

TRADEMARK ASSIGNMENT

Electronic Version v1.1
 Stylesheet Version v1.1

SUBMISSION TYPE:	NEW ASSIGNMENT
NATURE OF CONVEYANCE:	SECURITY INTEREST

CONVEYING PARTY DATA

Name	Formerly	Execution Date	Entity Type
Royal Carpet Mills, Inc.		08/26/2013	CORPORATION: CALIFORNIA

RECEIVING PARTY DATA

Name:	The CIT Group/Commercial Services, Inc.
Street Address:	300 South Grand Avenue
City:	Los Angeles
State/Country:	CALIFORNIA
Postal Code:	90071
Entity Type:	CORPORATION: NEW YORK

PROPERTY NUMBERS Total: 11

Property Type	Number	Word Mark
Registration Number:	4142405	ROYAL PREMIERE
Registration Number:	4036036	NUBOND
Registration Number:	3040852	R ROYALTY
Registration Number:	3017954	PACIFICREST
Registration Number:	3017378	CAMELOT CARPET MILLS
Registration Number:	2146366	ROYALGUARD
Registration Number:	2100492	BERVEN
Registration Number:	1898416	ATLANTA CARPET MILLS
Registration Number:	1799325	COLORCHOICES CARPETS FOR YOUR HOME
Registration Number:	1687949	ROYALTY CARPET MILLS
Registration Number:	1111835	R ROYALTY CARPETS

CORRESPONDENCE DATA

Fax Number: 2159791020

Correspondence will be sent to the e-mail address first; if that is unsuccessful, it will be sent

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via US Mail.

Phone: 215-979-1191
Email: eorleman@duanemorris.com
Correspondent Name: Nicole K. McLaughlin, Duane Morris LLP
Address Line 1: 30 S. 17th St.
Address Line 4: Philadelphia, PENNSYLVANIA 19103-4196

ATTORNEY DOCKET NUMBER:	K0927-00186
NAME OF SUBMITTER:	Nicole K. McLaughlin
Signature:	/nkm/
Date:	08/26/2013

Total Attachments: 9

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**GRANT OF SECURITY INTEREST IN
TRADEMARKS, PATENTS, AND LICENSES**

THIS GRANT OF SECURITY INTEREST IN TRADEMARKS, PATENTS, AND LICENSES (herein, this "Security Agreement") made as of this 26th day of August, 2013, by Royal Carpet Mills, Inc., a California corporation, with its principal place of business at 17111 Red Hill Avenue, Irvine, California 92614 (herein the "Company"), and The CIT Group/Commercial Services, Inc., a New York corporation, with offices at 300 South Grand Avenue, Los Angeles, California 90071 (herein "CIT").

WITNESETH:

WHEREAS, the Company and CIT are parties to certain factoring and/or financing arrangements, pursuant to which CIT may make certain loans and advances to the Company, all as further set forth in the factoring, loan and/or security documents executed from time to time by the Company with or in favor of CIT, as all of the same may be amended from time to time (herein collectively, the "Agreement"), which Agreement provides (i) for CIT to purchase, at its discretion certain accounts receivable of the Company and/or make certain loans, advances and extensions of credit, all to or for the benefit and account of the Company, and (ii) for the grant by the Company to CIT, as collateral security therefor, a security interest in certain of the Company's assets, including, without limitation, Intellectual Property Collateral, as more fully set forth herein and in the Agreement;

NOW THEREFORE, in consideration of the premises set forth herein and for other good and valuable consideration, receipt and sufficiency of which is hereby acknowledged, the Company agrees as follows:

1. **Definitions.** Capitalized terms used herein and defined in the Agreement shall have the meanings set forth therein unless otherwise specifically defined herein.
2. **Grant of Security Interest.** To secure the payment of the "Obligations" (as defined in the Agreement), the Company hereby reaffirms its grant to CIT of a security interest in all of the Company's right, title and interest in and to all of the following described property listed in paragraphs 2(i) – (vi) below, whether now owned or hereafter acquired (collectively herein the "Intellectual Property Collateral"):
 - (i) Trademarks (whether registered or not), trademark registrations, recordings and/or applications, trade names, trade styles, service marks, domain names, Twitter handles and/or other digital user or identifying term, prints and labels on which any of the foregoing have or may appear, designs, general intangibles pertaining to any of the foregoing throughout the world, including, without limitation, the trademarks, applications, and registrations, if any, listed on **Schedule A** attached hereto and made a part hereof, and any and all reissues and/or renewals thereof, including the right to receive all proceeds therefrom, including without limitation, license fees, royalties, income, payments, claims, damages and proceeds of suit, now or hereafter due and/or payable in connection therewith including, without limitation, the right to sue or otherwise recover for any past, present or future infringement, dilution, misappropriation, unfair competition, counterfeiting or other violation or impairment thereof (all of the foregoing are sometimes hereinafter individually and/or collectively referred to as the "Trademark Collateral");

- (ii) Patents and patent applications and/or registrations together with the inventions and improvements described and claimed therein including, without limitation, improvements, divisions, continuations, renewals, reissues, extensions and continuations-in-part, throughout the world, including without limitation the patents and applications, if any, listed on **Schedule B**, attached hereto and made a part hereof, including the right to receive all proceeds therefrom, including without limitation, license fees, royalties, income, payments, claims, damages and proceeds of suit, now or hereafter due and/or payable in connection therewith including, without limitation, the right to sue or otherwise recover for any past, present or future infringement, misappropriation, or other violation or impairment thereof (all of the foregoing are sometimes hereinafter individually and/or collectively referred to as the "Patent Collateral");
 - (iii) All licenses or other rights in which the Company is or becomes licensed to use any patents, trademarks and/or other intellectual property rights owned by a third party including, without limitation, the licenses, if any, listed on **Schedule C** attached hereto and made a part hereof, and all license fees and royalties arising from such use to the extent permitted by such license or rights (all of the foregoing are sometimes referred to herein individually and/or collectively as the "License Collateral");
 - (iv) The goodwill of the Company's business connected with and symbolized by the Intellectual Property Collateral;
 - (v) Any and all of the Company's rights and interests in any of the foregoing as they relate to the Company's accounts, inventory, equipment and general intangibles, or any Collateral bearing any of the foregoing, including without limitation the right to sell inventory, goods and property bearing or covered by any of the foregoing Intellectual Property Collateral; and
 - (vi) All cash and non-cash proceeds, royalties and income of the foregoing, including without limitation any amounts obtained pursuant to any infringement, misappropriation, violation, impairment, insurance, indemnity or warranty.
3. **CIT's Rights.** Upon the occurrence of any Event of Default hereunder, CIT shall have all the rights and remedies of a secured party under the Uniform Commercial Code and any other applicable state or federal laws. CIT will give the Company reasonable notice of the time and place of any public sale of the Intellectual Property Collateral or the time after which any private sale of the Intellectual Property Collateral or any other intended disposition thereof is to be made. Unless otherwise provided by law, the requirement of reasonable notice shall be met if such notice is mailed, postage prepaid to the address of the Company set forth above at least ten (10) days before the date of such sale or disposition. In addition to the foregoing and all other rights and remedies of CIT, upon the occurrence of any Event of Default hereunder, CIT shall thereupon have the immediate right to transfer to itself or to sell, assign and transfer to any other person all right, title and interest in and to all or any part of the Intellectual Property Collateral. A formal irrevocable power of attorney (in the form annexed hereto) is being executed and delivered by the Company to CIT concurrently with this Security Agreement to enable such rights to be carried out. The Company agrees that, in the event CIT exercises its rights hereunder and/or pursuant to said power of attorney in accordance with its terms, after written notification of such exercise from CIT to the Company, the Company shall never thereafter, without the prior written authorization of the

owner or owners of such Intellectual Property Collateral, use any of such Intellectual Property Collateral. The condition of the foregoing provision is such that unless and until there occurs an Event of Default under this Security Agreement, the Company shall continue to own and use the Intellectual Property Collateral in the normal course of its business and to enjoy the benefits, royalties and profits therefrom provided, however, that from and after the occurrence of an Event of Default such right will, upon the exercise by CIT of the rights provided by this Security Agreement, be revoked and the right of the Company to enjoy the uses, benefits, royalties and profits of said Intellectual Property Collateral will wholly cease, whereupon CIT or its transferee(s) shall be entitled to all of the Company's right, title and interest in and to the Intellectual Property Collateral hereby so assigned. This Security Agreement will not operate to place upon CIT any duty or responsibility to maintain the Intellectual Property Collateral.

4. **Fees.** The Company will pay all fees, costs and expenses, including attorneys' fees, with respect to the security interest created hereby which CIT may deem necessary or advisable in order to perfect and/or maintain the perfection or priority of its security interest in the Intellectual Property Collateral, including, without limitation, all applicable fees, costs and expenses to record this Security Agreement with the United States Patent and Trademark Office.
5. **Representations and Warranties.** The Company represents and warrants: that the Company lawfully possesses and owns the Intellectual Property Collateral and that except for the security interest granted hereby, the Intellectual Property Collateral will be kept free from all liens, security interests, claims and encumbrances whatsoever; that the Company has not made or given any prior assignment, transfer or security interest in the Intellectual Property Collateral or any of the proceeds thereof; that the Intellectual Property Collateral is and will continue to be, in all respects, in full force and effect; and that there are no known infringements of the Intellectual Property Collateral. The Company agrees not to take any action inconsistent with the terms and intent hereof, provided that the Company may enter into licensing agreements in the ordinary course of its business on fair and reasonable terms, provided further that no Event of Default (as defined herein below) has occurred and that any such agreement does not adversely affect CIT' rights and interests hereunder. The Company hereby further agrees to provide notice to CIT of any hereafter acquired Intellectual Property Collateral, and such Collateral shall be automatically subject to the terms hereof and Company shall take any such additional action as CIT shall reasonably request with respect thereto. Company authorizes CIT to modify this Security Agreement by amending Schedules A, B and C to include any future Trademark Collateral, Patent Collateral and License Collateral covered hereby.
6. **Application of Proceeds.** The proceeds of any sale, transfer or disposition of the Intellectual Property Collateral shall be applied first to all costs and expenses, including, but not limited to, reasonable attorneys' fees and expenses and court costs, incurred by CIT in connection with such sale and the exercise of CIT' rights and remedies hereunder and under the Agreement; next, such proceeds shall be applied to the payment, in whole or in part, of the Obligations due CIT in such order as CIT may elect; and the balance, if any, shall be paid to the Company or as a court of competent jurisdiction may direct. The Company hereby agrees that it shall be liable to CIT for, and shall pay to CIT on demand, any deficiency which may remain after such application of proceeds.
7. **Defense of Claims.** The Company will defend at its own cost and expense any action, claim or proceeding affecting the Intellectual Property Collateral or the interest of CIT

therein. The Company agrees to reimburse CIT for all costs and expenses (including reasonable attorneys' fees) incurred by CIT in defending any such action, claim or proceeding.

8. **Rights Cumulative.** This Security Agreement shall be in addition to the Agreement and shall not be deemed to affect, modify or limit the Agreement or any rights that CIT has under the Agreement. All CIT's rights and remedies with respect to the Intellectual Property Collateral, whether established herein or by the Agreement, or by any other agreements or by law, shall be cumulative and may be exercised singularly or concurrently. The Company agrees to execute and deliver to CIT (at the Company's expense) any further documentation or papers necessary to carry out the intent or purpose of this Security Agreement including, but not limited to, financing statements under the Uniform Commercial Code.
9. **Construction and Invalidity.** Any provisions hereof contrary to, prohibited by or invalid under any laws or regulations shall be inapplicable and deemed omitted here from, but shall not invalidate the remaining provisions hereof.
10. **JURY TRIAL WAIVER; CHOICE OF LAW. TO THE EXTENT PERMITTED BY APPLICABLE LAW, EACH PARTY HERETO HEREBY WAIVES ANY RIGHT TO A TRIAL BY JURY IN ANY ACTION OR PROCEEDING ARISING DIRECTLY OR INDIRECTLY OUT OF THIS SECURITY AGREEMENT, OR ANY OTHER AGREEMENT OR TRANSACTION BETWEEN THE PARTIES HERETO. NOTWITHSTANDING THE PLACE OF EXECUTION HEREOF, EACH PARTY HERETO AGREES THAT THE VALIDITY, INTERPRETATION AND ENFORCEMENT OF THIS SECURITY AGREEMENT AND ALL RIGHTS HEREUNDER SHALL BE GOVERNED BY THE LAWS OF THE STATE OF CALIFORNIA.**

The parties to this Security Agreement prefer that any dispute between or among them be resolved in litigation subject to the above jury trial waiver. If, and only if, a pre-dispute jury trial waiver of the type provided for herein is unenforceable in litigation to resolve any dispute, claim, cause of action or controversy under this Security Agreement or any other document (each, a "Claim") in the venue where the Claim is being brought pursuant to the terms of this Security Agreement, then, upon the written request of any party, such Claim, including any and all questions of law or fact relating thereto, shall be determined exclusively by a judicial reference proceeding. Except as otherwise provided herein, venue for any such reference proceeding shall be in the state or federal court in the County or District where venue is appropriate under applicable law (the "Court"). The parties shall select a single neutral referee, who shall be a retired state or federal judge. If the parties cannot agree upon a referee within 30 days, the Court shall appoint the referee. The referee shall report a statement of decision to the Court. Notwithstanding the foregoing, nothing in this paragraph shall limit the right of any party at any time to exercise self-help remedies, foreclose against collateral or obtain provisional remedies (including without limitation, requests for temporary restraining orders, preliminary injunctions, writs of possession, writs of attachment, appointment of a receiver, or any orders that a court may issue to preserve the status quo, to prevent irreparable injury or to allow a party to enforce its liens and security interests). The parties shall bear the fees and expenses of the referee equally unless the referee orders otherwise. The referee also shall determine all issues relating to the applicability, interpretation, and enforceability of this section. The parties acknowledge that any Claim determined by reference pursuant to this section shall not be adjudicated by a jury.

11. **Events of Default.** Any of the following constitutes an "Event of Default" under this Security Agreement:

- (i) The Company fails to perform or observe any agreement, covenant or condition required under this Security Agreement;
 - (ii) Any warranty or representation made by Company, in this Security Agreement shall be or becomes false or misleading in any material respect; or
 - (iii) The occurrence of any Event of Default under the Agreement which is not waived in writing by CIT.
12. **Notices.** The Company covenants and agrees that, with respect to the Intellectual Property Collateral, it will give CIT written notice at the address set forth above of:
- (i) any claim by a third party that the Company has infringed on the rights of a third party;
 - (ii) any suspected infringement by a third party on the rights of the Company; or
 - (iii) any Intellectual Property Collateral created, arising or acquired by the Company after the date hereof.
13. **Further Assurances.** The Company will take any such action as CIT may reasonably require to further confirm or protect CIT's rights under this Security Agreement in the Intellectual Property Collateral. In furtherance thereof, the Company hereby grants to CIT a power of attorney coupled with an interest which shall be irrevocable during the term of this Security Agreement to execute any documentation or take any action in the Company's behalf required to effectuate the terms, provisions and conditions of this Security Agreement.
14. **Termination.** This Security Agreement shall terminate upon termination of the Agreement and full, final and indefeasible payment in cash of all Obligations of the Company thereunder. Upon the Company's request, CIT shall within a reasonable time after any such termination execute and deliver to the Company (at the Company's expense) such documents and instruments as are reasonably necessary to evidence such termination and release of the security interest granted herein on any applicable public record.
15. **Assignment.** This Security Agreement binds and benefits each of us and our respective successors and assigns; provided, however, that the Company may not assign this Security Agreement or its rights hereunder without CIT's prior written consent. The Company agrees that CIT may, without notifying the Company, sell, assign or transfer CIT's rights and obligations under this Security Agreement, including, without limitation, CIT's rights and obligations with respect to the Intellectual Property Collateral.
16. **Miscellaneous.** This Security Agreement, together with the Agreement constitutes the entire agreement of the Company and CIT with respect to the subject matter hereof and supersedes and prior agreements or understandings. This Security Agreement can be changed only by a writing signed by both the Company and CIT (except as stated in paragraph 5 above) and CIT's failure or delay in exercising any of its rights hereunder will not constitute a waiver thereof, unless such waiver is in writing and signed by CIT, or bar CIT from exercising any of its rights at any time. No course of dealing between the Company and CIT shall change or modify this Security Agreement. A waiver on any one occasion shall not be construed as a bar to or waiver of any right or remedy on any future occasion.

**SCHEDULE A TO GRANT OF SECURITY INTEREST IN TRADEMARKS, PATENTS,
AND LICENSES**

between

ROYALTY CARPET MILLS, INC.

and

THE CIT GROUP/COMMERCIAL SERVICES, INC.

FEDERAL U.S. TRADEMARKS

Title or Mark	Status	Application Number	Registration Number	Registration Date
ROYAL PREMIERE	Registered	85427595	4142405	May 15, 2012
NUBOND	Registered	85087031	4036036	October 04, 2011
SUPER REBOND	Abandoned	85087036		
ATLANTA CARPET MILLS	Cancelled	76635036	3070001	March 21, 2006
R ROYALTY	Registered	78500932	3040852	January 10, 2006
PACIFICREST	Registered	78490903	3017954	November 22, 2005
MILAN A TRADITION IN FINE CARPET QUALITY COLOR CONTENT	Abandoned	78384757		
CAMELOT CARPET MILLS	Registered	78375737	3017378	November 22, 2005
ROYALGUARD	Renewed (Registered)	75269137	2146366	March 24, 1998
ENVIROBAC	Cancelled	75079766	2037207	February 11, 1997
BERVEN	Renewed (Registered) Supplemental Register	75059168	2100492	September 23, 1997
ATLANTA CARPET MILLS	Renewed (Registered) Supplemental Register	74540544	1898416	June 06, 1995
COLORCHOICES CARPETS FOR YOUR HOME	Renewed (Registered)	74356367	1799325	October 19, 1993
ROYALTY CARPET MILLS	Renewed (Registered)	74089781	1687949	May 19, 1992
CROWN COMMERCIAL SYSTEMS	Cancelled	74072287	1675222	February 11, 1992
R ROYALTY CARPETS	Renewed (Registered)	73133427	1111835	January 23, 1979

SCHEDULE B TO GRANT OF SECURITY INTEREST IN TRADEMARKS, PATENTS,
AND LICENSES

between

ROYALTY CARPET MILLS, INC.

and

THE CIT GROUP/COMMERCIAL SERVICES, INC.

FEDERAL U.S. PATENTS

Title

Patent No.

Issue Date

NOT APPLICABLE

SCHEDULE C TO GRANT OF SECURITY INTEREST IN TRADEMARKS, PATENTS,
AND LICENSES

between

ROYALTY CARPET MILLS, INC.

And

THE CIT GROUP/COMMERCIAL SERVICES, INC.

FEDERAL U.S. LICENSES

Name

Registration No.

Registration Date

NOT APPLICABLE