

Form PTO-1594
(Rev. 03/01)
OMB No. 0651-0027 (exp. 5/31/2002)

RECORDATION FORM COVER SHEET TRADEMARKS ONLY

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

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

1. Name of conveying party(ies):

Peebles Inc.

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

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

3. Nature of conveyance:

- Assignment
- Security Agreement
- Other
- Merger
- Change of Name

Execution Date: 12/20/02

2. Name and address of receiving party(ies)

Name: Fleet Retail Finance Inc.

Internal Address:

Street Address: 40 Broad Street

City: Boston State: MA Zip: 02109

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

B. Trademark Registration No.(s)

Additional number(s) attached Yes No

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

Name: Christopher E. Kondracki

Internal Address:

Street Address: 2001 Jefferson Davis, Hwy.

Suite 505

City: Arlington State: VA Zip: 22202

6. Total number of applications and registrations involved:

13

7. Total fee (37 CFR 3.41).....\$ 340.00

- Enclosed
- Authorized to be charged to deposit account

8. Deposit account number:

19-3545

DO NOT USE THIS SPACE

9. Signature.

Christopher E. Kondracki
Name of Person Signing

Christopher E. Kondracki
Signature

1/15/03
Date

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

13

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

Conveying Party(ies)

Ira A. Watson, Co.
Delaware Corporation

**Continuation of
Item 4A and 4B**

<u>Trademark</u>	<u>Registration Number</u>
1. CAPE CLASSIC	1,775,908
2. CAPE CLASSIC	1,724,693
3. CAPE CLASSIC LTD	1,684,402
4. KIDS COUNT & Design	1,209,751
5. HARMONY GROVE	1,842,267
6. HIDDEN FANTASIES (Stylized)	1,482,444
7. MEHERRIN RIVER OUTFITTERS	1,693,131
8. PEBBLES	1,492,322
9. PRIVATE EXPRESSIONS	1,769,352
10. PRIVATE EXPRESSIONS	2,352,771
11. SIGNATURE STUDIO	2,072,046
12. SONOMA BAY	1,734,069

Pending ApplicationsSerial Number

1. CASUAL OPTIONS	76/122959
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TRADEMARK AND TRADEMARK APPLICATIONS SECURITY AGREEMENT

Fleet Retail Finance Inc.
AGENT

December 20, 2002

THIS TRADEMARK AND TRADEMARK APPLICATIONS SECURITY AGREEMENT (this "**Agreement**") is made between

Fleet Retail Finance Inc., a Delaware corporation with offices at 40 Broad Street, Boston, Massachusetts 02109, as agent (in such capacity, herein the "**Agent**") for the ratable benefit of the Secured Parties,

and

Each of the undersigned Persons listed on Schedule I hereto (each such Person, individually, a "**Debtor**" and, collectively, the "**Debtors**")

in consideration of the mutual covenants contained herein and benefits to be derived herefrom,

WITNESSETH:

WHEREAS, Peebles Inc., a Virginia corporation, and Ira A. Watson Co., a Delaware corporation (collectively, the "**Borrowers**"), have entered into a certain Loan and Security Agreement dated as of December 20, 2002 (as such may be amended, modified, supplemented or restated hereafter, the "**Loan Agreement**") with, among others, (i) the Revolving Credit Lenders named therein and (ii) Fleet Retail Finance Inc., as Agent for the Revolving Credit Lenders and the other Secured Parties named therein and as SwingLine Lender, pursuant to which the Revolving Credit Lenders have agreed, among other things, to make certain Revolving Credit Loans to the Borrowers. Terms used herein which are defined in the Loan Agreement are used as so defined.

WHEREAS, it is a condition precedent to the Revolving Credit Lenders making the Revolving Credit Loans or otherwise extending credit to the Borrowers under the Loan Agreement that the Debtors execute and deliver to the Agent this Agreement.

WHEREAS, the Debtors wish to grant pledges and security interests in favor of the Agent, for the ratable benefit of the Secured Parties, as herein provided.

NOW, THEREFORE, in consideration of the premises contained herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. **GRANT OF SECURITY INTEREST:** To secure the Liabilities, the Debtors hereby create a security interest in favor of the Agent (for the ratable benefit of the Secured Parties), with power of sale (which power of sale shall be exercisable only following the occurrence of an Event of Default) in and to the following and all proceeds thereof (collectively, the "TM Collateral"):

(a) All of the Debtors' now owned or existing or hereafter acquired or arising trademarks, trademark applications, service marks, registered service marks and service mark applications including, without limitation, those listed on **EXHIBIT A** annexed hereto and made a part hereof, together with any goodwill connected with and symbolized by any such trademarks, trademark applications, service marks, registered service marks, and service mark applications.

(b) All renewals of any of the foregoing.

(c) All income, royalties, damages and payments now and hereafter due and/or payable under and with respect to any of the foregoing, including, without limitation, payments under all licenses entered into in connection therewith and damages and payments for past or future infringements or dilutions thereof.

(d) The right to sue for past, present and future infringements and dilutions of any of the foregoing.

(e) All of the Debtors' rights corresponding to any of the foregoing throughout the world.

2. **PROTECTION OF MARKS BY DEBTORS:** Except as set forth below in this Section 2, the Debtors shall undertake the following with respect to each of the items respectively described in Sections 1(a) and 1(b) (collectively, the "Marks"):

(a) Pay all renewal fees and other fees and costs associated with maintaining the Marks and with the processing of the Marks.

(b) At the Debtors' sole cost, expense, and risk, pursue the prompt, diligent processing of each Application for Registration which is the subject of the security interest created herein and not abandon or delay any such efforts.

(c) At the Debtors' sole cost, expense, and risk, take any and all action which the Debtors deem desirable to protect the Marks, including, without limitation, but subject to Debtors' discretion, the prosecution and defense of infringement actions.

Notwithstanding the foregoing, so long as no Event of Default has occurred and is continuing, and no Material Adverse Effect would result therefrom, no Debtor shall have an obligation to use or to maintain any Mark (i) that relates solely to any product, that has been discontinued, abandoned or terminated or (ii) that has been replaced with a Mark substantially similar to the Mark that may be

abandoned or otherwise become invalid, so long as the failure to use or maintain such Mark does not materially adversely affect the validity of such replacement Mark and so long as such replacement Mark is subject to the lien created by this Agreement.

3. **DEBTORS' REPRESENTATIONS AND WARRANTIES:** The Debtors represent and warrant that:

(a) **EXHIBIT A** includes all of the registered trademarks, Federal trademark applications, registered service marks and Federal service mark applications now owned by the Debtors.

(b) All TM Collateral is, and shall remain, free and clear of all liens, Encumbrances, or security interests in favor of any Person, other than Permitted Encumbrances and liens, Encumbrances and security interests in favor of the Agent.

(c) The Debtors shall give the Agent written notice (with reasonable detail) within ten (10) days following the occurrence of any of the following:

(i) The Debtors' obtaining rights to, and filing applications for registration of, any new trademarks, or service marks, or otherwise acquiring ownership of any newly registered trademarks, registered service marks, trademark applications, or service mark applications, (other than the Debtors' right to sell products containing the trademarks of others in the ordinary course of the Debtors' business).

(ii) The Debtors' becoming entitled to the benefit of any registered trademarks, trademark applications, trademark licenses, trademark license renewals, registered service marks, service mark applications, service mark licenses or service mark license renewals whether as licensee or licensor (other than the Debtors' right to sell products containing the trademarks of others in the ordinary course of the Debtors' business).

(iii) The Debtors' entering into any new trademark license agreement or service mark license agreement.

4 **AGREEMENT APPLIES TO FUTURE MARKS:**

(a) The provisions of this Agreement shall automatically apply to any such additional property or rights described in 3(c), above, all of which shall be deemed to be and treated as "Marks" within the meaning of this Agreement.

(b) The Debtors hereby authorize the Agent to take all such reasonable action to protect the Agent's interest in and concerning any future registered trademarks, trademark applications, registered service marks and service mark applications, written notice of which is so given, *provided, however*, the Agent's taking of such action shall not be a condition to the creation

or perfection of the security interest created hereby.

5. **DEBTORS' RIGHTS TO ENFORCE MARKS:** Prior to the Agent's giving of notice to the Debtors following the occurrence of an Event of Default, the Debtors shall have the exclusive right to sue for past, present and future infringement of the Marks including the right to seek injunctions and/or money damages, in an effort by the Debtors to protect the Marks against encroachment by third parties, *provided, however:*

(a) The Debtors first provide the Agent with written notice of the Debtors' intention to so sue for enforcement of any Mark.

(b) Any money damages awarded or received by the Debtors on account of such suit (or the threat of such suit) shall constitute TM Collateral.

(c) Following the occurrence of any Event of Default, the Agent, by notice to the Debtors may terminate or limit the Debtors' rights under this Section 5.

6. **AGENT'S ACTIONS TO PROTECT MARKS:** In the event of

(a) the Debtors' failure, within five (5) days of written notice from the Agent, to cure any failure by the Debtors to perform any of the Debtors' obligations hereunder; and/or

(b) the occurrence and continuance of any Event of Default,

the Agent, acting in its own name or in that of the Debtors, may (but shall not be required to) act in the Debtors' place and stead and/or in the Agent's own right in connection therewith.

7. **RIGHTS UPON DEFAULT:** Upon the occurrence of any Event of Default, the Agent may exercise all rights and remedies of a secured party upon default under the Uniform Commercial Code as adopted in the Commonwealth of Massachusetts, with respect to the Marks, in addition to which the Agent may sell, license, assign, transfer, or otherwise dispose of the Marks. Any person may conclusively rely upon an affidavit of an officer of the Agent that an Event of Default has occurred and that the Agent is authorized to exercise such rights and remedies.

8. **AGENT AS ATTORNEY IN FACT:**

(a) The Debtors hereby irrevocably constitute and designate the Agent as and for the Debtors' attorney in fact, effective following the occurrence and during the continuance of any Event of Default:

(i) To exercise any of the rights and powers referenced herein.

(ii) To execute all such instruments, documents, and papers as the Agent

determines to be appropriate in connection with the exercise of such rights and remedies and to cause the sale, license, assignment, transfer, or other disposition of the Marks.

(b) The within grant of a power of attorney, being coupled with an interest, shall be irrevocable until this Agreement is terminated by a duly authorized officer of the Agent.

(c) The Agent shall not be obligated to do any of the acts or to exercise any of the powers authorized by Section 8(a) herein, but if the Agent elects to do any such act or to exercise any of such powers, it shall not be accountable for more than it actually receives as a result of such exercise of power, and shall not be responsible to the Debtors for any act or omission to act except for any act or omission to act as to which there is a final determination made in a judicial proceeding (in which proceeding the Agent has had an opportunity to be heard) which determination includes a specific finding that the subject act or omission to act had been grossly negligent or in actual bad faith.

9. AGENT'S RIGHTS:

(a) Any use by the Agent of the Marks, as authorized hereunder in connection with the exercise of the Agent's rights and remedies under this Agreement and under the Loan Agreement shall be coextensive with the Debtors' rights thereunder and with respect thereto and without any liability for royalties or other related charges.

(b) None of this Agreement, the Loan Agreement, or any act, omission, or circumstance taken or arising hereunder may be construed as directly or indirectly conveying to the Agent any rights in and to the Marks, which rights are effective except following the occurrence of any Event of Default.


10. **INTENT:** It is intended that this Agreement supplement the Loan Agreement. All provisions of the Loan Agreement shall apply to the Marks. The Agent shall have the same rights, remedies, powers, privileges and discretions, with respect to the security interests created in the TM Collateral as in all other Collateral. In the event of a conflict between this Agreement and the Loan Agreement, the terms of this Agreement shall control with respect to the TM Collateral and the Loan Agreement with respect to all other Collateral.

11. **CHOICE OF LAWS:** It is intended that this Agreement take effect as a sealed instrument and that all rights and obligations hereunder, including matters of construction, validity, and performance, shall be governed by the laws of the Commonwealth of Massachusetts.


[REMAINDER OF PAGE INTENTIONALLY BLANK]

IN WITNESS WHEREOF, the Debtors and the Agent respectively have caused this Agreement to be executed by their respective duly authorized officers as of the date first above written.

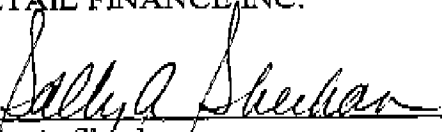
DEBTORS: PEEBLES INC.

By: 
Name: E. Randolph Lail
Title: Senior VP – Finance, CFO, Secretary & Treasurer

IRA A. WATSON CO.

By: 
Name: E. Randolph Lail
Title: Senior VP – Finance, CFO, Secretary & Treasurer

AGENT: FLEET RETAIL FINANCE INC.

By: 
Name: Sally A. Sheehan
Title: Director

City Commonwealth of Virginia
County of Richmond, S.S.

Then personally appeared before me E. Randolph Lail, who acknowledged that such person is the duly authorized Senior VP – Finance, CFO, Secretary & Treasurer of Peebles Inc., and that such person had executed the foregoing instrument on its behalf.

Witness my hand and seal this 18th day of December, 2002

Patricia J. Burns
, Notary Public
My Commission Expires: 8/31/03

City Commonwealth of Virginia
County of Richmond, S.S.

Then personally appeared before me E. Randolph Lail, who acknowledged that such person is the duly authorized Senior VP – Finance, CFO, Secretary & Treasurer of Ira A. Watson Co., and that such person had executed the foregoing instrument on its behalf.

Witness my hand and seal this 18th day of December, 2002

Patricia J. Burns
, Notary Public
My Commission Expires: 8/31/03

Commonwealth of Massachusetts
County of Suffolk, S.S.

Then personally appeared before me Sally A. Sheehan, who acknowledged that such person is the duly authorized Director of Fleet Retail Finance Inc., and that such person had executed the foregoing instrument on its behalf.

Witness my hand and seal this 19th day of December, 2002

David S. Bereman
David S. Bereman, Notary Public
My Commission Expires: 7/12/03

Exhibit A**Trademark**

	<u>Registration Number</u>
1. CAPE CLASSIC	1,775,908
2. CAPE CLASSIC	1,724,693
3. CAPE CLASSIC LTD	1,684,402
4. KIDS COUNT & Design	1,209,751
5. HARMONY GROVE	1,842,267
6. HIDDEN FANTASIES (Stylized)	1,482,444
7. MEHERRIN RIVER OUTFITTERS	1,693,131
8. PEBBLES	1,492,322
9. PRIVATE EXPRESSIONS	1,769,352
10. PRIVATE EXPRESSIONS	2,352,771
11. SIGNATURE STUDIO	2,072,046
12. SONOMA BAY	1,734,069

Pending Applications

	<u>Serial Number</u>
1. CASUAL OPTIONS	76/122959

SCHEDULE I

Debtors

Peebles Inc.
Ira A. Watson Co.