





## **PATENT SECURITY AGREEMENT**

THIS PATENT SECURITY AGREEMENT ("Agreement") is made as of November 18, 2003 by and between Beaulieu Group, LLC, a Georgia limited liability company (the "Borrower"), and Back Bay Capital Funding LLC, as administrative agent (the "Administrative Agent") for the "Lenders" (as defined below).

WHEREAS, the Borrower, the financial institutions from time to time parties thereto (each a "Lender" and collectively the "Lenders") and Back Bay Capital Funding LLC, as administrative agent, are parties to a certain Term Loan and Security Agreement dated as of November 18, 2003 (as amended, restated, supplemented or otherwise modified from time to time, the "Loan Agreement"). Capitalized terms used herein and not otherwise defined are used herein as defined in the Loan Agreement;

WHEREAS, the Borrower, the financial institutions party thereto, Bank of America, N.A., as collateral and administrative agent (the "Senior Lien Agent"), and Fleet Capital Corporation, as syndication agent, are parties to a certain Amended and Restated Loan and Security Agreement, dated as of November 18, 2003 (as amended, restated, supplemented or otherwise modified from time to time, the "Bank of America Loan Agreement");

WHEREAS, the Borrower, the Senior Lien Agent, the Administrative Agent, Beaulieu Trucking, LLC and the pledgors named on the signatures pages thereto, are entering into a certain Intercreditor Agreement dated as of November 18, 2003 (as amended, restated, supplemented or otherwise modified from time to time, the "Intercreditor Agreement"); and

WHEREAS, it is a condition precedent to the Lenders' making any loans to the Borrower under the Loan Agreement that the Borrower execute and deliver to the Lenders a patent agreement in substantially the form hereof;

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

1. Defined Terms.

a. Unless otherwise defined herein, each capitalized term used herein that is defined in the Loan Agreement shall have the meaning specified for such term in the Loan Agreement.

b. The words "hereof," "herein" and "hereunder" and words of like import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement, and paragraph references are to this Agreement unless otherwise specified.

c. All terms defined in this Agreement in the singular shall have comparable meanings when used in the plural, and vice versa, unless otherwise specified.

2. Incorporation of Premises. The premises set forth above are incorporated into this Agreement by this reference thereto and are made a part hereof.

3. Incorporation of the Loan Agreement. The Loan Agreement and the terms and provisions thereof are hereby incorporated herein in their entirety by this reference thereto.

4. Security Interest in Patents and Licenses. To secure the complete and timely payment, performance and satisfaction of all of the "Obligations" under and as defined in the Loan Agreement and the Borrower's obligations and liabilities hereunder (collectively, the "Liabilities"), the Borrower hereby grants to the Administrative Agent, for the benefit of the Administrative Agent and the Lenders, a security interest in, as and by way of a first mortgage and security interest having priority over all other security interests except for the liens granted to the Senior Lien Agent pursuant to the Bank of America Loan Agreement, with power of sale to the extent permitted by applicable law and the Intercreditor Agreement, all of the Borrower's now owned or existing and hereafter acquired or arising:

(i) patents and patent applications, and the inventions and improvements described and claimed therein, including, without limitation, those patents and patent applications listed on Schedule A attached hereto and made a part hereof, and (a) the reissues, divisions, continuations, renewals, extensions and continuations-in-part thereof, (b) all income, royalties, damages and payments now and hereafter due and/or payable under and with respect thereto, including, without limitation, payments under all licenses entered into in connection therewith and damages and payments for past or future infringements thereof, (c) the right to sue for past, present and future infringements thereof, and (d) all of the Borrower's rights corresponding thereto throughout the world, including, without limitation, the rights to all products and proceeds of the foregoing (all of the foregoing patents and applications, together with the items described in clauses (a)-(d) in this paragraph 4(i) are sometimes hereinafter individually and/or collectively referred to as the "Patents"); and

(ii) rights under or interest in any patent license agreements with any other party, whether the Borrower is a licensee or licensor under any such license agreement, including, without limitation, those patent license agreements listed on Schedule B attached hereto and made a part hereof and all products and proceeds thereof, and the right to prepare for sale and sell any and all Inventory now or hereafter owned by the Borrower and now or hereafter covered by such licenses (all of the foregoing are hereinafter referred to collectively as the "Licenses"); provided, that notwithstanding the foregoing, the Borrower shall not be deemed to have assigned hereunder any License including, without limitation, those listed on Schedule B, under which the Borrower is licensee, if such assignment would result in a breach or termination of the applicable license agreement.

5. Restrictions on Future Agreements. The Borrower will not, without the Administrative Agent's prior written consent, which consent shall not be unreasonably withheld or delayed, enter into any agreement which is inconsistent with this Agreement, and the Borrower further agrees that it will not take any action, and will use commercially reasonable efforts not to permit any action to be taken by others, including, without limitation, licensees, or fail to take any action, which would in any respect affect the validity or enforcement of the rights transferred to the Administrative Agent under this Agreement or the rights associated with the Patents or Licenses.

6. New Patents and Licenses. The Borrower represents and warrants that, except for such Patents and Licenses as shall not be used or usable in the Borrower's business or as shall not otherwise have any material value, (a) the Patents listed on Schedule A, collectively, include all of the patents and patent applications now owned by the Borrower, (b) the Licenses listed on Schedule B, collectively, include all of the patent license agreements now owned by the Borrower and (c) no other liens, claims or security interests in such Patents and Licenses have been granted by the Borrower to any Person other than the Administrative Agent, except for such liens, claims and security interests as have been disclosed in the Loan Agreement and schedules thereto. If, prior to the termination of this Agreement, the Borrower shall (i) obtain rights to any new patentable inventions having any material value, (ii) become entitled to the benefit of any patent, patent application, license or any reissue, division, continuation, renewal, extension or continuation-in-part of any Patent or any improvement on any Patent or License having any material value, or (iii) enter into any new patent license agreement having any material value, the provisions of paragraph 4 above shall automatically apply thereto. The Borrower shall give to the Administrative Agent written notice of events described in clauses (i), (ii) and (iii) of the preceding sentence within 30 days after the end of each fiscal quarter. The Borrower hereby authorizes the Administrative Agent to modify this Agreement unilaterally (x) by amending Schedule A to include any future patents and patent applications, and by amending Schedule B to include any future patent license agreements, which are Patents or Licenses under paragraph 4 above or under this paragraph 6 and (y) by filing, in addition to and not in substitution for this Agreement a duplicate original of this Agreement containing on Schedule A or Schedule B thereto, as the case may be, such future patents, patent applications and license agreements.

7. Royalties. The Borrower hereby agrees that the use by the Administrative Agent of the Patents and the Licenses as authorized hereunder in connection with the exercise of its remedies under paragraph 15 or pursuant to Section 10.2 of the Loan Agreement shall be coextensive with the Borrower's rights under the Patents and the Licenses and with respect thereto and without any liability for royalties or other related charges from the Administrative Agent or the Lenders to the Borrower.

8. Right to Inspect; Further Assignments and Security Interests. Subject to the confidentiality obligations set forth on Section 5.6 of the Loan Agreement, the Administrative Agent may at all reasonable times (and at any time when an Event of Default exists) have access to, examine, audit, make copies (at the Borrower's expense) and extracts from and inspect the

Borrower's premises and examine the Borrower's books, records and operations relating to the Patents and the Licenses, including, without limitation, the Borrower's quality control processes; provided, that in conducting such inspections and examinations, the Administrative Agent shall use reasonable efforts not to unnecessarily disturb the conduct of the Borrower's ordinary business operations. From and after the occurrence and during the continuance of an Event of Default, the Borrower agrees that the Administrative Agent, or a conservator appointed by the Administrative Agent, shall have the right to establish such reasonable additional product quality controls as the Administrative Agent or such conservator, in its sole and absolute judgment, may deem necessary to assure maintenance of the quality of products sold by the Borrower under the Patents and the Licenses. The Borrower agrees not to sell or assign its respective interests in the Patents or the Licenses without the prior and express written consent of the Administrative Agent, which consent will not be unreasonably withheld, provided, that nothing contained in this clause shall be deemed to prohibit the entering into by the Borrower of licensing agreements with respect to which the Borrower is the licensor, on commercially reasonable terms.

9. Nature and Continuation of the Administrative Agent's Security Interest; Termination of the Administrative Agent's Security Interest. This Agreement is made for collateral security purposes only. This Agreement shall create a continuing security interest in the Patents and Licenses and shall remain in full force and effect until the payment in full of the Liabilities and termination of the Loan Agreement. Upon payment in full in cash of all of the Liabilities and termination of the Loan Agreement, this Agreement shall terminate and the Administrative Agent shall promptly execute and deliver to the Borrower, at the Borrower's expense, all termination statements and other instruments as may be necessary or proper to terminate the Administrative Agent's security interest in the Patents and the Licenses, subject to any disposition thereof which may have been made by the Administrative Agent pursuant to this Agreement or the Loan Agreement.

10. Duties of the Borrower. The Borrower shall exercise commercially reasonable judgment in deciding whether to: (i) prosecute diligently any patent application that is part of the Patents pending as of the date hereof or hereafter until the termination of this Agreement, and (ii) make application on unpatented but patentable inventions. The Borrower further agrees (a) except to the extent desirable in the Borrower's reasonable business judgment, not to abandon any Patent or License, and (b) to use its commercially reasonable efforts to maintain in full force and effect the Patents and the Licenses that are or shall be necessary or economically desirable in the operation of the Borrower's business. Any expenses incurred in connection with the foregoing shall be borne by the Borrower.

11. Administrative Agent's Right to Sue. Subject to the Intercreditor Agreement, from and after the occurrence and during the continuance of an Event of Default, the Administrative Agent shall have the right, but shall not be obligated, to bring suit in its own name to enforce the Patents and the Licenses and, if the Administrative Agent shall commence any such suit, the Borrower shall, at the request of the Administrative Agent, do any and all lawful acts and execute any and all proper documents required by the Administrative Agent in aid of such enforcement. The Borrower shall, upon demand, promptly reimburse the

Administrative Agent for all costs and expenses incurred by the Administrative Agent in the exercise of its rights under this paragraph 11 (including, without limitation, reasonable fees and expenses of attorneys and paralegals for the Administrative Agent).

12. Waivers. The Administrative Agent's failure, at any time or times hereafter, to require strict performance by the Borrower of any provision of this Agreement shall not waive, affect or diminish any right of the Administrative Agent thereafter to demand strict compliance and performance therewith nor shall any course of dealing between the Borrower and the Administrative Agent have such effect. No single or partial exercise of any right hereunder shall preclude any other or further exercise thereof or the exercise of any other right. None of the undertakings, agreements, warranties, covenants and representations of the Borrower contained in this Agreement shall be deemed to have been suspended or waived by the Administrative Agent unless such suspension or waiver is in writing signed by an officer of the Administrative Agent and directed to the Borrower specifying such suspension or waiver.

13. Severability. Whenever possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but the provisions of this Agreement are severable, and if any clause or provision shall be held invalid and unenforceable in whole or in part in any jurisdiction, then such invalidity or unenforceability shall affect only such clause or provision, or part hereof, in such jurisdiction, and shall not in any manner affect such clause or provision in any other jurisdiction, or any other clause or provision of this Agreement in any jurisdiction.

14. Modification. This Agreement cannot be altered, amended or modified in any way, except as specifically provided in paragraphs 4 and 6 hereof or by a writing signed by the parties hereto.

15. Cumulative Remedies; Power of Attorney. From and after the occurrence and during the continuance of an Event of Default, and the giving by the Administrative Agent of notice to the Borrower of the Administrative Agent's intention to enforce its rights and claims against the Borrower, the Borrower hereby irrevocably designates, constitutes and appoints the Administrative Agent (and all Persons designated by the Administrative Agent in its sole and absolute discretion) as the Borrower's true and lawful attorney-in-fact, and authorizes the Administrative Agent and any of the Administrative Agent's designees, in the Borrower's or the Administrative Agent's name, from and after the occurrence and during the continuance of an Event of Default, to, subject to the Intercreditor Agreement, (i) endorse the Borrower's name on all applications, documents, papers and instruments necessary or desirable for the Administrative Agent in the use of the Patents or the Licenses, (ii) assign, pledge, convey or otherwise transfer title in or dispose of any or all of the Patents or the Licenses to anyone on commercially reasonable terms, (iii) grant or issue any exclusive or nonexclusive license under the Patents or, to the extent permitted, under the Licenses, to anyone on commercially reasonable terms, and (iv) take any other actions with respect to the Patents or the Licenses as the Administrative Agent deems in its own or Lenders' best interest. The Borrower hereby ratifies all that such attorney in good faith shall lawfully do or cause to be done by virtue hereof. This power of attorney is

coupled with an interest and shall be irrevocable until all of the Liabilities shall have been paid in full in cash and the Loan Agreement shall have been terminated. The Borrower acknowledges and agrees that this Agreement is not intended to limit or restrict in any way the rights and remedies of the Administrative Agent or the Lenders under the Loan Agreement, but rather is intended to facilitate the exercise of such rights and remedies.

Subject to the Intercreditor Agreement, the Administrative Agent shall have, in addition to all other rights and remedies given it by the terms of this Agreement, all rights and remedies allowed by law and the rights and remedies of a secured party under the Uniform Commercial Code as enacted in any jurisdiction in which the Patents or the Licenses may be located or deemed located. Subject to the Intercreditor Agreement, upon the occurrence and during the continuance of an Event of Default and the election by the Administrative Agent to exercise any of its remedies under the Uniform Commercial Code with respect to the Patents and Licenses, the Borrower agrees to assign, convey and otherwise transfer title in and to the Patents and the Licenses to the Administrative Agent or any transferee of the Administrative Agent and to execute and deliver to the Administrative Agent or any such transferee all such agreements, documents and instruments as may be necessary, in the Administrative Agent's determination, to effect such assignment, conveyance and transfer. All of the Administrative Agent's rights and remedies with respect to the Patents and the Licenses, whether established hereby, by the Loan Agreement, by any other agreements or by law, shall be cumulative and may be exercised singularly or concurrently. Notwithstanding anything set forth herein to the contrary, it is hereby expressly agreed that upon the occurrence and during the continuance of an Event of Default, the Administrative Agent may, subject to the Intercreditor Agreement, exercise any of the rights and remedies provided in this Agreement, the Loan Agreement and any other Loan Document.

16. Successors and Assigns. This Agreement shall be binding upon the Borrower and its successors and assigns, and shall inure to the benefit of each of the Administrative Agent and the Lenders and its successors and assigns. The Borrower's successors and assigns shall include, without limitation, a receiver, trustee or debtor-in-possession to the extent that any of the foregoing are considered to be a successor or assign of the Borrower; provided, however, that the Borrower shall not voluntarily assign or transfer its rights or obligations hereunder without the Administrative Agent's prior written consent.

17. Governing Law. This Agreement is intended to take effect as a sealed instrument and shall be construed and enforced and the rights and duties of the parties shall be governed by in all respects in accordance with the internal laws (as opposed to conflicts of law provisions, provided that issues with respect to Article 9 of the Uniform Commercial Code may give effect to applicable choice or conflict of law rules set forth in Article 9 the Uniform Commercial Code) and decisions of the Commonwealth of Massachusetts.

18. Notices. All notices or other communications hereunder shall be given in the manner and to the addresses set forth in the Loan Agreement.



19. No Duty of Care. Except as set forth in Section 5.6 of the Loan Agreement, neither the Administrative Agent nor any Lender shall have any duty with respect to the Patents or the Licenses, other than to act in good faith with respect thereto. Without limiting the generality of the foregoing, the Administrative Agent shall not be under any obligation to take any steps necessary to preserve rights in the Patents or the Licenses against any other parties, but may do so at its option, and all reasonably incurred expenses in connection therewith shall be for the sole account of the Borrower and shall be added to the Liabilities secured hereby.

20. Paragraph Titles. The paragraph titles here in are for convenience of reference only, and shall not affect in any way the interpretation of any of the provisions hereof.

21. Execution in Counterparts. This Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which when taken together shall constitute one and the same agreement.

22. Intercreditor Agreement. The representations, warranties and covenants of Borrower hereunder, and the rights and remedies of the Administrative Agent hereunder, are subject to the provisions of the Intercreditor Agreement and the rights of the Senior Lien Agent therein.

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement under seal as of the day and year first written above.

BEAULIEU GROUP, LLC

By:   
Name: Carl M. Bouckaert  
Title: Chairman and Chief Executive Officer

By:   
Name: Marie T. Bouckaert  
Title: Executive Vice President

BACK BAY CAPITAL FUNDING LLC, as  
Administrative Agent

By: \_\_\_\_\_  
Name:  
Title:

IN WITNESS WHEREOF, the parties hereto have duly executed this  
t under seal as of the day and year first written above.

**BEAULIEU GROUP, LLC**

By: \_\_\_\_\_  
Name: Carl M. Bouckaert  
Title: Chairman and Chief Executive Officer

By: \_\_\_\_\_  
Name: Marie T. Bouckaert  
Title: Executive Vice President

**BACK BAY CAPITAL FUNDING LLC, as  
Administrative Agent**

By:  \_\_\_\_\_  
Name: Kristan M. O'Connor  
Title: Director

Schedule A  
to  
Patent Security Agreement

Dated as of November 18, 2003

Patents

United States of America	Registered	Beaulieu Group, LLC	D439,436	29-Feb-2000	29/119,288	27-Mar-2001
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Schedule B  
to  
Patent Security Agreement

Dated as of November 18, 2003

**Licenses**

None

STATE OF GEORGIA )  
 ) SS  
COUNTY OF FULTON )

The foregoing Patent Security Agreement was executed and acknowledged before me as of this 10<sup>th</sup> day of November, 2003, by Carl M. Bouckaert, personally known to me to be the Chairman and Chief Executive Officer of BEAULIEU GROUP, LLC, a Georgia limited liability company, on behalf of such company.

(SEAL)



Ingrid Romano  
Notary Public


My commission expires: June 25, 2006



COMMONWEALTH OF MASSACHUSETTS )  
 ) SS  
COUNTY OF SUFFOLK )

The foregoing Patent Security Agreement was executed and acknowledged before me as of this 13<sup>th</sup> day of November, 2003, by Kristan M. O'Connor, personally known to me to be a Director of BACK BAY CAPITAL FUNDING LLC, on behalf of such company.

(SEAL)

  
\_\_\_\_\_  
Notary Public

My commission expires: December 13, 2007