

02/02/00

FORM PTO-1618A
Expires 06/30/99
OMB 0651-0027

Re: 0.23.00



U.S. Department of Commerce

06-29-2000



101392760

RECORDATION FORM COVER TRADEMARKS ONLY

TO: The Commissioner of Patents and Trademarks: Please record the attached original document(s) or copy(ies).

Submission Type

- New
- Resubmission (Non-Recordation)
Document ID #
- Correction of PTO Error
Reel # Frame #
- Corrective Document
Reel # Frame #

Conveyance Type

- Assignment License
 - Security Agreement Nunc Pro Tunc Assignment
 - Merger
 - Change of Name
 - Other
- Effective Date
Month Day Year

Conveying Party

Mark if additional names of conveying parties attached

Execution Date
Month Day Year

Name

Formerly

- Individual General Partnership Limited Partnership Corporation Association
- Other
- Citizenship/State of Incorporation/Organization

Receiving Party

Mark if additional names of receiving parties attached

Name

DBA/AKA/TA

Composed of

Address (line 1)

Address (line 2)

Address (line 3)

- Individual General Partnership Limited Partnership Corporation Association
 - Other
 - Citizenship/State of Incorporation/Organization
- If document to be recorded is an assignment and the receiving party is not domiciled in the United States, an appointment of a domestic representative should be attached. (Designation must be a separate document from Assignment.)

03/02/2000 DNGUYEN 00000487 019726

FOR OFFICE USE ONLY

01 FC:481
02 FC:482

(2400:00 00)

Public burden reporting for this collection of information is estimated to average approximately 30 minutes per Cover Sheet to be recorded, including time for reviewing the document and gathering the data needed to complete the Cover Sheet. Send comments regarding this burden estimate to the U.S. Patent and Trademark Office, Chief Information Officer, Washington, D.C. 20231 and to the Office of Information and Regulatory Affairs, Office of Management and Budget, Paperwork Reduction Project (0651-0027), Washington, D.C. 20503. See OMB Information Collection Budget Package 0651-0027, Patent and Trademark Assignment Practice. DO NOT SEND REQUESTS TO RECORD ASSIGNMENT DOCUMENTS TO THIS ADDRESS.

Mail documents to be recorded with required cover sheet(s) information to:
Commissioner of Patents and Trademarks, Box Assignments, Washington, D.C. 20221

REEL: 002093 FRAME: 0272

Domestic Representative Name and Address

Enter for the first Receiving Party only.

Name

Address (line 1)

Address (line 2)

Address (line 3)

Address (line 4)

Correspondent Name and Address

Area Code and Telephone Number

Name

Address (line 1)

Address (line 2)

Address (line 3)

Address (line 4)

Pages

Enter the total number of pages of the attached conveyance document including any attachments.

#

Trademark Application Number(s) or Registration Number(s)

Mark if additional numbers attached

Enter either the Trademark Application Number or the Registration Number (DO NOT ENTER BOTH numbers for the same property).

Trademark Application Number(s)

Registration Number(s)

See EXHIBIT A attached hereto and incorporated herein.

See EXHIBIT A attached hereto and incorporated herein.

Number of Properties

Enter the total number of properties involved.

#

Fee Amount

Fee Amount for Properties Listed (37 CFR 3.41):

\$

Method of Payment:

Enclosed

Deposit Account

Deposit Account

(Enter for payment by deposit account or if additional fees can be charged to the account.)

Deposit Account Number:

#

Authorization to charge additional fees:

Yes

No

Statement and Signature

To the best of my knowledge and belief, the foregoing information is true and correct and any attached copy is a true copy of the original document. Charges to deposit account are authorized, as indicated herein.

Wade M. Kennedy, Esq.

1/28/2000

Name of Person Signing

Signature

Date Signed

EXHIBIT A

U.S. TRADEMARKS

MARK	APPLICATION No/ REG. No.	FILING DATE/ REG. DATE
CONE	Reg. No. 2,306,233	Reg. January 4, 2000
CONE & Globe Design	Reg. No. 2,228,702	Reg. March 2, 1999
CONE & Pine Cone Design	Reg. No. 879,564	Reg. October 28, 1969
CONE DEEPTONE DENIM & Design	Reg. No. 519,224	Reg. December 27, 1949
CONE SPORTSWEAR & Design	App. No. 75/555,458	Filed September 18, 1998

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FOREIGN TRADEMARKS

MARK	COUNTRY	APPLICATION No/ REG. No.	FILING DATE/ REG. DATE
CONE MILLS	Argentina	Reg. No. 1,667,005	Reg. May 5, 1998
CONE & Pine Cone Design	Australia	Reg. No. A531,856	Reg. May 27, 1998
CONE	Bangladesh	App. No. 54,253	Filed Feb. 4, 1998
CONE & Pine Cone Design	Bangladesh	App. No. 54,252	Filed Feb. 4, 1998
CONE & Globe Design	Bangladesh	App. No. 54,250	Filed Feb. 4, 1998
CONE DENIM SINCE 1891 & Design	Bangladesh	App. No. 54,251	Filed Feb. 4, 1998
SINCE 1891 CONE FABRICS & Ribbon Design	Bangladesh	App. No. 58,706	Filed Nov. 6, 1998
Pine Cone Design	Benelux	Reg. No. 019,726	Reg. Dec. 13, 1971
CONE DEEPTONE DENIM & Design	Benelux	Reg. No. 019,725	Reg. Dec. 13, 1971
CONE	Botswana	Reg. No. 90/2409	Reg. March 15, 1993
Pine Cone Design	Botswana	Reg. No. 90/2410	Reg. March 15, 1993
CONE	Brazil	Reg. No. 816400385	Reg. Jan. 21, 1998
CONE & Pine Cone Design	Brazil	Reg. No. 816400393	Reg. Jan. 21, 1998
CONE	Brunei	Reg. No. 23,837	Reg. Nov. 22, 1997
CONE & Pine Cone Design	Brunei	Reg. No. 24,706	Reg. Nov. 22, 1997
CONE & Globe Design	Brunei	Reg. No. 24,707	Reg. Nov. 22, 1997

FOREIGN TRADEMARKS

MARK	COUNTRY	APPLICATION No./ REG. No.	FILING DATE/ REG. DATE
CONE	Chile	Reg. No. 399,040	Reg. Dec. 22, 1992
CONE & Pine Cone Design	Chile	Reg. No. 392,030	Reg. Sept. 3, 1992
CONE & Pine Cone Design	Chile	Reg. No. 399,040	Reg. Dec. 22, 1992
CONE	China	Reg. No. 747,974	Reg. May 28, 1995
Pine Cone Design	China	Reg. No. 737,927	Reg. March 28, 1995
CONE	Costa Rica	Reg. No. 76,424	Reg. July 24, 1991
CONE & Pine Cone Design	Costa Rica	Reg. No. 76,423	Reg. July 24, 1991
CONE	Ecuador	App. No. 86,200	Filed March 18, 1998
CONE & Pine Cone Design	Ecuador	App. No. 86,196	Filed March 18, 1998
CONE & Globe Design	Ecuador	App. No. 86,197	Filed March 18, 1998
CONE & Pine Cone Design	El Salvador	Reg. No. Book 12, Reg. 12	Reg. July 9, 1992
CONE	El Salvador	Reg. No. Book 13, Reg. 165	Reg. Oct. 20, 1992
CONE & Pine Cone Design	France	Reg. No. 1,408,099	Reg. May 9, 1997
CONE DEEPTONE DENIM	France	Reg. No. 1,408,102	Reg. May 9, 1997
CONE	Guatemala	Reg. No. 65,331	Reg. July 23, 1991
CONE & Pine Cone Design	Guatemala	Reg. No. 65,070	Reg. Sept. 17, 1991
CONE	Hong Kong	Reg. No. 1917/1991	Reg. April 4, 1991
Pine Cone Design	Hong Kong	Reg. No. 486/1992	Reg. June 12, 1991
CONE	India	App. No. 785,354	Filed Jan. 7, 1998
CONE & Pine Cone Design	India	App. No. 785,351	Filed Jan. 7, 1998
CONE & Globe Design	India	App. No. 785,353	Filed Jan. 7, 1998
CONE DENIM SINCE 1891 & Design	India	App. No. 785,352	Filed Jan. 7, 1998
SINCE 1891 CONE FABRICS & Ribbon Design	India	App. No. 837,122	Filed Nov. 6, 1998
CONE	Indonesia	App. No. D97/23983	Filed Nov. 3, 1997
CONE	Indonesia	App. No. D97/23982	Filed Nov. 3, 1997
CONE DENIM SINCE 1891 & Design	Indonesia	App. No. D97/23981	Filed Nov. 3, 1997
CONE & Pine Cone Design	Indonesia	App. No. D97/23980	Filed Nov. 3, 1997

FOREIGN TRADEMARKS

MARK	COUNTRY	APPLICATION NO./ REG. NO.	FILING DATE/ REG. DATE
CONE & Globe Design	Indonesia	App. No. D97/23979	Filed Nov. 3, 1997
CONE and cone and Globe Design	Indonesia	App. No. D97/23978	Filed Nov. 3, 1997
CONE	Jamaica	Reg. No. 24,691	Reg. April 12, 1990
Pine Cone Design	Jamaica	Reg. No. 28,159	Reg. April 12, 1990
CONE	Japan	Reg. No. 2478885	Reg. Nov. 30, 1992
CONE & Pine Cone Design	Japan	Reg. No. 2589817	Reg. Oct. 29, 1993
Pine Cone Design	Japan	Reg. No. 2529119	Reg. April 28, 1993
CONE	Korea	Reg. No. 218449	Reg. Aug. 8, 1991
Pine Cone Design	Korea	Reg. No. 218450	Reg. Aug. 8, 1991
CONE	Malaysia	Reg. No. 10596	Reg. July 9, 1990
CONE & Pine Cone Design	Malaysia	App. No. 90/04212	Filed July 9, 1990
CONE	Mexico	Reg. No. 388,643	Reg. July 24, 1990
Pine Cone Design	Mexico	Reg. No. 391,376	Reg. July 24, 1990
CONE	New Zealand	Reg. No. 200835	Reg. Jan. 24, 1997
Pine Cone Design	New Zealand	Reg. No. 200836	Reg. March 28, 1990
CONE	Pakistan	App. No. 146109	Filed Jan. 22, 1998
CONE & Pine Cone Design	Pakistan	App. No. 146108	Filed Jan. 22, 1998
CONE & Globe Design	Pakistan	App. No. 146116	Filed Jan. 22, 1998
CONE DENIM SINCE 1891 & Design	Pakistan	App. No. 146117	Filed Jan. 22, 1998
SINCE 1891 CONE FABRICS & Ribbon Design	Pakistan	App. No. 152489	Filed Jan. 18, 1999
CONE	Paraguay	Reg. No. 186,896	Reg. July 26, 1996
CONE	Peru	Reg. No. 91084	Reg. May 27, 1991
CONE & Pine Cone Design	Peru	Reg. No. 91481	Reg. June 26, 1991
CONE & Pine Cone Design	Philippines	App. No. 124824	Filed Dec. 8, 1997
CONE & Globe Design	Philippines	App. No. 4199802974	Filed April 24, 1998
CONE	Poland	App. No. Z-167,144	Filed Nov. 29, 1996
CONE & Globe Design	Poland	App. No. Z-167,558	
CONE & Pine Cone Design	Poland	App. No. Z-169,946	

FOREIGN TRADEMARKS

MARK	COUNTRY	APPLICATION No./ REG. No.	FILING DATE/ REG. DATE
CONE & Pine Cone Design	Portugal	Reg. No. 10,311	Reg. Feb. 13, 1992
CONE & Pine Cone Design	Puerto Rico	Reg. No. 7,790	Reg. Jan. 3, 1992
CONE	Singapore	Reg. No. 7911/93	Reg. Oct. 11, 1993
Pine Cone Design	Singapore	Reg. No. 7912/93	Reg. Oct. 11, 1993
CONE	South Africa	Reg. No. 90/2409	Reg. March 29, 1990
Pine Cone Design	South Africa	Reg. No. 90/2410	Reg. March 29, 1990
CONE & Pine Cone Design	Spain	Reg. No. 1,562,481	Reg. Aug. 3, 1994
Pine Cone Design	Spain	Reg. No. 1,562,480	Reg. Nov. 5, 1991
CONE	Sri Lanka	App. No. 86736	Filed Feb. 3, 1998
CONE & Pine Cone Design	Sri Lanka	App. No. 86737	Filed Feb. 3, 1998
CONE & Globe Design	Sri Lanka	App. No. 86738	Filed Feb. 3, 1998
CONE DENIM SINCE 1891 & Design	Sri Lanka	App. No. 86739	Filed Feb. 3, 1998
CONE	Swaziland	Reg. No. 37/1993	Reg. Feb. 2, 1993
Pine Cone Design	Swaziland	Reg. No. 38/1993	Reg. Feb. 2, 1993
CONE	Taiwan	Reg. No. 503897	Reg. Nov. 1, 1990
CONE & Pine Cone Design	Taiwan	Reg. No. 503890	Reg. Nov. 1, 1990
CONE & Pine Cone Design	United Kingdom	Reg. No. 1,518,047	Reg. June 2, 1995
Pine Cone Design	United Kingdom	Reg. No. 1,420,695	Reg. Feb. 21, 1992
CONE	Vietnam	Reg. No. 8840	Reg. Aug. 5, 1993
Pine Cone Design	Vietnam	Reg. No. 8841	Reg. Aug. 5, 1993

PRIORITY SECURITY AGREEMENT

THIS PRIORITY SECURITY AGREEMENT (this "Priority Security Agreement") is made and entered into as of January 28, 2000 by **CONE MILLS CORPORATION**, a North Carolina corporation (the "Borrower" and a "Grantor"), **EACH OF THE UNDERSIGNED SUBSIDIARIES OF THE BORROWER** (each a "Guarantor" and a "Subsidiary Grantor", and collectively with the Borrower, the "Grantors"), and **BANK OF AMERICA, N.A.**, as Priority Collateral Agent (in such capacity, the "Priority Collateral Agent") under that certain Priority Collateral Agency Agreement of even date herewith among the Priority Collateral Agent, The Prudential Insurance Company of America, as holder of the Senior Notes (the "Senior Note Holder"), SunTrust Bank ("SunTrust") and Atlantic Financial Group, Ltd. ("Atlantic Financial"), as creditors of the Senior Lease Obligations (together, the "Senior Lease Creditor") and Bank of America, N.A., as Revolving Credit Agent (in such capacity, the "Revolving Credit Agent") for each of the Lenders (the "Lenders") now or hereafter party to the Credit Agreement (as defined in the Intercreditor Agreement), pursuant to which the Priority Collateral Agent serves as Priority Collateral Agent for the benefit of the Senior Note Holder, the Senior Lease Creditor, the Revolving Credit Agent and the Lenders. The Priority Collateral Agent and the Revolving Credit Agent, the Lenders, the Senior Note Holder, SunTrust and Atlantic Financial are collectively referred to herein as the "Priority Secured Parties." All capitalized terms used but not otherwise defined herein shall have the respective meanings assigned thereto in the Intercreditor Agreement (as defined below).

WITNESSETH:

WHEREAS, the Borrower is indebted to certain Senior Creditors pursuant to the Loan Documents, the Senior Note Documents and the Senior Lease Documents, as applicable; and

WHEREAS, as collateral security for payment and performance of all Priority Senior Obligations, the Borrower is willing to grant to the Priority Collateral Agent for the benefit of the Priority Secured Parties a security interest in all of its personal property and assets located in the United States pursuant to the terms of this Priority Security Agreement; and

WHEREAS, each Subsidiary Grantor has materially benefited, and will materially benefit, from the extensions of credit to the Borrower by each of the Priority Secured Parties pursuant to the Senior Credit Documents to which they are party; and

WHEREAS, the Material Domestic Subsidiaries of the Borrower are executing a Facility Guaranty dated as of the date hereof pursuant to which each Guarantor has guaranteed payment and performance of all of the Priority Senior Obligations;

WHEREAS, as collateral security for payment and performance by each Subsidiary Grantor of its Guarantor's Obligations and for payment and performance by the Borrower of all Priority Senior Obligations, each Subsidiary Grantor is willing to grant to the Priority Collateral Agent for the benefit of the Priority Secured Parties a security interest in all of its personal property and assets located in the United States pursuant to the terms of this Priority Security Agreement; and

WHEREAS, each of the Senior Note Holder, the Senior Lease Creditor, Morgan, the Priority Collateral Agent, the Designated Collateral Subagent, the General Priority Collateral Agent, and the Revolving Credit Agent have entered into the Intercreditor Agreement dated as of the date hereof (the "Intercreditor Agreement") for their mutual benefit, the benefit of those Persons for whom they respectively serve as agent, as applicable, and the benefit of the Bond Trustee and the Debenture Holders, which Intercreditor Agreement provides, among other terms, for the allocation of proceeds derived from any remedial actions undertaken pursuant to the terms of this General Security Agreement;

NOW, THEREFORE, in order to induce the Lenders to enter into the Loan Documents, and to induce the other Priority Secured Parties to make and maintain the extensions of credit evidenced by the Senior Notes and the Senior Lease Documents 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 Priority Security Agreement, not otherwise expressly defined herein or in the Intercreditor Agreement, and for which meanings are provided in the Uniform Commercial Code of the State of North Carolina (the "UCC"), shall have such meanings. The parties agree that with respect to terms that describe items or types of Collateral, the parties intend to and do hereby give effect, upon their respective effective dates, to revisions to the UCC effective after the date hereof to the extent, but only to the extent, such revisions either (i) provide meanings of terms not previously defined as items or types of property or (ii) expand the items of or interests in property that are included within a previously defined term, with the effect that each of such terms describing items or types of property shall at all times be interpreted in its broadest sense. The term "Qualifying Control Agreement" shall have the meaning set forth on Schedule 1 hereto.

2. **Grant of Security Interest.** The Borrower hereby grants as collateral security for the payment, performance and satisfaction of all of the Priority Senior Obligations now or hereafter owing by the Borrower, and the prompt payment and performance when due of its obligations and liabilities hereunder, and each Subsidiary Grantor hereby grants as collateral security for the payment, performance and satisfaction of all of its Guarantor's Obligations incurred with respect to the Priority Senior Obligations, and for the payment, performance and satisfaction of all Priority Senior Obligations, and the prompt payment and performance when due of its obligations and liabilities hereunder (such Priority Senior Obligations, such Guarantor's Obligations and all obligations and liabilities hereunder of the Borrower and each Subsidiary Grantor are referred to herein collectively as the "Secured Obligations"), to the Priority Collateral Agent for the benefit of the Priority Secured Parties a continuing security interest in and to, and collaterally assigns to the Priority Collateral Agent for the benefit of the Priority Secured Parties, the following property of such Grantor or in which such Grantor has or may have or may acquire an interest, whether now owned or existing or hereafter created, acquired or arising and wheresoever located (except that, in each case, such grant shall be limited to property of each Grantor located in the United States):

(a) All accounts, and including accounts receivable, contracts, bills, acceptances, choses in action, and other forms of monetary obligations at any time owing to such Grantor arising out of property sold, leased, licensed, assigned or otherwise disposed of or for services rendered or to be rendered by such Grantor, and all of such Grantor's rights with respect to any property represented thereby, whether or not delivered, property returned by customers and all rights as an unpaid vendor or lienor, including rights of stoppage in transit and of recovering possession by proceedings including replevin and reclamation (collectively referred to hereinafter as "Accounts");

(b) All inventory, including all goods manufactured or acquired for sale or lease, and any piece goods, raw materials, work in process and finished merchandise, component materials, and all supplies, goods, incidentals, office supplies, packaging materials and any and all items used or consumed in the operation of the business of such Grantor or which may contribute to the finished product or to the sale, promotion and shipment thereof, in which such Grantor now or at any time hereafter may have an interest, whether or not the same is in transit or in the constructive, actual or exclusive occupancy or possession of such Grantor or is held by such Grantor or by others for such Grantor's account (collectively referred to hereinafter as "Inventory");

(c) All goods, including all machinery, equipment, motor vehicles, parts, supplies, apparatus, appliances, tools, patterns, molds, dies, blueprints, fittings, furniture, furnishings, fixtures and articles of tangible personal property of every description (collectively referred to hereinafter as "Equipment");

(d) All general intangibles, including all rights now or hereafter accruing to such Grantor under contracts, leases, agreements or other instruments to perform or receive services, to purchase or sell goods, to hold or use land or facilities, and to enforce all rights thereunder, all causes of action, corporate or business records, inventions, designs, goodwill, copyrights, licenses, permits, franchises, customer lists, computer programs and software, all payment intangibles, all claims under guaranties, tax refund claims, all rights and claims against carriers and shippers, leases, all claims under insurance policies, all interests in general and limited partnerships, limited liability companies, and other Persons not constituting Investment Property (as defined below), all rights to indemnification and all other intangible personal property and intellectual property of every kind and nature (collectively referred to hereinafter as "General Intangibles");

(e) All of such Grantor's right, title and interest, whether now owned or hereafter acquired, in and to all United States and foreign trademarks, trade names, trade dress, service marks, trademark and service mark registrations, and applications for trademark or service mark registration and any renewals thereof (including without limitation each trademark, trade name, trade dress, registration and application material to each Grantor's business or otherwise of material value which are identified in Schedule 5-A attached hereto and incorporated herein by reference or hereafter acquired (collectively the "Material Trademarks")) and including all income, royalties, damages

and payments now and hereafter due and/or payable with respect thereto (including without limitation damages for past or future infringements thereof), the right to sue or otherwise recover for all past, present and future infringements thereof, all rights corresponding thereto throughout the world (but only such rights as now exist or may come to exist under applicable local law) and all other rights of any kind whatsoever of each Grantor accruing thereunder or pertaining thereto, together in each case with the goodwill of the business connected with the use of, and symbolized by, each such trademark and service mark (collectively, and including but not limited to Material Trademarks referred to as the "Trademarks");

(f) All license agreements regarding Trademarks with any other party, whether such Grantor is a licensor or licensee under any such license agreement (including without limitation the licenses material to each Grantor's business or otherwise of material value which are listed on Schedule 5-B attached hereto and incorporated herein by reference or hereafter acquired (collectively, the "Material Licenses")), and the right to prepare for sale, sell and advertise for sale, all Inventory now or hereafter owned by such Grantor and now or hereafter covered by such licenses (collectively, and including but not limited to Material Licenses, referred to as the "Licenses")); and

(g) All deposit accounts other than Securitization Deposit Accounts, including demand, time, savings, passbook, or other similar accounts maintained with any bank by or for the benefit of such Grantor (collectively referred to hereinafter as "Deposit Accounts");

(h) All chattel paper, including tangible chattel paper, electronic chattel paper, or any hybrid thereof (collectively referred to hereinafter as "Chattel Paper");

(i) All investment property, including all securities, security entitlements, securities accounts, commodity contracts and commodity accounts of or maintained for the benefit of such Grantor (collectively referred to hereinafter as "Investment Property");

(j) All instruments, including all promissory notes (collectively referred to hereinafter as "Instruments");

(k) All documents, including warehouse receipts, bills of lading and other documents of title (collectively referred to hereinafter as "Documents");

(l) All supporting obligations pertaining to any of the foregoing, including all letter of credit rights (including rights to proceeds of letters of credit), and all guaranties and other Contingent Obligations of any Person (collectively referred to hereinafter as "Supporting Obligations");

(m) All books and records relating to any of the foregoing (including customer data, credit files, ledgers, computer programs, printouts, and other computer materials and records (and all media on which such data, files, programs, materials and records are or may be stored)); and

(n) All proceeds, products and replacements of, accessions to, and substitutions for, any of the foregoing, including without limitation proceeds of insurance policies insuring any of the foregoing;

provided, however, notwithstanding the foregoing provisions of this Section 2, upon the sale, contribution or other transfer by any Grantor prior to the Security Termination Date of an interest in any Receivable (as defined in the Receivables Purchase Agreement) to the Receivables Seller (as defined in the Receivables Purchase Agreement) pursuant to the Transfer Agreement (as defined in the Receivables Purchase Agreement), the security interest granted under this Priority Security Agreement in items of property constituting such Receivable or Collections (as defined in the Receivables Purchase Agreement) thereon shall automatically and without further action cease and be released and discharged; provided further, however, that such release and discharge shall occur and be effective only with respect to interests in such property and only to the extent expressly provided for in the Securitization Intercreditor Agreement (such items of property in which the security interest hereunder is released by virtue of the foregoing proviso are collectively referred to as the "Excluded Accounts").

All of the property and interests in property described in subsections (a) through (n) (other than Excluded Accounts) are herein collectively referred to as the "Collateral". Notwithstanding the foregoing, the grant by each Subsidiary Grantor of a security interest in the Collateral individually to secure any of the Priority Senior Obligations separate and apart from its Guarantor's Obligation shall be limited to an aggregate amount of Collateral equal to the largest amount of Collateral that would not render its obligations hereunder subject to avoidance under Section 548 of the United States Bankruptcy Code or any comparable provisions of any applicable state law.

3. Perfection. At the time of execution of this Priority Security Agreement, each Grantor shall have:

(a) furnished the Priority Collateral Agent with properly executed financing statements in form, number and substance suitable for filing, sufficient under applicable law, and satisfactory to the Priority Collateral Agent in order that upon the filing of the same the Priority Collateral Agent, for the benefit of the Priority Secured Parties, shall have a duly perfected security interest in all Collateral in which a security interest can be perfected by the filing of financing statements;

(b) to the extent expressly required by the terms hereof or of any other Priority Security Instrument or any Transaction Document, or otherwise as the Priority Collateral Agent may request, furnished the Priority Collateral Agent with properly executed Qualifying Control Agreements, registrars' certificates, issuer acknowledgments of the Priority Collateral Agent's interest in letter of credit rights, and evidence of the electronic identification of the Priority Collateral Agent's interest for the benefit of the Priority Secured Parties in electronic chattel paper and of the placement of a restrictive legend on tangible chattel paper, as appropriate, with respect to Collateral in which either (i) a security interest can be perfected only by control or such electronic identification or

restrictive legending, or (ii) a security interest perfected by control or accompanied by such electronic identification or restrictive legending shall have priority as against a security interest perfected by Persons not having control or not accompanied by such electronic identification or restrictive legending, in each case in form and substance acceptable to the Priority Collateral Agent and sufficient under applicable law so that the Priority Collateral Agent, for the benefit of the Priority Secured Parties, shall have a security interest in all such Collateral perfected by control; and

(c) to the extent expressly required by the terms hereof or of any Transaction Document, or otherwise as the Priority Collateral Agent may request, delivered to the Priority Collateral Agent, possession of all Collateral with respect to which either a security interest can be perfected only by possession or a security interest perfected by possession shall have priority as against Persons not having possession, and including in the case of Instruments, Documents, and Investment Property in the form of certificated securities, duly executed endorsements or stock powers in blank, as the case may be, affixed thereto in form and substance acceptable to the Priority Collateral Agent and sufficient under applicable law so that the Priority Collateral Agent, for the benefit of the Priority Secured Parties, shall have a security interest in all such Collateral perfected by possession; subject in each case only to Permitted Liens; and

(d) executed in blank and delivered to the Priority Collateral Agent an assignment of licenses and federally registered trademarks and licenses (the "Assignment of Trademarks and Licenses") owned by it in the form of Exhibit A hereto. Each Grantor hereby authorizes the Priority Collateral Agent to complete as Assignee and record with the United States Patent and Trademark Office (the "Patent and Trademark Office") each Assignment of Trademarks and Licenses upon the occurrence of an Event of Default (as defined herein) that is continuing at the time of filing, and the Priority Collateral Agent agrees not to so file the Assignment of Trademarks and Licenses until an Event of Default has occurred.

All financing statements (including all amendments thereto and continuations thereof), control agreements, certificates, acknowledgments, stock powers and other documents, electronic identification, restrictive legends, and instruments furnished in connection with the creation, enforcement, protection, perfection or priority of the Priority Collateral Agent's security interest in Collateral, including such items as are described above in this Section 3 are sometimes referred to herein as "Perfection Documents." The delivery of possession of items of or evidencing Collateral, causing other Persons to execute and deliver Perfection Documents as appropriate, the filing or recordation of Perfection Documents, and the taking of such other actions as may be necessary or advisable in the determination of the Priority Collateral Agent to create, enforce, protect, perfect, or establish or maintain the priority of, the security interest of the Priority Collateral Agent for the benefit of the Priority Secured Parties in the Collateral is sometimes referred to herein as "Perfection Action."

4. Maintenance of Security Interest; Further Assurances.

(a) Each Grantor will from time to time at its own expense, deliver specific assignments of Collateral or such other Perfection Documents, and take such other or additional Perfection Action, as may be required by the terms of the Transaction Documents or as the Priority Collateral Agent may reasonably request in connection with the administration or enforcement of this Priority Security Agreement or related to the Collateral or any part thereof in order to carry out the terms of this Priority Security Agreement, to perfect, protect, maintain the priority of or enforce the Priority Collateral Agent's security interest in the Collateral, subject only to Permitted Liens, or otherwise to better assure and confirm unto the Priority Collateral Agent its rights, powers and remedies for the benefit of the Priority Secured Parties hereunder. Without limiting the foregoing, each Grantor hereby irrevocably authorizes the Priority Collateral Agent to file (with, or to the extent permitted by applicable law, without the signature of the Grantor appearing thereon) financing statements or other Perfection Documents (including copies thereof) showing such Grantor as "debtor" and the Priority Collateral Agent in such capacity as "Priority Secured Party" at such time or times and in all filing offices as the Priority Collateral Agent may from time to time determine to be necessary or advisable to perfect or protect the rights of the Priority Collateral Agent and the Priority Secured Parties hereunder, or otherwise to give effect to the transactions herein contemplated. Without limiting the generality of the foregoing, each Grantor will execute and file (with the appropriate governmental offices, authorities, agencies and regulatory bodies in the United States and any applicable foreign jurisdiction) such supplements to this Priority Security Agreement and such financing or continuation statements, or amendments thereto, and such other instruments or notices, including executed Assignments of Trademarks and Licenses with the Patent and Trademark Office, as may be necessary or desirable, or as the Priority Collateral Agent, on behalf of the Priority Secured Parties, may reasonably request, in order to perfect and preserve the security interests granted hereby.

(b) With respect to any and all Collateral, each 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 Priority Collateral Agent for the benefit of the Priority Secured Parties, including, but not limited to, the prompt payment upon demand therefor by the Priority Collateral Agent 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 Priority Collateral Agent for the benefit of the Priority Secured Parties, subject only to Permitted Liens. All amounts not so paid when due shall constitute additional Secured Obligations and (in addition to other rights and remedies resulting from such nonpayment) shall bear interest from the date of demand until paid in full at the Default Rate.

(c) Each 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 Priority Collateral Agent for the benefit of the Priority Secured Parties.

(d) Each Grantor agrees that, should it have or obtain an ownership interest in any Material Trademark or trademark application that is not now identified on Schedule 5-A or any Material License that is not now identified on Schedule 5-B: (i) the provisions of this Agreement shall automatically apply to such item, and such item shall automatically become part of the Collateral; and (ii) such Grantor shall, within three months after acquiring or becoming aware of such ownership interest, (A) give written notice thereof to the Priority Collateral Agent, (B) with respect to Material Trademarks, cause such Trademarks to be properly registered with the Patent and Trademark Office and (C) with respect to Material Trademarks and Material Licenses, prepare, execute and file in the Patent and Trademark Office or in the equivalent agencies in any foreign jurisdiction, and in each applicable filing or recording office under the applicable Uniform Commercial Code within the requisite time period, all documents and financing statements that are known by such Grantor to be necessary or that the Priority Collateral Agent, on behalf of the Priority Secured Parties, reasonably requests in order to perfect the security interest of the Priority Collateral Agent, on behalf of the Priority Secured Parties, therein. Each Grantor authorizes the Priority Collateral Agent, on behalf of the Priority Secured Parties, to execute and file such a document in the name of such Grantor if such Grantor fails to do so.

(e) No Grantor shall do any act or omit to do any act whereby any Material Trademark may become dedicated or abandoned, except where such dedication or abandonment (i) will not materially adversely affect the business, condition (financial or otherwise), operations, performance, or properties of such Grantor individually or of such Grantor and its Subsidiaries taken as a whole, and (ii) is in the ordinary course of such Grantor's business. Each Grantor agrees to notify the Priority Collateral Agent promptly and in writing if it learns that any Material Trademark may become abandoned or dedicated or of any adverse determination or any development (including without limitation the institution of any proceeding in the Patent and Trademark Office or in the equivalent agencies in any foreign jurisdiction, or any court) regarding any Material Trademark.

(f) Each Grantor agrees that in the event that any Material Trademark is infringed or misappropriated by a third party, such Grantor shall promptly notify the Priority Collateral Agent and shall take all reasonable steps to terminate the infringement or misappropriation, and take such other actions as such Grantor shall deem appropriate under the circumstances to protect such Trademark. Any expense incurred in connection with such activities shall be borne by such Grantor.

5. **Receipt of Payment.** In the event an Event of Default shall occur and be continuing and a 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, each Grantor shall hold all such items of payment in trust for the Priority Collateral Agent for the benefit of the Priority Secured

Parties, and as the property of the Priority Collateral Agent for the benefit of the Priority Secured Parties, separate from the funds and other property of such Grantor, and no later than the first Business Day following the receipt thereof, at the election of the Priority Collateral Agent such Grantor shall cause such Collateral to be forwarded to the Priority Collateral Agent for its custody, possession and disposition on behalf of the Priority Secured Parties in accordance with the terms hereof and of the Intercreditor Agreement.

6. Preservation and Protection of Collateral.

(a) The Priority Collateral Agent shall be under no duty or liability with respect to the collection, protection or preservation of the Collateral, or otherwise, except to the extent expressly contemplated under Section 25. Each Grantor shall be responsible for the safekeeping of its Collateral, and in no event shall the Priority Collateral Agent have any responsibility for (i) any loss or damage thereto or destruction thereof occurring or arising in any manner or fashion from any cause, (ii) any diminution in the value thereof, or (iii) any act or default of any carrier, warehouseman, bailee or forwarding agency thereof or other Person in any way dealing with or handling such Collateral.

(b) Each Grantor shall keep and maintain its tangible personal property Collateral in good operating condition and repair, ordinary wear and tear excepted. No Grantor shall permit any such items to become a fixture to real property (unless such Grantor has granted the Priority Collateral Agent for the benefit of the Priority Secured Parties a Lien on such real property having a priority acceptable to the Required Priority Secured Parties) or accessions to other personal property.

(c) Each 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 applied on a Consistent Basis (as each capitalized term is defined in the Credit Agreement) and evidenced to the satisfaction of the Priority Collateral Agent 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 (other than Permitted Liens) on the Collateral. Upon the failure of any Grantor to so pay or contest such taxes, charges, or assessments, or cause such Liens to be terminated, the Priority Collateral Agent at its option may pay or contest any of them or amounts relating thereto (the Priority Collateral Agent having the sole right to determine the legality or validity of 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 Priority Collateral Agent, including reasonable attorneys' fees, court costs, expenses and other charges related thereto, shall be payable on demand by the applicable Grantor to the Priority Collateral Agent 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 bear interest from the date of demand until paid in full at the Default Rate.

7. **Status of Grantors and Collateral Generally.** Each Grantor represents and warrants to, and covenants with, the Priority Collateral Agent for the benefit of the Priority Secured Parties, with respect to itself and the Collateral as to which it has or acquires any interest, that:

(a) It is (or as to Collateral acquired after the date hereof will be upon the acquisition of the same) and, except as permitted by each of the Transaction Documents and subsection (b) of this Section 7, will continue to be, the owner of the Collateral, free and clear of all Liens, other than the security interest hereunder in favor of the Priority Collateral Agent for the benefit of the Priority Secured Parties and Permitted Liens, and that it will at its own cost and expense defend such Collateral and any products and proceeds thereof against all claims and demands of all Persons (other than holders of Permitted Liens) at any time claiming the same or any interest therein adverse to the Priority Secured Parties. Upon the failure of any Grantor to so defend, the Priority Collateral Agent may do so at its option but shall not have any obligation to do so. All sums so disbursed by the Priority Collateral Agent, including reasonable attorneys' fees, court costs, expenses and other charges related thereto, shall be payable on demand by the applicable Grantor to the Priority Collateral Agent 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 bear interest from the date of demand until paid in full at the Default Rate.

(b) It shall not (i) sell, assign, transfer, lease, license or otherwise dispose of any of, or grant any option with respect to, the Collateral, except for dispositions permitted under each of the Transaction Documents, (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 Priority Security Agreement and Permitted Liens, 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 such Grantor in the Collateral taken as a whole or that would materially impair the security interests or rights of the Priority Collateral Agent for the benefit of the Priority Secured Parties.

(c) It has full power, legal right and lawful authority to enter into this Priority Security Agreement and to perform its terms, including the grant of the security interests in the Collateral herein provided for and this Priority Security Agreement constitutes the valid and binding obligations of such Grantor enforceable against such Grantor in accordance with its terms.

(d) No authorization, consent, approval or other action by, and no notice to or filing with, any Governmental Authority or any other Person is required either (i) for the grant by such Grantor of the security interests granted hereby or for the execution, delivery or performance of this Priority Security Agreement by such Grantor, or (ii) for the perfection of or the exercise by the Priority Collateral Agent on behalf of the Priority Secured Parties, of its rights and remedies hereunder, except for action required by the Uniform Commercial Code to perfect the security interest conferred hereunder.

(e) 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 such 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 pertain to Permitted Liens and such as may have been filed for the benefit of, delivered to, or taken in favor of, the Priority Collateral Agent for the benefit of the Priority Secured Parties in connection with the security interests conferred hereunder.

(f) Schedule 2 attached hereto contains true and complete information as to each of the following: (i) the exact legal name of each Grantor as it appears in its Organizational Documents as of the date hereof and at any time during the five (5) year period ending as of the date hereof (the "Covered Period"), (ii) the jurisdiction of formation and form of organization of each Grantor, (iii) each address of the chief executive office of each Grantor as of the date hereof and at any time during the Covered Period, (iv) all trade names or trade styles used by such Grantor as of the date hereof and at any time during the Covered Period, (v) the address of each location of such Grantor within the United States at which any tangible personal property Collateral with an aggregate book value or fair market value, whichever is greater, of at least \$500,000 and any Account Records and Account Documents, are located at the date hereof or have been located at any time during the Covered Period, (vi) with respect to each location described in clause (v) that is not owned beneficially and of record by such Grantor, the name and address of the owner thereof; and (vii) the name of each Person other than such Grantor and the address of such Person at which any tangible personal property Collateral of such Grantor within the United States with an aggregate book value or fair market value, whichever is greater, of at least \$500,000 is held under any warehouse, consignment, bailment or other arrangement as of the date hereof. No Grantor shall change its name, change its jurisdiction of formation (whether by reincorporation, merger or otherwise), change the location of its chief executive office, utilize any additional location within the United States where tangible personal property Collateral with an aggregate book value or fair market value, whichever is greater, of at least \$500,000, or where any Account Records and Account Documents, may be located, change or use any additional or different trade name or style, except in each case upon giving written notice to the Priority Collateral Agent and taking or causing to be taken at such Grantor's expense all such Perfection Action, including the delivery of such Perfection Documents, as may be reasonably requested by the Priority Collateral Agent to perfect or protect, or maintain the perfection and priority of, the Lien of the Priority Collateral Agent for the benefit of the Priority Secured Parties in Collateral contemplated hereunder within thirty (30) days from such change.

(g) No Grantor shall engage in any consignment transaction in respect of any of the Collateral, whether as consignee or consignor, without the prior written consent of the Priority Collateral Agent in each instance.

(h) No Grantor shall cause, suffer or permit any of the tangible personal property Collateral with an aggregate book value or fair market value, whichever is greater, of at least \$500,000 (i) to be evidenced by any document of title (except for shipping documents as necessary or customary to effect the delivery of inventory to customers in the ordinary course of business) or (ii) to be in the possession, custody or control of any warehouseman or other bailee within the United States unless such location and Person are set forth on Schedule 2 or the Priority Collateral Agent shall have received written notice of each such transaction, the Priority Collateral Agent shall have received a duly executed Qualifying Control Agreement from such bailee, and the Grantor shall have caused at its expense to be prepared and executed such additional Perfection Documents and to be taken such other Perfection Action as the Priority Collateral Agent may deem necessary or advisable to carry out the transactions contemplated by this Priority Security Agreement within thirty (30) days of such transaction.

(i) No tangible personal property Collateral (excluding Account Records and Account Documents) with an aggregate book value or fair market value, whichever is greater, in excess of \$500,000 and no Account Records or Account Documents, are or shall be located at any location within the United States that is leased by such Grantor from any other Person, unless (x) such location and lessor is set forth on Schedule 2 attached hereto or such Grantor provides written notice thereof to the Priority Collateral Agent, (y) such lessor acknowledges the Lien in favor of the Priority Collateral Agent for the benefit of the Priority Secured Parties conferred hereunder and waives its statutory and consensual liens and rights with respect to such Collateral in form and substance acceptable to the Priority Collateral Agent and delivered in writing to the Priority Collateral Agent prior to any Collateral being located at any such location, and (z) the Grantor shall have caused at its expense to be prepared and executed such additional Perfection Documents and to be taken such other Perfection Action as the Priority Collateral Agent may deem necessary or advisable to carry out the transactions contemplated by this Priority Security Agreement, in each case within thirty (30) days of the movement of such Collateral to such new location.

(j) It has notified the Priority Collateral Agent in writing of all uses of any Material Trademark prior to such Grantor's use, of which such Grantor is aware, which would in the reasonable judgment of such Grantor lead to such item becoming invalid or unenforceable, including prior unauthorized uses by third parties and uses that were not supported by the goodwill of the business connected with such item.

(k) No claim has been made (and, as to any Material Trademark with respect to which such Grantor is a licensor, to the knowledge of such Grantor, no claim has been made against the third party licensee), and such Grantor has no knowledge of any claim that is likely to be made, that the use by such Grantor of any Material Trademark does or may violate the rights of any Person.

(l) It has no right, title and interest, now owned, in any United States or foreign copyrights and patents (nor applications for copyrights or patents) that are

material to its business or otherwise of material value (respectively, "Material Patents" and "Material Copyrights"). Each Grantor agrees that, should it have or obtain an ownership interest in any Material Patent, Material Copyright, Material Patent application or Material Copyright application: (i) the provisions of this Priority Security Agreement shall automatically apply to such item, and such item shall automatically become part of the Collateral and (ii) such Grantor shall, within three months after acquiring or becoming aware of such ownership interest, (A) give written notice thereof to the Priority Collateral Agent, (B) cause such Material Patent or Material Copyright to be properly registered with the Patent and Trademark Office and (C) prepare, execute and file in the Patent and Trademark Office or in the equivalent agencies in any foreign jurisdiction, and in each applicable filing or recording office under the applicable Uniform Commercial Code, within the requisite time period, all documents and financing statements that are known by such Grantor to be necessary or that the Priority Collateral Agent, on behalf of the Priority Secured Parties, reasonably requests in order to perfect the security interest of the Priority Collateral Agent, on behalf of the Priority Secured Parties, therein. Each Grantor authorizes the Priority Collateral Agent, on behalf of the Priority Secured Parties, to execute and file all such documents and financing statements in the name of such Grantor if such Grantor fails to do so.

8. **Inspection.** The Priority Collateral Agent (by any of its officers, employees and agents), on behalf of the Priority Secured Parties, shall have the right upon prior notice to an executive officer of any Grantor, and at any reasonable times during such Grantor's usual business hours, to inspect the Collateral, all records related thereto (and to make extracts or copies from such records), and the premises upon which any of the Collateral is located, to discuss such Grantor's affairs and finances with any Person (other than Persons obligated on any Accounts ("Account Debtors")) except as expressly otherwise permitted in the any of the Transaction Documents) and to verify with any Person other than (except as expressly otherwise permitted in any of the Transaction Documents) 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 such Grantor's affairs and finances with such 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 Priority Collateral Agent may at any time and from time to time employ and maintain on such Grantor's premises a custodian selected by the Priority Collateral Agent who shall have full authority to do all acts necessary to protect the Priority Collateral Agent's (for the benefit of the Priority Secured Parties) security interests in the Collateral. All reasonable expenses incurred by the Priority Collateral Agent, on behalf of the Priority Secured Parties, by reason of the employment of such custodian shall be paid by such Grantor on demand from time to time and shall be added to the 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 bear interest from the date of demand until paid in full at the Default Rate.

9. Specific Collateral.

(a) **Accounts.** With respect to its Accounts (other than Excluded Accounts) whether now existing or hereafter created or acquired and wheresoever located, each Grantor represents, warrants and covenants to the Priority Collateral Agent for the benefit of the Priority Secured Parties that:

(i) Each Grantor shall keep accurate and complete records of its Accounts (“Account Records”) and from time to time at intervals designated by the Priority Collateral Agent such Grantor shall provide the Priority Collateral Agent with a schedule of Accounts in form and substance acceptable to the Priority Collateral Agent describing all Accounts created or acquired by such Grantor (a “Schedule of Accounts”); provided, however, that such Grantor's failure to execute and deliver any such Schedule of Accounts shall not affect or limit the Priority Collateral Agent's security interest or other rights in and to any Accounts for the benefit of the Priority Secured Parties. If requested by the Priority Collateral Agent, each Grantor shall furnish the Priority Collateral Agent with copies of proof of delivery and other documents relating to the Accounts so scheduled, including without limitation repayment histories and present status reports (collectively, “Account Documents”) and such other matter and information relating to the status of then existing Accounts as the Priority Collateral Agent shall request.

(ii) All Account Records and Account Documents are and shall at all times be located only at such Grantor's current chief executive office as set forth on Schedule 2 attached hereto, such other locations as are specifically identified on Schedule 2 attached hereto as an “Account Documents location,” or as to which the Grantor has complied with Section 7(f) hereof.

(iii) The Accounts are genuine, are in all respects what they purport to be, are not evidenced by an instrument or document or, if evidenced by an instrument or document, are only evidenced by one original instrument or document.

(iv) The Accounts cover bona fide sales and deliveries of Inventory usually dealt in by such Grantor, or the rendition by such Grantor of services, to an Account Debtor in the ordinary course of business.

(v) The amounts of the face value of any Account shown or reflected on any Schedule of Accounts, invoice statement, or certificate delivered to the Priority Collateral Agent, are actually owing to such Grantor and are not contingent for any reason; and there are no setoffs, discounts, allowances, claims, counterclaims or disputes of any kind or description in an amount greater than \$2,500,000 in the aggregate, or greater than \$1,000,000 individually, existing or asserted with respect thereto and such Grantor has not made any agreement with any Account Debtor thereunder for any deduction therefrom, except as may be

stated in the Schedule of Accounts and reflected in the calculation of the face value of each respective invoice related thereto.

(vi) Except for conditions generally applicable to such Grantor's industry and markets, there are no facts, events, or occurrences known to such Grantor pertaining particularly to any Accounts which are reasonably expected to materially impair in any way the validity, collectibility or enforcement of Accounts that would reasonably be likely, in the aggregate, to be of material economic value, or in the aggregate materially reduce the amount payable thereunder from the amount of the invoice face value shown on any Schedule of Accounts, or on any certificate, contract, invoice or statement delivered to the Priority Collateral Agent with respect thereto.

(vii) The goods or services giving rise thereto are not, and were not at the time of the sale or performance thereof, subject to any Lien, claim, encumbrance or security interest, except those granted to the Priority Collateral Agent for the benefit of Priority Secured Parties and Permitted Liens.

(viii) In the event any amounts due and owing in excess of \$1,000,000 individually, or \$2,500,000 in the aggregate amount, are in dispute between any Account Debtor and a Grantor (which shall include without limitation any dispute in which an offset claim or counterclaim may result), such Grantor shall provide the Priority Collateral Agent with written notice thereof as soon as practicable, explaining in detail the reason for the dispute, all claims related thereto and the amount in controversy.

(b) **Inventory.** With respect to its Inventory whether now existing or hereafter created or acquired and wheresoever located, each Grantor represents, warrants and covenants to the Priority Collateral Agent for the benefit of the Priority Secured Parties that:

(i) Each Grantor shall keep accurate and complete records itemizing and describing the kind, type, location and quantity of Inventory, its cost therefor and the selling price of Inventory held for sale, and the daily withdrawals therefrom and additions thereto, and shall furnish to the Priority Collateral Agent from time to time at reasonable intervals designated by the Priority Collateral Agent, a current schedule of Inventory ("Schedule of Inventory") based upon its most recent physical inventory and its daily inventory records. Each Grantor shall conduct a physical inventory no less frequently than annually, and shall furnish to the Priority Collateral Agent such other documents and reports thereof as the Priority Collateral Agent shall reasonably request with respect to the Inventory.

(ii) The aggregate book or market value, whichever is greater, of all Inventory kept at locations listed on Schedule 2 which are not owned by the Grantors does not exceed \$2,000,000 in the aggregate or \$1,000,000 individually at any location.

(iii) The aggregate book or market value, whichever is greater, of all Inventory of the Grantors kept at locations outside the United States shall not exceed \$3,000,000.

(iv) All Inventory required by Section 7(f) hereof to be disclosed on Schedule 2 hereof is and shall at all times be located only at the locations set forth on Schedule 2 hereto or at such other locations as to which such Grantor has complied with Section 7(f) hereof provided, however, the Grantor may remove Inventory in the ordinary course of business in connection with its processing, transformation, sale, lease, license or other permitted disposition.

(v) If any Account Debtor returns any Inventory to a Grantor after shipment thereof, and such return generates a credit in excess of \$1,000,000 on any individual Account or \$2,500,000 in the aggregate on any Accounts of such Account Debtor, such Grantor shall notify the Priority Collateral Agent in writing of the same as soon as practicable.

(c) **Equipment.** With respect to its Equipment whether now existing or hereafter created or acquired and wheresoever located, each Grantor represents, warrants and covenants to the Priority Collateral Agent for the benefit of the Priority Secured Parties that:

(i) The Grantors, as soon as practicable following a request therefor by the Priority Collateral Agent, shall deliver to the Priority Collateral Agent any and all evidence of ownership of any of the Equipment (including without limitation certificates of title and applications for certificates of title).

(ii) The Grantors shall maintain accurate, itemized records describing the kind, type, quality, quantity and value of its Equipment and shall furnish the Priority Collateral Agent upon request with a current schedule containing the foregoing information, but, other than during the continuance of an Event of Default, not more often than once per fiscal quarter.

(iii) All Equipment is and shall at all times be located only at such Grantor's locations as set forth on Schedule 2 attached hereto or at such other locations as to which such Grantor has complied with Section 7(f) hereof or locations outside the United States. No Grantor shall, other than as expressly permitted under each of the Transaction Documents, sell, lease, transfer, dispose of or remove any Equipment from such locations or sell, lease, transfer, dispose of or move any Equipment to any location outside of the United States.

(d) **Supporting Obligations.** With respect to its Supporting Obligations (other than those solely supporting Excluded Accounts) whether now existing or hereafter created or acquired and wheresoever located, each Grantor represents, warrants and

covenants to the Priority Collateral Agent for the benefit of the Priority Secured Parties that:

(i) Each Grantor shall (i) maintain at all times, and furnish to the Priority Collateral Agent from time to time at the Priority Collateral Agent's request, a current list identifying in reasonable detail each Supporting Obligation relating to any Collateral from a single obligor in excess of \$250,000, and (ii) upon the request of the Priority Collateral Agent from time to time following the occurrence and during the continuance of any Default or Event of Default, deliver to the Priority Collateral Agent the originals of all documents evidencing or constituting Supporting Obligations, together with such other documentation (executed as appropriate by the Grantor) and information as may be necessary to enable the Priority Collateral Agent to realize upon the Supporting Obligations in accordance with their respective terms or transfer the Supporting Obligations as may be permitted hereunder or under the terms of the Intercreditor Agreement or by applicable law.

(ii) With respect to each letter of credit that constitutes a Supporting Obligation and has an aggregate stated amount available to be drawn in excess of \$500,000, each Grantor shall, within thirty (30) days of the issuance of each such letter of credit, cause the issuer thereof to execute and deliver to the Priority Collateral Agent a Qualifying Control Agreement.

(iii) With respect to each transferable letter of credit that constitutes a Supporting Obligation and has an aggregate stated amount available to be drawn in excess of \$500,000, each Grantor shall, within thirty (30) days of the issuance of each such letter of credit, deliver to the Priority Collateral Agent a duly executed, undated transfer form in blank sufficient in form and substance under the terms of the related letter of credit to effect, upon completion and delivery to the letter of credit issuer together with any required fee, the transfer of such letter of credit to the transferee identified in such form. Each Grantor hereby expressly authorizes the Priority Collateral Agent following the occurrence and during the continuance of any Event of Default to complete and tender each such transfer form as transferor in its own name or in the name, place and stead of the Grantor in order to effect any such transfer, either to the Priority Collateral Agent or to another transferee, as the case may be, in connection with any sale or other disposition of Collateral or for any other purpose permitted under the terms of the Intercreditor Agreement or by applicable law.

(e) **Investment Property.** With respect to its Investment Property whether now existing or hereafter created or acquired and wheresoever located, each Grantor represents, warrants and covenants to the Priority Collateral Agent for the benefit of the Priority Secured Parties that:

(i) Schedule 3 attached hereto contains a true and complete description of (x) the name and address of each securities intermediary and each

commodity intermediary with which such Grantor maintains a securities account or commodity account in which Investment Property is or may at any time be credited or maintained, and (y) all other Investment Property of such Grantor other than interests in Subsidiaries in which such Grantor has granted a Lien to the Priority Collateral Agent for the benefit of the Priority Secured Parties pursuant to a Pledge Agreement.

(ii) Except with the express prior written consent of the Priority Collateral Agent in each instance, all Investment Property other than interests in Subsidiaries in which such Grantor has granted a Lien to the General Collateral Agent for the benefit of the General Secured Parties pursuant to a Pledge Agreement shall be maintained at all times in the form of (A) certificated securities, which certificates shall have been delivered to the Priority Collateral Agent together with duly executed undated stock powers endorsed in blank pertaining thereto, or (B) security entitlements credited to one or more securities accounts as to each of which the Priority Collateral Agent has received (x) copies of the account agreement between the applicable securities intermediary and the Grantor and the most recent statement of account pertaining to such securities account (each certified to be true and correct by an officer of the Grantor) and (y) a Qualifying Control Agreement from the applicable securities intermediary which remains in full force and effect and as to which the Priority Collateral Agent has not received any notice of termination or (C) commodity contracts credited to one or more commodity accounts as to each of which the Priority Collateral Agent has received (x) copies of the account agreement between the applicable commodity intermediary and the Grantor and the most recent statement of account pertaining to such commodity account (each certified to be true and correct by an officer of the Grantor) and (y) a Qualifying Control Agreement from the applicable commodity intermediary which remains in full force and effect and as to which the Priority Collateral Agent has not received any notice of termination. Without limiting the generality of the foregoing, no Grantor shall cause, suffer or permit any Investment Property to be credited to or maintained in any securities account not listed on Schedule 3 attached hereto except in each case upon giving not less than thirty (30) days' prior written notice to the Priority Collateral Agent and taking or causing to be taken at such Grantor's expense all such Perfection Action, including the delivery of such Perfection Documents, as may be reasonably requested by the Priority Collateral Agent to perfect or protect, or maintain the perfection and priority of, the Lien of the Priority Collateral Agent for the benefit of the Priority Secured Parties in Collateral contemplated hereunder.

(iii) All dividends and other distributions with respect to any of the Investment Property shall be subject to the security interest conferred hereunder

(iv) So long as no Event of Default shall have occurred and be continuing, the registration of Investment Property in the name of a Grantor as record and beneficial owner shall not be changed and such Grantor shall be

entitled to exercise all voting and other rights and powers pertaining to Investment Property for all purposes not inconsistent with the terms hereof or of any Qualifying Control Agreement relating thereto.

(v) Upon the occurrence and during the continuance of any Event of Default, at the option of the Priority Collateral Agent or written direction of the Required Priority Secured Parties, all rights of the Grantors to exercise the voting or consensual rights and powers which it is authorized to exercise pursuant to clause (iv) immediately above shall cease and the Priority Collateral Agent may thereupon (but shall not be obligated to), at its request, cause such Collateral to be registered in the name of the Priority Collateral Agent or its nominee or agent for the benefit of the Priority Secured Parties and/or exercise such voting or consensual rights and powers as appertain to ownership of such Collateral, and to that end each Grantor hereby appoints the Priority Collateral Agent as its proxy, with full power of substitution, to vote and exercise all other rights as a holder of such Investment Property upon the occurrence and during the continuance of any Event of Default, which proxy is coupled with an interest and is irrevocable until the Security Termination Date, and each Grantor hereby agrees to provide such further proxies as the Priority Collateral Agent may request; provided, however, that the Priority Collateral Agent in its discretion may from time to time refrain from exercising, and shall not be obligated to exercise, any such voting or consensual rights or such proxy.

(vi) Upon the occurrence and during the continuance of any Event of Default, all rights of the Grantors to receive and retain cash dividends and other distributions upon or in respect to Investment Property pursuant to clause (iii) above shall cease and shall thereupon be vested in the Priority Collateral Agent for the benefit of the Priority Secured Parties, and each Grantor shall, or shall cause, all such cash dividends and other distributions with respect to the Investment Property to be promptly delivered to the Priority Collateral Agent (together, if the Priority Collateral Agent shall request, with any documents related thereto) to be held, released or disposed of by it hereunder or, at the written direction of the Required Priority Secured Parties to be applied to the Secured Obligations in accordance with the Intercreditor Agreement.

(f) **Deposit Accounts.** With respect to its Deposit Accounts (other than Securitization Deposit Accounts) whether now existing or hereafter created or acquired and wheresoever located, each Grantor represents, warrants and covenants to the Priority Collateral Agent for the benefit of the Priority Secured Parties that:

(i) Schedule 4 attached hereto contains a true and complete description of (x) the name and address of each depository institution with which such Grantor maintains a Deposit Account.

(ii) Except as otherwise permitted by the Credit Agreement or with the express prior written consent of the Priority Collateral Agent in each instance, all

Deposit Accounts (other than Securitization Deposit Accounts) shall be maintained at all times with the Agent or a Lender or a depository institution as to which the Priority Collateral Agent shall have received a Qualifying Control Agreement. Without limiting the generality of the foregoing, no Grantor shall cause, suffer or permit (x) any deposit to be evidenced by a certificate of deposit unless immediately upon receipt thereof such certificate shall have been delivered to the Priority Collateral Agent, together with a duly executed undated assignment in blank affixed thereto, or (y) any Deposit Account not listed on Schedule 4 attached hereto to be opened or maintained except in each case upon giving not less than thirty (30) days' prior written notice to the Priority Collateral Agent and taking or causing to be taken at such Grantor's expense all such Perfection Action, including the delivery of such Perfection Documents, as may be reasonably requested by the Priority Collateral Agent to perfect or protect, or maintain the perfection and priority of, the Lien of the Priority Collateral Agent for the benefit of the Priority Secured Parties in such Collateral as contemplated hereunder.

(g) **Chattel Paper.** With respect to its Chattel Paper (other than Chattel Paper constituting Excluded Accounts) whether now existing or hereafter created or acquired and wheresoever located, each Grantor represents, warrants and covenants to the Priority Collateral Agent for the benefit of the Priority Secured Parties that:

(i) Each Grantor shall at all times retain sole physical possession of the originals of all Chattel Paper (other than electronic Chattel Paper); provided, however, that (x) upon the request of the Priority Collateral Agent from time to time, such Grantor shall immediately deliver physical possession of such Chattel Paper to the Priority Collateral Agent or its designee, and (y) in the event that there shall be created more than one original counterpart of any document that alone or in conjunction with any other physical or electronic document constitutes Chattel Paper, then such counterparts shall be numbered consecutively starting with "1" and such Grantor shall retain the counterpart numbered "1".

(ii) All counterparts of all Chattel Paper shall immediately upon the creation or acquisition thereof by any Grantor be conspicuously legended as follows: "A SECURITY INTEREST IN THIS CHATTEL PAPER HAS BEEN GRANTED TO BANK OF AMERICA, N.A. AS PRIORITY COLLATERAL AGENT FOR CERTAIN PRIORITY SECURED PARTIES PURSUANT TO A PRIORITY SECURITY AGREEMENT DATED AS OF JANUARY 28, 2000 AS AMENDED FROM TIME TO TIME. NO SECURITY INTEREST OR OTHER INTEREST IN FAVOR OF ANY OTHER PERSON MAY BE CREATED BY THE TRANSFER OF PHYSICAL POSSESSION OF THIS CHATTEL PAPER OR OF ANY COUNTERPART HEREOF EXCEPT BY OR WITH THE CONSENT OF BANK OF AMERICA, N.A., AS PROVIDED IN SUCH PRIORITY SECURITY AGREEMENT"; provided, however, in the case of electronic Chattel Paper (including the electronic components of hybrid Chattel Paper), each Grantor may utilize other means acceptable to the Priority Collateral Agent and sufficient under applicable law to constitute perfection by control in

order to identify the interest of the Priority Collateral Agent for the benefit of the Priority Secured Parties.

(iii) Other than in the ordinary course of business and in keeping with reasonable and customary practice, no Grantor shall amend, modify, waive or terminate any provision of, or fail to exercise promptly and diligently each material right or remedy conferred under or in connection with, any Chattel Paper, in any case in such a manner as could reasonably be expected to materially adversely affect the value of affected Chattel Paper as collateral.

(h) **Instruments.** With respect to its Instruments (other than those evidencing solely Excluded Accounts) whether now existing or hereafter created or acquired and wheresoever located, each Grantor represents, warrants and covenants to the Priority Collateral Agent for the benefit of the Priority Secured Parties that:

(i) Each Grantor shall (i) maintain at all times, and furnish to the Priority Collateral Agent from time to time at the Priority Collateral Agent's request, a current list identifying in reasonable detail Instruments of which such Grantor is the payee or holder and having a face amount payable in excess of \$250,000, and (ii) upon the request of the Priority Collateral Agent from time to time deliver to the Priority Collateral Agent the originals of all such Instruments, together with duly executed undated endorsements in blank affixed thereto and such other documentation and information as may be necessary to enable the Priority Collateral Agent to realize upon the Instruments in accordance with their respective terms or transfer the Instruments as may be permitted under the Loan Documents or by applicable law.

(ii) Other than in the ordinary course of business and in keeping with reasonable and customary practice, no Grantor shall amend, modify, waive or terminate any provision of, or fail to exercise promptly and diligently each material right or remedy conferred under or in connection with, any Instrument, in any case in such a manner as could reasonably be expected to materially adversely affect the value of the affected Instrument as Collateral.

(i) **Material Trademarks.** Each Grantor represents and warrants as follows:

(i) It is the sole, legal and beneficial owner of the entire right, title and interest in and to the Material Trademarks purported to be granted by it hereunder, free and clear of any Lien, security interest, option, charge, pledge, registered user agreement, assignment (whether conditional or not), or covenant, or any other encumbrance, except for the security interests created or permitted by this Agreement or by each of the Transaction Documents and certain Material Licenses and registered user agreements described on Schedule 5-B. No financing statement or other instrument similar in effect covering all or any part of the Material Trademarks purported to be granted by such Grantor hereunder is on file in any recording office, including, without limitation, the Patent and

Trademark Office and the equivalent offices in any foreign jurisdiction, except such as may have been filed in favor of the Priority Collateral Agent, for the benefit of the Priority Secured Parties.

(ii) Set forth on Schedule 5-A is a list of all of the Material Trademarks owned by such Grantor necessary for the conduct of its business as currently conducted or utilized and material in such Grantor's manufacturing operations or used in the selling or marketing of such Grantor's products.

(iii) Each Material Trademark of such Grantor identified on Schedule 5-A is validly subsisting and has not been abandoned or adjudged invalid, unregistrable or unenforceable, in whole or in part, and is, to such Grantor's knowledge, valid, registrable and enforceable.

10. Casualty and Liability Insurance Required.

(a) Each Grantor will keep the Collateral continuously insured against such risks as are customarily insured against by businesses of like size and type engaged in the same or similar operations (or on a self-insured basis customary for companies similarly situated and in accordance with prudent business practice) including, without limitation:

(i) property insurance on the Inventory and the Equipment in an amount not less than the replacement cost, or actual cash value for vacated properties or properties formerly used for manufacturing and currently used for warehousing or other non-manufacturing purposes, against loss or damage by theft, fire, lightning and other hazards ordinarily included under uniform broad form standard extended coverage policies, limited only as may be provided in the standard broad form of extended coverage endorsement at the time in use in the states in which the Collateral is located;

(ii) comprehensive general liability insurance against claims for bodily injury, death or property damage occurring with or about such Collateral (such coverage to include provisions waiving subrogation against the Priority Secured Parties), with the Priority Collateral Agent and each of the Priority Secured Parties named as additional insureds thereunder, in amounts as shall be reasonably satisfactory to Priority Collateral Agent;

(iii) liability insurance with respect to the operation of its facilities under the workers' compensation laws of the states in which such Collateral is located, in amounts as shall be reasonably satisfactory to Priority Collateral Agent; and

(iv) business interruption insurance in amounts as shall be reasonably satisfactory to Priority Collateral Agent.

(b) Each insurance policy obtained in satisfaction of the requirements of Section 10(a):

(i) may be provided by blanket policies now or hereafter maintained by each or any Grantor or by the Borrower;

(ii) shall be issued by such insurer (or insurers) as shall be financially responsible, of recognized standing and reasonably acceptable to the Priority Collateral Agent;

(iii) shall be in such form and have such provisions (including without limitation the loss payable clause, the waiver of subrogation clause, the deductible amount, if any, and the standard mortgagee endorsement clause) as are generally considered standard provisions for the type of insurance involved and are reasonably acceptable in all respects to the Priority Collateral Agent;

(iv) shall prohibit cancellation or substantial modification, termination or lapse in coverage by the insurer without at least 30 days' prior written notice to the Priority Collateral Agent, except for non-payment of premium, as to which such policies shall provide for at least ten (10) days' prior written notice to the Priority Collateral Agent;

(v) without limiting the generality of the foregoing, all insurance policies where applicable under Section 10(a)(i) carried on the Collateral shall name the Priority Collateral Agent, for the benefit of the Priority Secured Parties, as loss payee thereunder in respect of any claim for payment.

(c) Prior to expiration of any such policy, such Grantor shall furnish the Priority Collateral Agent with evidence satisfactory to the Priority Collateral Agent that the policy or certificate has been renewed or replaced or is no longer required by this Priority Security Agreement.

(d) Each Grantor hereby makes, constitutes and appoints the Priority Collateral Agent (and all officers, employees or agents designated by the Priority Collateral Agent), for the benefit of the Priority Secured Parties, as such Grantor's true and lawful attorney (and agent-in-fact) for the purpose of making, settling and adjusting claims under such policies of insurance, endorsing the name of such Grantor on any check, draft, instrument or other item or payment for the proceeds of such policies of insurance and for making all determinations and decisions with respect to such policies of insurance, which appointment is coupled with an interest and is irrevocable; provided, however, that the powers pursuant to such appointment shall be exercisable only upon the occurrence and during the continuation of an Event of Default.

(e) In the event such Grantor shall fail to maintain, or fail to cause to be maintained, the full insurance coverage required hereunder or shall fail to keep any of its Collateral in good repair and good operating condition, the Priority Collateral Agent may

(but shall be under no obligation to), without releasing any Secured Obligation or waiving any Event of Default by such Grantor hereunder, contract for the required policies of insurance and pay the premiums on the same or make any required repairs, renewals and replacements; and all sums so disbursed by Priority Collateral Agent, including reasonable attorneys' fees, court costs, expenses and other charges related thereto, shall be payable on demand by such Grantor to the Priority Collateral Agent, shall be additional Secured Obligations secured by the Collateral, and (in addition to other rights and remedies resulting from such nonpayment) shall bear interest from the date of demand until paid in full at the Default Rate.

(f) Each Grantor agrees that to the extent that it shall fail to maintain, or fail to cause to be maintained, the full insurance coverage required by Section 10(a), it shall in the event of any loss or casualty which would have been insured against but for such Grantor's failure to so comply, pay promptly to the Priority Collateral Agent, for the benefit of the Priority Secured Parties, to be held in a separate account for application in accordance with the provisions of Sections 10(h), such amount as would have been received as Net Proceeds (as hereinafter defined) by the Priority Collateral Agent, for the benefit of the Priority Secured Parties, under the provisions of Section 10(h) had such insurance been carried to the extent required; provided that this Section 10(f) shall not be construed to require any payment in the event of deductibles, self-insurance permitted hereunder, denial of coverage or other circumstances in which insurance proceeds are unavailable despite compliance with Section 10(h).

(g) The Net Proceeds of the insurance carried pursuant to the provisions of Sections 10(a)(ii) and 10(a)(iii) shall be applied by such Grantor toward satisfaction of the claim or liability with respect to which such insurance proceeds may be paid.

(h) The Net Proceeds of the insurance carried with respect to the Collateral pursuant to the provisions of Section 10(a)(i) hereof shall be paid to such Grantor and held by such Grantor in a separate account and applied, as long as no Event of Default shall have occurred and be continuing, as follows: after any loss under any such insurance and payment of the proceeds of such insurance, each Grantor shall have a reasonable period after payment of the insurance proceeds with respect to such loss to elect to either (x) repair or replace the Collateral so damaged or, (y) deliver such Net Proceeds to the Priority Collateral Agent, for the benefit of the Priority Secured Parties, as additional Collateral to be held and disposed of in accordance with the Intercreditor Agreement, subject to the provisions of this Priority Security Agreement. If such Grantor elects to repair or replace the Collateral so damaged, such Grantor agrees the Collateral shall be repaired to a condition substantially similar to or of better quality or higher value than its condition prior to damage or replaced with Collateral in a condition substantially similar to or of better quality or higher value than the condition of the Collateral so replaced prior to damage. At all times during which an Event of Default shall have occurred and be continuing, the Priority Collateral Agent shall be entitled to receive direct and immediate payment of the proceeds of such insurance and such Grantor shall take all action as the Priority Collateral Agent may reasonably request to accomplish such payment. Notwithstanding the foregoing, in the event such Grantor shall receive any

such proceeds, such Grantor shall immediately deliver such proceeds to such Priority Collateral Agent for the benefit of the Priority Secured Parties as additional Collateral, and pending such delivery shall hold such proceeds in trust for the benefit of the Priority Secured Parties and keep the same segregated from its other funds.

(i) "Net Proceeds" when used with respect to any insurance proceeds shall mean the gross proceeds from such proceeds, award or other amount, less all taxes, fees and expenses (including attorneys' fees) incurred in the realization thereof.

(j) In case of any material damage to, destruction or loss of, or claim or proceeding against, all or any material part of the Collateral pledged hereunder by a Grantor, such Grantor shall give prompt notice thereof to the Priority Collateral Agent. Each such notice shall describe generally the nature and extent of such damage, destruction, loss, claim or proceeding. Subject to Section 10(d), each Grantor is hereby authorized and empowered to adjust or compromise any loss under any such insurance other than losses relating to claims made directly against any Priority Secured Party as to which the insurance described in Section 10(a)(ii) or (iii) is applicable.

(k) The provisions contained in this Priority Security Agreement pertaining to insurance shall be cumulative with any additional provisions imposing additional insurance requirements with respect to the Collateral or any other property on which a Lien is conferred under any Security Instrument.

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

(a) All of the rights and remedies of a Priority 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 Priority Security Agreement or any other Priority Security Instruments or the Intercreditor Agreement or the Priority Collateral Agency Agreement;

(b) The right to foreclose the Liens and security interests created under this Priority Security Agreement by any available judicial procedure or without judicial process;

(c) The right to (i) enter upon the premises of a Grantor through self-help and without judicial process, without first obtaining a final judgment or giving such Grantor notice or opportunity for a hearing on the validity of the Priority Collateral Agent's claim and without any obligation to pay rent to such Grantor, or any other place or places where any Collateral is located and kept, and remove the Collateral therefrom to the premises of

the Priority Collateral Agent or any agent thereof, for such time as the Priority Collateral Agent may desire, in order effectively to collect or liquidate the Collateral, (ii) require such Grantor or any bailee or other agent of such Grantor to assemble the Collateral and make it available to the Priority Collateral Agent at a place to be designated by the Priority Collateral Agent that is reasonably convenient to both parties, and (iii) notify any or all Persons party to a Qualifying Control Agreement or who otherwise have possession of or control over any Collateral of the occurrence of an Event of Default and other appropriate circumstances, and exercise control over and take possession or custody of any or all Collateral in the possession, custody or control of such other Persons;

(d) The right to (i) exercise all of a Grantor's rights and remedies with respect to the collection of its Accounts, Chattel Paper, Instruments, Supporting Obligations and General Intangibles (collectively, "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 a 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 a 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 in any data processing equipment and computer hardware and software relating to any Collateral to which a Grantor has access; (viii) open such Grantor's mail and collect any and all amounts due to such Grantor from any Account Debtors or other obligor in respect of Payment Collateral; (ix) take over such Grantor's post office boxes or make other arrangements as the Priority Collateral Agent, on behalf of the Priority Secured Parties, deems necessary to receive such Grantor's mail, including notifying the post office authorities to change the address for delivery of such Grantor's mail to such address as the Priority Collateral Agent, on behalf of the Priority Secured Parties, may designate; (x) notify any or all Account Debtors or other obligor on any Payment Collateral that such Payment Collateral has been collaterally assigned to the Priority Collateral Agent for the benefit of the Priority Secured Parties and that the Priority Collateral Agent has a security interest therein for the benefit of the Priority Secured Parties (provided that the Priority Collateral Agent may at any time give such notice to an Account Debtor that is a department, agency or authority of the United States government); each Grantor hereby agrees that any such notice, in the Priority Collateral Agent's sole discretion, may (but need not) be sent on such Grantor's stationery, in which event such Grantor shall co-sign such notice with the Priority Collateral Agent; and (xi) do all acts and things and execute all documents necessary, in Priority Collateral Agent's sole discretion, to collect the Payment Collateral; and

(e) The right to sell all or any Collateral in its then existing condition, or after any further manufacturing or processing thereof, 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 Priority Collateral Agent, in its sole discretion, may deem advisable. The Priority Collateral Agent shall have the right to conduct such sales on a Grantor's premises or elsewhere and shall have the right to use a Grantor's premises without charge for such sales for such time or times as the Priority Collateral Agent may see fit. The Priority Collateral Agent may, if it deems it reasonable, postpone or adjourn any sale of the Collateral from time to time by an announcement at the time and place of such postponed or adjourned sale, and such sale may, without further notice, be made at the time and place to which it was so adjourned. Each Grantor agrees that the Priority Collateral Agent has no obligation to preserve rights to the Collateral against prior parties or to marshal any Collateral for the benefit of any Person. The Priority Collateral Agent for the benefit of the Priority Secured Parties is hereby granted a license or other right to use, without charge, each Grantor's labels, patents, copyrights, rights of use of any name, trade secrets, trade names, trademarks and advertising matter, or any property of a similar nature, as it pertains to the Collateral, in completing production of, advertising for sale and selling any Collateral and a Grantor's rights under any license and any franchise agreement shall inure to the Priority Collateral Agent for the benefit of the Priority Secured Parties. If any of the Collateral shall require repairs, maintenance, preparation or the like, or is in process or other unfinished state, the Priority Collateral Agent shall have the right, but shall not be obligated, to perform such repairs, maintenance, preparation, processing or completion of manufacturing for the purpose of putting the same in such saleable form as the Priority Collateral Agent shall deem appropriate, but the Priority Collateral Agent shall have the right to sell or dispose of the Collateral without such processing and no Grantor shall have any claim against the Priority Collateral Agent for the value that may have been added to such Collateral with such processing. In addition, each Grantor agrees that in the event notice is necessary under applicable law, written notice mailed to such Grantor in the manner specified herein seven (7) days prior to the date of public sale of any of the Collateral or prior to the date after which any private sale or other disposition of the Collateral will be made shall constitute commercially reasonable notice to such Grantor. All notice is hereby waived with respect to any of the Collateral which threatens to decline speedily in value or is of a type customarily sold on a recognized market. The Priority Collateral Agent may purchase all or any part of the Collateral at public or, if permitted by law, private sale, free from any right of redemption which is hereby expressly waived by such Grantor and, in lieu of actual payment of such purchase price, may set off the amount of such price against the Secured Obligations. Each Grantor recognizes that the Priority Collateral Agent may be unable to effect a public sale of certain of the Collateral by reason of certain prohibitions contained in the Securities Act of 1933, as amended (the "Securities Act"), and applicable state law, and may be otherwise delayed or adversely affected in effecting any sale by reason of present or future restrictions thereon imposed by governmental authorities ("Affected Collateral"), and that as a consequence of such prohibitions and restrictions the Priority Collateral Agent may be compelled (i) to resort to one or more private sales to a restricted group of purchasers who will be obliged to agree, among other things, to acquire Affected Collateral for their own account, for investment and not with a view to the distribution or resale thereof, or (ii) to seek regulatory approval of any proposed sale or sales, or (iii) to limit the amount of Affected Collateral sold to any Person or group. Each Grantor agrees

and acknowledges that private sales so made may be at prices and upon terms less favorable to such Grantor than if such Affected Collateral was sold either at public sales or at private sales not subject to other regulatory restrictions, and that the Priority Collateral Agent has no obligation to delay the sale of any Affected Collateral for the period of time necessary to permit the Grantor or any other Person to register or otherwise qualify them under or exempt them from any applicable restriction, even if such Grantor or other Person would agree to register or otherwise qualify or exempt such Affected Collateral so as to permit a public sale under the Securities Act or applicable state law. Each Grantor further agrees, to the extent permitted by applicable law, that the use of private sales made under the foregoing circumstances to dispose of Affected Collateral shall be deemed to be dispositions in a commercially reasonable manner. Each Grantor hereby acknowledges that a ready market may not exist for Affected Collateral that is not traded on a national securities exchange or quoted on an automated quotation system and agrees and acknowledges that in such event the Affected Collateral may be sold for an amount less than a pro rata share of the fair market value of the assets of the issuer of such Affected Collateral minus its liabilities.

The net cash proceeds resulting from the collection, liquidation, sale, or other disposition of the Collateral shall be applied first to the expenses (including all attorneys' fees) of retaking, holding, storing, processing and preparing for sale, selling, collecting, liquidating and the like, and then applied to the satisfaction of all Secured Obligations in accordance with the terms of the Intercreditor Agreement. Each Grantor shall be liable to the Priority Collateral Agent, for the benefit of the Priority Secured Parties, and shall pay to the Priority Collateral Agent, for the ratable benefit of the Priority Secured Parties, on demand any deficiency which may remain after such sale, disposition, collection or liquidation of the Collateral.

12. Attorney-in-Fact. Each Grantor hereby appoints the Priority Collateral Agent as the Grantor's attorney-in-fact for the purposes of carrying out the provisions of this Priority Security Agreement and taking any action and executing any instrument which the Priority Collateral Agent may deem necessary or advisable to accomplish the purposes hereof, which appointment is irrevocable and coupled with an interest; provided, that the Priority Collateral Agent 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 or of any other rights and powers granted to the Priority Collateral Agent herein, upon the occurrence and during the continuance of an Event of Default, the Priority Collateral Agent 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 such Grantor's name on any checks, notes, drafts or any other payment relating to or constituting proceeds of the Collateral which comes into the

possession or the control of the Priority Collateral Agent, and deposit the same to the account of the Priority Collateral Agent, for the benefit of the Priority Secured Parties, on account and for payment of the Secured Obligations.

(d) to file any claims or take any action or institute any proceedings that the Priority Collateral Agent may deem necessary or desirable for the collection of any of the Collateral or otherwise to enforce the rights of the Priority Collateral Agent, for the benefit of the Priority Secured Parties, 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 any Priority Secured Party, whether upon the insolvency, bankruptcy or reorganization of any Grantor or any other Credit Party or otherwise, all as though such payment had not been made. The provisions of this Section 13 shall survive final repayment in full of all of the Secured Obligations and the termination or expiration of this Priority Security Agreement in any manner, including but not limited to termination upon occurrence of the Security Termination Date.

14. Certain Waivers by the Grantors. Each Grantor waives to the extent permitted by applicable law (a) any right to require any Priority Secured Party or the Priority Collateral Agent or any other obligee of the Secured Obligations to (x) proceed against any Person or entity, including without limitation any Credit Party, (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 Priority 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 Priority Collateral Agent for the benefit of the Priority Secured Parties. Each Grantor authorizes each Priority 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 or under the Loan Documents from time to time 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 it may determine in its discretion or as directed in writing by the Required Priority Secured Parties.

Each Subsidiary which is a Grantor further agrees with respect to this Priority Security Agreement that it shall have no right of subrogation, reimbursement, contribution or indemnity, unless and until 93 days immediately following the Security Termination Date shall have elapsed without the filing or commencement, by or against any Credit Party, of any state or federal

action, suit, petition or proceeding seeking any reorganization, liquidation or other relief or arrangement in respect of creditors of, or the appointment of a receiver, liquidator, trustee or conservator in respect to, such Credit Party or its assets. This waiver is expressly intended to prevent the existence of any claim in respect to such subrogation, reimbursement, contribution or indemnity by any Subsidiary which is a Grantor against the estate of any other Credit Party within the meaning of Section 101 of the Bankruptcy Code, in the event of a subsequent case involving any other Credit Party. The agreements in this paragraph shall survive repayment of all of the Priority Senior Obligations, the termination or expiration of this Priority Security Agreement in any manner, including but not limited to termination in accordance with Section 24, and occurrence of the Security Termination Date.

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

15. Continued Powers. Until the Security Termination Date shall have occurred, the power of sale and other rights, powers and remedies granted to the Priority Collateral Agent for the benefit of the Priority Secured Parties hereunder shall continue to exist and may be exercised by the Priority Collateral Agent at any time and from time to time irrespective of the fact that any of the Priority Secured Obligations or any part thereof may have become barred by any statute of limitations or that any part of the liability of any Grantor may have ceased.

16. Other Rights. The rights, powers and remedies given to the Priority Collateral Agent for the benefit of the Priority Secured Parties by this Priority Security Agreement shall be in addition to all rights, powers and remedies given to the Priority Collateral Agent or any Priority Secured Party under any other Priority Security Instrument or any Transaction Document or by virtue of any statute or rule of law. Any forbearance or failure or delay by the Priority Collateral Agent 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 Priority Secured Parties shall continue in full force and effect until such right, power or remedy is specifically waived in accordance with the terms of the applicable Priority Security Instrument or Transaction Document.

17. Anti-Marshaling Provisions. The right is hereby given by each Grantor to the Priority Collateral Agent, for the benefit of the Priority Secured Parties, to make releases (whether in whole or in part) of all or any part of the Collateral agreeable to the Priority Collateral Agent 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 any Grantor from personal liability for the Secured Obligations. Notwithstanding the existence of any other security interest in the Collateral held by the Priority Collateral Agent, for the benefit of the Priority Secured Parties, the Priority Collateral Agent 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 Priority Security Agreement. Each 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 or in any other Priority Security Instrument or Transaction Document.

18. Entire Agreement. This Priority Security Agreement, together with the Transaction Documents, the Security Documents, the Priority Collateral Agency Agreement, the Facility Guaranty and the Intercreditor 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, except as contained in the Loan Documents. The express terms hereof control and supersede any course of performance or usage of the trade inconsistent with any of the terms hereof. Neither this Priority Security Agreement nor any portion or provision hereof may be changed, altered, modified, supplemented, discharged, canceled, terminated, or amended orally or in any manner without the prior written consent of the Required Priority Secured Parties.

19. Third Party Reliance. Each 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 Priority Collateral Agent, on behalf of the Priority Secured Parties, 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 Priority 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 no Grantor shall be permitted to assign this Priority Security Agreement or any interest herein or, except as expressly permitted herein or in each Transaction Document, in the Collateral or any part thereof, or otherwise, except as expressly permitted herein or in each Transaction Document, pledge, encumber or grant any option with respect to the Collateral or any part thereof. All references herein to the Priority Collateral Agent and to the Priority Secured Parties shall include any successor thereof or permitted assignee, and any other obligees from time to time of the Secured Obligations.

21. Swap Agreements. All obligations of each Grantor under or in respect of Swap Agreements (as defined in the Credit Agreement) (which are not prohibited under the terms of any of the Transaction Documents) to which any Lender or any affiliate of any Lender is a party, shall be deemed to be Secured Obligations secured hereby, and each Lender or affiliate of a Lender party to any such Swap Agreement shall be deemed to be a Priority Secured Party hereunder with respect to such Secured Obligations; provided, however, that such obligations shall cease to be Secured Obligations at such time as such Person (or affiliate of such Person) shall cease to be a "Lender" under the Credit Agreement.

22. Severability. The provisions of this Priority 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 Priority Security Agreement shall be construed as if such invalid or unenforceable provision had never been contained herein.

23. Counterparts. This Priority 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 Priority Security Agreement to produce or account for more than one such counterpart executed by the Grantor against whom enforcement is sought.

24. Termination. Subject to the provisions of Section 13, this Priority Security Agreement and all obligations of the Grantors 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 on the Security Termination Date. Upon such termination of this Priority Security Agreement, the Priority Collateral Agent shall, at the request and sole expense of the Grantors, promptly deliver to the Grantors such termination statements and take such further actions as the Grantors may reasonably request to terminate of record, or otherwise to give appropriate notice of the termination of, any Lien conferred hereunder.

25. Indemnification. Without limitation of Section 13.9 of the Credit Agreement or any other indemnification provision in any Transaction Document, the Grantors agree jointly and severally to indemnify and hold harmless the Priority Collateral Agent and each Priority Secured Party and each of their affiliates, and their respective officers, directors, employees, agents, and advisors (each, an "Indemnified Party"), from and against any and all claims, damages, losses, liabilities, costs, and expenses (including, without limitation, reasonable attorneys' fees) that may be incurred by or asserted or awarded against any Indemnified Party, in each case arising out of or in connection with or by reason of (including, without limitation, in connection with any investigation, litigation or proceeding or preparation of defense in connection therewith) this Priority Security Agreement, the Transaction Documents or Priority Security Instruments, any of the transactions contemplated herein or therein or the actual or proposed use of the proceeds of the Revolving Loans or other extensions of credit under the Transaction Documents, except to the extent such claim, damage, loss, liability, cost, or expense is found in a final, non-appealable judgment by a court of competent jurisdiction to have resulted from such Indemnified Party's gross negligence or willful misconduct. In the case of an investigation, litigation or other proceeding to which the indemnity in this Section 25 applies, such indemnity shall be effective whether or not such investigation, litigation or proceeding is brought by any Grantor or any other Credit Party, any of their respective directors, shareholders or creditors, or an Indemnified Party or any other Person, or any Indemnified Party is otherwise a party thereto and whether or not the transactions contemplated hereby are consummated. Each Grantor agrees that no Indemnified Party shall have any liability (whether direct or indirect, in contract or tort or otherwise) to it, any of its subsidiaries or affiliates, or any security holders or creditors thereof arising out of, related to or in connection with the transactions contemplated herein or in the other Transaction Documents or Priority Security Instruments, except to the extent that such liability is found in a final non-appealable judgment by a court of competent jurisdiction to have directly resulted from such Indemnified Party's gross negligence or willful misconduct. Each Grantor agrees not to

assert any claim against any Indemnified Party, any of its affiliates, or any of their respective directors, officers, employees, attorneys, agents, or advisers, on any theory of liability, for special, indirect, consequential, or punitive damages arising out of or otherwise relating to this Priority Security Agreement, any of the Transaction Documents or Priority Security Instruments, any of the transactions contemplated herein or therein or the actual or proposed use of the proceeds of the Revolving Loans or other extensions of credit under the Transaction Documents. The agreements in this Section 25 shall survive repayment of all of the Secured Obligations and the termination or expiration of this Priority Security Agreement in any manner, including but not limited to termination upon occurrence of the Security Termination Date.

26. Notices. Any notice required or permitted hereunder shall be given (a) with respect to the Borrower, at the address for the giving of notice then in effect under the Credit Agreement, (b) with respect to any Grantor, at the address then in effect for the giving of notices to such Grantor under the Facility Guaranty to which it is a party, (c) with respect to the Priority Collateral Agent, at the Revolving Credit Agent's address indicated in Section 13.2 of the Credit Agreement. All such addresses may be modified, and all such notices shall be given and shall be effective, as provided in Section 13.2 of the Credit Agreement.

27. Rules of Interpretation. The rules of interpretation contained in Sections 1.2(c) through 1.2(l) of the Credit Agreement shall be applicable to this Priority Security Agreement and are hereby incorporated by reference. All representations and warranties contained herein shall survive the delivery of documents and any extension of credit referred to herein or secured hereby.

28. Governing Law; Waivers.

(a) THIS PRIORITY SECURITY AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NORTH CAROLINA APPLICABLE TO CONTRACTS EXECUTED, AND TO BE FULLY PERFORMED, IN SUCH STATE; PROVIDED THAT (i) WITH RESPECT TO THOSE INSTANCES IN WHICH THE APPLICABLE CHOICE OF LAWS RULES OF SUCH STATE, INCLUDING SECTION 9-103 OF THE UCC, REQUIRE THAT THE MANNER OF CREATION OF A SECURITY INTEREST IN SPECIFIC COLLATERAL OR THE MANNER OR EFFECT OF PERFECTION OR NONPERFECTION OR THE RULES GOVERNING PRIORITY OF SECURITY INTERESTS ARE TO BE GOVERNED BY THE LAWS OF ANOTHER JURISDICTION, THEN THE LAWS OF SUCH OTHER JURISDICTION SHALL GOVERN SUCH MATTERS, (ii) EACH CONTROL AGREEMENT (INCLUDING EACH QUALIFYING CONTROL AGREEMENT) APPLICABLE TO ANY SECURITIES ACCOUNT OR COMMODITIES ACCOUNT OR DEPOSIT ACCOUNT SHALL BE GOVERNED BY THE LAWS OF THE JURISDICTION SPECIFIED IN SUCH CONTROL AGREEMENT, OR OTHERWISE BY THE LAWS OF THE JURISDICTION THAT GOVERN THE SECURITIES ACCOUNT OR DEPOSIT ACCOUNT OR COMMODITIES ACCOUNT TO WHICH SUCH CONTROL AGREEMENT RELATES, AND (iii) IN THOSE INSTANCES IN WHICH THE

LAWS OF THE JURISDICTION IN WHICH COLLATERAL IS LOCATED GOVERN MATTERS PERTAINING TO THE METHODS AND EFFECT OF REALIZING ON COLLATERAL, SUCH LAWS SHALL BE GIVEN EFFECT WITH RESPECT TO SUCH MATTERS.

(b) EACH GRANTOR HEREBY EXPRESSLY AND IRREVOCABLY AGREES AND CONSENTS THAT ANY SUIT, ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS PRIORITY SECURITY AGREEMENT AND THE TRANSACTIONS CONTEMPLATED HEREIN MAY BE INSTITUTED IN ANY STATE OR FEDERAL COURT SITTING IN THE COUNTY OF MECKLENBURG, STATE OF NORTH CAROLINA, UNITED STATES OF AMERICA AND, BY THE EXECUTION AND DELIVERY OF THIS PRIORITY SECURITY AGREEMENT, EXPRESSLY WAIVES ANY OBJECTION THAT IT MAY HAVE NOW OR HEREAFTER TO THE LAYING OF THE VENUE OR TO THE JURISDICTION OF ANY SUCH SUIT, ACTION OR PROCEEDING, AND IRREVOCABLY SUBMITS GENERALLY AND UNCONDITIONALLY TO THE JURISDICTION OF ANY SUCH COURT IN ANY SUCH SUIT, ACTION OR PROCEEDING.

(c) EACH GRANTOR AGREES THAT SERVICE OF PROCESS MAY BE MADE BY PERSONAL SERVICE OF A COPY OF THE SUMMONS AND COMPLAINT OR OTHER LEGAL PROCESS IN ANY SUCH SUIT, ACTION OR PROCEEDING, OR BY REGISTERED OR CERTIFIED MAIL (POSTAGE PREPAID) TO THE ADDRESS OF SUCH PARTY PROVIDED IN SECTION 26 OR BY ANY OTHER METHOD OF SERVICE PROVIDED FOR UNDER THE APPLICABLE LAWS IN EFFECT IN THE STATE OF NORTH CAROLINA.

(d) NOTHING CONTAINED IN SUBSECTIONS (b) OR (c) HEREOF SHALL PRECLUDE ANY PRIORITY SECURED PARTY OR THE PRIORITY COLLATERAL AGENT FROM BRINGING ANY SUIT, ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS PRIORITY SECURITY AGREEMENT IN THE COURTS OF ANY PLACE WHERE ANY OTHER PARTY OR ANY OF SUCH PARTY'S PROPERTY OR ASSETS MAY BE FOUND OR LOCATED. TO THE EXTENT PERMITTED BY THE APPLICABLE LAWS OF ANY SUCH JURISDICTION, EACH GRANTOR HEREBY IRREVOCABLY SUBMITS TO THE JURISDICTION OF ANY SUCH COURT AND EXPRESSLY WAIVES, IN RESPECT OF ANY SUCH SUIT, ACTION OR PROCEEDING, THE JURISDICTION OF ANY OTHER COURT OR COURTS WHICH NOW OR HEREAFTER, BY REASON OF ITS PRESENT OR FUTURE DOMICILE, OR OTHERWISE, MAY BE AVAILABLE UNDER APPLICABLE LAW.

(e) IN ANY ACTION OR PROCEEDING TO ENFORCE OR DEFEND ANY RIGHTS OR REMEDIES UNDER OR RELATED TO THIS PRIORITY SECURITY AGREEMENT OR ANY AMENDMENT, INSTRUMENT, DOCUMENT OR AGREEMENT DELIVERED OR THAT MAY IN THE

FUTURE BE DELIVERED IN CONNECTION WITH THE FOREGOING, EACH PARTY HEREBY AGREES, TO THE EXTENT PERMITTED BY APPLICABLE LAW, THAT ANY SUCH ACTION OR PROCEEDING SHALL BE TRIED BEFORE A COURT AND NOT BEFORE A JURY AND HEREBY EXPRESSLY WAIVES, TO THE EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT SUCH PERSON MAY HAVE TO TRIAL BY JURY IN ANY SUCH ACTION, SUIT OR PROCEEDING.

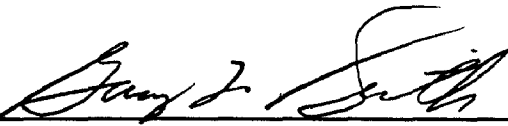
(f) EACH GRANTOR HEREBY EXPRESSLY WAIVES ANY OBJECTION IT MAY HAVE THAT ANY COURT TO WHOSE JURISDICTION IT HAS SUBMITTED PURSUANT TO THE TERMS HEREOF IS AN INCONVENIENT FORUM.

[Signature pages follow]

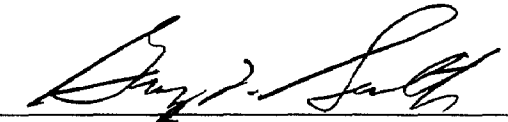
IN WITNESS WHEREOF, the parties have duly executed this Priority Security Agreement on the day and year first written above.

GRANTORS:


CONE MILLS CORPORATION

By: 
Name: Gary L. Smith
Title: Executive Vice President and
Chief Financial Officer

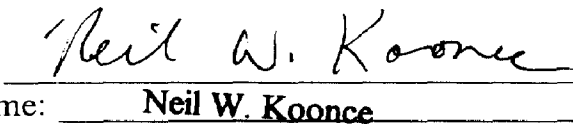
CONE GLOBAL FINANCE CORP.

By: 
Name: Gary L. Smith
Title: Vice President

CIPCO S.C., INC.

By: 
Name: David K. Bradbury
Title: Vice President

CONE FOREIGN TRADING, LLC

By: 
Name: Neil W. Koonce
Title: Vice President

AGENT:

**BANK OF AMERICA, N. A., as Priority
Collateral Agent for the Priority Secured Parties**

By: *E. Phifer Helms*

Name: Phifer Helms

Title: Managing Director

PRIORITY SECURITY AGREEMENT

Signature 2 of 2

**TRADEMARK
REEL: 002093 FRAME: 0314**

SCHEDULE 1

For purposes of this Priority Security Agreement, a "Qualifying Control Agreement" shall mean each of the following, as applicable to the respective items or types of property in which the Grantor now has or may hereafter acquire an interest:

- (a) With respect to Investment Property credited to any securities account, an agreement executed by the applicable securities intermediary substantially in the form of Schedule 1-A hereto or in such other form as may be consented to by the Priority Collateral Agent in its discretion;
- (b) With respect to Investment Property credited to any commodity account, an agreement executed by the applicable commodity intermediary substantially in the form of Schedule 1-B hereto or in such other form as may be consented to by the Designated Collateral Subagent in its discretion;
- (c) With respect to deposit accounts or tangible personal property Collateral in the possession, custody or control of any warehouseman or other bailee, an acknowledgment and agreement executed by the depository institution or bailee (each, a "Custodian"), as the case may be, in form and substance acceptable to the Priority Collateral Agent and in which the Custodian (i) acknowledges the Lien created hereunder (and, in the case of any Custodian of tangible personal property, that such Custodian holds such Collateral for the Priority Collateral Agent for the benefit of the Priority Secured Parties), (ii) agrees to discontinue accepting requests or demands from or on behalf of the applicable Grantor for access to or possession of any Collateral of which it is Custodian upon receipt of notice from the Priority Collateral Agent that an Event of Default has occurred and is continuing under any of the Transaction Documents or the Priority Security Instruments (a "Default Notice"), until such time as the Priority Collateral Agent may furnish it with a subsequent notice that such Event of Default has been cured or waived, (iii) agrees to make the Collateral of which it is Custodian available to the Priority Collateral Agent at the request of the Priority Collateral Agent, without requiring further consent from the Grantor, following receipt of any Default Notice from the Priority Collateral Agent, (iv) agrees that it will not consent to or acknowledge any Lien on Collateral of which it is Custodian in favor of any other Person and, as to Deposit Accounts only, agrees that it will not permit any withdrawals from such deposit accounts, until it receives notice from the Priority Collateral Agent that all Liens on such Collateral in favor of the Priority Secured Parties have been released or terminated, (v) agrees to waive or subordinate to the Lien conferred hereunder, on terms acceptable to the Priority Collateral Agent, any lien, claim, or right of setoff or recoupment (whether statutory or consensual) in favor of the Custodian on any of the Collateral; provided, however, deposit account Custodians may retain a prior Lien solely for the payment of routine deposit account maintenance and activity charges, and (vi) in the case of any warehouseman or other bailee of tangible personal property collateral, agrees to deliver (and accompanies such agreement with any then existing) warehouse receipts or other Documents pertaining to such Collateral ;

(d) With respect to letter of credit rights (including those constituting Supporting Obligations), an acknowledgment and agreement of the issuer (the "Issuer") of the related letter of credit in form and substance acceptable to the Priority Collateral Agent and in which the Issuer (i) acknowledges the Lien in favor of the Priority Collateral Agent conferred hereunder in proceeds of drawings under the related letter of credit, (ii) agrees that it will not acknowledge any Lien in favor of any other Person on letter of credit rights until it receives notice from the Priority Collateral Agent that all Liens on such Collateral in favor of the Priority Secured Parties have been released or terminated, and (iii) to the extent not inconsistent with the express terms of the related letter of credit, agrees that upon receipt of a Default Notice, it will make all payments of drawings honored by it under the related letter of credit to the Priority Collateral Agent, notwithstanding any contrary instruction received from the Grantor; and

(e) With respect to any Investment Property (x) that is not (i) a certificated security or (ii) a security entitlement or commodity contract maintained in a securities account or commodity account and (y) as to which a registrar (the "Registrar") has been or is at any time appointed to maintain records for the registry of the ownership or transfer of ownership of such Investment Property, an acknowledgment and agreement of the Registrar in form and substance acceptable to the Priority Collateral Agent and in which the Registrar (i) acknowledges that the Grantor is at the date of such acknowledgment the sole record and, to its knowledge, beneficial owner of the Investment Property, (ii) acknowledges the Lien in favor of the Priority Collateral Agent for the benefit of the Priority Secured Parties conferred hereunder and that such Lien will be reflected on the registry for such Investment Property, (iii) agrees that it will not register any transfer of such Investment Property nor register, consent to or acknowledge any Lien in favor of any other Person on such Investment Property, without the prior written consent of the Priority Collateral Agent in each instance, until it receives notice from the Priority Collateral Agent that all Liens on such Collateral in favor of the Priority Secured Parties have been released or terminated, and (iv) agrees that upon receipt of a Default Notice and that the Investment Property identified in such notice have been transferred to a transferee identified in such notice, it will duly record such transfer of Investment Property on the appropriate registry without requiring further consent from the Grantor and shall thereafter treat such transferee as the sole record and beneficial owner of such Investment Property pending further transfer, notwithstanding any contrary instruction received from the Grantor.

SCHEDULE 1-A

ACCOUNT CONTROL AGREEMENT

_____, as Priority Collateral Agent (in such capacity, the "Priority Collateral Agent") for the benefit of each of the Priority Secured Parties (the "Priority Secured Parties") under that certain General Priority Security Agreement dated as of January 28, 2000 (as amended, revised, modified, supplemented, amended and restated, or replaced from time to time, the "Priority Security Agreement") among Bank of America, N.A. as Priority Collateral Agent, and Cone Mills Corporation ("Debtor"), the undersigned Broker-Dealer ("Broker"), and Debtor hereby agree as follows:

PREAMBLE:

1. Broker has established a securities account number _____ in the name of Debtor (the "Account").
2. Debtor has granted the Priority Collateral Agent a security interest in the Account for the benefit of the Priority Secured Parties pursuant to the Priority Security Agreement.
3. Priority Collateral Agent, Debtor and Broker are entering into this Agreement to provide for the control of the Account and to perfect the security interest of Priority Collateral Agent in the Account.
4. All capitalized terms used but not otherwise defined herein shall have the respective meanings assigned thereto in the Priority Security Agreement.

TERMS:

Section 1. The Account. Broker hereby represents and warrants to Priority Collateral Agent and Debtor that (a) the Account has been established in the name of Debtor as recited above, (b) Exhibit A hereto is a complete and accurate statement of the Account and the financial assets carried therein and any free credit balance thereunder as of the date thereof, (c) Exhibit A does not reflect any financial assets which are registered in the name of Debtor, payable to its order, or specially endorsed to it, which have not been endorsed to Broker or in blank, (d) the security entitlements arising out of the financial assets carried in the Account and such free credit balance are valid and legally binding obligations of Broker, and (e) except for the claims and interest of Priority Collateral Agent and Debtor in the Account (subject to any claim in favor of Broker permitted under Section 2), Broker does not know any of claim to or interest in Account. Broker will treat all property held by it in the Account as financial assets under Article 8 of the Uniform Commercial Code of the State of North Carolina (the "State").

Section 2. Priority of Lien. Broker hereby acknowledges the security interest granted to Priority Collateral Agent for the benefit of the Priority Secured Parties by Debtor. Broker hereby subordinates, to Priority Collateral Agent's security interest in the Account and to the payment and performance of all obligations and liabilities of Debtor to any of the Priority Secured Parties secured by the Account, all liens, encumbrances, claims and rights of setoff or recoupment it may have against the Account or any property in the Account and agrees that, except for payment of its customary fees and commissions pursuant to its agreement with Debtor pertaining to the Account (the "Customer Agreement") and for payment of the purchase price of property purchased for the Account in compliance with this Agreement, it will not assert any such lien, encumbrance, claim or right against the Account or any property in the Account. In the event that, notwithstanding the foregoing subordination, Broker shall receive any cash or other property in respect of any subordinated claim, lien, or right, Broker shall hold such cash or other property in trust for Priority Collateral Agent and, pending delivery thereof to Priority Collateral Agent, maintain such cash or other property in a segregated account. Broker will not agree with any third party that Broker will comply with entitlement orders concerning the Account originated by such third party without the prior written consent of Priority Collateral Agent and Debtor.

Section 3. Control. From and after the receipt of Notice of Exclusive Control from the Agent, Broker will comply with entitlement orders originated by Priority Collateral Agent concerning the Account without further consent by Debtor. Except as otherwise provided in Section 2 above and 4 below, Broker will make trades of financial assets held in the Account at the direction of Debtor, or his authorized representatives, and comply with entitlement orders concerning the Account from Debtor, or its authorized representatives, until such time as Priority Collateral Agent delivers a written notice to Broker that Priority Collateral Agent is thereby exercising exclusive control over the Account. Such notice may be referred to herein as the "Notice of Exclusive Control" and will only be delivered following an Event of Default.

After Broker receives the Notice of Exclusive Control, it will immediately cease complying with entitlement orders or other directions concerning the Account originated by Debtor or its representatives.

Section 4. No Withdrawals. Notwithstanding the provisions of Section 3 above, from and after receipt of a Notice of Exclusive Control, Broker shall neither accept nor comply with any entitlement order from Debtor withdrawing any financial assets from the Account nor deliver any such financial assets (or dividends or income received in respect of such property) to Debtor nor pay any free credit balance or other amount owing from Broker to Debtor with respect to the Account without the specific prior written consent of Priority Collateral Agent.

Section 5. Statements, Confirmations and Notices of Adverse Claims. From and after receipt of written notice of an Event of Default, Broker will send copies of all statements, confirmations and other correspondence concerning the Account simultaneously to each of the Debtor and Priority Collateral Agent at the address set forth on the signature page of this Agreement. If any person asserts any lien, encumbrance or claim in or against the Account or in any financial asset

carried therein adverse to Debtor or Priority Collateral Agent, Broker will promptly notify Priority Collateral Agent and Debtor thereof.

Section 6. Responsibility of Broker. Broker shall have no responsibility or liability to Priority Collateral Agent for making trades of financial assets held in the Account at the direction of Debtor, or his authorized representatives, or complying with entitlement orders concerning the Account from Debtor, or his authorized representatives, which are received by Broker before Broker receives a Notice of Exclusive Control. Broker shall have no responsibility or liability to Debtor for complying with a Notice of Exclusive Control or complying with entitlement orders concerning the Account originated by Priority Collateral Agent. Broker shall have no duty to investigate or make any determination as to whether a default exists or any agreement between Debtor and any Priority Secured Party and shall comply with a Notice of Exclusive Control even if it believes that no such default exists. This Agreement does not create any obligation or duty of Broker other than those expressly set forth herein.

Section 7. Tax Reporting. All items of income, gain, expense, and loss recognized in the Account shall be reported to the Internal Revenue Service and all state and local taxing authorities under the name of taxpayer identification number of Debtor.

Section 8. Customer Agreement. In the event of a conflict between this Agreement and any other agreement between the Broker and the Debtor, the terms of this Agreement will prevail. Regardless of any provision in such agreement, the State shall be deemed to be Broker's location for the purposes of this Agreement and the perfection and priority of Priority Collateral Agent's security interest in the Account.

Section 9. Termination. The rights and powers granted herein to Priority Collateral Agent have been granted in order to perfect its security interest for the benefit of the Priority Secured Parties in the Account, are powers coupled with an interest and will neither be affected by the death, dissolution or insolvency of Debtor nor by the lapse of time. The obligations and agreements of Broker under Section 2, 3, 4 and 5 above shall continue in effect until the security interest of Priority Collateral Agent in the Account has been terminated. Upon receipt of such notice the obligations of Broker under Section 2, 3, 4 and 5 above with respect to the operation and maintenance of the Account after the receipt of such notice shall terminate, the Priority Collateral Agent shall have no further right to originate entitlement orders concerning the Account and Broker may take such steps as Debtor may request to vest full ownership and control of Account in Debtor including, but not limited to, transferring all of the financial assets and credit balances in the Account to another securities account in the name of Debtor or its designee.

Section 10. This Agreement. This Agreement, the schedules and exhibits hereto and the agreements and instruments required to be executed and delivered hereunder set forth the entire agreement of the parties with respect to the subject matter hereof and supersede and discharge all prior agreements (written or oral) and negotiations and all contemporaneous oral agreements concerning such subject matter and negotiations. There are no oral conditions precedent to the effectiveness of this Agreement.

Section 11. Amendments. No amendment, modification or termination of this Agreement or waiver of any right hereunder shall be binding on any party hereto unless it is in writing and is signed by the party to be charged.

Section 12. Severability. If any term or provision set forth in this Agreement shall be invalid or unenforceable, the remainder of this Agreement, or the application of such terms or provisions to persons or circumstances, other than those to which it is held invalid or unenforceable, shall be construed in all respects as if such invalid or unenforceable term or provision were omitted.

Section 13. Successors. The terms of this Agreement shall be binding upon, and shall inure to the benefit of, the parties hereto and their respective corporate successors or heirs and personal representatives, and the assignees of any Priority Secured Party.

Section 14. Rules of Construction. In this Agreement, words in the singular number include the plural, and in the plural include the singular; words of the masculine gender include the feminine and the neuter, and when the sense so indicates words of the neuter gender may refer to any gender and the word "or" is disjunctive, but not exclusive. The captions and section numbers appearing in this Agreement are inserted only as a matter of convenience. They do not define, limit or describe the scope or intent of the provisions of this Agreement.

Section 15. Notices. Any notice, request or other communication required or permitted to be given under this Agreement shall be in writing and deemed to have been properly given when delivered in person, or when sent by telecopy or other electronic means and electronic confirmation of error free receipt is received or two days after being sent by certified or registered United States mail, return receipt requested, postage prepaid, addressed to the party at the address set forth immediately following the signature of its authorized representative set forth below. Any party may change his address for notices in the manner set forth above.

Section 16. Financial Assets. All property credited to the Account will be treated as financial assets under Article 8 of the Uniform Commercial Code of the State.

Section 17. Counterparts. This Agreement may be executed in any number of counterparts, all of which shall constitute one and the same instrument, and any party hereto may execute this Agreement by signing and delivering one or more counterparts.

Section 18. Choice of Law. The parties hereto agree that certain material events, occurrences and transactions relating to this Agreement bear a reasonable relationship to the State. The validity, terms, performance and enforcement of this Agreement shall be governed by those laws of the State which are applicable to agreements which are negotiated, executed, delivered and performed solely in the State.

SIGNATURES:

**BANK OF AMERICA, N.A.,
as Priority Collateral Agent**

By: _____
Name: _____
Title: _____

Address for Notices:
Bank of America, N.A.
Agency Services
101 North Tryon Street, NC1-001-15-04
Charlotte, NC 28255
Telephone: (704)386-9368
Telefacsimile: (704)409-0012

DEBTOR

CONE MILLS CORPORATION

By: _____
Name: Gary L. Smith
Title: Executive Vice President and
Chief Financial Officer

Address for Notices:
Cone Mills Corporation
3101 North Elm Street
Greensboro, North Carolina 27415-6540
Attention: David E. Bray, Treasurer
Telephone: (336) 379-6098
Telefacsimile: (336) 379-6043

[BROKER NAME]

By: _____

Name: _____

Title: _____

Address for Notices:

Fax: () _____ - _____

SCHEDULE 1-B

ACCOUNT CONTROL AGREEMENT

_____, as Priority Collateral Agent (in such capacity, the "Priority Collateral Agent") for the benefit of each of the Priority Secured Parties (the "Priority Secured Parties") under that certain General Priority Security Agreement dated as of January 28, 2000 (as amended, revised, modified, supplemented, amended and restated, or replaced from time to time, the "Priority Security Agreement") among Bank of America, N.A. as Priority Collateral Agent, and Cone Mills Corporation ("Debtor"), the undersigned Commodity Intermediary ("Intermediary"), and Debtor hereby agree as follows:

PREAMBLE:

1. Intermediary has established a commodity account number _____ in the name of Debtor (the "Account").
2. Debtor has granted the Priority Collateral Agent a security interest in the Account for the benefit of the Priority Secured Parties pursuant to the Priority Security Agreement.
3. Priority Collateral Agent, Debtor and Intermediary are entering into this Agreement to provide for the control of the Account and to perfect the security interest of Priority Collateral Agent in the Account.
4. All capitalized terms used but not otherwise defined herein shall have the respective meanings assigned thereto in the Priority Security Agreement.

TERMS:

Section 1. The Account. Intermediary hereby represents and warrants to Priority Collateral Agent and Debtor that (a) the Account has been established in the name of Debtor as recited above, (b) Exhibit A hereto is a complete and accurate statement of the Account and the financial assets carried therein and any free credit balance thereunder as of the date thereof, (c) Exhibit A does not reflect any financial assets which are registered in the name of Debtor, payable to its order, or specially endorsed to it, which have not been endorsed to Intermediary or in blank, (d) the commodity contracts arising out of the financial assets carried in the Account and such free credit balance are valid and legally binding obligations of Intermediary, and (e) except for the claims and interest of Priority Collateral Agent and Debtor in the Account (subject to any claim in favor of Intermediary permitted under Section 2), Intermediary does not know any of claim to or interest in Account. Intermediary will treat all

property held by it in the Account as financial assets under Article 8 of the Uniform Commercial Code of the State of North Carolina (the "State").

Section 2. Priority of Lien. Intermediary hereby acknowledges the security interest granted to Priority Collateral Agent for the benefit of the Priority Secured Parties by Debtor. Intermediary hereby subordinates, to Priority Collateral Agent's security interest in the Account and to the payment and performance of all obligations and liabilities of Debtor to any of the Priority Secured Parties secured by the Account, all liens, encumbrances, claims and rights of setoff or recoupment it may have against the Account or any property in the Account and agrees that, except for payment of its customary fees and commissions pursuant to its agreement with Debtor pertaining to the Account (the "Customer Agreement") and for payment of the purchase price of property purchased for the Account in compliance with this Agreement, it will not assert any such lien, encumbrance, claim or right against the Account or any property in the Account. In the event that, notwithstanding the foregoing subordination, Intermediary shall receive any cash or other property in respect of any subordinated claim, lien, or right, Intermediary shall hold such cash or other property in trust for Priority Collateral Agent and, pending delivery thereof to Priority Collateral Agent, maintain such cash or other property in a segregated account. Intermediary will not agree with any third party that Intermediary will comply with contract orders concerning the Account originated by such third party without the prior written consent of Priority Collateral Agent and Debtor.

Section 3. Control. From and after the receipt of Notice of Exclusive Control from the Agent, Intermediary will comply with entitlement orders originated by Priority Collateral Agent concerning the Account without further consent by Debtor. Except as otherwise provided in Section 2 above and 4 below, Intermediary will make trades of financial assets held in the Account at the direction of Debtor, or his authorized representatives, and comply with contract orders concerning the Account from Debtor, or its authorized representatives, until such time as Priority Collateral Agent delivers a written notice to Intermediary that Priority Collateral Agent is thereby exercising exclusive control over the Account. Such notice may be referred to herein as the "Notice of Exclusive Control" and will only be delivered following an Event of Default.

After Intermediary receives the Notice of Exclusive Control, it will immediately cease complying with contract orders or other directions concerning the Account originated by Debtor or its representatives.

Section 4. No Withdrawals. Notwithstanding the provisions of Section 3 above, after written notice from the Agent that an Event of Default has occurred and is continuing, Intermediary shall neither accept nor comply with any contract order from Debtor withdrawing any financial assets from the Account nor deliver any such financial assets (or dividends or income received in respect of such property) to Debtor nor pay any free credit balance or other amount owing from Intermediary to Debtor with respect to the Account without the specific prior written consent of Priority Collateral Agent.

Section 5. Statements, Confirmations and Notices of Adverse Claims. From and after an Event of Default, Intermediary will send copies of all statements, confirmations and other correspondence concerning the Account simultaneously to each of Debtor and Priority Collateral

Agent at the address set forth on the signature page of this Agreement. If any person asserts any lien, encumbrance or claim in or against the Account or in any financial asset carried therein adverse to Debtor or Priority Collateral Agent, Intermediary will promptly notify Priority Collateral Agent and Debtor thereof.

Section 6. Responsibility of Intermediary. Intermediary shall have no responsibility or liability to Priority Collateral Agent for making trades of financial assets held in the Account at the direction of Debtor, or his authorized representatives, or complying with contract orders concerning the Account from Debtor, or his authorized representatives, which are received by Intermediary before Intermediary receives a Notice of Exclusive Control. Intermediary shall have no responsibility or liability to Debtor for complying with a Notice of Exclusive Control or complying with contract orders concerning the Account originated by Priority Collateral Agent. Intermediary shall have no duty to investigate or make any determination as to whether a default exists or any agreement between Debtor and any Priority Secured Party and shall comply with a Notice of Exclusive Control even if it believes that no such default exists. This Agreement does not create any obligation or duty of Intermediary other than those expressly set forth herein.

Section 7. Tax Reporting. All items of income, gain, expense, and loss recognized in the Account shall be reported to the Internal Revenue Service and all state and local taxing authorities under the name of taxpayer identification number of Debtor.

Section 8. Customer Agreement. In the event of a conflict between this Agreement and any other agreement between the Intermediary and the Debtor, the terms of this Agreement will prevail. Regardless of any provision in such agreement, the State shall be deemed to be Intermediary's location for the purposes of this Agreement and the perfection and priority of Priority Collateral Agent's security interest in the Account.

Section 9. Termination. The rights and powers granted herein to Priority Collateral Agent have been granted in order to perfect its security interest for the benefit of the Priority Secured Parties in the Account, are powers coupled with an interest and will neither be affected by the death, dissolution or insolvency of Debtor nor by the lapse of time. The obligations and agreements of Intermediary under Section 2, 3, 4 and 5 above shall continue in effect until the security interest of Priority Collateral Agent in the Account has been terminated. Upon receipt of such notice the obligations of Intermediary under Section 2, 3, 4 and 5 above with respect to the operation and maintenance of the Account after the receipt of such notice shall terminate, the Priority Collateral Agent shall have no further right to originate contract orders concerning the Account and Intermediary may take such steps as Debtor may request to vest full ownership and control of Account in Debtor including, but not limited to, transferring all of the financial assets and credit balances in the Account to another commodity contract in the name of Debtor or its designee.

Section 10. This Agreement. This Agreement, the schedules and exhibits hereto and the agreements and instruments required to be executed and delivered hereunder set forth the entire agreement of the parties with respect to the subject matter hereof and supersede and discharge all prior agreements (written or oral) and negotiations and all contemporaneous oral agreements concerning such subject matter and negotiations. There are no oral conditions precedent to the effectiveness of this Agreement.

Section 11. Amendments. No amendment, modification or termination of this Agreement or waiver of any right hereunder shall be binding on any party hereto unless it is in writing and is signed by the party to be charged.

Section 12. Severability. If any term or provision set forth in this Agreement shall be invalid or unenforceable, the remainder of this Agreement, or the application of such terms or provisions to persons or circumstances, other than those to which it is held invalid or unenforceable, shall be construed in all respects as if such invalid or unenforceable term or provision were omitted.

Section 13. Successors. The terms of this Agreement shall be binding upon, and shall inure to the benefit of, the parties hereto and their respective corporate successors or heirs and personal representatives, and the assignees of any Priority Secured Party.

Section 14. Rules of Construction. In this Agreement, words in the singular number include the plural, and in the plural include the singular; words of the masculine gender include the feminine and the neuter, and when the sense so indicates words of the neuter gender may refer to any gender and the word "or" is disjunctive, but not exclusive. The captions and section numbers appearing in this Agreement are inserted only as a matter of convenience. They do not define, limit or describe the scope or intent of the provisions of this Agreement.

Section 15. Notices. Any notice, request or other communication required or permitted to be given under this Agreement shall be in writing and deemed to have been properly given when delivered in person, or when sent by telecopy or other electronic means and electronic confirmation of error free receipt is received or two days after being sent by certified or registered United States mail, return receipt requested, postage prepaid, addressed to the party at the address set forth immediately following the signature of its authorized representative set forth below. Any party may change his address for notices in the manner set forth above.

Section 16. Financial Assets. All property credited to the Account will be treated as financial assets under Article 8 of the Uniform Commercial Code of the State.

Section 17. Counterparts. This Agreement may be executed in any number of counterparts, all of which shall constitute one and the same instrument, and any party hereto may execute this Agreement by signing and delivering one or more counterparts.

Section 18. Choice of Law. The parties hereto agree that certain material events, occurrences and transactions relating to this Agreement bear a reasonable relationship to the State. The validity, terms, performance and enforcement of this Agreement shall be governed by those laws of the State which are applicable to agreements which are negotiated, executed, delivered and performed solely in the State.

SIGNATURES:

**BANK OF AMERICA, N.A.,
as Priority Collateral Agent**

By: _____
Name: _____
Title: _____

Address for Notices:
Bank of America, N.A.
Agency Services
101 North Tryon Street, NC1-001-15-04
Charlotte, NC 28255
Telephone: (704)386-9368
Telefacsimile: (704)409-0012

DEBTOR

CONE MILLS CORPORATION

By: _____
Name: Gary L. Smith
Title: Executive Vice President and
Chief Financial Officer

Address for Notices:
Cone Mills Corporation
3101 North Elm Street
Greensboro, North Carolina 27415-6540
Attention: David E. Bray, Treasurer
Telephone: (336) 379-6098
Telefacsimile: (336) 379-6043

[INTERMEDIARY NAME]

By: _____

Name: _____

Title: _____

Address for Notices:

Fax: () _____ - _____

Priority Security Agreement

SCHEDULE 2

Grantor Information

I. <u>NAME</u>	II. <u>JURISDICTION OF FORMATION</u>	III. <u>ADDRESS OF CHIEF EXECUTIVE OFFICE</u>	IV. <u>TRADE NAMES</u>
Cone Mills Corporation	North Carolina	3101 North Elm Street Greensboro, NC 27408 Address Prior to Jan. '96 1201 Maple Street Greensboro, NC 27405	Cone David & Dash John Wolf Greeff Cone Decorative Fabrics Cone Jacquards Cone Sportswear Cone Denim Olympic Prelude Conitron d-cube Custom Graphic Impressions Cone Finishing Carlisle Finishing Granite Finishing Raytex Ashima Cone Parras Cone Comfort Sleep
CIPCO S.C., Inc.	Delaware	3101 North Elm Street Greensboro, NC 27408	None
Cone Foreign Trading LLC	North Carolina	3101 North Elm Street Greensboro, NC 27408	None
Cone Global Finance Corp.	California	3101 North Elm Street Greensboro, NC 27408	None

SCHEDULE 2

Grantor Information

V.

Collateral Locations

VI.

Name and Address of Owner of Collateral Location

VII.

Relationship to Grantor

Alice Mills Ellison Plant Easley, SC 29641	Alice Mills 208 E. 1st Avenue Easley, SC 29640	Greige Supplier
Alice Mills 208 East 1st Avenue Easley, NC 29640	Alice Mills 208 E. 1st Avenue Easley, SC 29640	Greige Supplier
American Fast Print PO Box 5765 Intersection I-85 & Bryant Road Spartanburg, SC 29031	American Fast Print PO Box 5765 Intersection I-85 & Bryant Road Spartanburg, SC 29031	Finisher
Anderson Fabrics 311 Lake Road Black Duck, MN 56630	Anderson Fabrics 311 Lake Road Black Duck, MN 56630	Finisher
Arkwright Mills Cateswood Plant 450 North Street Spartanburg, SC 29304	No Longer In Business	
Avondale Mills 43 W. 42nd Street – 28th Floor New York, NY 10036	Avondale Mills/Walton Mills 119 First Street Monroe, GA 30655	Greige Supplier
Avondale Mills 114 Buena Vista Ave. Fairhaven, NJ 077704	Avondale Mills/Walton Mills 119 First Street Monroe, GA 30655	Greige Supplier
Avondale Mills - Walton fabrics 119 First St Monroe, GA 30655	Avondale Mills/Walton Mills 119 First Street Monroe, GA 30655	Greige Supplier
Bay City Mills 1001 Ave. of Americas New York, NY 10018	Bay City Mills 1001 Ave. of Americas New York, NY 10018	Greige Supplier
Bishopville Finishing Co. PO Box 472 Bishopville, SC 29010	No Longer In Business	Finisher
Brittany Dye Works 1357 E. Rodney French Blvd. New Bedford, MA 02742	Brittany Dye Works 1357 E. Rodney French Blvd. New Bedford, MA 02742	Finisher
Broome & Wellington PO Box 877 99 Hawthorne Avenue Valley Stream, NY 11580	Broome & Wellington PO Box 877 99 Hawthorne Avenue Valley Stream, NY 11580	Greige Supplier
Brown Distribution 9551 William Aiken Road Ladson, SC 29456	Brown Distribution 9551 William Aiken Road Ladson, SC 29456	Lessee
Burlington Dec. Fabrics 1345 Ave. of the Americas New York, NY 10019	Burlington Industries, Inc. 3330 W. Friendly Ave. Greensboro, NC 27410	Greige Supplier
Burlington Greige Supplier Fabrics 1345 Avenue of the Americas New York, NY 10105	Burlington Industries, Inc. 3330 W. Friendly Ave. Greensboro, NC 27410	Greige Supplier
Burlington Ind. - Klopman Division 797 Main Street Hurt, VA 24563-2000	Burlington Industries, Inc. 3330 W. Friendly Ave. Greensboro, NC 27410	Greige Supplier
Carlisle Finishing Plant 3863 Chester Highway P. O. Box 8 Carlisle, SC 29031	Cone Mills Corporation 3101 North Elm Street Greensboro, NC 27408	

SCHEDULE 2

Grantor Information

V.	VI.	VII.
<u>Collateral Locations</u>	<u>Name and Address of Owner of Collateral Location</u>	<u>Relationship to Grantor</u>
Carolina Mills PO Box 157 618 Carolina Avenue Maiden, NC 28650	Carolina Mills PO Box 157 618 Carolina Avenue Maiden, NC 28650	Greige Supplier
Carolina Mills, Inc. PO Box 157 618 Carolina Ave. Maiden, NC 28650	Carolina Mills, Inc. PO Box 157 618 Carolina Ave. Maiden, NC 28650	Greige Supplier
Castle Industries 304 Arcadia Drive Greenville, SC 29609	Castle Industries 304 Arcadia Drive Greenville, SC 29609	Finisher
Central Carolina Warehouse 801 Warehouse Street Greensboro, NC 27405	Central Carolina Warehouse 801 Warehouse Street Greensboro, NC 27405	Lessee
Certified Flame Proofing Inc. PO Box 249 2195 Greenspring Drive Timonium, MD 21093	Certified Flame Proofing Inc. PO Box 249 2195 Greenspring Drive Timonium, MD 21093	Finisher
Cheraw Dyeing & Finishing Jersey at W. Green Street Cheraw, SC 29520	Cheraw Dyeing & Finishing Jersey at W. Green Street Cheraw, SC 29520	Finisher
Cherokee Finishing 418 Chandler Drive Gaffney, SC 29340	Cherokee Finishing 418 Chandler Drive Gaffney, SC 29340	Finisher
Cliffside Plant P. O. Box 335 Highway 221-A Main Street Cliffside, NC 28024	Cone Mills Corporation 3101 North Elm Street Greensboro, NC 27408	
Clinton Mills 111 W. 40th Street New York, NY 10018	Clinton Mills 1301 Gervais St Suite 92 Columbia, SC	Greige Supplier Supplier
Clinton Mills 600 Academy Street Clinton, SC 29326	Clinton Mills 1301 Gervais St Suite 92 Columbia, SC	Greige Supplier Supplier
COCO Prints 13302 Highway 74 East Stallings, NC 28105	COCO Prints PO Noc 683 Matthews, NC 28106	Finisher
Cone Corporate Center - Corp. Headquarters 3101 North Elm Street Greensboro, NC 27408	Cone Mills Corporation 3101 North Elm Street Greensboro, NC 27408	
Cone Jacquards 3400 Hwy 221-A PO Box 427 Cliffside, NC 28024	Cone Mills Corporation 3101 North Elm Street Greensboro, NC 27408	
Cone Mills Corporation New York Sales Office 1440 Broadway New York, NY 10018	Cone Mills Corporation 3101 North Elm Street Greensboro, NC 27408	
Cone Mills Corporation - Transportation 1105 Maple Street Greensboro, NC 27405	Cone Mills Corporation 3101 North Elm Street Greensboro, NC 27408	
Copland Inc. Distribution Center - Sandy Cross Road Burlington, NC 27216-1208	Copland Inc. PO Box 1208 Burlington, NC 27216-1208	Greige Supplier

SCHEDULE 2

Grantor Information

V. <u>Collateral Locations</u>	VI. <u>Name and Address of Owner of Collateral Location</u>	VII. <u>Relationship to Grantor</u>
Corigan Warehouse P. O. Box 1240 2121 Jefferson Street Laredo, TX 78042	Corigan Warehouse P. O. Box 1240 2121 Jefferson Street Laredo, TX 78042	Lessee
Deering-Milliken 920 Milliken Road Spartanburg, SC 29303	Deering-Milliken 920 Milliken Road Spartanburg, SC 29303	Greige Supplier
Doran Mills (was Fox Wells) 1384 Broadway, 22nd Floor New York, NY 10018	Doran Mills (was Fox Wells) 1384 Broadway, 22nd Floor New York, NY 10018	Greige Supplier
Echavarria Corp 1908 N. 84th Avenue Miami, FL 33126	Echavarria Corp 1908 N. 84th Avenue Miami, FL 33126	Finisher
EDPA USA Inc. 350 Fifth Ave., Ste. 5310 New York, NY 10118	EDPA USA Inc. 350 Fifth Ave., Ste. 5310 New York, NY 10118	Greige Supplier/Finisher
Eve Joy 2080 Fifth Avenue Ronkonkoma, NY 11779	Eve Joy 2080 Fifth Avenue Ronkonkoma, NY 11779	Finisher
Eve Joy Industries 2080 Fifth Avenue Ronkonkoma, NY 11779	Eve Joy Industries 2080 Fifth Avenue Ronkonkoma, NY 11779	Finisher
Fabrite Laminating 70 Passiac Street Woodridge, NJ 07075	Fabrite Laminating 70 Passiac Street Woodridge, NJ 07075	Finisher
Flame Treat 56855 1/2 Ferrettie Court Mishawaka, IN 46545	Flame Treat 56855 1/2 Ferrettie Court Mishawaka, IN 46545	Finisher
Flint River Textiles PO Box 489 509 11th Avenue Albany, GA 31702	Flint River Textiles PO Box 489 509 11th Avenue Albany, GA 31702	Greige Supplier
Florence Plant 101 Depot Street Forest City, NC 28043	Cone Mills Corporation 3101 North Elm Street Greensboro, NC 27408	
Fox Wells 58 W. 40th Street – 12th Floor New York, NY 10018	Fox Wells 58 W. 40th Street – 12th Floor New York, NY 10018	Greige Supplier
Galey & Lord 7736 McCloud Road Greensboro, NC 27425-0528	Galey & Lord PO Box 35528 Greensboro, NC 27425-0528	Greige Supplier/Finisher
Galey & Lord Inc. 980 6th Avenue – 3rd Floor New York, NY 10018	Galey & Lord Inc. 980 6th Avenue – 3rd Floor New York, NY 10018	Greige Supplier/Finisher
Granite Warehouse 122 E. Main Street Drawer 789 Haw River, NC 27258	Cone Mills Corporation 3101 North Elm Street Greensboro, NC 27408	
Greensboro Warehouse 1203 Maple Street Greensboro, NC 27405	Cone Mills Corporation 3101 North Elm Street Greensboro, NC 27408	
Greenville Finishing Company Rutherford Road Greenville, SC 29612	Greenville Finishing Company Mill Street, RT. 5 Greenville, SC 29609	Finisher

SCHEDULE 2

Grantor Information

V.	VI.	VII.
<u>Collateral Locations</u>	<u>Name and Address of Owner of Collateral Location</u>	<u>Relationship to Grantor</u>
Greenwood Durst Plant #8 Florida Avenue Greenwood, SC 29648	Greenwood Durst Plant #8 P. O. Box 1177 Greenwood, SC 29648	Greige Supplier
Greenwood Matthews Plant #1 300 Morgan Street Greenwood, SC 29648	Greenwood Matthews Plant #1 P. O. Box 1177 Greenwood, SC 29648	Greige Supplier
Greenwood Matthews Plant #2 300 Morgan Street Greenwood, SC 29648	Greenwood Matthews Plant #2 P. O. Box 1177 Greenwood, SC 29648	Greige Supplier
Greenwood Matthews Plant #3 300 Morgan Street Greenwood, SC 29648	Greenwood Matthews Plant #3 P. O. Box 1177 Greenwood, SC 29648	Greige Supplier
Greenwood Matthews Plant #4 300 Morgan Street Greenwood, SC 29648	Greenwood Matthews Plant #4 P. O. Box 1177 Greenwood, SC 29648	Greige Supplier
Greenwood Mills - Greenwood Plant 35 Mill Street Greenwood, SC 29648	Greenwood Mills - Greenwood Plant 35 P. O. Box 1177 Greenwood, SC 29648	Greige Supplier
Greenwood Mills 111 W. 40th Street New York, NY 10018	Greenwood Mills 111 W. 40th Street New York, NY 10018	Greige Supplier
Greenwood Mills - Greenwood Plant #8 Mill Street Greenwood, SC 29648	Greenwood Mills P. O. Box 1177 Greenwood, SC 29648	Greige Supplier
Guilford Mills 4201 West Wendover Greensboro, NC 27419	Guilford Mills 6001 West Market St Greensboro, NC 27409	Greige Supplier
Guilford Mills 6001 West Market St Greensboro, NC 27409	Guilford Mills 6001 West Market St Greensboro, NC 27409	Greige Supplier
Hamrick Mills 515 West Buford St Gaffney, SC 29340	Hamrick Mills 515 West Buford St Gaffney, SC 29340	Greige Supplier
Hanes Fabrics 60 Metro Way Secaucus, NJ 07094	Hanes Fabrics 60 Metro Way Secaucus, NJ 07094	Greige Supplier
Haynes Plant P. O. Box 218A 2401 Henrietta Road Henrietta, NC 28076	Cone Mills Corporation 3101 North Elm Street Greensboro, NC 2708	Greige Supplier
Heflex Div of EBR Mfg 50 Railroad Ave Closter, NJ 07624 Formerly: Heflex 171 Lexington Ave Hackensack, NJ 07601	Heflex Div of EBR Mfg 50 Railroad Ave Closter, NJ 07624 Formerly: Heflex 171 Lexington Ave Hackensack, NJ 07601	Finisher
Hi Tex Inc. 25 Glenway Street Blenmont, NC 28012	Hi Tex Inc. 25 Glenway Street Blenmont, NC 28012	Finisher
Hi Tex Inc. c/o Preferred Finishing 612 Blacksburg Highway Blacksburg, SC 29702	Hi Tex Inc. c/o Preferred Finishing 612 Blacksburg Highway Blacksburg, SC 29702	Finisher

SCHEDULE 2

Grantor Information

V.	VI.	VII.
<u>Collateral Locations</u>	<u>Name and Address of Owner of Collateral Location</u>	<u>Relationship to Grantor</u>
Home Fabric Finishing 380 Whitney Road Spartanburg, SC 29305 (formerly Preferred Textiles)	Home Fabric Finishing 380 Whitney Road Spartanburg, SC 29305 (formerly Preferred Textiles)	Finisher
Imptex International Corp. 131 W. 35th Street New York, NY 10018	Imptex International Corp. 131 W. 35th Street New York, NY 10018	Greige Supplier
Inman Mills 1133 Avenue of the Americas New York, NY 10036	Inman Mills P. O. Box 207 Inman, SC 29349	Greige Supplier
Inman Mills, Inman Plant Park Rd Inman, SC 29349	Inman Mills, Inman Plant Park Rd Inman, SC 28349	Greige Supplier
Inman Mills, Mtn. Shls. Plant Hwy 221 Enoree, SC 29335	Inman Mills, Mtn. Shls. Plant Hwy 221 Enoree, SC 29335	Greige Supplier
Interamerica Forwarding Co. P. O. Box 1518 14420 Maquilla Loop Laredo, TX 78042	Texcorp Distribution Center, Inc. P. O. Box 1518 Laredo, TX 78040	Lessee
John Wolf Decorative Fabrics 251 Fifth Avenue New York, NY 10016	Cone Mills Corporation 3101 North Elm Street Greensboro, NC 2708	
John Wolf Sample Dept. 3863 Carlisle/Chester HWY Carlisle, SC 29031	Cone Mills Corporation 3101 North Elm Street Greensboro, NC 2708	
John Wolf Warehouse 3863 Carlisle/Chester HWY Carlisle, SC 29031	Cone Mills Corporation 3101 North Elm Street Greensboro, NC 2708	
Johnston Ind./Office and Warehouse 1032 Douglas Ave Opp, AL 36467	Johnston Ind./Office and Warehouse 1032 Douglas Ave Opp, AL 36467	Greige Supplier
Johnston Ind./Opp & Micolos Div 105 13th Street Columbus, GA 30901	Johnston Ind./Opp & Micolos 105 13th Street Columbus, GA 31901	Greige Supplier
Johnston Ind./Opp & Micolos Div 111 West 40 St New York, NY 10018	Johnston Ind./Opp & Micolos 105 13th Street Columbus, GA 31901	Greige Supplier
Johnston Industries – Opp & Micolos Division 80 Triangle Blvd. OPP, Alabama 36467	Johnston Ind./Opp & Micolos 105 13th Street Columbus, GA 31901	Greige Supplier
Joshua Bailey & Co. 2 Hudson Place PO Box 9501 Hoboken, NJ 07030-9501	Joshua Bailey & Co. 2 Hudson Place PO Box 9501 Hoboken, NJ 07030-9501	Greige Supplier
Joshua Baily 104 W. 40th Street New York, NY 10018	Joshua Baily 104 W. 40th Street New York, NY 10018	Greige Supplier
Joshua Baily Glenwood Division Mayfair Mill Easley, NC 29640	Joshua Baily Glenwood Division Mayfair Mill Easley, NC 29640	Greige Supplier

SCHEDULE 2

Grantor Information

V.	VI.	VII.
<u>Collateral Locations</u>	<u>Name and Address of Owner of Collateral Location</u>	<u>Relationship to Grantor</u>
Majestic Mills, Inc. 989 Avenue of the Americas New York, NY 10018	Majestic Mills, Inc. 989 Avenue of the Americas New York, NY 10018	Greige Supplier
Manning Corporation 650-A PG Street Pinehurst, NC 28374	No Longer In Business	
Marion Mills 1384 Broadway New York, NY 10018	Marion Mills 1384 Broadway New York, NY 10018	Greige Supplier
Mayfair Mills 1885 Hayne Street Arcadia, SC 29320	Mayfair Mills 1885 Hayne Street Arcadia, SC 29320	Greige Supplier
Midland Prints Highway 200 South, Drawer 190 Stanfield, NC 28163	Midland Prints Highway 200 South, Drawer 190 Stanfield, NC 28163	Finisher
Miliken 260 Bernice Fleming PO Box 1926 Spartanburg, SC 29304	Miliken & Co. 920 Miliken Rd Spartanburg, SC 29304	Greige Supplier
Miroglio Textile 1430 Broadway New York, NY 10018	Miroglio Textile 1430 Broadway New York, NY 10018	Finisher
Montrose International 550 Mamaroneck Avenue Harrison, NY 10528	Montrose International 550 Mamaroneck Avenue Harrison, NY 10528	Greige Supplier
Morganton Dyeing & Finishing 1398 Salem Road Morganton, NC 28655	Morganton Dyeing & Finishing PO Box 1327 Morganton, NC 28655	Finisher
Mt. Hope Finishing Co. B Street Butner, NC 27509	Mt. Hope Finishing Co. Box 147 Butner, NC 27509	Finisher
North Carolina Finishing Co. Highway 29 North Salisbury, NC 28144	No Longer In Business	Finisher
Old Deerfield Fabrics/Stonhenge 99 Commerce Road Cedar Grove, NJ 07009	Old Deerfield Fabrics/Stonhenge 99 Commerce Road Cedar Grove, NJ 07009	Finisher
Opp Cotton Mills, Inc 1800 W. Cummings Avenue Opp, AL	Opp Cotton Mills, Inc 1800 W. Cummings Avenue Opp, AL	
Oxford Textile 11 Foundry Street Oxford, NJ 07863	Oxford Textile 11 Foundry Street Oxford, NJ 07863	Finisher
Parthenon Prints, Inc. PO Box 2505 909 W. 39th Street Panama City, FL 32402	Parthenon Prints, Inc. PO Box 2505 909 W. 39th Street Panama, FL 32402	Finisher
Perennial Prints Corp. 3 East 26 Street Paterson, NJ 07509	Perennial Prints Corp. 3 East 26 Street Paterson, NJ 07509	Finisher
Piedmont PO Box 284 Concord, NC 28026	Piedmont PO Box 284 Concord, NC 28026	Lessee

SCHEDULE 2

Grantor Information

V.	VI.	VII.
<u>Collateral Locations</u>	<u>Name and Address of Owner of Collateral Location</u>	<u>Relationship to Grantor</u>
Piedmont Interstate Spartanburg 185 Little John Road Spartanburg, SC 29301	Montgomery Industries 1091 Barnwell Road Spartanburg, SC 29301	Lessee
Printed Fabrics 501 Lovvorn Rd. Box 220 Carrollton, GA 30117	Printed Fabrics 501 Lovvorn Rd. Box 220 Carrollton, GA 30117	Finisher
Raytex Finishing Company Highway #576 Bypass Marion, SC 29571	Cone Mills Corporation 3101 North Elm Street Greensboro, NC 27408	
Reeves Bros. 1071 Sixth Avenue New York, NY 10018	Reeves Bros. 1071 Sixth Avenue New York, NY 10018	Greige Supplier
Rockland Industries 1601 Edison Highway Baltimore, MD 21213	Rockland Industries 1601 Edison Highway Baltimore, MD 21213	Greige Supplier
Salisbury Plant 705 S. Railroad Street Salisbury, NC 28144	Cone Mills Corporation 3101 North Elm Street Greensboro, NC 27408	
Santee Print Works 19 Progress Street Sumter, SC 29153	Santee Print Works 19 Progress Street Sumter, SC 29153	Finisher
Santee Print Works 346 East Plaza Drive Mooresville, NC 28115	Santee Print Works 346 East Plaza Drive Mooresville, NC 28115	Finisher
Shuford Mills 1985 Tate Boulevard Hickory, NC 28602	Shuford Mills 1985 Tate Boulevard Hickory, NC 28602	Greige Supplier
Slater Screen Print Corp 727 School Street Pawtucket, RI 02860	Slater Screen Print Corp 727 School Street Pawtucket, RI 02860	Finisher
Slater Screen Print Corp. 727 School Street Pawtucket, RI 02860	Slater Screen Print Corp. 727 School Street Pawtucket, RI 02860	Finisher
Softex Finishing Inc. 1468 Durham Road Roxboro, NC 27573	Softex Finishing Inc. 1468 Durham Road Roxboro, NC 27573	Finisher
Southern Phoenix 300 Gen. Colin Powell Pkwy. Phoenix City, AL 36867	Southern Phoenix 300 Gen. Colin Powell Pkwy. Phoenix City, AL 36867	Greige Supplier
Spartan Mills 561 N. Liberty Street Spartanburg, SC 29301	Spartan Mills 805 Spartan Blvd Spartanburg, SC 29304	Greige Supplier
Standly Simpson 75 Beattie Pl. 2nd Floor Greenville, SC 29601	Standly Simpson 75 Beattie Pl. 2nd Floor Greenville, SC 29601	
Stonecutter Mills 300 Dallas Street Spindale, NC 28160	Stonecutter Mills 300 Dallas Street Spindale, NC 28160	Greige Supplier
Superba Print Works PO Box 297 346 E. Plaza Drive Mooresville, NC 28115	Superba Print Works PO Box 297 346 E. Plaza Drive Mooresville, NC 28115	Finisher

SCHEDULE 2

Grantor Information

V.	VI.	VII.
<u>Collateral Locations</u>	<u>Name and Address of Owner of Collateral Location</u>	<u>Relationship to Grantor</u>
Swan Finishing 372 Stevens Street Fall River, MA 02721	Swan Finishing 372 Stevens Street Fall River, MA 02721	Finisher
Synthetics Finishing 515 23rd Street, SW Hickory, NC 28602	Synthetics Finishing 515 23rd Street, SW Hickory, NC 28602	Finisher
United Piece Dye Works 1220 State Road Edenton, NC 27932	United Piece Dye Works 1220 State Road Edenton, NC 27932	Finisher
US Finishing 3335 Old Buncombe Road Greenville, SC 29617	US Finishing 3335 Old Buncombe Road Greenville, SC 29617	Finisher
W. Gamby and Co., Inc. 1071 Ave. of the Americas New York, NY 10018	W. Gamby and Co., Inc. 1071 Ave. of the Americas New York, NY 10018	Greige Supplier
Wellington Sears 3101 23rd Drive Valley, AL 36854	Wellington Sears 3101 23rd Drive Valley, AL 36854	Greige Supplier
White Oak Plant 2420 Fairview Street Greensboro, NC 27405	Cone Mills Corporation 3101 North Elm Street Greensboro, NC 27408	
Wolf- New York 261 Fifth Avenue New York, NY 10016	Wolf- New York 261 Fifth Avenue New York, NY 10016	

Priority Security Agreement

Schedule 3

Investment Property

Securities Accounts

<u>Name and Address of Securities Intermediary</u>	<u>Account Number</u>
--	-----------------------

NONE

Commodity Accounts

<u>Grantor</u>	<u>Name and Address of Commodity Intermediary</u>	<u>Commodity Account Number</u>
Cone Mills Corporation	Smith Barney 1320 S. University Drive Suite 1000 Fort Worth, TX 76107	728-20578-14014 728-20578014
	FIMAT USA, Inc./The Jernigan Group 310 West End Avenue Suite 1250 Nashville, TN 37203	FNV495 045 74325 FNV495 045 77447 FNV495 045 77448 FNV495 045 74316
	FIMAT USA, Inc./Allenberg Trading, LLC P.O. Box 3254 Cordova, TN 38088-3254	FB6925 03078014
	REFCO/Varner Brokerage, Inc. 325 Cotton Row Cleveland, MS 38732	3721-63839
	REFCO 889 Ridge Lake Blvd. Suite 300 Memphis, TN 38120	5691-81666
	Affinity Trading, LLC (Peregrine Financial Group, Inc.) 2289 Kirby Road Memphis, TN 38119	EE2 01 25023

Other Investment Property

<u>Name and Type of Issuer</u>	<u>Quantity of Shares or Other Interest</u>	<u>Certificate Number(s)</u>
--------------------------------	---	----------------------------------

NONE

SCHEDULE 4

Deposit Accounts

<u>Grantor</u>	<u>Name and Address of Depository Institution</u>	<u>Account No.</u>	<u>Certificate of Deposit No. (if applicable)</u>
Cone Mills Corporation	Bank of America P. O. Box 830175 Dallas, TX 75283-0175	3750377459 - Main Account	
	Bank of America P. O. Box 27128 Concord, CA 94520	1233-0-02323 - Main Account	
	Citibank Sort 2712 New York, NY 10043	40001796 - Main Account	
	First Union National Bank 300 N. Greene Street Greensboro, NC 27401	2072081080826 – Main Account 2072087808866 – Wire Transfer Account 2072087399773 – North Pointe Association Maintenance Account	
	Wachovia Bank 100 N. Main Street P. O. Box 3099 Winston Salem, NC 27101	3569021060 – Main Account 540208741 – South Carolina Deposit Account	
Cone Global Finance Corporation	Bank of America PO Box 27128 Concord, CA 94520	1233-5-20193 – Main Account	
Cone Foreign Trading LLC	First Union National Bank 300 N. Greene Street Greensboro, NC 27401	2010000260786 – Main Account	
CIPCO, S.C., Inc.	Wachovia Bank of S.C., N.A. Columbia, SC	320520299 - Main Account	

SCHEDULE 5-A

Trademarks and Trademark Applications

TRADEMARK/SERVICE MARK	REG. NO.	REG. DATE
CONE Device	019,726	12/31/71
Pine Cone Design	200836	03/28/90
CONE	90/2409	03/29/90
Pine Cone Design	90/2410	03/29/90
CONE	24,691	04/12/90
Pine Cone Design	28,159	04/12/90
CONE	90104211	07/09/90
CONE & Pine Cone Design	90/04212	07/09/90
CONE	388,643	07/24/90
Pine Cone Design	391,376	07/24/90
CONE & Pine Cone Design	76,423	07/24/90
CONE & Pine Cone Design	503890	11/01/90
CONE	503897	11/01/90
CONE	1917/1991	04/04/91
CONE	91084	05/27/91
Pine Cone Design	486/1992	06/12/91
CONE & Pine Cone Design	91481	06/26/91
CONE	65,331	07/23/91
CONE	76,424	07/24/91
CONE	218449	08/08/91
Pine Cone Design	218450	08/08/91
CONE & Pine Cone Design	65,070	09/17/91
Pine Cone Design	1,562,480	11/05/91
CONE & Pine Cone Design	7,790	01/03/92
CONE & Pine Cone Design	10,311	02/13/92
Pine Cone Design	1,420,695	02/21/92
CONE & Pine Cone Design	Book 12, Reg. 12	07/09/92
CONE & Pine Cone Design	392,030	09/03/92
CONE	ook 13, Reg. 165	10/20/92
CONE	2478885	11/30/92
CONE	399,040	12/22/92
CONE & Pine Cone Design	399,040	12/22/92
CONE	37/1993	02/02/93
Pine Cone Design	38/1993	02/02/93
CONE	90/2409	03/15/93
Pine Cone Design	90/2410	03/15/93
Pine Cone Design	2529119	04/28/93
CONE & Pine Cone Design	A531,856	05/27/93
CONE	8840	08/05/93
Pine Cone Design	8841	08/05/93
CONE	7911/93	10/11/93
Pine Cone Design	7912/93	10/11/93
CONE & Pine Cone Design	2589817	10/29/93
CONE & Pine Cone Design	1,562,481	08/03/94
Pine Cone Design	737,927	03/28/95
CONE	747,974	05/28/95
CONE & Pine Cone Design	1,518,047	06/02/95
CONE	186,896	07/26/96
CONE	200835	01/24/97
CONE & Pine Cone Design	1,408,099	05/09/97
CONE DEEPTONE DENIM	1,408,102	05/09/97
CONE	23,837	11/22/97

SCHEDULE 5-A

Trademarks and Trademark Applications

TRADEMARK/SERVICE MARK	REG. NO.	REG. DATE
CONE		01/21/98
CONE & Pine Cone Design		01/21/98
CONE MILLS	1,667,005	05/05/98
CONE & Globe Design	2,228,702	03/02/99

SCHEDULE 5-A**Trademarks and Trademark Applications**

TRADEMARK/SERVICE MARK	APPLN. NO.	FILING DATE
CONE	Z-167,144	11/29/96
CONE	D97/23983	11/03/97
CONE	D97/23982	11/03/97
CONE DENIM SINCE 1871 & Design	D97/23981	11/03/97
CONE & Pine Cone Design	D97/23980	11/03/97
CONE & Globe Design	D97/23979	11/03/97
CONE and Cone and Globe Design	D97/23978	11/03/97
CONE	348552	11/12/97
CONE & Pine Cone Design	348553	11/12/97
CONE & Globe Design	348554	11/12/97
CONE & Pine Cone Design	28707	11/22/97
CONE & Globe Design	28709	11/22/97
CONE & Pine Cone Design	124824	12/08/97
CONE	785,354	01/07/98
CONE & Pine Cone Design	785,351	01/07/98
CONE & Globe Design	785,353	01/07/98
CONE DENIM SINCE 1891 & Design	785,352	01/07/98
CONE	146109	01/22/98
CONE & Pine Cone Design	146108	01/22/98
CONE & Globe Design	146116	01/22/98
CONE DENIM SINCE 1891 & Design	146117	01/22/98
CONE	86736	02/03/98
CONE & Pine Cone Design	86737	02/03/98
CONE & Globe Design	86738	02/03/98
CONE DENIM SINCE 1891 & Design	86739	02/03/98
CONE	54253	02/04/98
CONE & Pine Cone Design	54252	02/04/98
CONE & Globe Design	54250	02/04/98
CONE DENIM SINCE 1891 & Design	54251	02/04/98
CONE	86,200	03/18/98
CONE & Pine Cone Design	86,196	03/18/98
CONE & Globe Design	86,197	03/18/98
CONE & Globe Design	4199802974	04/24/98
CONE SPORTSWEAR & Design	75/555,458	09/18/98
SINCE 1891 CONE FABRICS & Ribbon Design		11/06/98
SINCE 1891 CONE FABRICS & Ribbon Design	837,122	11/06/98
SINCE 1891 CONE FABRICS & Ribbon Design		11/06/98
CONE	75/633,739	02/04/99
CONE		
CONE & Globe Design		
CONE & Pine Cone Design		

PRIORITY SECURITY AGREEMENT

SCHEDULE 5-B

LICENSE AGREEMENTS

License Agreement between Cone Mills Corporation, ProSpin Industries, Inc. and AeroSpun, Inc. dated June 16, 1995.

License Agreement between Cone Mills Corporation and Cluett, Peabody & Co., Inc. dated May 31, 1949.

License Agreement between Cone Mills Corporation and CIPCO S.C., Inc. dated February 26, 1996.

EXHIBIT A

ASSIGNMENT OF TRADEMARKS AND LICENSES

THIS ASSIGNMENT OF TRADEMARKS AND LICENSES (this "Agreement") is made and entered into as of January 28, 2000 by **CONE MILLS CORPORATION**, a North Carolina corporation (the "Borrower" and a "Grantor"), **EACH OF THE UNDERSIGNED SUBSIDIARIES OF THE BORROWER** (each a "Guarantor" and a "Grantor", and collectively with the Borrower, the "Grantors"), and **BANK OF AMERICA, N.A.**, as Priority Collateral Agent (in such capacity, the "Priority Collateral Agent") under that certain Priority Collateral Agency Agreement of even date herewith among the Priority Collateral Agent, The Prudential Insurance Company of America, as holder of the Senior Notes (the "Senior Note Holder"), SunTrust Bank and Atlantic Financial Group, Ltd., as creditors of the Senior Lease Obligations (together, the "Senior Lease Creditor") and Bank of America, N.A., as Agent (in such capacity, the "Revolving Credit Agent") for each of the Lenders now or hereafter party to the Credit Agreement (as defined below), pursuant to which the Priority Collateral Agent serves as such on behalf of and for the benefit of the Senior Note Holder, the Senior Lease Creditor and the Revolving Credit Agent and the Lenders. The Priority Collateral Agent and the Revolving Credit Agent, the Lenders, the Senior Note Holder, and the Senior Lease Creditor are collectively referred to herein as the "Priority Secured Parties." All capitalized terms used but not otherwise defined herein shall have the respective meanings assigned thereto in the Intercreditor Agreement (as defined below).

WITNESSETH:

WHEREAS, the Lenders have agreed to provide to the Borrower a certain revolving credit facility with a letter of credit sublimit and swing line facility pursuant to the Credit Agreement dated as of January 28, 2000 by and among the Borrower, the Revolving Credit Agent and the Lenders (as from time to time amended, supplemented or restated, the "Credit Agreement"); and

WHEREAS, the Borrower is indebted to certain of the Senior Creditors pursuant to the Loan Documents, the Senior Notes and the Senior Lease Documents, as applicable; and

WHEREAS, as collateral security for payment and performance of its Obligations and all other Priority Senior Obligations, the Borrower is willing to grant to the Priority Collateral Agent for the benefit of the Priority Secured Parties a security interest in all of its personal property and assets pursuant to the terms of the Priority Security Agreement (as defined below); and

WHEREAS, each Guarantor will materially benefit from the Loans and Advances to be made, and the Letters of Credit to be issued, under the Credit Agreement and each Guarantor is a party to a Facility Guaranty pursuant to which each Guarantor guarantees the Obligations of the Borrower; and

WHEREAS, each Subsidiary Grantor has materially benefited from the extensions of credit to the Borrower by each of the Senior Creditors pursuant to the Senior Credit Documents; and

WHEREAS, each Grantor has entered into a Priority Security Agreement (the "Priority Security Agreement") dated as of January 28, 2000 pursuant to which each Grantor has granted to the Priority Collateral Agent for the benefit of the Priority Secured Parties a Priority Lien in the Material Trademarks and Licenses defined below in order to secure the Borrower's Obligations and all other Priority Senior Obligations (collectively, the "Priority Senior Obligations"); and

WHEREAS, each Grantor (a) has adopted and used and is using the trademarks and service marks (the "Trademarks") identified on Annex I hereto, and is the owner of the registrations of and pending registration applications for such Trademarks in the United States Patent and Trademark Office identified on Annex I hereto and (b) is a party to and has rights under the licenses and license agreements listed on Annex II hereto (the "Licenses", and together with the Trademarks, the "Collateral"); and

WHEREAS, the Priority Collateral Agent for the benefit of the Priority Secured Parties desires to acquire the Trademarks and the Licenses and the registrations thereof and registration applications therefor, as applicable, in connection with the exercise of its remedies after the occurrence of an Event of Default under the Credit Agreement or any default or event of default under any of the Senior Credit Documents (collectively, an "Event of Default");

NOW, THEREFORE, for good and valuable consideration, receipt of which is hereby acknowledged, each Grantor does hereby, effective as of the occurrence of an Event of Default, assign, sell and transfer unto the Priority Collateral Agent all right, title and interest in and to the Trademarks and Licenses, together with (i) the registrations of and registration applications therefor, as applicable, (ii) the goodwill of the business symbolized by and associated with the Trademarks and the registrations thereof, (iii) the right to sue and recover for, and the right to profits or damages due or accrued arising out of or in connection with, any and all past, present or future infringements or dilution of or damage or injury to the Trademarks or the registrations thereof or such associated goodwill, and (iv) all rights of each Grantor to enforce all Licenses.

Each Grantor hereby grants to the Priority Collateral Agent, for the benefit of the Priority Secured Parties, and notice is hereby given that each Grantor has granted to the Priority Collateral Agent, for the benefit of the Priority Secured Parties and the Priority Collateral Agent, a Priority Lien in the Collateral to secure the payment and performance in full of all of the Priority Senior Obligations.

This Assignment is intended to and shall take effect as a sealed instrument at such time as the Priority Collateral Agent shall complete this instrument after the occurrence of an Event of Default by signing its acceptance of this Assignment below.

[Signature page follows.]

IN WITNESS WHEREOF, the parties have duly executed this Assignment of Trademarks and Licenses on the day and year first written above.

GRANTORS:

CONE MILLS CORPORATION

By: _____
Name: Gary L. Smith
Title: Executive Vice President and
Chief Financial Officer

ASSIGNMENT OF TRADEMARKS AND LICENSES
SIGNATURE PAGE 1 OF 3

TRADEMARK
REEL: 002093 FRAME: 0346

The foregoing assignment of the Trademarks and Licenses and the registrations thereof and registration applications therefor by the Assignee and the Priority Collateral Agent is hereby accepted as of the ____ day of _____, 2000.

**BANK OF AMERICA, N.A.,
as Priority Collateral Agent for the Priority
Secured Parties**

By: _____
Name: Phifer Helms
Title: Managing Director

ASSIGNMENT OF TRADEMARKS AND LICENSES
SIGNATURE PAGE 2 OF 3

**TRADEMARK
REEL: 002093 FRAME: 0347**

STATE OF _____)
) ss.
COUNTY OF _____)

Before me, the undersigned, a Notary Public in and for the county aforesaid, on this _____ day of _____, _____, personally appeared _____ to me known personally, and who, being by me duly sworn, deposes and says that he is the _____ of Cone Mills Corporation, and that the foregoing instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors, and said _____ acknowledged said instrument to be the free act and deed of said corporation.

Notary Public
My commission expires: _____

STATE OF _____)
) ss.
COUNTY OF _____)

Before me, the undersigned, a Notary Public in and for the county aforesaid, on this ___ day of _____, _____, personally appeared _____ to me known personally, and who, being by me duly sworn, deposes and says that s/he is the _____ of Bank of America, N.A., a national banking association, and that foregoing instrument was signed and sealed on behalf of said national banking association by authority of its Board of Directors, and said _____ acknowledged said instrument to be the free act and deed of said national banking association.

Notary Public
My commission expires: _____

ASSIGNMENT OF TRADEMARKS AND LICENSES
SIGNATURE PAGE 3 OF 3

TRADEMARK
REEL: 002093 FRAME: 0348

ANNEX I

**Trademark
or
Service Mark**

**Registrations
United States Patent and Trademark Office
Registration No. Registration Date**

[List chronologically in ascending numerical order]

**Trademark
or
Service Mark**

**Pending Applications
United States Patent and Trademark Office
Serial No. Filing Date**

[List chronologically in ascending numerical order]

ANNEX II

Material Licenses

**SCHEDULE TO TRADEMARK FILING
ADDITIONAL RECEIVING PARTIES**

The Receiving Party is **BANK OF AMERICA, N.A., as Collateral Agent** (and referred to in the granting instruments as the Priority Collateral Agent) for the institutions that from time to time are parties to that certain Priority Collateral Agency Agreement by and among the following as of its effective date, as the same may from time to time be amended, modified or supplemented:

1. **Bank of America, N.A., as Priority Collateral Agent**
101 North Tryon Street, NC1-001-15-04
Charlotte, North Carolina 28255
2. **Bank of America, N.A., as Revolving Credit Agent**
101 North Tryon Street, NC1-001-15-04
Charlotte, North Carolina 28255
3. **Bank of America, N.A., as Lender**
101 North Tryon Street, NC1-001-15-04
Charlotte, North Carolina 28255
4. **First Union National Bank, as Lender**
201 South College Street
Charlotte, North Carolina 28288
5. **Wachovia Bank, N.A., as Lender**
100 North Main Street
Winston-Salem, North Carolina 27150
6. **SunTrust Bank, as Senior Lease Creditor**
25 Park Place, 21st Floor, MC-1941
Atlanta, Georgia 30303
7. **SunTrust Bank, as Lender**
25 Park Place, 21st Floor, MC-1941
Atlanta, Georgia 30303
8. **Morgan Guaranty Trust Company of New York , as Lender**
60 Wall Street
New York, New York
9. **The Prudential Insurance Company of America , as Senior Notes Holder**
Two Ravina Drive, Suite 1400
Atlanta, Georgia 30345
10. **Atlantic Financial Group, Ltd., as Senior Lease Creditor**
2311 Cedar Springs Road, Suite 150
Dallas, Texas 75201
11. **Any Other Party that is from time to time party to the Priority Collateral Agency Agreement.**

**EXHIBIT A TO TRADEMARK FILING
TRADEMARKS**

Trademarks and Trademark Applications

	TRADEMARK/SERVICE MARK	REG. NO.	REG. DATE
1	CONE Device	019,726	12/31/71
2	Pine Cone Design	200835	03/28/90
3	CONE	90/2409	03/29/90
4	Pine Cone Design	90/2410	03/29/90
5	CONE	24,691	04/12/90
6	Pine Cone Design	28,159	04/12/90
7	CONE	90104211	07/09/90
8	CONE & Pine Cone Design	90/04212	07/09/90
9	CONE	388,643	07/24/90
10	Pine Cone Design	391,375	07/24/90
11	CONE & Pine Cone Design	76,423	07/24/90
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13	CONE	503897	11/01/90
14	CONE	1917/1991	04/04/91
15	CONE	91084	05/27/91
16	Pine Cone Design	486/1992	06/12/91
17	CONE & Pine Cone Design	91481	06/26/91
18	CONE	65,331	07/23/91
19	CONE	76,424	07/24/91
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21	Pine Cone Design	218450	08/08/91
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25	CONE & Pine Cone Design	10,311	02/13/92
26	Pine Cone Design	1,420,695	02/21/92
27	CONE & Pine Cone Design	Book 12, Reg. 12	07/09/92
28	CONE & Pine Cone Design	392,030	09/03/92
29	CONE	ook 13, Reg. 165	10/20/92
30	CONE	2478885	11/30/92
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33	CONE	37/1993	02/02/93
34	Pine Cone Design	38/1993	02/02/93
35	CONE	90/2409	03/15/93
36	Pine Cone Design	90/2410	03/15/93
37	Pine Cone Design	2529119	04/28/93
38	CONE & Pine Cone Design	A531,856	05/27/93
39	CONE	8840	08/05/93
40	Pine Cone Design	8841	08/05/93
41	CONE	7911/93	10/11/93
42	Pine Cone Design	7912/93	10/11/93
43	CONE & Pine Cone Design	2589817	10/29/93
44	CONE & Pine Cone Design	1,562,481	08/03/94
45	Pine Cone Design	737,927	03/28/95
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48	CONE	186,896	07/26/96
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51	CONE DEEPTONE DENIM	1,408,102	05/09/97
52	CONE	23,837	11/22/97

Trademarks and Trademark Applications

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CONE & Pine Cone Design		01/21/98
CONE MILLS	1,667,005	05/05/98
CONE & Globe Design	2,228,702	03/02/99

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Trademarks and Trademark Applications

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TRADEMARK/SERVICE MARK	APPLN. NO.	FILING DATE
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CONE	D97/23983	11/03/97
CONE	D97/23982	11/03/97
CONE DENIM SINCE 1871 & Design	D97/23981	11/03/97
CONE & Pine Cone Design	D97/23980	11/03/97
CONE & Globe Design	D97/23979	11/03/97
CONE and Cone and Globe Design	D97/23978	11/03/97
CONE	348552	11/12/97
CONE & Pine Cone Design	348553	11/12/97
CONE & Globe Design	348554	11/12/97
CONE & Pine Cone Design	28707	11/22/97
CONE & Globe Design	28709	11/22/97
CONE & Pine Cone Design	124824	12/08/97
CONE	785,354	01/07/98
CONE & Pine Cone Design	785,351	01/07/98
CONE & Globe Design	785,353	01/07/98
CONE DENIM SINCE 1891 & Design	785,352	01/07/98
CONE	146109	01/22/98
CONE & Pine Cone Design	146108	01/22/98
CONE & Globe Design	146116	01/22/98
CONE DENIM SINCE 1891 & Design	146117	01/22/98
CONE	86736	02/03/98
CONE & Pine Cone Design	86737	02/03/98
CONE & Globe Design	86738	02/03/98
CONE DENIM SINCE 1891 & Design	86739	02/03/98
CONE	54253	02/04/98
CONE & Pine Cone Design	54252	02/04/98
CONE & Globe Design	54250	02/04/98
CONE DENIM SINCE 1891 & Design	54251	02/04/98
CONE	86,200	03/18/98
CONE & Pine Cone Design	86,196	03/18/98
CONE & Globe Design	86,197	03/18/98
CONE & Globe Design	4199802974	04/24/98
CONE SPORTSWEAR & Design	75/555,458	09/18/98
SINCE 1891 CONE FABRICS & Ribbon Design		11/06/98
SINCE 1891 CONE FABRICS & Ribbon Design	837,122	11/06/98
SINCE 1891 CONE FABRICS & Ribbon Design		11/06/98
CONE	75/633,739	02/04/99
CONE		
CONE & Globe Design		
CONE & Pine Cone Design		

SMITH HELMS MULLISS & MOORE, L. L. P.

ATTORNEYS AT LAW

CHARLOTTE, NORTH CAROLINA

61 NORTH TRYON STREET (28202)
POST OFFICE BOX 31247
CHARLOTTE, NC 28231-0247

TELEPHONE 704/343-2000
FACSIMILE 704/334-8467
www.shmm.com

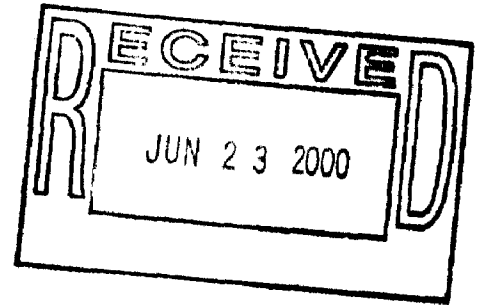
OTHER OFFICES
ATLANTA
GREENSBORO
RALEIGH
WILMINGTON

704/343-2278

June 22, 2000

VIA FEDERAL EXPRESS

Ms. Tara Washington, Examiner
U.S. Department of Commerce
Commissioner of Patents and Trademarks
Assignment Division, Box Assignments
Washington, DC 20231



Re: *Assignment of Security Interest - Trademarks*
(Our Client Number: 4052178-2217 Cone Mills Corporation)

Dear Ms. Washington:

Enclosed herewith for recordation with your office is an **Assignment for Trademarks for CIPCO S.C., Inc., as Conveying Party and Bank of America, N.A., as Receiving Party** which was rejected by your office due to incorrect trademark numbers. Upon our review, it was determined that only five of the 97 trademark are US trademarks. Therefore we are re-submitting this Assignment for only those five US trademarks. The new filing fee is \$140.00.

Since we previously submitted a check in the amount of \$2,440, we are requesting a refund in the amount of \$2,300 (\$140.00 to be applied toward this filing) to be made payable to Smith Helms Mulliss & Moore, LLP.

Please acknowledge receipt of this letter and its enclosures by executing the receipt copy hereof and returning it to us in the envelope provided. If you have any questions or require additional information, please contact us. We appreciate your assistance.

Very truly yours,

A handwritten signature in cursive script that reads "Kimberly B. Saltrick".

Kimberly B. Saltrick
Legal Assistant

Enclosures

RECEIVED AND ACCEPTED FOR RECORDATION
this *day of* , 2000.

By: _____
Name: _____

TRADEMARK
REEL: 002093 FRAME: 0355

SMITH HELMS MULLISS & MOORE, L. L. P.

ATTORNEYS AT LAW

CHARLOTTE, NORTH CAROLINA

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June 22, 2000

VIA FEDERAL EXPRESS

Ms. Tara Washington, Examiner
U.S. Department of Commerce
Commissioner of Patents and Trademarks
Assignment Division, Box Assignments
Washington, DC 20231

Re: *Assignment of Security Interest - Trademarks*
(Our Client Number: 4052178-2217 Cone Mills Corporation)

Dear Ms. Washington:

Enclosed herewith for recordation with your office is an **Assignment for Trademarks for CIPCO S.C., Inc., as Conveying Party and Bank of America, N.A., as Receiving Party** which was rejected by your office due to incorrect trademark numbers. Upon our review, it was determined that only five of the 97 trademark are US trademarks. Therefore we are re-submitting this Assignment for only those five US trademarks. The new filing fee is \$140.00.

Since we previously submitted a check in the amount of \$2,440, we are requesting a refund in the amount of \$2,300 (\$140.00 to be applied toward this filing) to be made payable to Smith Helms Mulliss & Moore, LLP.

Please acknowledge receipt of this letter and its enclosures by executing the receipt copy hereof and returning it to us in the envelope provided. If you have any questions or require additional information, please contact us. We appreciate your assistance.

Very truly yours,



Kimberly B. Saltrick
Legal Assistant

Enclosures

RECEIVED AND ACCEPTED FOR RECORDATION
this ___ day of _____, 2000.

By: _____
Name: _____

RECORDED: 02/02/2000

TRADEMARK
REEL: 002093 FRAME: 0356