

07-23-2003

Form PTO-1594 R
(Rev. 03/01)
OMB No. 0651-0027 (exp. 5/31/2002)
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1,02506709

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

7-23-03

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

1. Name of conveying party(ies):

Masland Carpets, LLC

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

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

2. Name and address of receiving party(ies)

Name: Fleet Capital Corporation, as Agent

Internal Address: _____

Street Address: 300 Galleria Parkway, N.W., Suite 800

City: Atlanta State: GA Zip: 30339

- Individual(s) citizenship _____
- Association _____
- General Partnership _____
- Limited Partnership _____
- Corporation-State Rhode Island
- 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

3. Nature of conveyance:

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

Execution Date: June 30, 2003

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

A. Trademark Application No.(s)
None.

B. Trademark Registration No.(s)
Please see Annex 1, attached hereto.

Additional number(s) attached Yes No

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

Name: Elizabeth G. Hartnett, Paralegal

Internal Address: Parker, Hudson, Rainer
& Dobbs, LLP

Street Address: 285 Peachtree Center Ave., N.E.
1500 Marquis Two Tower

City: Atlanta State: GA Zip: 30303

6. Total number of applications and registrations involved: 6

7. Total fee (37 CFR 3.41).....\$ 165

- 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.

Elizabeth G. Hartnett

Name of Person Signing

Signature

07-22-2003

Date

Total number of pages including cover sheet, attachments, and document: 9

07/23/2003 BYTME 00000137 0524999

01 FC:0521
02 FC:0522

40.00 OP
125.00 OP

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

TRADEMARK
REEL: 002783 FRAME: 0762

ANNEX 1

TRADEMARKS

| <u>Trademark</u> | <u>Federal Registration Number</u> | <u>Registration Date</u> |
|-----------------------------------|---|---------------------------------|
| Masland | 0534999 | 12-19-1950 |
| Masland Contract & Design | 1933084 | 11-07-1995 |
| Masland Fine Carpet Since 1866 | 1257675 | 11-15-1983 |
| The Magic of Masland Carpet | 0770008 | 05-19-1964 |
| Patrick | 1907474 | 07-25-1995 |
| Patrick Carpets | 2118979 | 12-09-1997 |

TRADEMARK SECURITY
AGREEMENT

This **TRADEMARK SECURITY AGREEMENT** is made this 30th day of June, 2003, 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 **MASLAND CARPETS, LLC**, a Georgia limited liability company having its principal place of business at 185 South Industrial Boulevard, Calhoun, Georgia 30701 ("**MASLAND**").

Recitals:

THE DIXIE GROUP, INC., a Tennessee corporation and the parent of Masland ("**DIXIE**") has obtained and desires to obtain in the future loans and other financial accommodations, to be guaranteed by Masland and certain other guarantors 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 May 14, 2002, by and among Dixie, Masland and the other guarantors noted therein, Agent, the other agents noted therein and Lenders (hereinafter referred to, together with all amendments thereto, as the "Loan Agreement");

The execution of this Agreement is required pursuant to the terms and conditions of the Loan Agreement.

NOW, THEREFORE, for Ten Dollars (\$10.00) and other valuable consideration, and in consideration of the premises, Masland 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, Masland 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 Masland, 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 Masland's business connected with and symbolized by the Trademarks; and

(c) all proceeds of the foregoing.

3. Masland 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 Masland 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) Masland has the unqualified right to enter into this Agreement and perform its terms;

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

(f) Masland 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 Masland not to sue third Persons.

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

(a) Masland 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 Masland;

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

(c) Masland 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. Masland hereby authorizes Agent, and its employees and agents (and any Lenders and their respective employees and agents), the right to visit Masland'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. Masland shall do any and all acts required by Agent to ensure Masland'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, Masland shall not enter into any license agreement relating to any of the Trademarks with any Person except non-exclusive licenses to customers of Masland in the regular and ordinary course of Masland'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 Masland's duties under this Agreement.

7. If, before the Obligations have been satisfied in full, Masland 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 Masland shall give to Agent prompt notice thereof in writing.

8. Masland 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 Masland, each of which Masland hereby expressly waives, collect directly any payments due Masland 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. Masland hereby agrees that seven (7) days written notice to Masland 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 Masland, which right Masland 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 Masland. If any deficiency shall arise, Masland and each guarantor of the Obligations shall remain jointly and severally liable to Agent and Lenders therefor.

10. Masland hereby makes, constitutes and appoints Agent and any officer or agent of Agent as Agent may select, as Masland'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 Masland'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. Masland 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 Masland, without representation, warranty or recourse and at Masland'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 Masland (it being the intent of Masland and Agent that Masland 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 Masland 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. Masland shall use its best reasonable efforts to detect any infringers of the Trademarks and shall notify Agent in writing of infringements detected. Masland 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 Masland'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 Masland. Masland 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 Masland 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 Masland 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 Masland fails to comply with any of its obligations hereunder, to the extent permitted by Applicable Law, Agent may do so in Masland's name or in Agent's name, in Agent's sole discretion, but at Masland's expense, and Masland 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 Masland 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 Masland. Masland shall not assign its rights or delegate its duties hereunder without the prior written consent of Agent.

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

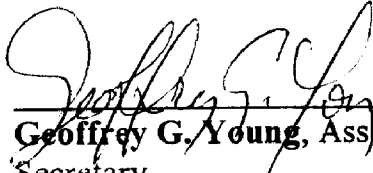
22. This Agreement shall be governed by and construed in accordance with the internal laws of the State of Georgia.

23. To the fullest extent permitted by Applicable Law, Masland 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.

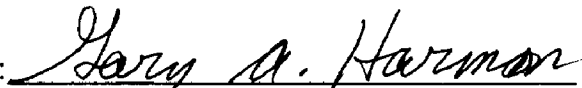
WITNESS the execution hereof under seal as of the day and year first above written.

ATTEST

MASLAND CARPETS, LLC



Geoffrey G. Young, Assistant
Secretary

By: 

Gary A. Harmon, Vice President


[CORPORATE SEAL]



Witness

Accepted in Atlanta, Georgia:

FLEET CAPITAL CORPORATION,
as Agent

By: 

Title: SCP

STATE OF Tennessee)
)
COUNTY OF Hamilton)

BEFORE ME, the undersigned authority, on this day personally appeared Gary A. Harmon, Vice President of Masland Carpets, LLC, 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 18 day of June, 2003.

[Signature]
Notary Public
Executed on: June 18, 2003
My Commission Expires: 12/29/2004

[NOTARIAL SEAL]

STATE OF Georgia)
)
COUNTY OF Cobb)

BEFORE ME, the undersigned authority, on this day personally appeared Robert B.H. Moore, Senior Vice President of Fleet Capital Corporation, 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 1ST day of July, 2003.

[Signature]
Notary Public
Executed on: July 1, 2003
My Commission Expires: July 6, 2006
**Notary Public, Paulding County, Georgia
My Commission Expires June 6, 2006**

[NOTARIAL SEAL]

EXHIBIT A
TRADEMARKS

| <u>Trademark</u> | <u>Federal Registration Number</u> | <u>Registration Date</u> |
|--------------------------------|------------------------------------|--------------------------|
| Masland | 0534999 | 12-19-1950 |
| Masland Contract & Design | 1933084 | 11-07-1995 |
| Masland Fine Carpet Since 1866 | 1257675 | 11-15-1983 |
| The Magic of Masland Carpet | 0770008 | 05-19-1964 |
| Patrick | 1907474 | 07-25-1995 |
| Patrick Carpets | 2118979 | 12-09-1997 |

EXHIBIT B
CERTIFICATE

The undersigned officer of **MASLAND CARPETS, LLC** ("Masland"), 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 **THE DIXIE GROUP, INC.**, Masland and the other 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 June __, 2003, between Masland 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 _____, _____.

MASLAND CARPETS, LLC

By: _____

Title: _____