

05-21-2002

Form PTO-1594 (Rev. 03 11) OMB No. 0651-0027 (exp. 5/31/2002) Tab settings

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U.S. DEPARTMENT OF COMMERCE U.S. Patent and Trademark Office

To the Honorable Commissioner of Patents and Trademarks: Please record the attached original documents or copy thereof.

1. Name of conveying party(ies):

The Dixie Group, Inc.

5.16.02

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

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

3. Nature of conveyance:

- Assignment Merger Security Agreement Change of Name Other

Execution Date:

2. Name and address of receiving party(ies)

Name: Fleet Capital Corporation

Internal Address: MAY 16 2002

Street Address: 300 Galleria Parkway, Suite 800

City: Atlanta State: GA Zip: 30339

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

If assignee is not domiciled in the United States, a domestic representative designation is attached: Yes No (Designations must be a separate document from assignment) Additional name(s) & address(es) attached? Yes No

4. Application number(s) or registration number(s):

A. Trademark Application No.(s)

See attached Exhibit A

B. Trademark Registration No.(s)

See attached Exhibit A

Additional number(s) attached Yes No

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

Name: Erin R. Spector

Internal Address: Parker, Hudson, Rainer & Dobbs

Street Address: 285 Peachtree Center Avenue, #1500

City: Atlanta State: GA Zip: 30303

6. Total number of applications and registrations involved:

25

7. Total fee (37 CFR 3.41): \$ \$640.00

- Enclosed Authorized to be charged to deposit account

8. Deposit account number:

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

DO NOT USE THIS SPACE

9. Statement and signature.

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

Erin R. Spector

Name of Person Signing

Erin R. Spector

Signature

5/15/02

Date

13

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

05/21/2002 LHWELLER 00000036 2435225

01 FC:481 02 FC:482

40.00 MF 600.00 DP

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

TRADEMARK REEL: 002510 FRAME: 0475

EXHIBIT A**Trademarks**

<u>Trademark</u>	<u>Jurisdiction</u>	<u>Registration No.</u>	<u>Registration Date</u>
Alliance Mills	USA	2435225	03-13-2001
Candle Logo	USA	1189372	02-09-1982
Candlewick	USA	0867976	04-08-1969
Colorfirst	USA	2437027	03-20-2000
Genie & Lamp Design	USA	0766443	03-10-1964
Hardwear	USA	2010824	10-22-1996
Hydro-Lok Plus	USA	2010825	10-22-1996
M (Script)	USA	1683871	04-21-1992
Masland	USA	0534999	12-19-1950
Masland Contract & Design	USA	1933084	11-07-1995
Masland Fine Carpet Since 1866	USA	1257675	11-15-1983
Metro Mills	USA	2492483	09-25-2001
Power Stitch Logo	USA	1929961	10-24-1995
Silspun	USA	0769226	05-05-1964
Suncraft Mills	USA	1488620	05-17-1988
Terry-Tech	USA	1471445	01-05-1988
Texture-Loft	USA	1400378	07-08-1986

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The Magic of Masland Carpet	USA	0770008	05-19-1964
Weave-Tech	USA	1507243	10-04-1988
C Knit Apparel	USA	1889957	04-18-1995
Clyde Fabrics	USA	0968716	09-18-1973
Patrick	USA	1907474	07-25-1995
Patrick Carpets	USA	2118979	12-09-1997

Trademark Applications

<u>Trademark</u>	<u>Jurisdiction</u>	<u>Serial No.</u>	<u>Application Date</u>
Colormasters	USA	76017743	_____
Bridgemark	USA	76017741	_____

TRADEMARK SECURITY AGREEMENT

This **TRADEMARK SECURITY AGREEMENT** is made this 14th day of May, 2002, between **FLEET CAPITAL CORPORATION**, a Rhode Island corporation having an office at 300 Galleria Parkway, N.W., Suite 800, Atlanta, Georgia 30339, as collateral and administrative agent (together with its successors in such capacity, "Agent") for itself and Lenders (as hereinafter defined), and **THE DIXIE GROUP, INC.** (formerly known as Dixie Yarns, Inc.), a Tennessee corporation having its principal place of business at 185 South Industrial Boulevard, Calhoun, Georgia 30701 ("Borrower").

Recitals:

Borrower desires to obtain loans and other financial accommodations from certain financial institutions (individually, a "Lender" and collectively, the "Lenders") as are parties from time to time to that certain Loan and Security Agreement dated the date hereof by and among Borrower, the guarantors noted therein, Agent, the other agents noted therein and Lenders (hereinafter referred to, together with all amendments thereto, as the "Loan Agreement");

Lenders are willing to make loans and other financial accommodations to Borrower from time to time, pursuant to the terms of the Loan Agreement, provided Borrower executes this Agreement.

NOW, THEREFORE, for Ten Dollars (\$10.00) and other valuable consideration, and in consideration of the premises, Borrower hereby agrees with Agent as follows:

1. Capitalized terms used herein (including those used in the Recitals hereto), unless otherwise defined, shall have the meanings ascribed to them in the Loan Agreement.

2. To secure the prompt payment and performance of the Obligations, Borrower hereby pledges, assigns and grants to Agent, for its benefit and the pro rata benefit of Lenders, a continuing security interest in and lien upon all of the following property of Borrower, whether now owned or existing or hereafter created or acquired (the "Trademark Collateral"):

(a) all trademarks, trademark registrations, tradenames and trademark applications, including, without limitation, the trademarks and applications listed on Exhibit A attached hereto and made a part hereof (as the same may be amended from time to time), and (i) all renewals thereof, (ii) all income, royalties, damages and payments now or hereafter due or payable with respect thereto, including, without limitation, damages and payments for past or future infringements thereof, (iii) the right to sue for past, present and

future infringements thereof, and (iv) all rights corresponding thereto throughout the world (all of the foregoing trademarks, trademark registrations, tradenames and applications, together with the items described in clauses (i)-(iv), are hereinafter collectively referred to as the "Trademarks");

(b) the goodwill of Borrower's business connected with and symbolized by the Trademarks; and

(c) all proceeds of the foregoing.

3. Borrower represents and warrants to Agent and Lenders that:

(a) Each of the Trademarks is subsisting and has not been adjudged invalid or unenforceable;

(b) Upon filing of this Agreement in the United States Patent and Trademark Office, this Agreement will create a legal and valid perfected lien upon and security interest in the Trademark Collateral (other than foreign trademarks), enforceable against Borrower and all third Persons in accordance with its terms;

(c) No claim has been made that the use of any of the Trademarks does or may violate the rights of any third Person;

(d) Borrower has the unqualified right to enter into this Agreement and perform its terms;

(e) Each of the Trademarks is valid and enforceable; and

(f) Borrower is the sole and exclusive owner of the entire right, title and interest in and to all of the Trademark Collateral, free and clear of any liens, charges and encumbrances, including, without limitation, pledges, assignments, licenses, registered user agreements and covenants by Borrower not to sue third Persons.

4. Borrower covenants and agrees with Agent and Lenders that:

(a) Borrower will maintain the quality of the products associated with the Trademarks, at a level consistent with the quality at the time of this Agreement, and will, upon Agent's request, provide Agent quarterly with a certificate to that effect in the form attached hereto as Exhibit B executed by an officer of Borrower;

(b) Borrower will not change the quality of the products associated with the Trademarks without Agent's prior written consent; and

(c) Borrower has used and will continue to use for the duration of this Agreement, proper statutory notice in connection with its use of the Trademarks, including,

without limitation, filing an affidavit of use with the United States Patent and Trademark Office for each Trademark as required by Applicable Law to maintain the registration thereof without loss of protection therefor.

5. Borrower hereby authorizes Agent, and its employees and agents (and any Lenders and their respective employees and agents), the right to visit Borrower's plants and facilities which manufacture, inspect or store products sold under any of the Trademarks and to inspect the products and quality control records relating thereto at reasonable times during regular business hours. Borrower shall do any and all acts required by Agent to ensure Borrower's compliance with paragraph 4(c) of this Agreement.

6. Until all of the Obligations have been satisfied in full and the Loan Agreement has been terminated, Borrower shall not enter into any license agreement relating to any of the Trademarks with any Person except non-exclusive licenses to customers of Borrower in the regular and ordinary course of Borrower's business as presently conducted and for reasonable and customary compensation, and shall not become a party to any agreement with any Person that is inconsistent with Borrower's duties under this Agreement.

7. If, before the Obligations have been satisfied in full, Borrower shall obtain rights to any new trademarks, or become entitled to the benefit of any trademark application or trademark or any renewal of any Trademark, the provisions of paragraph 2 hereof shall automatically apply thereto, and Borrower shall give to Agent prompt notice thereof in writing.

8. Borrower irrevocably authorizes and empowers Agent to modify this Agreement by amending Exhibit A to include any future trademarks and trademark applications within the definition of Trademarks under paragraph 2 or paragraph 7 hereof.

9. Upon and at any time after the occurrence of an Event of Default, Agent shall have, in addition to all other rights and remedies given it by this Agreement, all rights and remedies under Applicable Law and all rights and remedies of a secured party under the UCC. Without limiting the generality of the foregoing, Agent may immediately, for its benefit and the pro rata benefit of Lenders, without demand of performance and without notice (except as described in the next sentence, if required by Applicable Law), or demand whatsoever to Borrower, each of which Borrower hereby expressly waives, collect directly any payments due Borrower in respect of the Trademark Collateral, or sell at public or private sale or otherwise realize upon all or from time to time, any of the Trademark Collateral. Borrower hereby agrees that seven (7) days written notice to Borrower of any public or private sale or other disposition of any of the Trademark Collateral shall be reasonable notice; provided, however, that no notice shall be required hereunder if not otherwise required by Applicable Law. At any such sale or disposition, Agent may, to the extent permitted by law, purchase the whole or any part of the Trademark Collateral sold, free from any right of redemption on the part of Borrower, which right Borrower hereby waives and releases. After deducting from the proceeds of such sale or other disposition of the Trademark Collateral all costs and expenses incurred by Agent in enforcing its rights hereunder (including, without limitation, all attorneys' fees), Agent shall apply the remainder of such proceeds to the payment of the Obligations in such order and manner as may be authorized or required by the Loan Agreement.

Any remainder of the proceeds after payment in full of the Obligations shall be paid over to Borrower. If any deficiency shall arise, Borrower and each guarantor of the Obligations shall remain jointly and severally liable to Agent and Lenders therefor.

10. Borrower hereby makes, constitutes and appoints Agent and any officer or agent of Agent as Agent may select, as Borrower's true and lawful attorney-in-fact, with full power to do any or all of the following if an Event of Default shall occur and be continuing: to endorse Borrower's name on all applications, documents, papers and instruments necessary for Agent to continue the registration of or to use the Trademarks, or to grant or issue any exclusive or nonexclusive license under the Trademarks to any other Person, or to assign, pledge, convey or otherwise transfer title in or dispose of any Trademark Collateral to any other Person. Borrower hereby ratifies all that such attorney shall lawfully do or cause to be done by virtue hereof. This power of attorney, being coupled with an interest, shall be irrevocable until all of the Obligations shall have been satisfied in full and the Loan Agreement shall have been terminated.

11. At such time as all of the Obligations shall have been satisfied finally and in full and the Loan Agreement shall have been terminated, Agent shall execute and deliver to Borrower, without representation, warranty or recourse and at Borrower's expense, all releases or other instruments necessary to terminate Agent's security interest in the Trademark Collateral subject to any disposition thereof which may have been made by Agent pursuant to the terms of this Agreement or any of the Loan Documents.

12. Any and all fees, costs and expenses, of whatever kind or nature (including, without limitation, reasonable attorneys' fees and legal expenses) incurred by Agent or any Lender in connection with the preparation of this Agreement and any other documents relating hereto and the consummation of this transaction, the filing or recording of any documents (including, without limitation, all taxes in connection therewith) with the United States Patent and Trademark Office or in any other public offices, the payment or discharge of any taxes, counsel fees, maintenance fees, Liens or otherwise protecting, maintaining, or preserving the Trademark Collateral, or in defending or prosecuting any actions or proceedings arising out of or related to the Trademark Collateral, shall be borne and paid by Borrower (it being the intent of Borrower and Agent that Borrower shall be responsible for the payment of all sums, fees, costs and expenses, including, without limitation, all renewal fees with respect to the Trademarks) or, if paid by Agent in its sole discretion, shall be reimbursed by Borrower **on demand** by Agent and until so paid shall be added to the principal amount of the Obligations and shall bear interest at the highest per annum rate in effect from time to time under the Loan Agreement.

13. Borrower shall use its best reasonable efforts to detect any infringers of the Trademarks and shall notify Agent in writing of infringements detected. Borrower shall have the duty, through counsel acceptable to Agent, to prosecute diligently any trademark application for a Trademark pending as of the date of this Agreement or thereafter until the Obligations shall have been paid in full and the Loan Agreement terminated, to make federal application on registrable but unregistered Trademarks (subject to Borrower's reasonable discretion in the Ordinary Course of Business or, during the existence of an Event of Default or a Default, promptly upon Agent's request), to file and prosecute opposition and cancellation proceedings, to file and prosecute lawsuits

to enforce the Trademarks and to do any and all acts which are deemed necessary or desirable by Agent to preserve and maintain all rights in the Trademarks. Any expenses incurred in connection with such applications or proceedings shall be borne by Borrower. Borrower shall not abandon any right to file a trademark application, or any pending trademark application or trademark without the consent of Agent.

14. Notwithstanding anything to the contrary contained in paragraph 13 hereof, Agent shall have the right, but shall in no way be obligated, to bring suit instead in its own name to enforce the Trademarks and any license hereunder, or to defend any suit or counterclaim in its own name to protect the Trademarks or any license hereunder, in either of which events Borrower shall at the request of Agent do any and all lawful acts (including bringing suit) and execute any and all proper documents required by Agent to aid such enforcement, or defense, and Borrower shall promptly, **upon demand**, reimburse and indemnify Agent for all costs and expenses incurred in the exercise of Agent's rights under this paragraph 14.

15. If Borrower fails to comply with any of its obligations hereunder, to the extent permitted by Applicable Law, Agent may do so in Borrower's name or in Agent's name, in Agent's sole discretion, but at Borrower's expense, and Borrower agrees to reimburse Agent in full for all expenses, including, without limitation, reasonable attorneys' fees, incurred by Agent in prosecuting, defending or maintaining the Trademarks or Agent's interest therein pursuant to this Agreement.

16. No course of dealing between Borrower and Agent or any Lender, nor any failure to exercise, nor any delay in exercising, on the part of Agent or any Lender, any right, power or privilege hereunder or under any of the other Loan Documents shall operate as a waiver thereof; nor shall any single or partial exercise of any right, power or privilege hereunder or thereunder preclude any other or further exercise thereof or the exercise of any other right, power or privilege.

17. All of Agent's rights and remedies with respect to the Trademark Collateral, whether established hereby or by any of the other Loan Documents, or by any other agreements or by Applicable Law shall be cumulative and may be exercised singularly or concurrently.

18. The provisions of this Agreement are severable, and if any clause or provision shall be held invalid and unenforceable in whole or in part in any jurisdiction, then such invalidity or unenforceability shall affect only such clause or provision, or part thereof, in such jurisdiction, and shall not in any manner affect such clause or provision in any other jurisdiction, or any other clause or provision of this Agreement in any jurisdiction.

19. This Agreement, together with the other Loan Documents, constitutes and expresses the entire understanding of the parties hereto with respect to the subject matter hereof, and supercedes all prior agreements and understandings, inducements or conditions, whether expressed or implied, oral or written. This Agreement is subject to modification only by a writing signed by the parties, except as provided in paragraph 8 hereof.

20. The benefits and burdens of this Agreement shall inure to the benefit of and be binding upon the successors and assigns of the Agent and of each Lender and upon the successors

of Borrower. Borrower shall not assign its rights or delegate its duties hereunder without the prior written consent of Agent.

21. Borrower hereby waives notice of Agent's acceptance hereof.

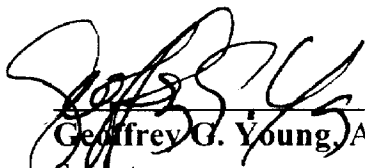
22. This Agreement shall be governed by and construed in accordance with the internal laws of the State of Georgia.

23. To the fullest extent permitted by Applicable Law, Borrower and Agent each waives the right to trial by jury in any action, suit, proceeding or counterclaim of any kind arising out of or related to this Agreement or the Trademark Collateral.


WITNESS the execution hereof under seal as of the day and year first above written.

ATTEST:

THE DIXIE GROUP, INC.
("Borrower")



Jeffrey G. Young, Assistant
Secretary

By: 

Gary A. Harmon, Vice President
and Chief Financial Officer

[CORPORATE SEAL]

Accepted in Atlanta, Georgia:

FLEET CAPITAL CORPORATION,
as Agent ("Agent")

By: 

Title: SVP

STATE OF GEORGIA §
 §
COUNTY OF FULTON §

BEFORE ME, the undersigned authority, on this day personally appeared Gary A. Harmon, the Vice President and Chief Financial Officer of **THE DIXIE GROUP, INC.**, to me known to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity therein stated, and as the act and deed of said corporation.

GIVEN UNDER MY HAND AND SEAL OF OFFICE on this 14th day of May, 2002.

Quin R. Spector

Notary Public

My Commission Expires:

NOTARY PUBLIC FULTON COUNTY, GEORGIA
MY COMMISSION EXPIRES JANUARY 07 2006

[NOTARIAL SEAL]

STATE OF GEORGIA)
)
COUNTY OF FULTON)

BEFORE ME, the undersigned authority, on this day personally appeared Chris Gibson of **FLEET CAPITAL CORPORATION**, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity therein stated, and as the act and deed of said corporation.

GIVEN UNDER MY HAND AND SEAL OF OFFICE on this 14th day of May, 2002.

Quin R. Spector

Notary Public

My Commission Expires:

NOTARY PUBLIC FULTON COUNTY, GEORGIA
MY COMMISSION EXPIRES JANUARY 07 2006
[NOTARIAL SEAL]

EXHIBIT A**Trademarks**

<u>Trademark</u>	<u>Jurisdiction</u>	<u>Registration No.</u>	<u>Registration Date</u>
Alliance Mills	USA	2435225	03-13-2001
Candle Logo	USA	1189372	02-09-1982
Candlewick	USA	0867976	04-08-1969
Colorfirst	USA	2437027	03-20-2000
Genie & Lamp Design	USA	0766443	03-10-1964
Hardwear	USA	2010824	10-22-1996
Hydro-Lok Plus	USA	2010825	10-22-1996
M (Script)	USA	1683871	04-21-1992
Masland	USA	0534999	12-19-1950
Masland Contract & Design	USA	1933084	11-07-1995
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Metro Mills	USA	2492483	09-25-2001
Power Stitch Logo	USA	1929961	10-24-1995
Silspun	USA	0769226	05-05-1964
Suncraft Mills	USA	1488620	05-17-1988
Terry-Tech	USA	1471445	01-05-1988
Texture-Loft	USA	1400378	07-08-1986

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The Magic of Masland Carpet	USA	0770008	05-19-1964
Weave-Tech	USA	1507243	10-04-1988
C Knit Apparel	USA	1889957	04-18-1995
Clyde Fabrics	USA	0968716	09-18-1973
Patrick	USA	1907474	07-25-1995
Patrick Carpets	USA	2118979	12-09-1997

Trademark Applications

<u>Trademark</u>	<u>Jurisdiction</u>	<u>Serial No.</u>	<u>Application Date</u>
Colormasters	USA	76017743	_____
Bridgemark	USA	76017741	_____

EXHIBIT B

CERTIFICATE

The undersigned officer of **THE DIXIE GROUP, INC.** ("Borrower"), DOES HEREBY CERTIFY to **FLEET CAPITAL CORPORATION** ("Agent") as agent for itself and certain other financial institutions ("Lenders") as are parties from time to time to the Loan and Security Agreement among Borrower, the guarantors named therein, Agent, the other agents named therein and Lenders, that the quality of the products associated with the Trademarks listed on Exhibit A of the Trademark Security Agreement dated May ____, 2002, between Borrower and Agent (as amended from time to time to include future trademarks and trademark applications) (the "Agreement"), has been maintained at a level consistent with the quality of such products at the time of the execution of the Agreement.

IN WITNESS WHEREOF, the undersigned has executed this Certificate, this __ day of

_____, _____.

THE DIXIE GROUP, INC.

By: _____

Title: _____