

TRADEMARK ASSIGNMENT

Electronic Version v1.1
 Stylesheet Version v1.1

SUBMISSION TYPE:	NEW ASSIGNMENT
NATURE OF CONVEYANCE:	Subordinated Trademark Collateral Assignment and Security Agreement

CONVEYING PARTY DATA

Name	Formerly	Execution Date	Entity Type
Hancock Fabrics, Inc.		08/01/2008	CORPORATION: DELAWARE
HF Merchandising, Inc.		08/01/2008	CORPORATION: DELAWARE
Hancock Fabrics of MI, Inc.		08/01/2008	CORPORATION: DELAWARE
hancockfabrics.com, Inc.		08/01/2008	CORPORATION: DELAWARE
Hancock Fabrics, LLC		08/01/2008	LIMITED LIABILITY COMPANY: DELAWARE
HF Enterprises, Inc.		08/01/2008	CORPORATION: DELAWARE
HF Resources, Inc.		08/01/2008	CORPORATION: DELAWARE

RECEIVING PARTY DATA

Name:	Deutsche Bank National Trust Company, as Trustee
Street Address:	222 South Riverside Plaza, 25th Floor
City:	Chicago
State/Country:	ILLINOIS
Postal Code:	60606
Entity Type:	TRUSTEE: UNITED STATES

PROPERTY NUMBERS Total: 9

Property Type	Number	Word Mark
Registration Number:	2090281	AMERICA'S FABRIC STORE
Registration Number:	2161840	HANCOCK FABRICS
Registration Number:	2615823	LAUREN HANCOCK COLLECTION
Registration Number:	1971704	SEW PERFECT
Registration Number:	1971703	SEW PERFECT
Registration Number:	1970555	THE FABRIC CARD
Registration Number:	3270559	BUY RETAIL ADD DETAIL
Registration Number:	3157181	ABSOLUTELY COTTON

OP \$240.00 2090281

Serial Number:

77251959

WISHES & DREAMS

CORRESPONDENCE DATA

Fax Number: (617)951-8736

Correspondence will be sent via US Mail when the fax attempt is unsuccessful.

Phone: 617-951-8132

Email: linda.salera@bingham.com

Correspondent Name: Linda A. Salera

Address Line 1: 1 Federal Street

Address Line 2: c/o Bingham McCutchen LLP

Address Line 4: Boston, MASSACHUSETTS 02110

NAME OF SUBMITTER:

Linda A. Salera

Signature:

/LASalera/

Date:

08/04/2008

Total Attachments: 18

source=Hancock Subordinated Trademark Agreement#page1.tif
source=Hancock Subordinated Trademark Agreement#page2.tif
source=Hancock Subordinated Trademark Agreement#page3.tif
source=Hancock Subordinated Trademark Agreement#page4.tif
source=Hancock Subordinated Trademark Agreement#page5.tif
source=Hancock Subordinated Trademark Agreement#page6.tif
source=Hancock Subordinated Trademark Agreement#page7.tif
source=Hancock Subordinated Trademark Agreement#page8.tif
source=Hancock Subordinated Trademark Agreement#page9.tif
source=Hancock Subordinated Trademark Agreement#page10.tif
source=Hancock Subordinated Trademark Agreement#page11.tif
source=Hancock Subordinated Trademark Agreement#page12.tif
source=Hancock Subordinated Trademark Agreement#page13.tif
source=Hancock Subordinated Trademark Agreement#page14.tif
source=Hancock Subordinated Trademark Agreement#page15.tif
source=Hancock Subordinated Trademark Agreement#page16.tif
source=Hancock Subordinated Trademark Agreement#page17.tif
source=Hancock Subordinated Trademark Agreement#page18.tif

THIS INSTRUMENT AND THE RIGHTS, OBLIGATIONS, SECURITY INTERESTS AND LIENS EVIDENCED HEREBY ARE SUBORDINATED TO THE RIGHTS, OBLIGATIONS, SECURITY INTERESTS AND LIENS GRANTED IN FAVOR OF THE CREDIT FACILITY AGENT AND THE CREDIT FACILITY SECURED PARTIES (AS EACH SUCH TERMS ARE DEFINED IN THE INDENTURE AS IN EFFECT ON THE DATE HEREOF). NOTWITHSTANDING ANYTHING TO THE CONTRARY CONTAINED IN THIS TRADEMARK AGREEMENT, SO LONG AS THE SUBORDINATION PROVISIONS SET FORTH IN THE INDENTURE (INCLUDING, WITHOUT LIMITATION, THOSE SUBORDINATION PROVISIONS SET FORTH IN ARTICLE XI OF THE INDENTURE) REMAIN IN EFFECT, IN THE EVENT OF ANY CONFLICT BETWEEN THE TERMS OF THIS TRADEMARK AGREEMENT AND THE SUBORDINATION PROVISIONS SET FORTH IN THE INDENTURE (INCLUDING, WITHOUT LIMITATION, THOSE SUBORDINATION PROVISIONS SET FORTH IN ARTICLE XI OF THE INDENTURE), THE SUBORDINATION PROVISIONS OF THE INDENTURE (INCLUDING, WITHOUT LIMITATION, THOSE SUBORDINATION PROVISIONS SET FORTH IN ARTICLE XI OF THE INDENTURE) SHALL GOVERN.

**SUBORDINATED TRADEMARK COLLATERAL ASSIGNMENT
AND SECURITY AGREEMENT**

This SUBORDINATED TRADEMARK COLLATERAL ASSIGNMENT AND SECURITY AGREEMENT (this "Trademark Agreement"), dated as of August [1], 2008, is by and between each of the undersigned (each individually, an "Assignor" and, collectively, the "Assignors"), and DEUTSCHE BANK NATIONAL TRUST COMPANY, in its capacity as trustee (in such capacity "Trustee") under the Indenture (as defined below) acting for and on behalf of the Noteholders (as defined hereinafter).

W I T N E S S E T H :

WHEREAS, each Assignor is the owner of the entire right, title, and interest in and to its particular trademarks, trade names, terms, designs and applications therefor described in Exhibit A hereto and made a part hereof;

WHEREAS, the Trustee has entered into or is about to enter into financing arrangements pursuant to which the noteholders ("Noteholders") (or Trustee on behalf of Noteholders) have purchased notes to provide financial accommodations to Hancock Fabrics, Inc, a Delaware corporation ("Parent"), HF Merchandising, Inc., a Delaware corporation ("Merchandising"), Hancock Fabrics of MI, Inc., a Delaware corporation ("Fabrics MI"), hancockfabrics.com, Inc., a Delaware corporation ("Fabrics.com"), and Hancock Fabrics, LLC, a Delaware limited liability company ("Fabrics LLC", and together with Merchandising, Fabrics MI and Fabrics.com, each individually a "Guarantor" and collectively, "Guarantors") as set forth in the Indenture, dated as of June 17, 2008, by and among Parent, Trustee and Noteholders (as the same now exists or may hereafter be amended, modified, supplemented, extended, renewed, restated or replaced, the "Indenture"; capitalized terms used herein without definition shall have the meanings ascribed to

such terms therein; and other agreements, documents and instruments referred to therein or at any time executed and/or delivered in connection therewith or related thereto, including, but not limited to, the Guarantee (as hereinafter defined) and this Trademark Agreement (all of the foregoing, together with the Indenture, as the same now exist or may hereafter be amended, modified, supplemented, extended, renewed, restated or replaced, being collectively referred to herein as the "Financing Agreements"); and

WHEREAS, in order to induce Trustee to enter into the Indenture and the other Financing Agreements and to make loans and advances and provide other financial accommodations to Parent and Guarantors pursuant thereto, each Assignor has agreed to grant to Trustee certain collateral security as set forth herein;

NOW, THEREFORE, in consideration of the premises and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, each Assignor hereby agrees as follows:

1. GRANT OF SECURITY INTEREST

As collateral security for the prompt performance, observance and indefeasible payment in full of all of the Assignors' obligations under the Indenture (the "Obligations"), each Assignor hereby grants to Trustee, for itself and for the benefit of Noteholders, a continuing subordinated security interest in and a general lien upon the following (being collectively referred to herein as the "Collateral"): (a) all of such Assignor's now existing or hereafter acquired right, title, and interest in and to: (i) all of such Assignor's trademarks, trade names, trade styles and service marks and all applications, registrations and recordings relating to the foregoing as may at any time be filed in the United States Patent and Trademark Office or in any similar office or agency of the United States, any State thereof, any political subdivision thereof or in any other country, including, without limitation, the trademarks, terms, designs and applications described in Exhibit A hereto, together with all rights and privileges arising under applicable law with respect to such Assignor's use of any trademarks, trade names, trade styles and service marks, and all reissues, extensions, continuation and renewals thereof (all of the foregoing being collectively referred to herein as the "Trademarks"); and (ii) all prints and labels on which such trademarks, trade names, trade styles and service marks appear, have appeared or will appear, and all designs and general intangibles of a like nature; (b) the goodwill of the business symbolized by each of the Trademarks, including, without limitation, all customer lists and other records relating to the distribution of products or services bearing the Trademarks; (c) all present and future license and distribution agreements (subject to the rights of the licensors therein) pertaining to the Trademarks; (d) all income, fees, royalties and other payments at any time due or payable with respect thereto, including, without limitation, payments under all licenses at any time entered into in connection therewith; (e) the right to sue for past, present and future infringements thereof; (f) all rights corresponding thereto throughout the world; and (g) any and all other proceeds of any of the foregoing, including, without limitation, damages and payments or claims by such Assignor against third parties for past or future infringement of the Trademarks.

2. OBLIGATIONS SECURED

The subordinated security interest, lien and other interests granted to Trustee, for the benefit of Noteholders, pursuant to this Trademark Agreement shall secure the prompt performance, observance and payment in full of any and all Obligations.

3. REPRESENTATIONS, WARRANTIES AND COVENANTS

Each Assignor hereby represents, warrants and covenants with and to Trustee the following (all of such representations, warranties and covenants being continuing so long as any of the Obligations are outstanding):

- (a) Such Assignor shall pay and perform all of the Obligations according to their terms.
- (b) All of the existing Collateral owned or held by such Assignor is valid and subsisting in full force and effect, and such Assignor owns the sole, full and clear title thereto, and the right and power to grant the security interest and collateral assignment granted hereunder. Such Assignor shall, at such Assignor's expense, perform all acts and execute all documents necessary to maintain the existence of the Collateral owned or held by such Assignor consisting of registered Trademarks as registered trademarks and to maintain the existence of all of the Collateral owned or held by such Assignor as valid and subsisting, including, without limitation, the filing of any renewal affidavits and applications. The Collateral owned or held by such Assignor is not subject to any liens, claims, mortgages, assignments, licenses, security interests or encumbrances of any nature whatsoever, except: (i) the security interests granted hereunder and pursuant to the Indenture, (ii) the security interests permitted under the Indenture, including, but not limited to, the first priority lien granted to the Credit Facility Agent and permitted pursuant to Section 4.14(a) of the Indenture, and (iii) the licenses permitted under Section 3(e) below.
- (c) Following the Discharge of all Credit Facility Debt, such Assignor shall not assign, sell, mortgage, lease, transfer, pledge, hypothecate, grant a security interest in or lien upon, encumber, grant an exclusive or non-exclusive license relating to the Collateral owned or held by such Assignor, or otherwise dispose of any of the Collateral owned or held by such Assignor, in each case without the prior written consent of Trustee, except as otherwise permitted herein or in the Indenture. Nothing in this Trademark Agreement shall be deemed a consent by Trustee or any Noteholder to any such action, except as such action is expressly permitted hereunder.
- (d) Following the Discharge of all Credit Facility Debt, such Assignor shall, at such Assignor's expense, promptly perform all acts and execute all documents requested at any time by Trustee to evidence, perfect, maintain, record or enforce the subordinate security interest in and collateral assignment of the Collateral owned or held by such Assignor granted hereunder or to otherwise further the provisions of this Trademark Agreement. Subject at all times to the superior rights of the Credit Facility Agent, such Assignor hereby authorizes Trustee to execute and file one or more financing statements (or similar documents) with respect to the Collateral owned or held by such Assignor and further authorizes Trustee to have this Trademark Agreement or any other similar security agreement filed with the Commissioner of Patents and Trademarks or any other appropriate federal, state or government office.

(e) As of the date hereof, such Assignor does not have any Trademarks registered, or subject to pending applications, in the United States Patent and Trademark Office or any similar office or agency in the United States, any State thereof, any political subdivision thereof or in any other country, other than those described in Exhibit A hereto, and such Assignor has not granted any licenses with respect thereto other than as set forth in Exhibit B hereto.

(f) Such Assignor shall, concurrently with the execution and delivery of this Trademark Agreement, execute and deliver to Trustee five (5) originals of a Special Power of Attorney in the form of Exhibit C annexed hereto for the implementation of the assignment, sale or other disposition of the Collateral owned or held by such Assignor pursuant to Trustee's exercise of the rights and remedies granted to Trustee hereunder in each instance and subject at all times to the subordination provisions set forth in the Indenture (including, without limitation, those subordination provisions set forth in Article XI of the Indenture).

(g) Subject at all times to the superior rights of the Credit Facility Agent, Trustee may, in its discretion, pay any amount or do any act which such Assignor fails to pay or do as required hereunder or as requested by Trustee to preserve, defend, protect, maintain, record or enforce the Obligations, the Collateral owned or held by such Assignor, or the security interest and collateral assignment granted hereunder, including, but not limited to, all filing or recording fees, court costs, collection charges, attorneys' fees and legal expenses. Such Assignor shall be liable to Trustee for any such payment, which payment shall, following the Discharge of all Credit Facility Debt, be deemed an advance by Trustee to Assignors, shall be payable on demand together with interest at the rate then applicable to the indebtedness of Assignors to Trustee set forth in the Indenture and shall be part of the Obligations secured hereby.

(h) Such Assignor shall not file any application for the registration of a Trademark with the United States Patent and Trademark Office or any similar office or agency in the United States, any State thereof, any political subdivision thereof or in any other country, unless such Assignor has given Trustee prompt written notice of such action. If, after the date hereof, such Assignor shall (i) obtain any registered trademark or trade name, or apply for any such registration in the United States Patent and Trademark Office or in any similar office or agency in the United States, any State thereof, any political subdivision thereof or in any other country, or (ii) become the owner of any trademark registrations or applications for trademark registration used in the United States or any State thereof, political subdivision thereof or in any other country, the provisions of Section 1 hereof shall automatically apply thereto. Upon the request of Trustee, such Assignor shall promptly execute and deliver to Trustee any and all assignments, agreements, instruments, documents and such other papers as may be requested by Trustee to evidence the subordinated security interest in and collateral assignment of such Trademark in favor of Trustee.

(i) Unless otherwise consented to by the Credit Facility Agent in its sole discretion, such Assignor has not abandoned any of such Assignor's Trademarks, and such Assignor will not do any act, nor omit to do any act, whereby such Assignor's Trademarks may become abandoned, invalidated, unenforceable, avoided, or avoidable. Such Assignor shall notify Trustee immediately if it knows or has reason to know of any reason why any application,

registration, or recording with respect to such Assignor's Trademarks may become abandoned, canceled, invalidated, avoided, or avoidable.

(j) Such Assignor shall render any assistance, as Trustee shall determine is necessary, to Trustee in any proceeding before the United States Patent and Trademark Office, any federal or state court, or any similar office or agency in the United States, any State thereof, any political subdivision thereof or in any other country, to maintain such application and registration of such Assignor's Trademarks as such Assignor's exclusive property and to protect Trustee's subordinated interest therein, including, without limitation, filing of renewals, affidavits of use, affidavits of incontestability and opposition, interference, and cancellation proceedings.

(k) No material infringement or unauthorized use presently is being made of any of such Assignor's Trademarks that would adversely affect in any material respect the fair market value of the Collateral owned or held by such Assignor or the benefits of this Trademark Agreement granted to Trustee and Noteholders, including, without limitation, the validity, second lien priority or perfection of the security interest granted herein or the remedies of Trustee and Noteholders hereunder. There has been no judgment holding any of such Assignor's Trademarks invalid or unenforceable, in whole or part nor is the validity or enforceability of any of the Trademarks presently being questioned in any litigation or proceeding to which such Assignor is a party. Such Assignor shall promptly notify Trustee if such Assignor (or any affiliate or subsidiary thereof) learns of any use by any person of any term or design which infringes on any Trademark or is likely to cause confusion with any Trademark. Following the Discharge of all Credit Facility Debt, if requested by Trustee, such Assignor, at such Assignor's expense, shall join with Trustee in such action as Trustee, in Trustee's discretion, may deem advisable for the protection of Trustee's interest in and to such Assignor's Trademarks.

(l) Such Assignor assumes all responsibility and liability arising from the use of such Assignor's Trademarks, and such Assignor hereby indemnifies, jointly and severally with the other Assignors, and holds Trustee and Noteholders harmless from and against any claim, suit, loss, damage, or expense (including attorneys' fees and legal expenses) arising out of any alleged defect in any product manufactured, promoted, or sold by such Assignor (or any affiliate or subsidiary thereof) in connection with such Assignor's Trademarks or out of the manufacture, promotion, labeling, sale or advertisement of any such product by such Assignor (or any affiliate or subsidiary thereof). The foregoing indemnity shall survive the payment of the Obligations, the termination of this Trademark Agreement and the termination or non-renewal of the Indenture.

(m) Following the Discharge of all Credit Facility Debt, such Assignor shall promptly pay Trustee and Noteholders for any and all expenditures made by Trustee pursuant to the provisions of this Trademark Agreement or for the defense, protection or enforcement of the Obligations, the Collateral owned or held by such Assignor, or the security interests and collateral assignment granted hereunder, including, but not limited to, all filing or recording fees, court costs, collection charges, travel expenses, and attorneys' fees and legal expenses. Following the Discharge of all Credit Facility Debt, such expenditures shall be payable on demand, together with interest at the rate then applicable to the indebtedness of Assignors to Trustee set forth in the Indenture and shall be part of the Obligations secured hereby.

4. EVENTS OF DEFAULT

Subject to the subordination provisions set forth in the Indenture (including without limitation those subordination provisions set forth in Article XI of the Indenture), all Obligations shall become immediately due and payable in full, in cash, without notice or demand, at the option of Trustee, upon the occurrence of any Event of Default.

5. RIGHTS AND REMEDIES

Subject to the subordination provisions set forth in the Indenture (including without limitation those subordination provisions set forth in Article XI of the Indenture), at any time an Event of Default exists or has occurred and is continuing, in addition to all other rights and remedies of Trustee or any Noteholder, whether provided under this Trademark Agreement, the Indenture, applicable law or otherwise, subject to the subordination provisions set forth in the Indenture (including without limitation those subordination provisions set forth in Article XI of the Indenture), Trustee shall have the following rights and remedies which may be exercised without notice to, or consent by, any Assignor except as such notice or consent is expressly provided for hereunder:

(a) Trustee may require that no Assignor nor any affiliate or subsidiary of any Assignor make any use of the Trademarks or any marks similar thereto for any purpose whatsoever. Trustee may make use of any Trademarks for the sale of goods, completion of work-in-process or rendering of services or otherwise in connection with enforcing any other security interest granted to Trustee by any Assignor or any subsidiary or affiliate of any Assignor or for such other reason as Trustee may determine.

(b) Trustee may grant such license or licenses relating to the Collateral for such term or terms, on such conditions, and in such manner, as Trustee shall in its discretion deem appropriate. Such license or licenses may be general, special or otherwise, and may be granted on an exclusive or non-exclusive basis throughout all or any part of the United States of America, its territories and possessions, and all foreign countries.

(c) Trustee may assign, sell or otherwise dispose of the Collateral or any part thereof, either with or without special conditions or stipulations except that if notice to the applicable Assignor of intended disposition of Collateral is required by law, the giving of ten (10) days prior written notice to such Assignor of any proposed disposition shall be deemed reasonable notice thereof and each Assignor waives any other notice with respect thereto. Trustee shall have the power to buy the Collateral or any part thereof, and Trustee shall also have the power to execute assurances and perform all other acts which Trustee may, in its discretion, deem appropriate or proper to complete such assignment, sale, or disposition. In any such event, the Assignors shall be liable for any deficiency.

(d) In addition to the foregoing, in order to implement the assignment, sale, or other disposition of any of the Collateral pursuant to the terms hereof, Trustee may at any time execute and deliver on behalf of any Assignor, pursuant to the authority granted in the Powers of Attorney described in Section 3(f) hereof, one or more instruments of assignment of the Trademarks (or any application, registration, or recording relating thereto), in form suitable for

filing, recording, or registration. Assignors agree to pay Trustee on demand all costs incurred in any such transfer of the Collateral, including, but not limited to, any taxes, fees, and attorneys' fees and legal expenses. Assignors further agree that Trustee and Noteholders have no obligation to preserve rights to the Trademarks against any other parties.

(e) Following the Discharge of all Credit Facility Debt, Trustee may first apply the proceeds actually received from any such license, assignment, sale or other disposition of any of the Collateral to the costs and expenses thereof, including, without limitation, attorneys' fees and all legal, travel and other expenses which may be incurred by Trustee (such proceeds to be turned over to the Credit Facility Agent prior to the Discharge of all Credit Facility Debt). Thereafter, Trustee may apply any remaining proceeds to such of the Obligations as Trustee may in its discretion determine. Assignors shall remain jointly and severally liable to Trustee for any of the Obligations remaining unpaid after the application of such proceeds, and, following the Discharge of all Credit Facility Debt, Assignors shall pay Trustee on demand any such unpaid amount, together with interest at the rate then applicable to the indebtedness of Borrowers to Trustee set forth in the Loan Agreement.

(f) Each Assignor shall supply to Trustee or to Trustee's designee, such Assignor's knowledge and expertise relating to the manufacture, sale and distribution of the products and services bearing such Assignor's Trademarks and such Assignor's customer lists and other records relating to the Trademarks and the distribution thereof.

(g) Nothing contained herein shall be construed as requiring Trustee to take any such action at any time. All of Trustee's rights and remedies, whether provided under this Trademark Agreement, the other Financing Agreements, applicable law, or otherwise, shall be cumulative and none is exclusive. Such rights and remedies may be enforced alternatively, successively, or concurrently.

6. JURY TRIAL WAIVER; OTHER WAIVERS AND CONSENTS; GOVERNING LAW

(a) The validity, interpretation and enforcement of this Trademark Agreement and the other Financing Agreements and any dispute arising out of the relationship between the parties hereto, whether in contract, tort, equity or otherwise, shall be governed by the internal laws of the State of New York but excluding any principles of conflicts of law or choice of law (other than Section 5-1401 and Section 5-1402 of the General Obligations Laws of the State of New York).

(b) Each Assignor and Trustee irrevocably consents and submits to the non-exclusive jurisdiction of the Supreme Court of the State of New York in New York County and the United States District Court for the Southern District of New York, whichever Trustee may elect, and waives any objection based on venue or forum non conveniens with respect to any action instituted therein arising under this Trademark Agreement or any of the other Financing Agreements or in any way connected with or related or incidental to the dealings of such Assignor and Trustee or any Noteholder in respect of this Trademark Agreement or any of the other Financing Agreements or the transactions related hereto or thereto, in each case whether now existing or hereafter arising, and whether in contract, tort, equity or otherwise, and agree

that any dispute with respect to any such matters shall be heard only in the courts described above (except that Trustee shall have the right to bring any action or proceeding against any Assignor or its property in the courts of any other jurisdiction which Trustee deems necessary or appropriate in order to realize on the Collateral owned or held by such Assignor or to otherwise enforce its rights against such Assignor or its property).

(c) Each Assignor hereby waives personal service of any and all process upon it and consents that all such service of process may be made by U.S. certified mail (return receipt requested) directed to its address set forth herein and service so made shall be deemed to be completed immediately upon receipt thereof by such Assignor, or, at Trustee's option, by service upon such Assignor in any other manner provided under the rules of any such courts. Within thirty (30) days after such service, such Assignor shall appear in answer to such process, failing which such Assignor shall be deemed in default and judgment may be entered by Trustee against such Assignor for the amount of the claim and other relief requested.

(d) EACH ASSIGNOR AND TRUSTEE EACH HEREBY WAIVES ANY RIGHT TO TRIAL BY JURY OF ANY CLAIM, DEMAND, ACTION OR CAUSE OF ACTION (i) ARISING UNDER THIS TRADEMARK AGREEMENT OR ANY OF THE OTHER FINANCING AGREEMENTS OR (ii) IN ANY WAY CONNECTED WITH OR RELATED OR INCIDENTAL TO THE DEALINGS OF ANY ASSIGNOR AND TRUSTEE OR ANY LENDER IN RESPECT OF THIS TRADEMARK AGREEMENT OR ANY OF THE OTHER FINANCING AGREEMENTS OR THE TRANSACTIONS RELATED HERETO OR THERETO IN EACH CASE WHETHER NOW EXISTING OR HEREAFTER ARISING, AND WHETHER IN CONTRACT, TORT, EQUITY OR OTHERWISE. EACH ASSIGNOR AND TRUSTEE EACH HEREBY AGREES AND CONSENTS THAT ANY SUCH CLAIM, DEMAND, ACTION OR CAUSE OF ACTION SHALL BE DECIDED BY COURT TRIAL WITHOUT A JURY AND THAT ANY ASSIGNOR OR TRUSTEE MAY FILE AN ORIGINAL COUNTERPART OF A COPY OF THIS TRADEMARK AGREEMENT WITH ANY COURT AS WRITTEN EVIDENCE OF THE CONSENT OF ANY ASSIGNOR AND TRUSTEE TO THE WAIVER OF THEIR RIGHT TO TRIAL BY JURY.

(e) Notwithstanding any other provision contained herein, Trustee and Noteholders shall not have any liability to any Assignor (whether in tort, contract, equity or otherwise) for losses suffered by any Assignor in connection with, arising out of, or in any way related to the transactions or relationships contemplated by this Trademark Agreement, or any act, omission or event occurring in connection herewith, unless it is determined by a final and non-appealable judgment or court order binding on Trustee or such Noteholders that the losses were the result of acts or omissions constituting gross negligence or willful misconduct. In any such litigation, Trustee and Noteholders shall be entitled to the benefit of the rebuttable presumption that it acted in good faith and with the exercise of ordinary care in the performance by it of the terms of this Trademark Agreement and the other Financing Agreements.

7. MISCELLANEOUS

(a) All notices, requests and demands hereunder shall be in writing and deemed to have been given or made: if delivered in person, immediately upon delivery; if by telex, telegram or facsimile transmission, immediately upon sending and upon confirmation of receipt; if by

nationally recognized overnight courier service with instructions to deliver the next business day, one (1) business day after sending; and if by certified mail, return receipt requested, five (5) days after mailing by deposit (postage prepaid) in the U.S. mail. All notices, requests and demands upon the parties are to be given to the following addresses (or to such other address as any party may designate by notice in accordance with this Section):

If to any Assignor:

c/o Hancock Fabrics, Inc.
One Fashion Way
Baldwyn, MS 38824
Attention: Robert Driskell, CFO
Telephone No.: (662) 365-6112
Telecopy No.: (662) 365-6025

with a copy to

Baker, Donelson, Bearman, Caldwell &
Berkowitz, PC
165 Madison Avenue, Suite 2000
Memphis, TN 38103
Attention: Sam D. Chafetz, Esq.
Telephone No.: (901) 577-2148
Telecopy No.: (901) 577-0854

If to Trustee:

Deutsche Bank National Trust Company
222 South Riverside Plaza, 25th Floor
Chicago, IL 60606
Attention: George Kubin
Telephone No.: (312) 537-1159
Telecopy No.: (312) 537-1009

With a copy to:

Macaulay Law Ltd.
310 Park Avenue, Suite 101
River Forest, IL 60305
Attention: Susan J. Macaulay
Telephone No.: (708) 657-4084
Telecopy No.: (708) 872-4764

(b) All references to the plural herein shall also mean the singular and to the singular shall also mean the plural. All references to Assignors, Trustee, any Noteholder and Parent and Guarantors pursuant to the definitions set forth in the recitals hereto, or to any other person herein, shall include their respective successors and assigns. The words "hereof," "herein," "hereunder," "this Trademark Agreement" and words of similar import when used in this Trademark Agreement shall refer to this Trademark Agreement as a whole and not any particular provision of this Trademark Agreement and as this Trademark Agreement now exists or may hereafter be amended, modified, supplemented, extended, renewed, restated or replaced.

(c) This Trademark Agreement, the other Financing Agreements and any other document referred to herein or therein shall be binding upon each Assignor and its successors and assigns and inure to the benefit of and be enforceable by Trustee and its successors and assigns.

(d) If any provision of this Trademark Agreement is held to be invalid or unenforceable, such invalidity or unenforceability shall not invalidate this Trademark Agreement as a whole, but this Trademark Agreement shall be construed as though it did not contain the particular provision held to be invalid or unenforceable and the rights and obligations of the parties shall be construed and enforced only to such extent as shall be permitted by applicable law.

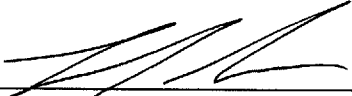
(e) Neither this Trademark Agreement nor any provision hereof shall be amended, modified, waived or discharged orally or by course of conduct, but only by a written agreement signed by an authorized officer of Trustee. Trustee shall not, by any act, delay, omission or otherwise be deemed to have expressly or impliedly waived any of its rights, powers and/or remedies unless such waiver shall be in writing and signed by an authorized officer of Trustee. Any such waiver shall be enforceable only to the extent specifically set forth therein. A waiver by Trustee of any right, power and/or remedy on any one occasion shall not be construed as a bar to or waiver of any such right, power and/or remedy which Trustee would otherwise have on any future occasion, whether similar in kind or otherwise.

(f) This Trademark Agreement may be executed in any number of counterparts, each of which shall be an original, but all of which taken together shall constitute one and the same agreement. Delivery of an executed counterpart of this Trademark Agreement by telefacsimile or other means of electronic transmission shall have the same force and effect as the delivery of an original executed counterpart of this Trademark Agreement. Any party delivering an executed counterpart of this Trademark Agreement by telefacsimile or other means of electronic transmission shall also deliver an original executed counterpart, but the failure to do so shall not affect the validity, enforceability or binding effect of this Trademark Agreement.


[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, each of the Assignors and Trustee have executed this Trademark Agreement as of the day and year first above written.


**HANCOCK FABRICS, INC.
HF MERCHANDISING, INC.
HANCOCK FABRICS OF MI, INC.**

By: 
Robert W. Driskell, Sr. Vice-President/CFO

HANCOCKFABRICS.COM, INC.

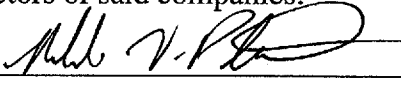
By: 
Robert W. Driskell, Treasurer

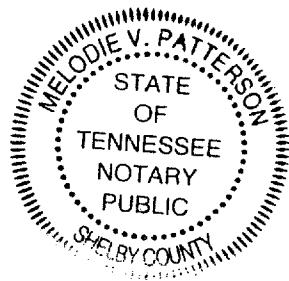
**HF ENTERPRISES, INC.
HF RESOURCES, INC.**

By: 
Robert W. Driskell, Vice-President

STATE OF TENNESSEE)
) ss.:
COUNTY OF SHELBY)

On this 1st day of August, 2008, before me personally came Robert W. Driskell, to me known, who being duly sworn, did depose and say, that he is the above listed officer of each of the companies described in and which executed the foregoing instrument; and that he signed his name thereto by order of the Board of Directors of said companies.


Notary Public



**MY COMMISSION EXPIRES:
April 18, 2012**

HANCOCK FABRICS, LLC

By: Larry D. Fair
Larry D. Fair, Treasurer

STATE OF MISSISSIPPI)
) ss.:
COUNTY OF LEE)

On this 1st day of August, 2008, before me personally came Larry D. Fair, to me known, who being duly sworn, did depose and say, that he is the Treasurer of Hancock Fabrics, LLC. described in and which executed the foregoing instrument; and that he/she signed his/her name thereto by order of the Board of Directors of said companies.



Rickey H. Richardson
Notary Public

DEUTSCHE BANK NATIONAL TRUST
COMPANY, as Trustee

By: _____
Its: Duly Authorized Signatory

STATE OF _____)
) ss.:
COUNTY OF _____)

On this ___ day of _____, 2008, before me personally came _____, to me known, who being duly sworn, did depose and say, that he/she is the _____ of _____, each of the companies described in and which executed the foregoing instrument; and that he/she signed his/her name thereto by order of the Board of Directors of said companies.

Notary Public

EXHIBIT A
TO
SUBORDINATED TRADEMARK COLLATERAL ASSIGNMENT
AND SECURITY AGREEMENT

LIST OF TRADEMARKS AND TRADEMARK APPLICATIONS

<u>Trademark Owner</u>	<u>Trademark</u>	<u>Registration Number</u>	<u>Registration Date</u>	<u>Expiration Date</u>
HF Enterprises, Inc.	America's Fabric Store	2,090,281	08/19/97	08/19/17
HF Enterprises, Inc.	Hancock Fabrics	2,161,840	06/02/98	06/02/18
HF Enterprises, Inc.	Lauren Hancock Collection	2,615,823	09/03/02	09/03/08
HF Enterprises, Inc.	Sew Perfect (tools)	1,971,704	04/30/96	04/30/16
HF Enterprises, Inc.	Sew Perfect (bobbins, needles, etc.)	1,971,703	04/30/96	04/30/16
HF Enterprises, Inc.	The Fabric Card	1,970,555	04/23/96	04/23/16
Hancock Fabric[s], Inc.	Buy Retail Add Detail	3,270,559	07/24/07	07/24/13
HF Enterprises, Inc.	Absolutely Cotton	3,157,181	10/17/06	10/17/12
HF Enterprises, Inc.	Hancock Fabrics - Canada	TMA594,330	11/07/03	11/07/18

<u>Trademark Applicant</u>	<u>Trademark Application</u>	<u>Application/Serial Number</u>	<u>Application Date</u>
Hancock Fabrics, Inc.	Wishes & Dreams	77/251,959	08/10/07

EXHIBIT B
TO
SUBORDINATED TRADEMARK COLLATERAL ASSIGNMENT
AND SECURITY AGREEMENT

LIST OF LICENSES

HF Enterprises, Inc. license of trademarks to Hancock Fabrics, Inc.

B-1

EXHIBIT C
TO
SUBORDINATED TRADEMARK COLLATERAL ASSIGNMENT
AND SECURITY AGREEMENT

SPECIAL POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that HANCOCK FABRICS, INC., HF MERCHANDISING, INC., HANCOCK FABRICS OF MI, INC., HANCOCKFABRICS.COM, INC., HANCOCK FABRICS, LLC, HF ENTERPRISES, INC., and HF RESOURCES, INC. (each individually, an "Assignor"), having an office at One Fashion Way, Baldwin, Mississippi 38824-8547, hereby appoints and constitutes, severally, DEUTSCHE BANK NATIONAL TRUST COMPANY, as trustee ("Trustee"), and each of its officers, its true and lawful attorney, with full power of substitution and with full power and authority to perform the following acts, following the Discharge of all Credit Facility Debt, on behalf of Assignor:

1. Execution and delivery of any and all agreements, documents, instrument of assignment, or other papers which Trustee, in its discretion, deems necessary or advisable for the purpose of assigning, selling, or otherwise disposing of all right, title, and interest of Assignor in and to any trademarks and all registrations, recordings, reissues, extensions, and renewals thereof, or for the purpose of recording, registering and filing of, or accomplishing any other formality with respect to the foregoing.

2. Execution and delivery of any and all documents, statements, certificates or other papers which Trustee, in its discretion, deems necessary or advisable to further the purposes described in Subparagraph 1 hereof.

This Power of Attorney is made pursuant to a Subordinated Trademark Collateral Assignment and Security Agreement, dated of even date herewith, between Assignor and Trustee (the "Trademark Agreement") and is subject to the terms and provisions thereof. This Power of Attorney, being coupled with an interest, is irrevocable until all Obligations are paid in full in cash and the Trademark Agreement is terminated in writing by Trustee.

[Remainder of page intentionally left blank]

Dated: As of August 1, 2008

HANCOCK FABRICS, INC.
HF MERCHANDISING, INC.
HANCOCK FABRICS OF MI, INC.

By: [Signature]
Robert W. Driskell, Sr. Vice-President/CFO

HANCOCKFABRICS.COM, INC.

By: [Signature]
Robert W. Driskell, Treasurer

HF ENTERPRISES, INC.
HF RESOURCES, INC.

By: [Signature]
Robert W. Driskell, Vice-President

STATE OF MISSISSIPPI)
) ss.:
COUNTY OF LEE)

On this 1st day of August, 2008, before me personally came Robert W. Driskell, to me known, who being duly sworn, did depose and say, that he is the above listed officer of each of the companies described in and which executed the foregoing instrument; and that he signed his name thereto by order of the Board of Directors of said companies.

[Signature]
Notary Public



HANCOCK FABRICS, LLC

By: Larry D. Fair
Larry D. Fair, Treasurer

STATE OF TENNESSEE)
) ss.:
COUNTY OF SHELBY)

On this 1st day of August, 2008, before me personally came Larry D. Fair, to me known, who being duly sworn, did depose and say, that he is the Treasurer of Hancock Fabrics, LLC, described in and which executed the foregoing instrument; and that he signed his name thereto by order of the Board of Directors of said companies.

Melodie V. Patterson
Notary Public



MY COMMISSION EXPIRES:
April 18, 2012

HANCOCK FABRICS, LLC

By: _____
Larry D. Fair, Treasurer

STATE OF MISSISSIPPI)
) ss.:
COUNTY OF LEE)

On this ___ day of _____, 2008, before me personally came Larry D. Fair, to me known, who being duly sworn, did depose and say, that he is the Treasurer of Hancock Fabrics, LLC, described in and which executed the foregoing instrument; and that he/she signed his/her name thereto by order of the Board of Directors of said companies.

Notary Public

DEUTSCHE BANK NATIONAL TRUST COMPANY, as Trustee

By: Victoria Y. Douyon
Its: Duly Authorized Signatory

STATE OF ILLINOIS)
) ss.:
COUNTY OF COOK)

On this 31st day of July, 2008, before me personally came Victoria Y. Douyon, to me known, who being duly sworn, did depose and say, that he/she is the Vice President of DEUTSCHE BANK NATIONAL TRUST COMPANY; each of the companies described in and which executed the foregoing instrument; and that he/she signed his/her name thereto by order of the Board of Directors of said companies.

Mary Rose Rosenquist
Notary Public

