

Form PTO-1594 (Rev. 10/02) OMB No. 0651-0027 (exp. 6/30/2005) Tab settings

**RECORDATION FORM COVER SHEET
TRADEMARKS ONLY**

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.

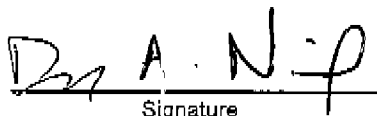
<p>1. Name of conveying party(ies):</p> <p>Charles Craft, Inc.</p> <p><input type="checkbox"/> Individual(s) <input type="checkbox"/> Association <input type="checkbox"/> General Partnership <input type="checkbox"/> Limited Partnership <input checked="" type="checkbox"/> Corporation-State <input type="checkbox"/> Other _____</p> <p>Additional name(s) of conveying party(ies) attached? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p>	<p>2. Name and address of receiving party(ies)</p> <p>Name: PNC Bank, National Association</p> <p>Internal Address: 600 Northpark Town Center</p> <p>Street Address: 1200 Abernathy Rd, Ste 1700</p> <p>City: Atlanta State: GA Zip: 30328</p> <p><input type="checkbox"/> Individual(s) citizenship _____ <input checked="" type="checkbox"/> Association National Banking Association <input type="checkbox"/> General Partnership _____ <input type="checkbox"/> Limited Partnership _____ <input type="checkbox"/> Corporation-State _____ <input type="checkbox"/> Other _____</p> <p><small>If assignee is not domiciled in the United States, a domestic representative designation is attached: <input type="checkbox"/> Yes <input type="checkbox"/> No (Designations must be a separate document from assignment) Additional name(s) & address(es) attached? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</small></p>
<p>3. Nature of conveyance:</p> <p><input type="checkbox"/> Assignment <input type="checkbox"/> Merger <input checked="" type="checkbox"/> Security Agreement <input type="checkbox"/> Change of Name <input type="checkbox"/> Other _____</p> <p>Execution Date: September 1, 2004</p>	

<p>4. Application number(s) or registration number(s):</p> <p>A. Trademark Application No.(s) _____</p> <p>_____</p>	<p>B. Trademark Registration No.(s) 2,116,173; 2,116,174; 2,070,609; 2,223,124</p> <p>_____</p> <p>Additional number(s) attached <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p>
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<p>5. Name and address of party to whom correspondence concerning document should be mailed:</p> <p>Name: Rhonda J. Birdwell, Paralegal</p> <p>Internal Address: Parker, Hudson, Rainer & Dobbs LLP</p> <p>Street Address: 1500 Marquis Two Tower 285 Peachtree Center Avenue, N.E.</p> <p>City: Atlanta State: GA Zip: 30303</p>	<p>6. Total number of applications and registrations involved: 8</p> <p>7. Total fee (37 CFR 3.41).....\$ 215.00</p> <p><input type="checkbox"/> Enclosed <input checked="" type="checkbox"/> Authorized to be charged to deposit account</p> <p>8. Deposit account number: 502831</p>
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DO NOT USE THIS SPACE

9. Signature.

Douglas A. Nail  **September 17, 2004**

Name of Person Signing Signature Date

Total number of pages including cover sheet, attachments, and document: 11

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

CH \$215.00 502831 2116173

Continuation of # 4B – Trademark Registration Numbers

2,170,855

1,252,994

1,328,585

1,504,888

AMENDED AND RESTATED TRADEMARK SECURITY AGREEMENT

This **AMENDED AND RESTATED TRADEMARK SECURITY AGREEMENT** is made this 1st day of Sept., 2004, between **PNC BANK, NATIONAL ASSOCIATION**, a national banking association having an office at Two Tower Center Boulevard, East Brunswick, New Jersey 08816, in its capacity as collateral and administrative agent (together with its successors in such capacity, "Agent") for itself and various financial institutions (collectively, "Lenders"), and **CHARLES CRAFT, INC.**, a North Carolina corporation having its chief executive office and principal place of business at 21381 Charles Craft Lane, Laurinburg, North Carolina 28352 (the "Company").

Recitals:

Company pledged, assigned and granted to Agent, for its benefit and the pro rata benefit of Lenders, a continuing security interest in and lien upon the Trademark Collateral (as hereinafter defined) pursuant to a certain Trademark Security Agreement between the Company and Agent, dated May 20, 2002 (the "Original Trademark Security Agreement"), as security for the obligations of the Company under a certain Revolving Credit, Term Loan and Security Agreement among the Company, Agent and Lenders, dated May 20, 2002, pursuant to which Lenders have made loans to the Company.

The Company and its affiliates, Charles Craft Yarns LLC, a North Carolina limited liability company, Charles Craft Consumer Products LLC, a North Carolina limited liability company, and Charles Craft Specialty Yarns LLC, a North Carolina limited liability company (collectively, "Borrowers"), have requested that Lenders make loans and other financial accommodations to Borrowers pursuant to a certain Amended and Restated Revolving Credit, Term Loan and Security Agreement dated the date hereof by and among the Borrowers, Agent and Lenders (hereinafter referred to, together with all amendments thereto, as the "Credit Agreement").

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

NOW, THEREFORE, for Ten Dollars (\$10.00) and other valuable consideration, and in consideration of the premises, the Company 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 Credit Agreement.
2. To secure the prompt payment and performance of the Obligations, the Company 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 the Company, 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 the Company's business connected with and symbolized by the Trademarks; and

(c) all proceeds of the foregoing.

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

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

(f) The Company 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 the Company not to sue third Persons.

4. The Company covenants and agrees with Agent and Lenders that:

(a) The Company 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 the Company;

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

(c) The Company 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. The Company hereby authorizes Agent, and its employees and agents (and any Lender or Lenders and their respective employees and agents), the right to visit the Company'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. The Company shall do any and all acts required by Agent to ensure the Company's compliance with paragraph 4(c) of this Agreement.

6. Until all of the Obligations have been satisfied in full and the Credit Agreement has been terminated, the Company shall not enter into any license agreement relating to any of the Trademarks with any Person except non-exclusive licenses to customers of the Company in the regular and ordinary course of the Company'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 the Company's duties under this Agreement.

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

8. The Company 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 the Company, each of which the Company hereby expressly waives, collect directly any payments due the Company 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. The Company hereby agrees that seven (7) days written notice to the Company 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 the Company, which right the Company 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 Credit Agreement. Any remainder of the proceeds after payment in full of the Obligations shall be paid over to the Company. If any deficiency shall arise, the Company and each guarantor of the Obligations shall remain jointly and severally liable to Agent and Lenders therefor.

10. The Company hereby makes, constitutes and appoints Agent and any officer or agent of Agent as Agent may select, as the Company'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 the Company'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. The Company 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 Credit Agreement shall have been terminated.

11. At such time as all of the Obligations shall have been satisfied finally and in full and the Credit Agreement shall have been terminated, Agent shall execute and deliver to the Company, without representation, warranty or recourse and at the Company'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 the Company (it being the intent of the Company and Agent that the Company 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 the Company **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 Credit Agreement.

13. The Company shall use its best efforts to detect any infringers of the Trademarks and shall notify Agent in writing of infringements detected. The Company 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 Credit Agreement terminated, to make federal application on registrable but unregistered Trademarks (subject to Company'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 the Company. The Company 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 the Company 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 the Company 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 the Company fails to comply with any of its obligations hereunder, to the extent permitted by Applicable Law, Agent may do so in the Company's name or in Agent's name, in Agent's sole discretion, but at the Company's expense, and the Company 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 the Company 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 the Company. The Company shall not assign its rights or delegate its duties hereunder without the prior written consent of Agent.

21. The Company hereby waives notice of Agent's acceptance hereof.

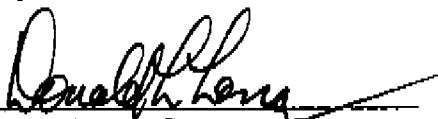
22. This Agreement shall be governed by and construed in accordance with the internal laws of the State of Georgia.

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

24. This Agreement amends and restates the Original Trademark Security Agreement and nothing contained herein shall be deemed to be a novation or an accord and satisfaction.


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

ATTEST:


Donald L. Long, Secretary, Treasurer
and Vice President of Finance and
Administration

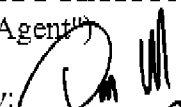
[CORPORATE SEAL]

CHARLES CRAFT, INC.
("Company")

By: 
Charles G. Buie, Jr., President and
Chairman of the Board

Accepted:

PNC BANK, NATIONAL
ASSOCIATION, as Agent
("Agent")

By: 
Title: D. P.

STATE OF NORTH CAROLINA §
 §
COUNTY OF SCOTLAND §

BEFORE ME, the undersigned authority, on this day personally appeared Charles G. Buie, Jr., President and Chairman of the Board of Charles Craft, 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 1st day of September 2004.

Jennifer Strickland

Notary Public **My Commission Expires 09-14-2008**
My Commission Expires:

[NOTARIAL SEAL]

STATE OF NORTH CAROLINA)
)
COUNTY OF MECKLENBURG)

BEFORE ME, the undersigned authority, on this day personally appeared Daniel Shaw of PNC Bank, National Association, 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 10th day of Sept., 2004.

Stephanie O'Madigan

Notary Public
My Commission Expires: Aug. 22, 2005

[NOTARIAL SEAL]

EXHIBIT ATrademarks

<u>Trademark</u>	<u>Registration No.</u>	<u>Registration Date</u>
THIRSTY WEAVE	2,116,173	November 25, 1997
BISTRO	2,116,174	November 25, 1997
HOPSCOTCH	2,070,609	June 10, 1997
EPICUREAN	2,223,124	February 9, 1999
CAFÉ	2,170,855	July 7, 1998
FIDDLER'S CLOTH	1,252,994	October 4, 1983
ROYAL-SPUN	1,328,585	April 2, 1985
ROYAL-BLEND	1,504,888	September 20, 1988

Trademark Applications

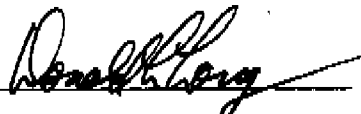
<u>Trademark</u>	<u>Serial No.</u>	<u>Application Date</u>
None		

EXHIBIT B
CERTIFICATE

The undersigned officer of **CHARLES CRAFT, INC.** (the "Company"), DOES HEREBY CERTIFY to **PNC BANK, NATIONAL ASSOCIATION** ("Agent") as agent for itself and certain other financial institutions ("Lenders") as are parties from time to time to the Amended and Restated Revolving Credit, Term Loan and Security Agreement dated _____, 2004, among Agent, the Company, Charles Craft Yarns LLC, Charles Craft Consumer Products LLC, Charles Craft Specialty Yarns LLC and Lenders, that the quality of the products associated with the Trademarks listed on Exhibit A of the Amended and Restated Trademark Security Agreement dated _____, 2004, between the Company 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 _____, _____.

CHARLES CRAFT, INC.

By: 
Title: VP Finance