

WRD 10-7-04

10-08-2004

Form PTO-1594 (Rev. 06/04)
OMB Collection 0651-0027 (exp. 6/30/2005)

U.S. DEPARTMENT OF COMMERCE
Patent and Trademark Office



RE:

1

102781419

To the Director of the U. S. Patent and Trademark Office: Please record the attached documents or the new address(es) below.

1. Name of conveying party(ies)/Execution Date(s):
Asheboro Elastics Corp.

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

Citizenship (see guidelines) North Carolina

Execution Date(s) October 6, 2004

Additional names of conveying parties attached? Yes No

3. Nature of conveyance:

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

2. Name and address of receiving party(ies)

Additional names, addresses, or citizenship attached? Yes No

Name: Southern Webbing Mills Incorporated

Internal

Address:

Street Address: 4701 Southern Webbing Mill Road

City: Greensboro

State: North Carolina

Country: United States Zip: 27405-2743

Association Citizenship

General Partnership Citizenship

Limited Partnership Citizenship

Corporation Citizenship North Carolina

Other Citizenship

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)

4. Application number(s) or registration number(s) and Identification or description of the Trademark.

A. Trademark Application No.(s)
See Exhibit A attached.

B. Trademark Registration No.(s)
See Exhibit A attached.

Additional sheet(s) attached? Yes No

C. Identification or Description of Trademark(s) (and Filing Date if Application or Registration Number is unknown):
See Exhibit A attached.

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

Name: Kimberly B. Saltrick, Paralegal

Internal Address:

Helms Mulliss & Wicker, PLLC

Street Address:

201 North Tryon Street

City: Charlotte

State: North Carolina Zip: 28202

Phone Number: (704) 343-2278

Fax Number: (704) 444-8847

Email Address: kimberly.saltrick@hmw.com

6. Total number of applications and registrations involved:

5

7. Total fee (37 CFR 2.6(b)(6) & 3.41) \$140.00

- Authorized to be charged by credit card
- Authorized to be charged to deposit account
- Enclosed

8. Payment Information:

a. Credit Card Last 4 Numbers _____
Expiration Date _____

b. Deposit Account Number _____

Authorized User Name _____

9. Signature:

Signature

October 6, 2004

Date

Christopher H. Kouri, Esq.

Name of Person Signing

Total number of pages including cover sheet, attachments, and document: 18

Documents to be recorded (including cover sheet) should be faxed to (703) 306-5995, or mailed to:
Mail Stop Assignment Recordation Services, Director of the USPTO, P.O. Box 1450, Alexandria, VA 22313-1450

10/06/2004 6T0111 00000411 78338544
40.00 DP
100.00 DP
120.00 DP

TRADEMARK
REEL: 002953 FRAME: 0715

10-7-04

**EXHIBIT A TO COVER SHEET
TRADEMARKS**

Mark	Issued Registration No.	Serial No.	Issue Date	Filing Date
FLIP TAPE		78/338,544		12/9/2003
DIAMONDAIRE	1,906,581		7/18/1995	
REAL-CORD	1,895,624		5/23/1995	
MED-FLEX	1,805,334		11/16/1993	
PERMA-WHITE	1,806,704		11/23/1993	

SECURITY AGREEMENT

THIS SECURITY AGREEMENT (this "Security Agreement") is made and entered into as of October 6, 2004 by Asheboro Elastics Corp., a North Carolina corporation (the "Grantor"), and Southern Webbing Mills Incorporated., a North Carolina corporation (the "Secured Party"). All capitalized terms used but not otherwise defined herein or pursuant to Section 1 hereof shall have the respective meanings assigned thereto in the Asset Purchase Agreement (as defined below).

WITNESSETH:

WHEREAS, the Secured Party has agreed to accept deferred payment from the Grantor, in the form of the Earn-Out, as consideration for the Acquired Assets pursuant to the Asset Purchase Agreement dated the date hereof, by and between the Secured Party and Grantor (the "Asset Purchase Agreement"); and

WHEREAS, as collateral security for payment and performance of the Earn-Out, the Grantor is willing to grant to the Secured Party a security interest in certain of its personal property and assets pursuant to the terms of this Security Agreement; and

WHEREAS, the Secured Party is unwilling to enter into the Asset Purchase Agreement unless the Grantor enters into this Security Agreement;

NOW, THEREFORE, in order to induce the Secured Party to enter into the Asset Purchase Agreement, and in further consideration of the premises and the mutual covenants contained herein, the parties hereto agree as follows:

1. **Certain Definitions.** Terms used in this Security Agreement, not otherwise expressly defined herein or in the Asset Purchase Agreement, and for which meanings are provided in the Uniform Commercial Code of the State of North Carolina (the "UCC"), shall have such meanings.

2. **Grant of Security Interest.** The Grantor hereby grants as collateral security for the payment, performance and satisfaction of the Earn-Out (the "Secured Obligations"), to the Secured Party a continuing first priority security interest in and to, and collaterally assigns to the Secured Party, all of the Grantor's right, title and interest, if any, in, to and under the following:

All rights now or hereafter accruing to such Grantor under inventions, patents, patent licenses, patent rights, rights in mask works, designs, trade names and trademarks and all goodwill associated therewith, trademark licenses, trade secrets, trade processes, copyrights, copyright licenses, (the foregoing shall include, without limitation, the patents, trademarks, and copyrights, and any of their incumbent licenses, listed on Schedule 2), permits, franchises, customer lists, computer programs and software, all internet domain names and registration rights thereto, all internet websites and the content thereof, and all other intellectual property of every kind and nature that are transferred to Grantor pursuant to the Asset Purchase Agreement (the "Collateral");

For purposes of this Security Agreement: "patent license" shall mean any written agreement, in which the Grantor now holds or hereafter acquires any right, title or interest, which agreement grants any right with respect to any patent (whereby the Grantor is the licensor thereunder); and "patents" shall mean all of the following that were transferred to the Grantor pursuant to the Asset Purchase Agreement and any right, title or interest therein: (a) all United States or foreign patents (including, without limitation, utility, design and plant patents), all registrations and recordings thereof and all applications for United States or foreign patents, including, without limitation, registrations, recordings and applications in the United States Patent and Trademark Office or in any similar office or agency of the United States, any State thereof or any other country; (b) all reissues, divisions, continuations, renewals, continuations in part or extensions of any patent; (c) all petty patents, divisionals and patents of addition; (d) all patents to issue in any such applications; (e) all means of manufacturing patented products, including, without limitation, trade secrets, formulas, customer lists, manufacturing processes, mask works, molds and prototypes, (f) any income, royalties, damages, claims and payments now and hereafter due and/or payable with respect to patents, including, without limitation, damages, claims and recoveries for past, present or future infringement; and (g) any rights to sue for past, present and future infringements of any patent. The patents include, without limitation, those listed on Schedule 2.

3. **Perfection.** As of the date of execution of this Security Agreement, the Grantor shall have furnished the Secured Party with properly executed financing statements in form, number and substance suitable for filing, sufficient under applicable law, and satisfactory to the Secured Party in order that upon the filing of the same the Secured Party shall have a duly perfected security interest in all Collateral. In addition, the Grantor shall have furnished the Secured Party with evidence of proper filing of a copy of this Security Agreement with the United States Patent and Trademark Office in Washington, D. C.

4. **Covenants to Protect Intellectual Property.** The Grantor covenants and agrees with the Secured Party that from and after the date of this Security Agreement and until the Secured Obligations have been performed and paid in full:

(a) The Grantor shall with respect to the Collateral (i) diligently prosecute, any patent, trademark or copyright pending as of the date hereof or thereafter, with the United States Copyright Office or Patent and Trademark Office, as applicable, including, without limitation, in all such cases the filing and payment of maintenance, registration and/or renewal fees, the filing of applications for renewal, affidavits of use, affidavits of noncontestability, the filing and diligent prosecution of opposition, interference and cancellation proceedings, and promptly responding to all United States Copyright Office or Patent and Trademark Office requests and inquiries. The Grantor also agrees to take all other actions reasonably required to preserve and maintain all rights in the Collateral. Any expenses incurred in connection with prosecution, registration and maintenance shall be borne by the Grantor. The Grantor further agrees to retain experienced patent, trademark and copyright attorneys for the prosecution of all such applications and other proceedings. The Grantor shall not, without the Secured Party's prior written consent, abandon any rights in or fail to pay any maintenance or renewal fee for any patent, trademark or copyright included in the Collateral or breach, terminate, fail to renew or

extend, or fail to perform any duties or obligations for any of the Collateral. The Grantor further agrees that it will not take any action, or permit any action to be taken by any person to the extent that such person is subject to its control, including licensees, or fail to take any action, which would affect the validity, priority, perfection or enforcement of the rights granted to the Secured Party under this Security Agreement, and any such action if it shall take place shall be null and void and of no effect whatsoever. If the Grantor fails to comply with any of the foregoing provisions of Section 4(a), the Secured Party shall have the right (but shall not be obligated) to do so in the Grantor's name to the extent permitted by law, but at the Grantor's expense, and the Grantor hereby agrees to reimburse the Secured Party in full for all expenses, including the fees and disbursements of counsel incurred by the Secured Party in procuring, protecting, defending and maintaining the Collateral. In the event that the Grantor shall fail to pay when due any fees required to be paid by it hereunder, or shall fail to comply with any other duty under this Security Agreement, the Secured Party may, but shall not be required to, pay, satisfy, discharge or bond the same for the account of the Grantor, and all monies so paid out by Secured Party shall be part of the Secured Obligations of the Grantor repayable to Secured Party on demand, and shall accrue interest at the maximum rate permitted by law.

(b) The Grantor shall promptly advise the Secured Party of any subsequent right, title or interest of the Grantor in or to any copyright, patent, trademark or license not specified on Schedule 2 hereto that relates to manufacturing the Mattress Products (the "MP Intellectual Property"), and the Grantor hereby authorizes and appoints the Secured Party as the Grantor's attorney-in-fact solely to the extent necessary. The Grantor hereby authorizes the Secured Party to modify this Security Agreement by amending Schedule 2 to include any future copyrights, patents, trademarks or licenses that are MP Intellectual Property. In addition to any requirements in this Security Agreement for notification, the Grantor shall also provide the Secured Party with quarterly reports that identify the status of the Collateral, any new copyrights, patents, trademarks and/or licenses, any newly filed applications, the status of any pending applications, the payment of any maintenance or renewal fees, the status of litigation and licensing, any threats of litigation, the identification of any known or suspected infringers and the discovery of any prior act or any other information that may effect the validity or enforceability of the Collateral.

(c) The Grantor shall (i) protect, defend and maintain the validity and enforceability of all copyrights, patents and trademarks included in the Collateral, (ii) use its commercially reasonable efforts to detect material infringements of such copyrights, patents and trademarks and promptly advise the Secured Party in writing of material infringements detected and (iii) not allow any such copyrights, patents or trademarks to be abandoned, forfeited or dedicated to the public without the written consent of the Secured Party. The Grantor shall not commence, or cause to be commenced, any action, proceeding, lawsuit, mediation or arbitration relating to the Collateral without the prior written consent of the Secured Party nor shall the Grantor engage in any activity or conduct that could give rise to declaratory judgment jurisdiction, such consent not to be unreasonably withheld. At the Grantor's sole expense, the Secured Party shall have the right (but shall not be obligated) to recommend and approve counsel and/or participate in

any action, proceeding, lawsuit, mediation or arbitration relating to the Collateral. In addition, any proposed settlement or compromise of any action, proceeding, lawsuit, mediation or arbitration relating to the Collateral must be approved, in writing, by the Secured Party, such approval not be unreasonably withheld.

5. Maintenance of Security Interest; Further Assurances.

(a) The Grantor will from time to time at its own expense, deliver specific assignments of Collateral or such other perfection documents as the Secured Party may reasonably request in connection with the administration or enforcement of this Security Agreement or related to the Collateral or any part thereof in order to carry out the terms of this Security Agreement, to perfect, protect, maintain the priority of or enforce the Secured Party's security interest in the Collateral, or otherwise to better assure and confirm unto the Secured Party its rights, powers and remedies. Without limiting the foregoing, the Grantor hereby irrevocably authorizes the Secured Party to file (with, or to the extent permitted by applicable law, without the signature of the Grantor appearing thereon) financing statements (including amendments thereto and initial financing statements in lieu of continuation statements) or other perfection documents (including copies thereof) showing the Grantor as "debtor" at such time or times and in all filing offices as the Secured Party may from time to time determine to be necessary or advisable to perfect or protect the rights of the Secured Party hereunder, or otherwise to give effect to the transactions herein contemplated. The Grantor hereby irrevocably ratifies and acknowledges the Secured Party's authority to have effected filings of perfection documents made by the Secured Party prior to the date hereof.

(b) With respect to any and all Collateral, the Grantor agrees to do and cause to be done all things necessary to perfect, maintain the priority of and keep in full force the security interest granted in favor of the Secured Party, including, but not limited to, the prompt payment upon demand therefor by the Secured Party of all fees and expenses (including documentary stamp, excise or intangibles taxes) incurred in connection with the preparation, delivery, or filing of any perfection document or the taking of any perfection action to perfect, protect or enforce a security interest in Collateral in favor of the Secured Party. All amounts not so paid when due shall constitute additional Secured Obligations and shall accrue interest at the maximum rate permitted by law until paid in full.

(c) The Grantor agrees to maintain among its books and records appropriate notations or evidence of, and to make or cause to be made appropriate disclosure upon its financial statements of, the security interest granted hereunder to the Secured Party.

6. Receipt of Payment. In the event an Event of Default (as hereinafter defined) shall occur and be continuing and the Grantor (or any of its affiliates, subsidiaries, stockholders, directors, officers, employees or agents) shall receive any proceeds of Collateral, including without limitation monies, checks, notes, drafts or any other items of payment, the Grantor shall hold all such items of payment in trust for the Secured Party, and as the property of the Secured Party, separate from the funds and other property of the Grantor, and no later than the first

business day following the receipt thereof, at the election of the Secured Party, the Grantor shall cause such Collateral to be forwarded to the Secured Party in accordance with the terms hereof.

7. Preservation and Protection of Collateral.

(a) The Secured Party shall be under no duty or liability with respect to the collection, protection or preservation of the Collateral, or otherwise. The Grantor shall be responsible for the safekeeping of the Collateral, and in no event shall the Secured Party have any responsibility for (i) any loss or damage thereto or destruction thereof occurring or arising in any manner or fashion from any cause and (ii) any diminution in the value thereof.

(b) The Grantor agrees (i) to pay when due all taxes, charges and assessments against the Collateral in which it has any interest, unless being contested in good faith by appropriate proceedings diligently conducted and against which adequate reserves have been established in accordance with GAAP and evidenced to the satisfaction of the Secured Party and provided that all enforcement proceedings in the nature of levy or foreclosure are effectively stayed, and (ii) to cause to be terminated and released all liens on the Collateral. Upon the failure of the Grantor to so pay or contest such taxes, charges, or assessments, or cause such liens to be terminated, the Secured Party at its option may pay or contest any of them or amounts relating thereto (the Secured Party having the sole right to determine the legality or validity and the amount necessary to discharge such taxes, charges, liens or assessments) but shall not have any obligation to make any such payment or contest. All sums so disbursed by the Secured Party, including reasonable attorneys' fees, court costs, expenses and other charges related thereto, shall be payable on demand by the Grantor to the Secured Party and shall be additional Secured Obligations secured by the Collateral, and any amounts not so paid on demand (in addition to other rights and remedies resulting from such nonpayment) shall accrue interest at the maximum rate permitted by law until paid in full.

8. Status of the Grantor and Collateral Generally. The Grantor represents and warrants to, and covenants with, the Secured Party, with respect to itself and the Collateral as to which it has or acquires any interest, that:

(a) It shall not (i) sell, assign, transfer, lease or otherwise dispose of any of, or grant any option with respect to, the Collateral, (ii) create or suffer to exist any lien upon or with respect to any of the Collateral except for the security interests created by this Security Agreement, or (iii) take any other action in connection with any of the Collateral that would materially impair the value of the interest or rights of the Grantor in the Collateral taken as a whole or that would materially impair the interest or rights of the Secured Party.

(b) It has full power, legal right and lawful authority to enter into this Security Agreement and to perform its terms, including the grant of the security interests in the Collateral herein provided for.

(c) No authorization, consent, approval or other action by, and no notice to or filing with, any governmental authority or any other Person which has not been given or obtained, as the case may be, is required either (i) for the grant by the Grantor of the security interests granted hereby or for the execution, delivery or performance of this Security Agreement by the Grantor, or (ii) for the perfection of or the exercise by the Secured Party, of its rights and remedies hereunder, except for action required by the Uniform Commercial Code to perfect and exercise remedies with respect to the security interest conferred hereunder.

(d) No effective financing statement or other perfection document similar in effect, nor any other perfection action, covering all or any part of the Collateral purported to be granted or taken by or on behalf of the Grantor (or by or on behalf of any other Person and which remains effective as against all or any part of the Collateral) has been filed in any recording office, delivered to another Person for filing (whether upon the occurrence of a contingency or otherwise), or otherwise taken, as the case may be, except such as may have been filed for the benefit of, delivered to, or taken in favor of, the Secured Party in connection with the security interests conferred hereunder.

(e) Schedule 8(e) attached hereto contains true and complete information as to each of the following: (i) the exact legal name of the Grantor as it appears in its organizational documents as of the Closing Date and at any time during the five (5) year period ending as of the Closing Date (the "Covered Period"), (ii) the jurisdiction of formation and form of organization of the Grantor, and the identification number of the Grantor in its jurisdiction of formation (if any) and (iii) each address of the chief executive office of the Grantor as of the Closing Date and at any time during the Covered Period. The Grantor shall not change its name, change its jurisdiction of formation (whether by reincorporation, merger or otherwise), or change the location of its chief executive office, except in each case upon giving not less than thirty (30) days' prior written notice to the Secured Party and taking or causing to be taken at the Grantor's expense all such perfection action, including the delivery of such perfection documents, as may be reasonably requested by the Secured Party to perfect or protect, or maintain the perfection and priority of, the lien of the Secured Party in Collateral contemplated hereunder.

9. **Inspection.** The Secured Party (by any of its officers, employees and agents) shall have the right upon prior notice to an executive officer of the Grantor, and at any reasonable times during the Grantor's usual business hours, to inspect the Collateral, all records related thereto (and to make extracts or copies from such records), to discuss the Grantor's affairs and finances with any Person (other than Persons obligated on any accounts of the Grantor ("Account Debtors")) and to verify with any Person other than Account Debtors the amount, quality, quantity, value and condition of, or any other matter relating to, the Collateral and, if an Event of Default has occurred and is continuing, to discuss the Grantor's affairs and finances with the Grantor's Account Debtors and to verify the amount, quality, value and condition of, or any other matter relating to, the Collateral with such Account Debtors. Upon or after the occurrence and during the continuation of an Event of Default, the Secured Party may at any time and from time to time employ and maintain on the Grantor's premises a custodian

selected by the Secured Party who shall have full authority to do all acts necessary to protect the interest.

10. Events of Default. An Event of Default means the occurrence or existence of one or more of the following events or conditions (whatever the reason for such Event of Default and whether voluntary, involuntary or effected by operation of law):

(a) The Grantor shall fail to pay any part of the Earn-Out when due pursuant to the Asset Purchase Agreement or any other obligation of the Grantor to the Secured Party when due, including without limitation any amount due upon any arbitration agreement or settlement in accordance with Section 5.4 of the Asset Purchase Agreement; or

(b) Any representation or warranty made by the Grantor under this Security Agreement or the Asset Purchase Agreement shall prove to have been false or misleading in any material respect as of the time when made; or

(c) The Secured Party's security interest in the Collateral under this Security Agreement is or shall become unperfected due to the Grantor's failure to timely submit and maintain filings with, and satisfy other related obligations to, the United States Patent and Trademark Office to the extent that such actions are necessary to keep the security interest in the Collateral perfected; or

(d) The Grantor shall be in default in the performance or observance of Section 7.1 of the Asset Purchase Agreement and such default is not remedied pursuant to the provisions of Sections 7.2 and 7.3 thereof; provided, however, that in the event of arbitration pursuant to Section 5.4 of the Asset Purchase Agreement to determine whether there is a breach of Section 7.1 of the Asset Purchase Agreement, a default shall have been determined through that process; or

(e) The Grantor shall be in default in the performance or observance of any other covenant, agreement or duty under this Security Agreement or the Asset Purchase Agreement; or

(f) A proceeding shall be instituted in respect of the Grantor and shall, in the case of an involuntary proceeding, remain undismissed for a period of sixty (60) days

(i) Seeking to have an order for relief entered in respect of the Grantor, or seeking a declaration or entailing a finding that the Grantor is insolvent or a similar declaration or finding, or seeking dissolution, winding-up, charter revocation or forfeiture, liquidation, reorganization, arrangement, adjustment, composition or other similar relief with respect to the Grantor, its assets or its debts under any law relating to bankruptcy, insolvency, relief of debtors or protection of creditors, termination of legal entities or any other similar law now or in the future in effect; or

(ii) Seeking appointment of a receiver, trustee, custodian, liquidator, assignee, sequestrator or other similar official for the Grantor or for all or any substantial part of its property; or

(g) The Grantor shall become insolvent, shall become generally unable to pay its debts as they become due, shall voluntarily suspend transaction of its business, shall make a general assignment for the benefit of creditors, shall institute a proceeding described in Section 10(f)(i) of this Security Agreement or shall consent to any order for relief, declaration, finding or relief described in Section 10(f)(i) of this Security Agreement, shall institute a proceeding described in Section 10(f)(i) of the Security Agreement or shall consent to the appointment or to the taking of possession by any such official of all or any substantial part of its property whether or not any proceeding is instituted, dissolves, winds-up or liquidates itself or any substantial part of its property, or shall take any action in furtherance of any of the foregoing.

11. Rights and Remedies Upon Event of Default. Upon and after an Event of Default, the Secured Party shall have the following rights and remedies in addition to any rights and remedies set forth elsewhere in this Security Agreement, all of which may be exercised with or, if allowed by law, without notice to the Grantor:

(a) All of the rights and remedies of a secured party under the UCC or under other applicable law, all of which rights and remedies shall be cumulative, and none of which shall be exclusive, to the extent permitted by law, in addition to any other rights and remedies contained in this Security Agreement;

(b) The right to foreclose the liens and security interests created under this Security Agreement by any available judicial procedure or without judicial process and pursuant to any such action seize all right, title, privilege and interest in and to any of the Collateral;

(c) The right to (i) exercise all of the Grantor's rights and remedies with respect to the collection of General Intangibles (the "Payment Collateral"), including the right to demand payment thereof and enforce payment, by legal proceedings or otherwise; (ii) settle, adjust, compromise, extend or renew all or any Payment Collateral or any legal proceedings pertaining thereto; (iii) discharge and release all or any Payment Collateral; (iv) take control, in any manner, of any item of payment or proceeds referred to in Section 5 above; (v) prepare, file and sign the Grantor's name on any proof of claim in bankruptcy, notice of lien, assignment or satisfaction of lien or similar document in any action or proceeding adverse to any obligor under any Payment Collateral or otherwise in connection with any Payment Collateral; (vi) endorse the name of the Grantor upon any chattel paper, document, instrument, invoice, freight bill, bill of lading or similar document or agreement relating to any Collateral; (vii) use the information recorded on or contained on the Grantor's internet website or otherwise in any data processing equipment and computer hardware and software relating to any Collateral to which the Grantor has access; (viii) open the Grantor's mail and collect any and all amounts due to the Grantor from any Account Debtors or other obligor in respect of Payment Collateral; (ix) take over the Grantor's post office boxes or make other

arrangements as the Secured Party, deems necessary to receive the Grantor's mail, including notifying the post office authorities to change the address for delivery of the Grantor's mail to such address as the Secured Party, may designate; (x) notify any or all Account Debtors or other obligor on any Payment Collateral that such Payment Collateral has been assigned to the Secured Party and that the Secured Party has a security interest therein (provided that the Secured Party may at any time give such notice to an Account Debtor that is a department, agency or authority of the United States government); the Grantor hereby agrees that any such notice, in the Secured Party's sole discretion, may (but need not) be sent on the Grantor's stationery, in which event the Grantor shall co-sign such notice with the Secured Party upon the Secured Party's request; and (xi) do all acts and things and execute all documents necessary, in Secured Party's sole discretion, to collect the Payment Collateral;

(d) The right to sell all or any Collateral in its then existing condition, at such time or times, at public or private sale or sales, with such notice as may be required by law, in lots or in bulk, for cash or on credit, with or without representations and warranties, all as the Secured Party, in its sole discretion, may deem advisable; and

(e) The Secured Party shall have a right, but shall in no way be obligated, to bring suit for past, present and future damages in its own name and for its own benefit to enforce the copyrights, patents, trademarks and licenses, and if the Secured Party commence any such suit, the Grantor shall, at the request of the Secured Party, do any and all lawful acts and execute any and all proper documents reasonably required by the Secured Party in aid of such enforcement.

12. **Attorney-in-Fact.** The Grantor hereby appoints the Secured Party as the Grantor's attorney-in-fact for the purposes of carrying out the provisions of this Security Agreement and taking any action and executing any instrument which the Secured Party may deem necessary or advisable to accomplish the purposes hereof, which appointment is irrevocable and coupled with an interest; provided, that the Secured Party shall have and may exercise rights under this power of attorney only upon the occurrence and during the continuance of an Event of Default. Without limiting the generality of the foregoing, upon the occurrence and during the continuance of an Event of Default, the Secured Party shall have the right and power

(a) to ask, demand, collect, sue for, recover, compromise, receive and give acquittance and receipts for moneys due and to become due under or in respect of any of the Collateral;

(b) to receive, endorse and collect any drafts or other instruments, documents and chattel paper in connection with clause (a) above;

(c) to endorse the Grantor's name on any checks, notes, drafts or any other payment relating to or constituting proceeds of the Collateral which comes into the Secured Party's possession or the Secured Party's control, and deposit the same to the account of the Secured Party on account and for payment of the Secured Obligations;

(d) to file any claims or take any action or institute any proceedings that the Secured Party may deem necessary or desirable for the collection of any of the Collateral or otherwise to enforce the rights of the Secured Party, with respect to any of the Collateral; and

(e) to execute, in connection with any sale or other disposition of Collateral provided for herein, any endorsement, assignments, or other instruments of conveyance or transfer with respect thereto.

13. Reinstatement. The granting of a security interest in the Collateral and the other provisions hereof shall continue to be effective or be reinstated, as the case may be, if at any time any payment of any of the Secured Obligations is rescinded or must otherwise be returned by the Secured Party or is repaid by any Secured Party in whole or in part in good faith settlement of a pending or threatened avoidance claim, whether upon the insolvency, bankruptcy or reorganization of the Grantor, all as though such payment had not been made. The provisions of this Section 13 shall survive repayment of all of the Secured Obligations and the termination or expiration of this Security Agreement in any manner.

14. Certain Waivers by the Grantor. The Grantor waives to the extent permitted by applicable law (a) any right to require the Secured Party or any other obligee of the Secured Obligations to (x) proceed against any Person or entity, (y) proceed against or exhaust any Collateral or other collateral for the Secured Obligations, or (z) pursue any other remedy in its power; (b) any defense arising by reason of any disability or other defense of any other Person, or by reason of the cessation from any cause whatsoever of the liability of any other Person or entity, (c) any right of subrogation, (d) any right to enforce any remedy which any Secured Party or any other obligee of the Secured Obligations now has or may hereafter have against any other Person and any benefit of and any right to participate in any collateral or security whatsoever now or hereafter held by the Secured Party. The Grantor authorizes the Secured Party and each other obligee of the Secured Obligations without notice (except notice required by applicable law) or demand and without affecting its liability hereunder to: (i) take and hold security, other than the Collateral herein described, for the payment of such Secured Obligations or any part thereof, and exchange, enforce, waive and release the Collateral herein described or any part thereof or any such other security; and (ii) apply such Collateral or other security and direct the order or manner of sale thereof as the Secured Party or obligee in its discretion may determine.

The Secured Party may at any time deliver (without representation, recourse or warranty) the Collateral or any part thereof to the Grantor and the receipt thereof by the Grantor shall be a complete and full acquittance for the Collateral so delivered, and the Secured Party shall thereafter be discharged from any liability or responsibility therefor.

15. Continued Powers. Until the Earn-Out shall have been paid in full, the power of sale and other rights, powers and remedies granted to the Secured Party hereunder shall continue to exist and may be exercised by the Secured Party at any time and from time to time irrespective of the fact that any of the secured Obligations or any part thereof may have become barred by any statute of limitations or that any part of the liability of the Grantor may have ceased.

16. **Other Rights.** The rights, powers and remedies given to the Secured Party by this Security Agreement shall be in addition to all rights, powers and remedies given to the Secured Party under any related agreement or by virtue of any statute or rule of law. Any forbearance or failure or delay by the Secured Party in exercising any right, power or remedy hereunder shall not be deemed to be a waiver of such right, power or remedy, and any single or partial exercise of any right, power or remedy hereunder shall not preclude the further exercise thereof; and every right, power and remedy of the Secured Party shall continue in full force and effect until such right, power or remedy terminates in connection with the payment in full of the Earn-Out pursuant to the terms of the Asset Purchase Agreement.

17. **Anti-Marshaling Provisions.** The right is hereby given by the Grantor to the Secured Party, to make releases (whether in whole or in part) of all or any part of the Collateral agreeable to the Secured Party without notice to, or the consent, approval or agreement of other parties and interests, including junior lienors, which releases shall not impair in any manner the validity of or priority of the liens and security interests in the remaining Collateral conferred hereunder, nor release the Grantor from personal liability for the Secured Obligations. Notwithstanding the existence of any other security interest in the Collateral held by the Secured Party, the Secured Party shall have the right to determine the order in which any or all of the Collateral shall be subjected to the remedies provided in this Security Agreement. The Grantor hereby waives any and all right to require the marshaling of assets in connection with the exercise of any of the remedies permitted by applicable law or provided herein.

18. **Entire Agreement.** This Security Agreement, together with the Asset Purchase Agreement, constitutes and expresses the entire understanding between the parties hereto with respect to the subject matter hereof, and supersedes all prior negotiations, agreements and understandings, inducements, commitments or conditions, express or implied, oral or written. The express terms hereof control and supersede any course of performance or usage of the trade inconsistent with any of the terms hereof or thereof. Neither this Security Agreement nor any portion or provision hereof may be changed, altered, modified, supplemented, discharged, canceled, terminated, or amended orally or in any manner.

19. **Third Party Reliance.** The Grantor hereby consents and agrees that all issuers of or obligors in respect of any Collateral, and all securities intermediaries, warehousemen, bailees, public officials and other Persons having any interest in, possession of, control over or right, privilege, duty or discretion in respect of, any Collateral shall be entitled to accept the provisions hereof as conclusive evidence of the right of the Secured Party, to exercise its rights hereunder with respect to the Collateral, notwithstanding any other notice or direction to the contrary heretofore or hereafter given by any Grantor or any other Person to any of such Persons.

20. **Binding Agreement; Assignment.** This Security Agreement, and the terms, covenants and conditions hereof, shall be binding upon and inure to the benefit of the parties hereto, and to their respective successors and assigns, except that the Grantor shall not be permitted to assign this Security Agreement or any interest herein, except as expressly permitted herein or in the Asset Purchase Agreement, in the Collateral or any part thereof, or interest therein. All references herein to the Secured Party shall include any successor thereof or permitted assignee, and any other obligees from time to time of the Secured Obligations.

21. **Severability.** The provisions of this Security Agreement are independent of and separable from each other. If any provision hereof shall for any reason be held invalid or unenforceable, such invalidity or unenforceability shall not affect the validity or enforceability of any other provision hereof, but this Security Agreement shall be construed as if such invalid or unenforceable provision had never been contained herein.

22. **Counterparts.** This Security Agreement may be executed in any number of counterparts each of which when so executed and delivered shall be deemed an original, and it shall not be necessary in making proof of this Security Agreement to produce or account for more than one such counterpart executed by the Grantor against whom enforcement is sought.

23. **Termination.** Subject to the provisions of Section 13, this Security Agreement, and all obligations of the Grantor hereunder (excluding those obligations and liabilities that expressly survive such termination) shall terminate without delivery of any instrument or performance of any act by any party immediately upon the payment in full of the Earn-Out (the "Termination Date"). Upon such termination of this Security Agreement, the Secured Party shall, at the request and sole expense of the Grantor, promptly deliver to the Grantor such termination statements and take such further actions as the Grantor may reasonably request to terminate of record, or otherwise to give appropriate notice of the termination of, any lien conferred hereunder.

24. **Notices.** Any notice required or permitted hereunder shall be given at the address for the giving of notice then in effect under the Asset Purchase Agreement. All such addresses may be modified, and all such notices shall be given and shall be effective, as provided in Section 11.10 of the Asset Purchase Agreement for the giving and effectiveness of notices and modifications of addresses thereunder.

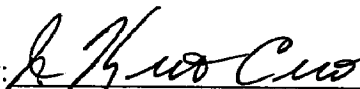
25. **Governing Law; Waivers.** This Agreement shall be governed in all respects by, and construed in accordance with, the laws of the State of North Carolina, including without limitation the Uniform Commercial Code of the State of North Carolina. In addition to the other waivers contained herein and in any other agreement between the Grantor and the Secured Party, the Grantor hereby expressly waives, to the extent permitted by law, presentment for payment, demand, protest, notice of demand, notice of protest, notice of default or dishonor, notice of payments and nonpayments and all other notices and consents that the Secured Party may release, compromise, settle, extend or renew any commercial paper, instruments or guaranties at any time held by the Secured Party on which the Grantor may in any way be liable and notice of any action taken by the Secured Party unless expressly required by this Security Agreement or by law.

[Signature pages follow.]

IN WITNESS WHEREOF, the parties have duly executed this Security Agreement on the day and year first written above.

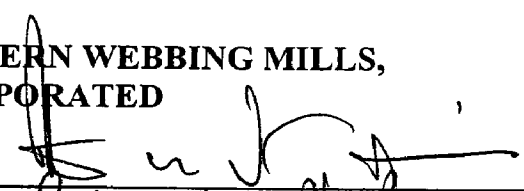
GRANTOR:

ASHEBORO ELASTICS CORP.

By: 
Name: J. Keith Crisco
Title: President

SECURED PARTY:

**SOUTHERN WEBBING MILLS,
INCORPORATED**

By: 
Name: Peter H. Pappas
Title: Acting President

Schedule 2

Trademarks:

Mark	Issued Registration No.	Pending Serial No.	Issue Date	Filing Date	Status
DIAMONDAIRE	1,906,581		7/18/1995		Expired/Not Renewed
REAL-CORD	1,895,624		5/23/1995		Expired/Not Renewed
FLIP TAPE		78/338,544		12/9/2003	Pending
MED-FLEX	1,805,334		11/16/1993		Expired/Not Renewed
PERMA-WHITE	1,806,704		11/23/1993		Expired/Not Renewed
MED-FLEX	MEXICO 435805		8/14/1992		Expired/Not Renewed

Patents:

Issued	Title	Pending Applications	Lapsed
U.S. 6,698,251 March 2, 2004	DOUBLE-SIDED CROCHET- KNITTED MATTRESS CLOSING TAPE		
U.S. 6,684,461 February 3, 2004	MATTRESS HANDLE FORMED OF A TEXTILE WEB WITH CUSHIONED EDGES		
	CROCHET- KNITTED MATTRESS	U.S. 10/010,468 filed November 8, 2001, from U.S. Provisional	

C671355.5

	CLOSING TAPE	60/246,803 filed November 8, 2000	
	VENTILATED ELASTIC TEXTILE BAND		U.S. 5,522,241 June 4, 1996
	KNITTED BAND WITH INTEGRATED DRAWCORD AND METHOD OF FABRICATING SAME		U.S. 5,452,591 September 26, 1995
	FLAT KNITTING MACHINE AND METHOD FOR FABRICATING KNITTED BAND WITH INTEGRATED DRAWCORD		U.S. 08/758,164 filed November 26, 1996
	FLAT KNITTING MACHINE AND METHOD FOR FABRICATING KNITTED BAND WITH INTEGRATED DRAWCORD		U.S. 08/533,630 filed September 25, 1995

Schedule 8(e)

- (i) At all times during the Covered Period, the exact legal name of the Grantor is and has been Asheboro Elastics Corp.
- (ii) The Grantor is a corporation organized under the laws of the State of North Carolina and the identification number assigned by the Secretary of State is 0179530.
- (iii) At all times during the Covered Period, the chief executive officer of the Grantor is and has been J. Keith Crisco, whose address is 150 North Park Street, Asheboro, North Carolina 27203.