof subject thereto, notwithstanding the fact that after the Collateral Agent shall have entered into such an agreement all Events of Default shall have been remedied and the Obligations paid in full. As an alternative to exercising the power of sale herein conferred upon it, the Collateral Agent may proceed by a suit or suits at law or in equity to foreclose this Agreement and to sell the Collateral or any portion thereof pursuant to a judgment or decree of a court or courts having competent jurisdiction or pursuant to a proceeding by a court-appointed receiver. Any sale pursuant to the provisions of this Section 6.01 shall be deemed to conform to the commercially reasonable standards as provided in Section 9-504(3) of the Uniform

Commercial Code as in effect in the State of New York or its equivalent in other jurisdictions.

SECTION 6.02. *Application of Proceeds.* The Collateral Agent shall apply the proceeds of any collection or sale of the Collateral, as well as any Collateral consisting of cash, as follows:

FIRST, to the payment of all costs and expenses incurred by the Administrative Agent or the Collateral Agent (in its capacity as such hereunder or under any other Loan Document (to the extent permitted herein or under the Credit Agreement)) in connection with such collection or sale or otherwise in connection with this Agreement or any of the Obligations, including all court costs and the reasonable fees and expenses of its agents and legal counsel, the repayment of all advances made by the Collateral Agent hereunder or under any other Loan Document on behalf of any Grantor and any other reasonable costs or expenses incurred in connection with the exercise of any right or remedy hereunder or under any other Loan Document;

SECOND, to the payment in full of the Obligations (the amounts so applied to be distributed among the Secured Parties pro rata in accordance with the amounts of the Obligations owed to them on the date of any such distribution); and

THIRD, to the Grantors, their successors or assigns, or as a court of competent jurisdiction may otherwise direct.

The Collateral Agent shall have absolute discretion as to the time of application of any such proceeds, moneys or balances in accordance with this Agreement. Upon any sale of the Collateral by the Collateral Agent (including pursuant to a power of sale granted by statute or under a judicial proceeding), the receipt of the Collateral Agent or of the officer making the sale shall be a sufficient discharge to the purchaser or purchasers of the Collateral so sold and such purchaser or purchasers shall not be obligated to see to the application of any part of the purchase money paid over to the Collateral Agent or such officer or be answerable in any way for the misapplication thereof.

SECTION 6.03. *Grant of License to Use Intellectual Property.* For the purpose of enabling the Collateral Agent to exercise rights and remedies under this Article, upon the occurrence and during the continuation of an Event of Default, each Grantor hereby grants to the Collateral Agent an irrevocable, non-exclusive license (exercisable without payment of royalty or other compensation to the Grantors) to use, license or sub-license any of the Collateral consisting of Intellectual Property now owned or hereafter acquired by such Grantor, and wherever the same may be located, and 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 software and programs used for the compilation or printout thereof. The use of such license by the Collateral Agent shall be exercised, at the option of the Collateral Agent, upon the occurrence and during the continuation of an Event of Default; *provided* that any license, sub-license or other transaction entered into by the Collateral Agent in accordance herewith shall be binding upon the Grantors notwithstanding any subsequent cure of an Event of Default.

ARTICLE VII

Miscellaneous

SECTION 7.01. *Notices.* All communications and notices hereunder shall (except as otherwise expressly permitted herein) be in writing and given as provided in Section 9.01 of the Credit Agreement. All communications and notices hereunder to any Subsidiary Guarantor shall be given to it at its address or telecopy number set forth on Schedule I, with a copy to the Borrower.

SECTION 7.02. *Security Interest Absolute.* All rights of the Collateral Agent hereunder, the Security Interest and all obligations of the Grantors hereunder shall be absolute and unconditional irrespective of (a) any lack of validity or enforceability of the Credit Agreement, any other Loan Document, any agreement with respect to any of the Obligations or any other agreement or instrument relating to any of the foregoing, (b) any change in the time, manner or place of payment of, or in any other term of, all or any of the Obligations, or any other amendment or waiver of or any consent to any departure from the Credit Agreement, any other Loan Document or any other agreement or instrument, (c) any exchange, release or non-perfection of any Lien on other collateral, or any release or amendment or waiver of or consent under or departure from any guarantee, securing or guaranteeing all or any of the Obligations, or (d) any other circumstance that might otherwise constitute a defense available to, or a discharge of, any Grantor in respect of the Obligations or this Agreement (other than the payment in full of all of the Obligations (other than wholly contingent indemnification obligations not yet due and payable)).

SECTION 7.03. *Survival of Agreement.* All covenants, agreements, representations and warranties made by any Grantor herein and in the certificates or other instruments prepared or delivered in connection with or pursuant to this Agreement shall be considered to have been relied upon by the Secured Parties and shall survive the making by the Lenders of the Loans, and the execution and delivery to the Lenders of any notes evidencing such Loans, regardless of any investigation made by the Lenders or on their behalf, and shall continue in full force and effect until this Agreement shall terminate in accordance with Section 7.14.

SECTION 7.04. *Binding Effect; Several Agreement.* This Agreement shall become effective as to any Grantor when a counterpart hereof executed on behalf of such Grantor shall have been delivered to the Collateral Agent and a counterpart hereof shall have been executed on behalf of the Collateral Agent, and thereafter shall be binding upon such Grantor and the Collateral Agent and their respective successors and assigns, and shall inure to the benefit of such Grantor, the Collateral Agent and the other Secured Parties and their respective successors and assigns, except that no Grantor shall have the right to assign or transfer its rights or obligations hereunder or any interest herein or in the Collateral (and any such assignment or transfer shall be void) except as expressly contemplated by this Agreement or the Credit Agreement. This Agreement shall be construed as a separate agreement with respect to each Grantor and may be amended, modified, supplemented, waived or released with respect to any Grantor without the approval of any other Grantor and without affecting the obligations of any other Grantor hereunder.

SECTION 7.05. *Successors and Assigns.* Whenever in this Agreement any of the parties hereto is referred to, such reference shall be deemed to include the permitted successors and assigns of such party; and all covenants, promises and agreements by or on behalf of any Grantor or the Collateral Agent that are contained in this Agreement shall bind and inure to the benefit of their respective successors and assigns.

SECTION 7.06. *Collateral Agent's Fees and Expenses; Indemnification.* (a) Each Grantor jointly and severally agrees to pay upon written demand to the Collateral Agent the amount of any and all reasonable out-of-pocket expenses, including the reasonable fees, disbursements and other charges of not more than one counsel in each relevant jurisdiction (unless any Indemnitee asserts in good faith that the nature of its claim requires it to be represented by separate counsel) and of any experts or agents, which the Collateral Agent may incur in connection with (i) the administration of this Agreement, (ii) the custody or preservation of, or the sale of, collection from or other realization upon any of the Collateral, (iii) the exercise, enforcement or protection of any of the rights of the Collateral Agent hereunder or (iv) the failure of any Grantor to perform or observe any of the provisions hereof.

(b) Without limitation of its indemnification obligations under the other Loan Documents, each Grantor jointly and severally agrees to indemnify the Collateral Agent and the other Indemnitees against, and hold each of them harmless from, any and all actual losses, claims, damages, liabilities and related reasonable out-of-pocket expenses, including reasonable fees, disbursements and other charges of not more than one counsel in each relevant jurisdiction (unless any Indemnitee asserts in good faith that the nature of its claim requires it to be represented by separate counsel), incurred by or asserted against any of them arising out of, in any way connected with, or as a result of, the execution, delivery or performance of this Agreement or any claim, litigation, investigation or proceeding relating hereto or to the Collateral, whether or not any Indemnitee is a party

thereto; *provided* that such indemnity shall not, as to any Indemnatee, be available to the extent that such actual losses, claims, damages, liabilities or related expenses are determined by a court of competent jurisdiction by final and nonappealable judgment to have resulted from the bad faith, gross negligence or willful misconduct of any Indemnatee.

(c) Any such amounts payable as provided hereunder shall be additional Obligations secured hereby and by the other Security Documents. The provisions of this Section 7.06 shall remain operative and in full force and effect regardless of the termination of this Agreement or any other Loan Document, the consummation of the transactions contemplated hereby, the repayment of any of the Loans, the invalidity or unenforceability of any term or provision of this Agreement or any other Loan Document, or any investigation made by or on behalf of the Collateral Agent or any Lender. All amounts due under this Section 7.06 shall be payable within two Business Days of written demand therefor.

SECTION 7.07. GOVERNING LAW. THIS AGREEMENT SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS OF THE STATE OF NEW YORK.

SECTION 7.08. *Waivers; Amendment.* (a) No failure or delay of the Collateral Agent in exercising any power or right hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or power, or any abandonment or discontinuance of steps to enforce such a right or power, preclude any other or further exercise thereof or the exercise of any other right or power. The rights and remedies of the Collateral Agent hereunder and of the Collateral Agent, the Issuing Bank, the Administrative Agent and the Lenders under the other Loan Documents are cumulative and are not exclusive of any rights or remedies that they would otherwise have. No waiver of any provisions of this Agreement or any other Loan Document or consent to any departure by any Grantor therefrom shall in any event be effective unless the same shall be permitted by paragraph (b) below, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. No notice to or demand on any Grantor in any case shall entitle such Grantor or any other Grantor to any other or further notice or demand in similar or other circumstances.

(b) Neither this Agreement nor any provision hereof may be waived, amended or modified except pursuant to an agreement or agreements in writing entered into by the Collateral Agent and the Grantor or Grantors with respect to which such waiver, amendment or modification is to apply, subject to any consent required in accordance with Section 9.08 of the Credit Agreement.

SECTION 7.09. WAIVER OF JURY TRIAL. EACH PARTY HERETO HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE

LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS AGREEMENT OR ANY OF THE OTHER LOAN DOCUMENTS. EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS, AS APPLICABLE, BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION 7.09.

SECTION 7.10. *Severability.* In the event any one or more of the provisions contained in this Agreement should be held invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein shall not in any way be affected or impaired thereby (it being understood that the invalidity of a particular provision in a particular jurisdiction shall not in and of itself affect the validity of such provision in any other jurisdiction). The parties shall endeavor in good-faith negotiations to replace the invalid, illegal or unenforceable provisions with valid provisions the economic effect of which comes as close as possible to that of the invalid, illegal or unenforceable provisions.

SECTION 7.11 *Counterparts.* This Agreement may be executed in two or more counterparts, each of which shall constitute an original but all of which when taken together shall constitute but one contract (subject to Section 7.04), and shall become effective as provided in Section 7.04. Delivery of an executed signature page to this Agreement by facsimile transmission shall be effective as delivery of a manually executed counterpart hereof.

SECTION 7.12. *Headings.* Article and Section headings used herein are for the purpose of reference only, are not part of this Agreement and are not to affect the construction of, or to be taken into consideration in interpreting, this Agreement.

SECTION 7.13. *Jurisdiction; Consent to Service of Process.* (a) Each Grantor hereby irrevocably and unconditionally submits, for itself and its property, to the nonexclusive jurisdiction of any New York State court or Federal court of the United States of America sitting in New York City, and any appellate court from any thereof, in any action or proceeding arising out of or relating to this Agreement or the other Loan Documents, or for recognition or enforcement of any judgment, and each of the parties hereto hereby irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding may be heard and determined in such New York State or, to the extent permitted by law, in such Federal court. Each of the parties hereto agrees that a

final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in this Agreement shall affect any right that the Collateral Agent, the Administrative Agent, the Issuing Bank or any Lender may otherwise have to bring any action or proceeding relating to this Agreement or the other Loan Documents against any Grantor or its properties in the courts of any jurisdiction.

(b) Each Grantor hereby irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, any objection which it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Agreement or the other Loan Documents in any New York State or Federal court. Each of the parties hereto hereby irrevocably waives, to the fullest extent permitted by law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

(c) Each party to this Agreement irrevocably consents to service of process in the manner provided for notices in Section 7.01. Nothing in this Agreement will affect the right of any party to this Agreement to serve process in any other manner permitted by law.

SECTION 7.14. Termination. This Agreement and the Security Interest shall terminate when all the Obligations (other than wholly contingent indemnification obligations not yet due and payable) have been indefeasibly paid in full, the Lenders have no further commitment to lend, the L/C Exposure has been reduced to zero (unless collateralized or backstopped on terms satisfactory to the Issuing Bank) and the Issuing Bank has no further commitment to issue Letters of Credit under the Credit Agreement, at which time the Collateral Agent shall execute and deliver to the Grantors, at the Grantors' expense, all Uniform Commercial Code termination statements and similar documents which the Grantors shall reasonably request to evidence such termination. Any execution and delivery of termination statements or documents pursuant to this Section 7.14 shall be without recourse to or warranty by the Collateral Agent. A Subsidiary Guarantor shall automatically be released from its obligations hereunder and the Security Interest in the Collateral of such Subsidiary Guarantor shall be automatically released in the event that all the capital stock of such Subsidiary Guarantor shall be sold, transferred or otherwise disposed of to a person that is not an Affiliate of the Borrower in accordance with the terms of the Credit Agreement; *provided* that the Required Lenders shall have consented to such sale, transfer or other disposition (to the extent required by the Credit Agreement) and the terms of such consent did not provide otherwise. Upon any sale or other transfer by any Grantor of any Collateral that is permitted under the Credit Agreement to any person that is not a Grantor, or, upon the effectiveness of any written consent to the release of the security interest granted hereby in any Collateral pursuant to Section 9.08(b) of the Credit Agreement, the security interest in such Collateral shall be automatically released.

SECTION 7.15. *Additional Grantors.* Upon execution and delivery by the Collateral Agent and a Domestic Subsidiary of an instrument substantially in the form of Annex 2 hereto, such Domestic Subsidiary shall become a Grantor hereunder with the same force and effect as if originally named as a Grantor herein. The execution and delivery of any such instrument shall not require the consent of any Grantor hereunder. The rights and obligations of each Grantor hereunder shall remain in full force and effect notwithstanding the addition of any new Grantor as a party to this Agreement.

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement as of the day and year first above written.

CAF HOLDINGS, INC.,

by: 

Name: EDGAR M. BRIDGER
Title: PRESIDENT

COLLINS & AIKMAN
FLOORCOVERINGS, INC.,

by: 

Name: EDGAR M. BRIDGER
Title: PRESIDENT

THE SUBSIDIARY GUARANTORS
LISTED ON SCHEDULE I HERETO,

by: 

Name: EDGAR M. BRIDGER
Title: Authorized Officer

CREDIT SUISSE FIRST BOSTON, as
Collateral Agent,

by: 

Name: ROBERT HETU
Title: DIRECTOR

by: 

Name: JULIA P. KINGSBURY
Title: VICE PRESIDENT

SUBSIDIARY GUARANTORS

Monterey Carpets, Inc.

Monterey Color Systems, Inc.

COPYRIGHTS OWNED BY CAF HOLDINGS, INC.

CAF Holdings, Inc. does not own any U.S. or foreign registered copyrights or copyright applications.

COPYRIGHTS OWNED BY COLLINS & AIKMAN FLOORCOVERINGS, INC.**U.S. Copyright Registrations**

TITLE	CERTIFICATION NO.	ISSUE DATE
Pattern VB 0001	VA 474 785	10/08/91
Pattern VB 0002	VA 480 315	10/08/91
Pattern VB 0003	VA 480 310	10/08/91
Pattern VB 0004	VA 480 313	10/08/91
Pattern VB 0006	VA 480 314	10/08/91
Pattern VB 0007	VA 480 312	10/08/91
Pattern VB 0008	VA 480 311	10/08/91
Pattern VB 0009	VA 476 006	10/08/91
Tiffany (straight border)	VA 394 169	3/05/90
Tiffany (corner border)	VA 394 168	3/05/90
Giverny	VA 385 657	11/20/89
Sonata	VA 373 212	11/02/89
Storshower	VA 373 339	11/02/89
Optix	VA 373 340	11/02/89
Matrix	VA 373 341	11/02/89
Intrigue	VA 373 342	11/02/89
Fish	VAu 395-651	7/21/97
Allegro	VA 904-971	4/28/98
Fractal	VAu 395-642	6/10/97
Big Solano	VAu 395-650	7/21/97
Big Brocade	VAu 401-435	6/10/97
Star	VAu 395-652	7/21/97
Tsunami	VAu 401-436	6/10/97
Sales leadership workshop	Txu837769	12/29/97
Pattern 572. By Collins & Aikman Floorcoverings, Inc.	VA614600	07/17/98
Nomad	VA885617	04/28/98
Granada	VA885619	04/28/98
Tunisia: no. 38000-38011	VA902794	07/21/98
Barcelona: no. 24502, 24504-24505, 24507 ..[et al.]	VA902795	07/21/98
Pattern portfolio 716	VA904972	04/28/98
Quadrant: no. TEX709	VA929471	07/30/98
Brocade: no. TX194H	VA931121	09/02/98
Arroyo: no. TEX608, zebra 3	VA941860	09/02/98
Athena: no. TEX586	VA943343	08/27/98
Adobe	VA956044	09/01/98

Allegro	VAu401437	06/10/97
Pattern 572	VAu408071	05/12/98
TEX109H	VAu411344	07/21/98
Design no. CA073C	VAu411354	07/28/98
Expedition	VAu411361	04/28/98
Pattern 572. By Collins & Aikman Floorcoverings, Inc.	VAu422363	08/12/98
TEX189H	VAu456440	11/19/99
TEX023	VAu456441	11/19/99
Pattern no. F-820	VAu456442	11/19/99
TEX085H	VAu456443	11/19/99
TEX154H	VAu456444	11/19/99
TEX133H	VAu457047	11/19/99

Pending U.S. Copyright Applications for Registration

None

Non-U.S. Copyright Registrations

None

Non-U.S. Pending Copyright Applications for Registration

None

COPYRIGHTS OWNED BY MONTEREY CARPETS, INC.**U.S. Copyright Registrations**

TITLE	CERTIFICATION NO.	ISSUE DATE
Botticelli	VA 1 034 658	9/20/00
Braque	VA 1 034 653	9/20/00
Cableknit	VA 1 034 645	9/20/00
Casablanca	VA 1 034 662	9/20/00
Chenille	VA 1 034 639	9/20/00
Davinci	VA 1 034 667	9/20/00
Duchamp	VA 1 034 654	9/20/00
Filigree	VA 1 034 647	9/20/00
Flanders	VA 1 034 655	9/20/00
Fleu de Lis	VA 1 034 643	9/20/00
Foliage	VA 781 827	3/21/96
Golden Gate	VA 1 034 634	9/20/00
Grande Boucle	VA 1 034 666	9/20/00
Highland Twill	VA 395 424	5/17/90
Innuendo Inspiration	VA 781 826	3/21/96
Klimt	VA 1 034 652	9/20/00
Landscape	VA 1 034 640	9/20/00
Lombard Street	VA 1 034 649	9/20/00
Manet	VA 1 034 656	9/20/00
Marbella	VA 1 034 638	9/20/00
Marseille	VA 1 034 661	9/20/00
Mikado	VA 395 426	5/17/90
Monaco	VA 1 034 633	9/20/00
O'Keefe	VA 1 034 668	9/20/00
Panache	VA 781 829	3/21/96
Park Avenue	VA 1 034 636	9/20/00
Phoenix	VA 1 034 644	9/20/00
Plaza	VA 1 034 663	9/20/00
Pollock	VA 1 034 641	9/20/00
Presidio	VA 1 034 659	9/20/00
Promenade	VA 731 820	3/21/96
Raincheck	VA 781 825	3/21/96
Rubens	VA 1 034 664	9/20/00
Seasons	VA 781 828	3/21/96
Semantics	VA 781 823	3/21/96
Seurat	VA 1 034 665	9/20/00
Soiree	VA 1 034 646	9/20/00

TITLE	CERTIFICATION NO.	ISSUE DATE
Sonnet	VA 781 822	3/21/96
Sonora	VA 1 034 660	9/20/00
Spoolcraft	VA 850 300	5/15/97
Spoolcraft (Three Dimensional Carpet Design)	VA 400 156	5/15/97
St Topez	VA 1 034 657	9/20/00
Stone Canyon	VA 1 034 651	9/20/00
Symmetry	VA 781 821	3/21/96
Symphony	VA 781 824	3/21/96
Tessouro	VA 1 034 635	9/20/00
Tribeca	VA 1 034 650	9/20/00
Triple Boucle	VA 1 034 637	9/20/00
Van Gogh	VA 1 034 632	9/20/00
Vassarely	VA 1 034 632	9/20/00
Windsong	VA 395-425	5/17/90

Pending U.S. Copyright Applications for Registration

TITLE	DATE FILED
Carra	11/00
Delaney	11/00
Taos	11/00

Non-U.S. Copyright Registrations

None

Non-U.S. Pending Copyright Applications for Registration

None

COPYRIGHTS OWNED BY MONTEREY COLOR SYSTEMS, INC.

Monterey Color Systems, Inc. does not own any U.S. or foreign registered copyrights or copyright applications.

COPYRIGHTS OWNED BY CHROMA SYSTEMS PARTNERS

Chroma Systems Partners does not own any U.S. or foreign registered copyrights or copyright applications.

CAF HOLDINGS, INC. LICENSES

PART 1

**LICENSES/SUBLICENSES OF
CAF HOLDINGS, INC. AS LICENSOR**

A. Copyrights

None

B. Patents

None

C. Trademarks

None

D. Others

None

PART 2

**LICENSES/SUBLICENSES OF
CAF HOLDINGS, INC. AS LICENSEE**

A. Copyrights

None

B. Patents

None

C. Trademarks

CAF Holdings, Inc. and Collins & Aikman Floorcoverings, Inc. licenses the trade name "Collins & Aikman" from Collins & Aikman Products Co. pursuant to a Tradename License Agreement dated February 6, 1997, by and between Collins & Aikman Products Co., CAF Holdings, Inc., and Collins & Aikman Floorcoverings, Inc.

D. Others

None

COLLINS & AIKMAN FLOORCOVERINGS, INC. LICENSES

PART 1

LICENSES/SUBLICENSES OF
COLLINS & AIKMAN FLOORCOVERINGS, INC. AS LICENSOR

A. Copyrights

None

B. Patents

None

C. Trademarks

Collins & Aikman Floorcoverings, Inc. authorizes Collins & Aikman Floorcoverings Asia Pte. Ltd. to use various trademarks and the name "Collins & Aikman Floorcoverings" in accordance with the provisions of the Distributor and Supply Agreement between Collins & Aikman Floorcoverings, Inc. and Collins & Aikman Floorcoverings Asia Pte. Ltd. dated August 13, 1998.

D. Others

None

PART 2

LICENSES/SUBLICENSES OF
COLLINS & AIKMAN FLOORCOVERINGS, INC. AS LICENSEE

A. Copyrights

None

B. Patents

None

C. Trademarks

1. The following Trademarks are used by Collins & Aikman Floorcoverings, Inc. with Permission of DuPont:

DuPont ANTRON LEGACY® nylon
DuPont DSDN® solution dyed nylon
DuPont ANTRON LUMENA® nylon
2. Collins & Aikman Floorcoverings, Inc. licenses the trademark “Jhane Barnes” for use in connection with floor covering products from Jhane Barnes Holdings, Inc. pursuant to a License Agreement between Collins & Aikman Floorcoverings, Inc. and Jhane Barnes Holdings, Inc., dated March 25, 1996.
3. CAF Holdings, Inc. and Collins & Aikman Floorcoverings, Inc. licenses the trade name “Collins & Aikman” from Collins & Aikman Products Co. pursuant to a Tradename License Agreement dated February 6, 1997, by and between Collins & Aikman Products Co., CAF Holdings, Inc., and Collins & Aikman Floorcoverings, Inc.

D. Others

None

MONTEREY CARPETS, INC. LICENSES

PART 1

**LICENSES/SUBLICENSES OF
MONTEREY CARPETS, INC. AS LICENSOR**

A. Copyrights

None

B. Patents

None

C. Trademarks

None

D. Others

None

PART 2

**LICENSES/SUBLICENSES OF
MONTEREY CARPETS, INC. AS LICENSEE**

A. Copyrights

None

B. Patents

Monterey Carpets, Inc. is a party to that certain Agreement dated October 1, 1997 by and between Darwin Enterprises, Inc. ("Darwin") and Monterey Carpets, Inc., granting Monterey Carpets, Inc. a license as to carpet products employing the invention of Darwin claimed in their United States Patent Application No. 08/840395.

C. Trademarks

Monterey Carpets, Inc. is a party to that certain Trademark Agreement by and between The Dow Chemical Company and Monterey Carpets, Inc. dated as of September 15, 1998 under which Dow licenses the following trademarks to Monterey:

THE ENHANCER Carpet Backing, Classes II, III and IV
THE ENHANCER Carpet Backing, Residential
LIFESPAN
LIFESPAN with design
TERRA-COTTA

D. Others

None

MONTEREY COLOR SYSTEMS, INC. LICENSES

Monterey Color Systems, Inc. is not a party to any licenses or sublicenses.

CHROMA SYSTEMS PARTNERS LICENSES

Chroma Systems Partners is not a party to any licenses or sublicenses.

PATENTS OWNED BY CAF HOLDINGS, INC.

CAF Holdings, Inc. owns no U.S. or foreign patents or patent applications.

PATENTS OWNED BY COLLINS & AIKMAN FLOORCOVERINGS, INC.**U.S. Patent Registrations**

TITLE	PATENT NUMBER	COUNTRY
Apparatus and Method for Eliminating Stop Marks in Carpets on Tufting Machines	4,586,446	US
Textile Product with Backcoating Compromising Smoke Suppressant and/or Flame Retardant Intumescent Particles	4,824,709	US
Foam Backed Carpet with Adhesive Release Surface and Method of Installing Same ¹	4,849,267	US
Carpet having Nonwoven Fleece Adhered to Secondary Backing by Embossing and Method of Making Same	4,988,551	US
Skid-Resistant Floor Covering and Method of Making Same	5,567,497	US
Process of Recycling Waste Polymeric Material and an Article Utilizing the Same	5,728,741	US
Method of Making Inlaid Floor Coverings	5,656,109	US
Process of Recycling Waste Polymeric Material and an Article Utilizing the Same	5,855,981	US
Tufted Pile Fabric ²	4,877,669	US
Improved Process of Recycling Waste Polymeric Material and an Article Utilizing the Same	5,914,353	US

¹ This patent is presently the subject of a reexamination proceeding with the United States Patent and Trademark Office.

² This patent is currently in the process of being assigned from Collins & Aikman Products, Co. to Collins & Aikman Floorcoverings, Inc.

U.S. Patent Applications

APPLICATION NUMBER	COUNTRY
08/388,986	US
09/039,913	US
09/172,314	US
09/191,065	US
09/221,426	US
09/368,983	US
90/005,640	US
09/621,591	US
09/637,408	US

Non-U.S. Patent Registrations

ISSUED PATENTS:

TITLE	PATENT NUMBER	COUNTRY
Foam-Backed Carpet with Adhesive Release Surfaces and Method for Utilizing the Same	1854086	Japan
Foam-Backed Carpet with Adhesive Release Surfaces and Method of Installing Same	0340038	Europe (designated countries: Germany, France, Great Britain, Luxembourg, Belgium)
Carpet Having Nonwoven Fleece Adhered to Secondary Backing by Embossing and Method of Making Same ³	2026624	Canada
Floor coverings - comprises carpet having textile fibres and primary backing to which textile fibres are secured and secondary backing permanently adhered to lower surface of primary backing	2283576	Canada
Stick down carpet - has release covering for oleophobic pressure sensitive adhesive on vinyl-based	68916477	Germany

³ This patent is currently being recorded in the name of Collins & Aikman Floorcoverings, Inc. from Collins & Aikman Floor Coverings.

TITLE	PATENT NUMBER	COUNTRY
plastisol secondary backing		
Foam-Backed Carpet with Adhesive Release Surface and Method of Installing Same ⁴	1286969	Canada

Non-U.S. Patent Applications

APPLICATION NUMBER	COUNTRY
PCT/US99/30767	PCT - International Application
98301859.9	Europe (designated countries: Belgium, Germany, France and Great Britain)
98301862.3	Europe (designated countries: Belgium, Germany, France and Great Britain)
99301655.9	Europe (designated countries: Belgium, Germany, France and Great Britain)
2232555	Canada
2232481	Canada
2256614	Canada
99US30767	WIPO

⁴ This patent is currently being recorded in the name of Collins & Aikman Floorcoverings, Inc. from Collins & Aikman Floor Coverings.

PATENTS OWNED BY MONTEREY CARPETS, INC.

Monterey Carpets, Inc. owns no U.S. or foreign patents or patent applications.

PATENTS OWNED BY MONTEREY COLOR SYSTEMS, INC.

Monterey Color Systems, Inc. owns no U.S. or foreign patents or patent applications.

PATENTS OWNED BY CHROMA SYSTEMS PARTNERS

Chroma Systems Partners owns no U.S. or foreign patents or patent applications.

TRADEMARKS/TRADENAMES OWNED BY CAF HOLDINGS, INC.

CAF Holdings, Inc. does not own any U.S., State or foreign registered trademarks or trademark applications or tradenames.

**TRADEMARKS/TRADENAMES OWNED BY
COLLINS & AIKMAN FLOORCOVERINGS, INC.**

U.S. Trademark Registrations

MARK	REGISTRATION NUMBER	COUNTRY
COLLINS & AIKMAN INDUSTRY AND ECOLOGY	1,860,032	US
DYNEX SD	2,289,432	US
ER3	2,296,732	US
ER3 stylized	2,079,747	US
GUARDIAN	1,355,589	US
MODU-TEC	2,178,487	US
PLEXUS	2,223,798	US
POWER-BLOC	2,246,585	US
POWER STOP	2,290,544	US
POWERBOND	879,194	US
POWERBOND RS	2,218,388	US
SOURCE ONE	2,190,765	US
SYON-5	2,383,988	US
TEX-TILES stylized	967,633	US

U.S. Trademark Applications

MARK	APPLICATION NUMBER	COUNTRY
ACCUWEAVE	75/756,886	US
ACCUWEAVE COLLECTION	75/756,832	US
DYNEX	75/377,693	US
MINING BUILDINGS FOR OUR RESOURCES RATHER THAN EARTH	75/625,491	US
PLEXUS IDEAS	75/804,049	US
PROTECTING OUR FUTURE BY RECLAIMING OUR PAST	75/627,894	US
REPEAT	75/943,836	US
SEE A VISION FOR A SUSTAINABLE FUTURE	75/700898	US
SHARED CIRCLE OF RESPONSIBILITY	75/606,377	US
SYMTEX	76/026,855	US

MARK	APPLICATION NUMBER	COUNTRY
TETRAD	76/002,966	US
TRIAD	76/026,860	US

State Trademark Registrations

None

State Trademark Applications

None

Non-U.S. Trademark Registrations

MARK	REGISTRATION NUMBER	COUNTRY
POWERBOND RS	509,546	Canada
POWERBOND RS	2,148,846	United Kingdom

Non-U.S. Trademark Applications

MARK	APPLICATION NUMBER	COUNTRY
ER3	1050497	Canada
ER3	17553/2000	Japan
POWERBOND	17554/2000	Japan
POWERBOND RS	19010/2000	Japan

TRADEMARKS/TRADENAMES OWNED BY MONTEREY CARPETS, INC.

Monterey Carpets, Inc. does not own any U.S., State or foreign registered trademarks or trademark applications or tradenames.

TRADEMARKS/TRADENAMES OWNED BY MONTEREY COLOR SYSTEMS, INC.

Monterey Color Systems, Inc. does not own any U.S., State or foreign registered trademarks or trademark applications or tradenames.

TRADEMARKS/TRADENAMES OWNED BY CHROMA SYSTEMS PARTNERS

Chroma Systems Partners does not own any U.S., State or foreign registered trademarks or trademark applications or tradenames.

SUPPLEMENT NO. [] dated as of [], to the Security Agreement dated as of January 25, 2001 (as amended, supplemented or otherwise modified from time to time, the "*Security Agreement*"), among COLLINS & AIKMAN FLOORCOVERINGS, INC., a Delaware corporation (the "*Borrower*"), CAF HOLDINGS, INC., a Virginia corporation ("*Holdings*"), each Domestic Subsidiary of the Borrower listed on Schedule I thereto (each such Subsidiary individually a "*Subsidiary Guarantor*" and collectively, the "*Subsidiary Guarantors*"; the Subsidiary Guarantors, Holdings and the Borrower are referred to collectively herein as the "*Grantors*") and CREDIT SUISSE FIRST BOSTON, a bank organized under the laws of Switzerland, acting through its New York branch ("*CSFB*"), as collateral agent (in such capacity, the "*Collateral Agent*") for the Secured Parties (as defined herein).

A. Reference is made to (a) the Credit Agreement dated as of January 25, 2001 (as amended, supplemented or otherwise modified from time to time, the "*Credit Agreement*"), among the Borrower, Holdings, the lenders from time to time party thereto (the "*Lenders*") and CSFB, as administrative agent for the Lenders (in such capacity, the "*Administrative Agent*") and as Collateral Agent, (b) the Parent Guarantee Agreement dated as of January 25, 2001 (as amended, supplemented or otherwise modified from time to time, the "*Parent Guarantee Agreement*"), between Holdings and the Collateral Agent and (c) the Subsidiary Guarantee Agreement dated as of January 25, 2001 (as amended, supplemented or otherwise modified from time to time, the "*Subsidiary Guarantee Agreement*"), among the Subsidiary Guarantors and the Collateral Agent.

B. Capitalized terms used herein and not otherwise defined herein shall have the meanings assigned to such terms in the Credit Agreement.

C. The Grantors have entered into the Security Agreement in order to induce the Lenders to make Loans and the Issuing Bank to issue Letters of Credit. Section 7.15 of Security Agreement provides that additional Subsidiaries of the Borrower may become Grantors under the Security Agreement by execution and delivery of an instrument in the form of this Supplement. The undersigned Subsidiary (the "*New Grantor*") is executing this Supplement in accordance with the requirements of the Credit Agreement to become a Grantor under the Security Agreement in order to induce the Lenders to make additional Loans and the Issuing Bank to issue additional Letters of Credit and as consideration for Loans previously made and Letters of Credit previously issued.

Accordingly, the Collateral Agent and the New Grantor agree as follows:

SECTION 1. In accordance with Section 7.15 of the Security Agreement, the New Grantor by its signature below becomes a Grantor under the Security Agreement with the same force and effect as if originally named therein as a Grantor and the New Grantor hereby (a) agrees to all the terms and provisions of the Security Agreement applicable to it as a Grantor thereunder and (b) represents and warrants that the representations and warranties made by it as a Grantor thereunder are true and correct on and as of the date hereof. In furtherance of the foregoing, the New Grantor, as security for the payment and performance in full of the Obligations (as defined in the Security Agreement), does hereby create and grant to the Collateral Agent, its successors and assigns, for the benefit of the Secured Parties, their successors and assigns, a security interest in and lien on all of the New Grantor's right, title and interest in and to the Collateral (as defined in the Security Agreement) of the New Grantor. Each reference to a "Grantor" in the Security Agreement shall be deemed to include the New Grantor. The Security Agreement is hereby incorporated herein by reference.

SECTION 2. The New Grantor represents and warrants to the Collateral Agent and the other Secured Parties that this Supplement has been duly authorized, executed and delivered by it and constitutes its legal, valid and binding obligation, enforceable against it in accordance with its terms.

SECTION 3. This Supplement may be executed in counterparts (and by different parties hereto on different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. This Supplement shall become effective when the Collateral Agent shall have received counterparts of this Supplement that, when taken together, bear the signatures of the New Grantor and the Collateral Agent. Delivery of an executed signature page to this Supplement by facsimile transmission shall be as effective as delivery of a manually signed counterpart of this Supplement.

SECTION 4. The New Grantor hereby represents and warrants that (a) set forth on Schedule I attached hereto is a true and correct schedule of the location of any and all Collateral of the New Grantor and (b) set forth under its signature hereto, is the true and correct location of the chief executive office of the New Grantor.

SECTION 5. Except as expressly supplemented hereby, the Security Agreement shall remain in full force and effect.

SECTION 6. THIS SUPPLEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

SECTION 7. In case any one or more of the provisions contained in this Supplement should be held invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein and in the Security Agreement shall not in any way be affected or impaired thereby (it being understood that the invalidity of a particular provision in a particular jurisdiction shall not in and of itself affect the validity of such provision in any other jurisdiction). The parties hereto shall endeavor in good-faith negotiations to replace the invalid, illegal or unenforceable provisions with valid provisions the economic effect of which comes as close as possible to that of the invalid, illegal or unenforceable provisions.

SECTION 8. All communications and notices hereunder shall be in writing and given as provided in Section 7.01 of the Security Agreement. All communications and notices hereunder to the New Grantor shall be given to it at the address set forth under its signature below.

SECTION 9. The New Grantor agrees to reimburse the Collateral Agent for its reasonable out-of-pocket expenses in connection with this Supplement, including the reasonable fees, charges and disbursements of counsel for the Collateral Agent.

IN WITNESS WHEREOF, the New Grantor and the Collateral Agent have duly executed this Supplement to the Security Agreement as of the day and year first above written.

[Name Of New Grantor],

by: _____
Name:
Title:
Address:

CREDIT SUISSE FIRST BOSTON, as
Collateral Agent,

by: _____
Name:
Title:

by: _____
Name:
Title:

SCHEDULE I
to Supplement No.____ to the
Security Agreement

LOCATION OF COLLATERAL

Description

Location

<<NYCorp~1211083.1:4236W:01/24/01-4:46p>>

RECORDED: 01/29/2001

TRADEMARK
REEL: 002229 FRAME: 0952