UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-K

☑ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended June 25, 2006

OR

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from to

Commission file number 1-10542

Unifi, Inc.

(Exact name of registrant as specified in its charter)

New York	**11-2165495**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*
P.O. Box 19109 — 7201 West Friendly Avenue Greensboro, NC	**27419-9109**
(Address of principal executive offices)	*(Zip Code)*

Registrant's telephone number, including area code:
(336) 294-4410

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	**Name of Each Exchange on Which Registered**
Common Stock	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:
None

Indicate by checkmark if the registrant is a well-know seasoned issuer, as defined in Rule 405 of the Securities Act. Yes o No ☑

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes o No ☑

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☑ No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☑

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer o Accelerated filer ☑ Non-accelerated filer o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes o No ☑

As of December 23, 2005, the aggregate market value of the registrant's voting common stock held by non-affiliates of the registrant was $145,387,494. The Registrant has no non-voting stock.

As of September 5, 2006, the number of shares of the Registrant's common stock outstanding was 52,208,467.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Definitive Proxy Statement to be filed with the Securities and Exchange Commission (the "SEC") in connection with the solicitation of proxies for the Annual Meeting of Shareholders of Unifi, Inc., to be held on October 25, 2006, are incorporated by reference into Part III. (With the exception of those portions which are specifically incorporated by reference in this Form 10-K, the Proxy Statement is not deemed to be filed or incorporated by reference as part of this report.)

UNIFI, INC.
ANNUAL REPORT ON FORM 10-K

TABLE OF CONTENTS

PART I

Item 1. *Business*

Unifi, Inc., a New York corporation formed in 1969 (together with its subsidiaries the "Company" or "Unifi"), is a diversified North American producer and processor of multi-filament polyester and nylon yarns, including specialty yarns with enhanced performance characteristics. The Company manufactures partially oriented, textured, dyed, twisted and beamed polyester yarns as well as textured nylon and nylon covered spandex products. The Company sells its products to other yarn manufacturers, knitters and weavers that produce fabrics for the apparel, hosiery, home furnishings, automotive, industrial and other end-use markets. The Company maintains one of the industry's most comprehensive product offerings and emphasizes quality, style and performance in all of its products. The Company's net sales and net loss for fiscal year 2006 were $738.8 million and $14.4 million, respectively.

The Company works across the supply chain to develop and commercialize specialty yarns that provide performance, comfort, aesthetic and other advantages that enhance demand for its products. The Company has branded the premium portion of its specialty value-added yarns in order to distinguish its products in the marketplace. The Company currently has more than 20 premium value-added yarns in its portfolio, commercialized under several brand names, including Sorbtek®, A.M.Y.®, Mynx® UV, Reflexx®, MicroVista®, aio® and Repreve®.

A significant number of customers, particularly in the apparel market, produce finished goods that they seek to make eligible for duty-free treatment in the regions covered by the North American Free Trade Agreement ("NAFTA"), the U.S. — Dominican Republic — Central American Free Trade Agreement ("CAFTA"), the Caribbean Basin Initiative ("CBI") and the Andean Trade Preferences Act ("ATPA") (collectively, the "regional free-trade markets"). When U.S.-origin partially oriented yarn ("POY") is used to produce finished goods in these regional free-trade markets, and other origin criteria are met, then the finished goods are eligible for duty-free treatment. The Company uses advanced production processes to manufacture its high-quality yarns cost-effectively. The Company believes that its flexibility and experience in producing specialty yarns provides important development and commercialization advantages. The Company has state-of-the-art manufacturing operations in North and South America and participates in joint ventures in China, Israel and the United States.

Recent Developments

On May 26, 2006, the Company consummated a series of refinancing transactions pursuant to which it issued and sold $190 million in aggregate principal amount of 11.5% senior secured notes due 2014 (the "2014 notes") and amended its existing senior secured asset-based revolving credit facility (the "old credit facility") to extend its maturity to 2011, permit the issuance and sale of the 2014 notes, give the Company the ability to request that the borrowing capacity be increased up to $150 million under certain circumstances and revise some of its other terms and covenants (such facility as so amended, the "amended revolving credit facility"). The Company used the proceeds from the 2014 notes offering, cash on hand of $55.7 million and borrowings of $3.0 million under its amended revolving credit facility to fund the purchase price of $248.7 million in aggregate principal amount of its 6.5% senior unsecured notes due 2008 (the "2008 notes") that had been tendered into a tender offer for all such notes launched by the Company on April 28, 2006. 99.5% of the then outstanding principal amount of the 2008 notes was tendered in the tender offer and substantially all of the restrictive covenants and certain events of default were removed from the indenture governing the 2008 notes. The Company paid a total consideration of $253.9 million for the tendered 2008 notes. The 2008 notes that were not tendered and purchased in the tender offer remain outstanding in accordance with their amended terms. The offering of the 2014 notes, the tender offer for the 2008 notes, the execution of the amended revolving credit facility and the use of proceeds from the 2014 notes offering, cash on hand and borrowings under the amended revolving credit facility to pay the consideration of the tender offer and all associated fees and expenses are collectively referred to throughout this Annual Report on Form 10-K as the "refinancing transactions."

Industry Overview

The textile and apparel market consists of natural and synthetic fibers used for apparel and non-apparel applications. The industry is characterized by dependence upon a wide variety of end-markets which primarily include apparel, home textiles, industrial and consumer products, floor coverings, fiber fill and tires. The apparel and hosiery markets account for 25% of total production, the floor covering market accounts for 32%, the industrial and consumer markets account for 20%, the home textiles market accounts for 13% and other end-uses account for 10%.

According to the National Council of Textile Organizations, the U.S. textile market's total shipments were $75.1 billion for the twelve month period ended November 2005. Approximately $30 billion of capital expenditures has been invested in the textile industry over the past ten years. In calendar year 2005, the U.S. textile and apparel market employed more than 650,000 workers.

Textiles and apparel goods are made from natural fiber, such as cotton and wool, or synthetic fiber, such as polyester and nylon. Since 1980, global demand for polyester has grown steadily, and in calendar year 2003, polyester replaced cotton as the fiber with the largest percentage of sales worldwide. In calendar year 2005, global polyester accounted for an estimated 40% of global fiber consumption and demand is projected to increase by 6% to 7% annually through 2009. In the U.S., the synthetic fiber sector accounts for approximately 55% of the textile and apparel market.

The synthetic filament industry includes petrochemical and raw material producers, fiber and yarn manufacturers (like Unifi), fabric and product producers, retailers and consumers. Among synthetic filament yarn producers, pricing is highly competitive, with innovation, product quality and customer service being essential for differentiating the competitors within the industry. Both product innovation and product quality are particularly important, as product innovation gives customers competitive advantages and product quality provides for improved manufacturing efficiencies.

The North American synthetic yarn market has contracted since 1999, primarily as a result of intense foreign competition in finished goods on the basis of price. In addition, due to consumer preferences, demand for sheer hosiery products has declined in recent years, which negatively impacts nylon manufacturers. Despite this decline, U.S. retailers and other end-users have consistently expressed their need for a balanced procurement strategy with both global and regional production to satisfy their need for readily available production capacity, quick response times, specialized products, product changes based on customer feedback and more customized orders. As a result, the contraction in the U.S. synthetic yarn market continues; however, the Company expects a lesser rate of decline in the future as regional manufacturers continue to demand U.S. manufactured synthetic yarn. There has also been growing emphasis domestically towards premium value-added yarns as consumers, retailers and manufacturers demand products with enhanced performance characteristics. This emphasis on incorporating specialty synthetic yarn in finished goods has greatly increased domestic demand for value-added synthetic fibers. The U.S. government has attempted to regulate the growth of certain textile and apparel imports by establishing quotas and duties on imports from countries that historically account for significant shares of U.S. imports. Under the January 1995 Agreement on Textiles and Clothing, the World Trade Organization ("WTO") began implementing a phased-in elimination of import quotas and a reduction of duties among its members, which culminated with the elimination of all remaining quotas for all members of WTO on January 1, 2005. After extensive negotiations, the United States and China entered into a bilateral agreement in November 2005, reinstating quotas on a number of categories of Chinese textile and apparel products. These quotas under this agreement will end on December 31, 2008. Nevertheless, duties on imported textile and apparel products, including textile and apparel products from China, remain in effect. The Company believes that duties are a more effective method than quotas in providing protection for the U.S. textile and apparel industry.

In the Americas region, regional free-trade agreements, such as NAFTA and CAFTA, and U.S. unilateral duties preference programs, such as ATPA and CBI, have a significant impact on the flow of goods among the region and the relative costs of production. The cost advantages offered by these regional free-trade agreements and duties preference programs on finished goods which incorporate U.S.-origin synthetic fiber and the desire for quick inventory turns have enabled regional synthetic yarn producers to effectively compete with imported finished goods from lower wage-based countries. The Company estimates that the duty-free benefit of processing synthetic textiles

and apparel finished goods under the terms of these regional free-trade agreements and duties preference programs typically represents a wholesale cost advantage up to 30% on these finished goods. As a result of such cost advantages, it is expected that these regions will continue to grow in their supply of textiles to the United States.

Products

The Company manufactures polyester POY and synthetic polyester and nylon yarns for a wide range of end-uses. The Company processes and sells POY, as well as high-volume commodity yarns and specialty yarns, domestically and internationally.

Polyester POY is used to make polyester yarn. Polyester yarn products include textured, dyed, twisted and beamed yarns. The Company sells its polyester yarns to other yarn manufacturers, knitters and weavers that produce fabrics for the apparel, automotive and furniture upholstery, home furnishings, industrial, military, medical and other end-use markets. Nylon products include textured nylon and covered spandex products, which the Company sells to other yarn manufacturers, knitters and weavers that produce fabrics for the apparel, hosiery, sock and other end-use markets.

In addition to producing high-volume yarns, the Company develops, manufactures and commercializes specialty yarns that provide performance, comfort, aesthetic and other advantages. For example, it has developed a line of products that are made from recycled materials in order to appeal to environmentally conscious consumers. The Company has branded the premium portion of its specialty value-added yarns in order to distinguish its products in the marketplace and it currently has more than 20 premium value-added yarn products in its portfolio. Such branded yarn products include:

- Sorbtek®, a permanent moisture management yarn primarily used in performance base layer applications, compression apparel, athletic bras, sports apparel, socks and other non-apparel related items;
- A.M.Y. ®, a yarn with permanent antimicrobial and odor control;
- Mynx® UV, an ultraviolet protective yarn;
- Reflexx®, a family of stretch yarns, that can be found in a wide array of end-use applications from home furnishings to performance wear and from hosiery and socks to workwear and denim;
- MicroVista®, a family of microfiber yarns;
- aio®, all-in-one performance yarns, which combine multiple performance properties into a single yarn; and
- Repreve®, an eco-friendly yarn made from 100% recycled materials.

The Company's net sales of polyester and nylon accounted for 77% and 23% of total net sales, respectively, for fiscal year 2006.

Sales and Marketing

The Company employs a sales force of approximately 30 persons operating out of sales offices in the United States, Brazil and Colombia. The Company relies on independent sales agents for sales in several other countries. The Company seeks to create strong customer relationships and continually seeks ways to build and strengthen those relationships throughout the supply chain. Through frequent communications with customers, partnering with customers in product development and engaging key downstream brands and retailers, Unifi has created significant pull-through sales and brand recognition for its products. For example, the Company works with brands and retailers to educate and create demand for its value-added products. The Company then works with key fabric mill partners assisting in the development of fabrics for those brands and retailers utilizing these value-added products. Based on many commercial and branded programs, this strategy has proven to be successful for Unifi. Examples include:

- Sorbtek®, which is used in many well-known apparel brands and retailers, including Wal-Mart, Reebok, the U.S. military, Dick's Sporting Goods, Duofold, Hind and Icy Hot. Today Sorbtek® can be found in over 2,500 Wal-Mart stores under the Athletic Works brand;

- A.M.Y.®, which can be found in many apparel brands, including Reebok, Eastern Mountain Sports, the U.S. military, Everlast, Duofold, Jerzees Socks and Russell Athletics;
- Mynx® UV, which can be found in Asics Running Apparel and Terry Cycling; and
- Reflexx®, which can be found in major brands, including VF Corporation's Wrangler and Red Kap, Dockers and Majestic Athletic (a maker of uniforms for several major league baseball teams, including the New York Yankees).

Customers

The Company sells its polyester yarns to approximately 900 customers and its nylon yarns to approximately 200 customers in a variety of geographic markets. In fiscal year 2006, the Company's nylon segment had sales to Sara Lee Branded Apparel of $76.4 million which is in excess of 10% of its consolidated revenues. The loss of this customer would have a material adverse effect on the Company's nylon segment.

Products are generally sold on an order-by-order basis for both the polyester and nylon segments, even for premium value-added yarn with enhanced performance characteristics. For substantially all customer orders, including those involving more customized yarns, the manufacture and shipment of yarn is in accordance with firm orders received from customers specifying yarn type and delivery dates. The Company does not currently provide raw yarn consignment arrangements to any customers.

Customer payment terms are generally consistent for both the polyester and nylon reporting segments and are usually based on prevailing industry practices for the sale of yarn domestically or internationally. In certain cases, payment terms are subject to further negotiation between the Company and individual customers based on specific circumstances impacting the customer and may include the extension of payment terms or negotiation of situation specific payment plans. The Company does not believe that any such deviations from normal payment terms are significant to either of its reporting segments or the Company taken as a whole. See "Item 1A — Risk Factors — The Company's business could be negatively impacted by the financial condition of its customers."

Manufacturing

Polyester POY is made from petroleum-based chemicals such as terephthalic acid ("TPA') and monoethylene glycol ("MEG"). The production of polyester POY consists of two primary processes, polymerization (performed at the Company's Kinston facility) and spinning (performed at the Company's Yadkinville and Kinston facilities). The polymerization process is the production of polymer by a chemical reaction involving TPA and MEG, which are combined to form chip. The spinning process involves the extrusion of molten polymer, directly from polymerization or using polyester polymer beads ("chip") into polyester POY. The molten polymer is extruded through spinnerettes to form continuous multi-filament raw yarn.

The Company's polyester and nylon yarns can be sold externally or further processed internally. Additional processing of polyester products includes texturing, package dyeing, twisting and beaming. The texturing process, which is common to both polyester and nylon, involves the processing of polyester POY, which is either natural or solution-dyed raw polyester or natural nylon filament fiber. Texturing polyester POY involves the use of high-speed machines to draw, heat and twist the polyester POY to produce yarn having various physical characteristics, depending on its ultimate end-use. This process gives the yarn greater bulk, strength, stretch, consistent dyeability and a softer feel, thereby making it suitable for use in knitting and weaving of fabrics.

Package dyeing allows for matching of customer specific color requirements for yarns sold into the automotive, home furnishings and apparel markets. Twisting incorporates real twist into the filament yarns, which can be sold for such uses as sewing thread, home furnishings and apparel. Beaming places both textured and covered yarns on beams to be used by customers in knitting and weaving applications. Warp drawing converts polyester POY into flat yarn, also packaged on beams.

Additional processing of nylon products mostly includes covering, which involves the wrapping or air entangling of filament or spun yarn around a core yarn. This process enhances a fabric's ability to stretch, recover its original shape and resist wrinkles.

The Company works closely with its customers to develop yarns using a research and development staff that evaluates trends and uses the latest technology to create innovative, premium value-added yarns reflecting current consumer preferences.

Suppliers

The primary raw material suppliers for the polyester segment are Nanya Plastics Corp. of America ("Nanya") for chip, DAK Americas LLC ("DAK") for TPA and E.I. DuPont de Nemours ("DuPont") for MEG. The primary suppliers of nylon POY to the nylon segment are U.N.F. Industries Ltd. ("UNF"), Invista S.a.r.l., Sara Lee Nilit Fibers, Ltd and Universal Premier Fibers, LLC (formerly Cookson Fibers, Inc.). UNF is a 50/50 joint venture with Nilit Ltd. ("Nilit"), located in Israel. The joint venture produces nylon POY at Nilit's manufacturing facility in Migdal Ha — Emek, Israel. The nylon POY production is being utilized in the domestic nylon texturing operations. The Company has entered into long-term supply agreements with each of Nanya, DAK, DuPont and UNF. The agreement with Nanya will expire in October 2007 and may otherwise be terminated earlier upon six months prior notice. The agreements with DAK can be terminated upon two years prior notice. The agreement with DuPont will terminate on December 31, 2006 and the agreement with UNF will terminate in April 2008. The supply agreements typically provide for formula-driven pricing. Although the Company does not generally expect having any significant difficulty in obtaining raw nylon POY or chemical and other raw materials used to manufacture polyester POY, the Company has in the past and may in the future experience interruptions or limitations in supply which could materially and adversely affect its operations. See "Item 1A — Risk Factors — The Company depends upon limited sources for raw materials, and interruptions in supply could increase its costs of production and cause its operations to suffer."

Joint Ventures and Other Equity Investments

The Company participates in joint ventures in China, Israel and the United States. See "Management's Discussion and Analysis of Financial Condition and Results of Operation — Joint Ventures and Other Equity Investments" for a more detailed description of its joint ventures.

Competition

The industry in which the Company currently operates is highly competitive. The Company processes and sells both high-volume commodity products and more specialized yarns both domestically and internationally into many end-use markets, including the apparel, automotive upholstery and home furnishing markets. The Company competes with a number of other foreign and domestic producers of polyester and nylon yarns as well as with imports of textile and apparel products.

The polyester segment's major regional competitors are Nanya, Dillon Yarn Corporation ("Dillon"), O'Mara, Inc., Spectrum Yarns, Inc. ("Spectrum"), KOSA and AKRA, S.A. de C.V. The nylon segments major regional competitors are Sapona Manufacturing Company, Inc., McMichael Mills, Inc. and Worldtex, Inc.

The Company also competes against a number of foreign competitors that not only sell polyester and nylon yarns in the United States but also import foreign sourced fabric and apparel into the United States and other countries in which it does business, which adversely impacts the sale of its polyester and nylon yarns.

The Company's foreign competitors include yarn manufacturers located in the regional free-trade markets who also benefit from the NAFTA, CAFTA, CBI and ATPA trade agreements which provide for duty-free treatment of most apparel and textiles between the signatory (and qualifying) countries. The cost advantages offered by these trade agreements and the desire for quick inventory turns have enabled commodity yarn producers from these regions to effectively compete. As a result of such cost advantages, the Company expects that the CAFTA and ATPA regions will continue to grow in their supply to the United States. The Company is the largest of only a few significant producers of eligible yarn under these trade agreements. As a result, one of the Company's business strategies is to leverage its eligibility status to increase its share of business with regional fabric producers and domestic producers who ship their products into the region for further processing.

On a global basis, the Company competes not only as a yarn producer but also as part of a supply chain. As one of the many participants in the textile industry supply chain, its business and competitive position are directly impacted by the business, financial condition and competitive position of the several other participants in the supply chain in which it operates.

In the apparel market, a significant source of overseas competition comes from textile and apparel manufacturers that operate in lower labor and lower raw materials cost countries such as China. The primary competitive factors in the textile industry include price, quality, product styling and differentiation, flexibility of production and finishing, delivery time and customer service. The needs of particular customers and the characteristics of particular products determine the relative importance of these various factors. Several of the Company's foreign competitors have significant competitive advantages, including lower wages, lower raw materials and energy costs and favorable currency exchange rates against the U.S. dollar, which could make the Company's products less competitive and may cause its sales and profits to decrease. In addition, while traditionally these foreign competitors have focused on commodity production, they are now increasingly focused on premium value-added products where the Company continues to generate higher margins. In recent years, international imports of fabric and finished goods in the United States have significantly increased, resulting in a significant reduction in the Company's customer base. The primary drivers for that growth are the reduction in equipment costs which have reduced barriers to entry in the market, the currency devaluation of Asian currencies following the Asian financial crisis, the entry of China into the free-trade markets and the staged elimination of all textile and apparel quotas. In May 2005, the U.S. government imposed safeguard quotas on various categories of Chinese-made products, citing "market disruption." Following extensive negotiations, the United States and China entered into a bilateral agreement in November 2005 resulting in the imposition of annually decreasing quotas on a number of categories of Chinese textile and apparel products until December 31, 2008. The Company expects competitive pressures to intensify as a result of the gradual elimination of trade protections. See "— Trade Regulation."

The U.S. automotive upholstery market has been less susceptible to import penetration because of the exacting specifications and quality requirements often imposed on manufacturers of automotive upholstery and the often short time frame for deliveries. Effective customer service and prompt response to customer feedback are logistically more difficult for an importer to provide. Nevertheless, to the extent the U.S. automotive industry itself faces competition from imports, the U.S. automotive upholstery industry is also affected by imports.

The nylon hosiery market has been experiencing a decline in recent years due to changing consumer preferences, but is expected to decline at a much lower rate compared to previous years. The Company supplies the largest domestic ladies hosiery producer, Sara Lee Branded Apparel.

General economic conditions, such as raw material prices, interest rates, currency exchange rates and inflation rates that exist in different countries have a significant impact on competitiveness, as do various country-to-country trade agreements and restrictions.

The Company believes that the continuing development and marketing of new and improved products, the growing need for quick response, speed to market, quick inventory turns and cost of capital will continue to require a sizable portion of the textile industry to remain based in North America. The Company's success will continue to be primarily based on its ability to improve the mix of product offerings to more premium value-added products, to implement cost saving strategies and to pass along raw material price increases, which will improve its financial results, and to strategically penetrate growth markets such as China.

See "Item 1A — Risk Factors — The Company faces intense competition from a number of domestic and foreign yarn producers and importers of textile and apparel products."

Backlog and Seasonality

The Company generally sells products on an order-by-order basis for both the polyester and nylon reporting segments, even for premium value-added yarns. Changes in economic indicators and consumer confidence levels can have a significant impact on retail sales. Deviations between expected sales and actual consumer demand result in significant adjustments to desired inventory levels and, in turn, replenishment orders placed with suppliers. This changing demand ultimately works its way through the supply chain and impacts the Company. As a result, the

Company does not track unfilled orders for purposes of determining backlog but will routinely reconfirm or update the status of potential orders. Consequently, backlog is generally not applicable to the Company and it does not consider its products to be seasonal.

Intellectual Property

The Company has a limited number of patents and approximately 26 U.S. registered trademarks, 4 trademark applications and several foreign trademark registrations, none of which is material to any of the Company's reporting segments or its business taken as a whole. The Company does license certain trademarks, including Dacron® and Softec™ from INVISTA S.a.r.l. ("INVISTA").

Employees

The Company employs approximately 3,300 employees of which approximately 3,275 are full-time and approximately 25 are part-time employees. Approximately 2,500 employees are employed in the polyester segment, approximately 700 employees are employed in the nylon segment and approximately 100 employees are employed in corporate offices. While employees of the Company's foreign operations are generally unionized, none of the domestic employees are currently covered by collective bargaining agreements. The Company believes that its relations with its employees are good.

Trade Regulation

Increases in capacity and imports of foreign-made textile and apparel products are a significant source of competition for the Company. The U.S. government attempts to regulate the growth of certain textile and apparel imports by establishing quotas and duties on imports from countries that historically account for significant shares of U.S. imports. Although imported apparel represents a significant portion of the U.S. apparel market, in recent years, a significant portion of import growth has been attributable to imports of apparel products manufactured outside the United States of (or using) domestic textile components. In addition, imports of certain textile products into the United States have increased in recent years as a result of significant depreciation of the currencies of other textile producing countries, particularly within Asia, against the U.S. dollar, and perhaps as a result of unfair trade practices.

The extent of import protection afforded by the U.S. government to domestic textile producers has been, and is likely to remain, subject to considerable domestic political deliberation and foreign considerations. In January 1995, a multilateral trade organization, the WTO, was formed by the members of the General Agreement on Tariffs and Trade ("GATT"), to replace GATT. The WTO has set forth the mechanisms by which world trade in textiles and clothing will be progressively liberalized through the elimination of quotas and the reduction of duties. The implementation began in January 1995 with the phasing-out of quotas and the gradual reduction of duties to take place over a 10-year period. All textile and apparel quotas expired on January 1, 2005. In May 2005, however, the U.S. government imposed safeguard quotas on various categories of Chinese-made products, citing "market disruption." Following extensive negotiations, the United States and China entered into a bilateral agreement in November 2005 resulting in the imposition of annually increasing quotas on a number of categories of Chinese textile and apparel products that will remain in effect until December 31, 2008.

NAFTA, which is a free trade agreement between the United States, Canada and Mexico that became effective on January 1, 1994, has created the world's largest free-trade area. The agreement contains safeguards sought by the U.S. textile industry, including certain rules of origin for textile and apparel products that must be met for these products to receive benefits under NAFTA. Under these rules of origin, to receive NAFTA benefits, the textile and apparel products must be produced from yarn or fabric made in the NAFTA region, and all subsequent processing must occur in the NAFTA region. Thus, in general, not only must eligible apparel be made from North American fabric, but the fabric must be woven from North American spun yarn. Based on experience to date, NAFTA has had a favorable impact on the Company's business.

In 2000, the United States passed the United States-Caribbean Basin Trade Partnership Act, which was amended by the Trade Act of 2002, and allows apparel products manufactured in the Caribbean region using yarns or fabrics produced in the United States to be imported into the United States duty and quota free. Also in 2000, the

United States passed the African Growth and Opportunity Act ("AGOA"), which was amended by the Trade Act of 2002, and allows apparel products manufactured in the sub-Saharan African region using yarns or fabrics produced in the United States to be imported to the United States duty and quota free.

On August 2, 2005, the United States passed CAFTA, which is a free trade agreement between seven signatory countries: the United States, the Dominican Republic, Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua. Qualifying textile and apparel products that are produced in any of the seven signatory countries from fabric, yarn or fibers that are also produced in any of the seven signatory countries may be imported into the United States duty-free.

The Andean Trade Promotion and Drug Eradication Act was passed on August 6, 2002 to renew and enhance the ATPA. Under the enhanced ATPA, apparel manufactured in Bolivia, Colombia, Ecuador and Peru using yarns and fabrics produced in the United States, or in these four Andean countries, may be imported into the United States duty and quota free through December 31, 2006. This legislation effectively granted these four countries the favorable trade terms afforded Mexico and the Caribbean region. A free trade agreement was recently completed with Peru and Colombia which follows, for the most part, the same yarn forward rules of origin as the ATPA. These agreements require congressional action which is expected by early 2007.

The Deficit Reduction Act of 2005, which was signed into law on February 8, 2006, contains statutory changes to the Step 2 cotton program and export credit guarantee programs to comply with parts of a WTO ruling against U.S. cotton subsidies. The legislative changes eliminate the Step 2 program, which provides for payments to U.S. cotton and textile producers. The measure, part of an agriculture budget reconciliation process, does away with the subsidy program as of August 1, 2006. Parkdale America, LLC ("PAL"), the Company's joint venture with Parkdale Mills, Inc., will no longer receive payments under the Step 2 program after August 1, 2006. Measures such as additional quotas for foreign cotton are under discussion to help ease the transition.

Environmental Matters

The Company is subject to various federal, state and local environmental laws and regulations limiting the use, storage, handling, release, discharge and disposal of a variety of hazardous substances and wastes used in or resulting from its operations and potential remediation obligations thereunder, particularly the Federal Water Pollution Control Act, the Clean Air Act, the Resource Conservation and Recovery Act (including provisions relating to underground storage tanks) and the Comprehensive Environmental Response, Compensation, and Liability Act, commonly referred to as "Superfund" or "CERCLA" and various state counterparts. The Company has obtained, and is in compliance in all material respects with, all significant permits required to be issued by federal, state or local law in connection with the operation of its business as described in this Annual Report on Form 10-K.

The Company's operations are also governed by laws and regulations relating to workplace safety and worker health, principally the Occupational Safety and Health Act and regulations thereunder which, among other things, establish exposure standards regarding hazardous materials and noise standards, and regulate the use of hazardous chemicals in the workplace.

The Company believes that the operation of its production facilities and the disposal of waste materials are substantially in compliance with applicable federal, state and local laws and regulations and that there are no material ongoing or anticipated capital expenditures associated with environmental control facilities necessary to remain in compliance with such provisions. However, the Company is evaluating several options with respect to the upgrade of its industrial boilers at the Kinston site. The estimated investment ranges from $0 to $2.0 million. No determination has been made with respect to which alternative to pursue, if any. The Company incurs normal operating costs associated with the discharge of materials into the environment but does not believe that these costs are material or inconsistent with other domestic competitors.

The land associated with the Company's Kinston facility in North Carolina (the "Kinston Site") is leased pursuant to a 99 year ground lease (the "Ground Lease") with DuPont. Since 1993, DuPont has been investigating and cleaning up the Kinston Site under the supervision of the U.S. Environmental Protection Agency (the "EPA") and the North Carolina Department of Environment and Natural Resources pursuant to the Resource Conservation

and Recovery Act Corrective Action Program. The Corrective Action Program requires DuPont to identify all potential areas of environmental concern, known as solid waste management units or areas of concern, assess the extent of contamination at the identified areas and clean them up to applicable regulatory standards. Under the terms of the Ground Lease, upon completion by DuPont of required remedial action, ownership of the Kinston Site will pass to the Company. Thereafter, the Company will have responsibility for future remediation requirements, if any, at the solid waste management units and areas of concern previously addressed by DuPont and at any other areas at the plant. At this time the Company has no basis to determine if and when it will have any responsibility or obligation with respect to the solid waste management units and areas of concern or the extent of any potential liability for the same. Accordingly, the possibility that the Company could face material clean-up costs in the future relating to the Kinston Site cannot be eliminated.

Available Information

The Company's Internet address is: www.unifi.com. Copies of the Company's reports, including annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports, that the Company files with or furnishes to the SEC pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and beneficial ownership reports on Forms 3, 4, and 5, are available as soon as practicable after such material is electronically filed with or furnished to the SEC and maybe obtained without charge by accessing the Company's web site or by writing Mr. William M. Lowe, Jr. at Unifi, Inc. P.O. Box 19109, Greensboro, North Carolina 27419-9109.

Item 1A. ***Risk Factors***

The Company's substantial level of indebtedness could adversely affect its financial condition.

The Company has substantial indebtedness. As of June 25, 2006, the Company had a total of $204.0 million of debt outstanding, including $190.0 million outstanding in aggregate principal amount of 2014 notes, $1.3 million outstanding in aggregate principal amount of 2008 notes, $10.5 million outstanding in loans relating to a Brazilian government tax program and $2.2 million outstanding on a sales leaseback obligation. There were no amounts outstanding under the Company's amended revolving credit facility.

The Company's outstanding indebtedness could have important consequences to investors, including the following:

- high level of indebtedness could make it more difficult for the Company to satisfy its obligations with respect to its outstanding notes, including its repurchase obligations;
- the restrictions imposed on the operation of its business may hinder its ability to take advantage of strategic opportunities to grow its business;
- its ability to obtain additional financing for working capital, capital expenditures, acquisitions or general corporate purposes may be impaired;
- the Company must use a substantial portion of its cash flow from operations to pay interest on its indebtedness, which will reduce the funds available to the Company for operations and other purposes;
- its high level of indebtedness could place the Company at a competitive disadvantage compared to its competitors that may have proportionately less debt;
- its flexibility in planning for, or reacting to, changes in its business and the industry in which it operates may be limited; and
- its high level of indebtedness makes the Company more vulnerable to economic downturns and adverse developments in its business.

Any of the foregoing could have a material adverse effect on the Company's business, financial condition, results of operations, prospects and ability to satisfy its obligations under its indebtedness.

Despite its current indebtedness levels, the Company may still be able to incur substantially more debt. This could exacerbate further the risks associated with its substantial leverage.

The Company and its subsidiaries may be able to incur substantial additional indebtedness, including additional secured indebtedness, in the future. The terms of its current debt restrict, but do not completely prohibit, the Company from doing so. The Company's amended revolving credit facility permits up to $100 million of borrowings, which the Company can request be increased to $150 million under certain circumstances, with a borrowing base specified in the credit facility as equal to specified percentages of eligible accounts receivable and inventory. In addition, the indenture for its 2014 notes allows the Company to issue additional notes under certain circumstances and to incur certain other additional secured debt, and allows its foreign subsidiaries to incur additional debt. The indenture for its 2014 notes does not prevent the Company from incurring other liabilities that do not constitute indebtedness. If new debt or other liabilities are added to its current debt levels, the related risks that the Company now faces could intensify

The Company will require a significant amount of cash to service its indebtedness and its ability to generate cash depends on many factors beyond its control.

For fiscal year 2006, after giving effect to the refinancing transactions, interest expense, net, would have been approximately $24.2 million. The Company's principal sources of liquidity are cash flow generated from operations and borrowings under its amended revolving credit facility. The Company's ability to make payments on and to refinance its indebtedness and to fund planned capital expenditures will depend on its ability to generate cash in the future. This, to a certain extent, is subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond its control.

The business may not generate cash flow from operations, and future borrowings may not be available to the Company under its amended revolving credit facility in an amount sufficient to enable the Company to pay its indebtedness and to fund its other liquidity needs. If the Company is not able to generate sufficient cash flow or borrow under its amended revolving credit facility for these purposes, the Company may need to refinance or restructure all or a portion of its indebtedness, on or before maturity, reduce or delay capital investments or seek to raise additional capital. The Company may not be able to implement one or more of these alternatives on terms that are acceptable or at all. The terms of its existing or future debt agreements may restrict the Company from adopting any of these alternatives. The failure to generate sufficient cash flow or to achieve any of these alternatives could materially adversely affect the Company's financial condition.

In addition, without such refinancing, the Company could be forced to sell assets to make up for any shortfall in its payment obligations under unfavorable circumstances. The Company's amended revolving credit facility and the indenture for its 2014 notes limit its ability to sell assets and also restrict the use of proceeds from any such sale. Furthermore, the 2014 notes and its amended revolving credit facility are secured by substantially all of its assets. Therefore, the Company may not be able to sell its assets quickly enough or for sufficient amounts to enable the Company to meet its debt service obligations.

The terms of the Company's outstanding indebtedness impose significant operating and financial restrictions, which may prevent the Company from pursuing certain business opportunities and taking certain actions.

The terms of the Company's outstanding indebtedness impose significant operating and financial restrictions on its business. These restrictions will limit or prohibit, among other things, its ability to:

- incur and guarantee indebtedness or issue preferred stock;
- repay subordinated indebtedness prior to its stated maturity;
- pay dividends or make other distributions on or redeem or repurchase the Company's stock;
- issue capital stock;
- make certain investments or acquisitions;

- create liens;
- sell certain assets or merge with or into other companies;
- enter into certain transactions with stockholders and affiliates;
- make capital expenditures; and
- restrict dividends, distributions or other payments from its subsidiaries.

In addition, the Company's amended revolving credit facility also requires the Company to meet a minimum fixed charge ratio test if borrowing capacity is less than $25 million at any time during the quarter and restricts its ability to make capital expenditures or prepay certain other debt. The Company may not be able to maintain this ratio. These restrictions could limit its ability to plan for or react to market conditions or meet its capital needs. The Company may not be granted waivers or amendments to its amended revolving credit facility if for any reason the Company is unable to meet its requirements or the Company may not be able to refinance its debt on terms that are acceptable, or at all.

The breach of any of these covenants or restrictions could result in a default under the indenture for its 2014 notes or its amended revolving credit facility. An event of default under its debt agreements would permit some of its lenders to declare all amounts borrowed from them to be due and payable.

The Company faces intense competition from a number of domestic and foreign yarn producers and importers of textile and apparel products.

The Company's industry is highly competitive. The Company competes not only against domestic and foreign yarn producers, but also against importers of foreign sourced fabric and apparel into the United States and other countries in which the Company does business. The Company's major regional competitors are Nanya, Dillon, O'Mara, Inc., Spectrum, KOSA and AKRA, S.A. de C.V. in the polyester yarn segment and Sapona Manufacturing Company, Inc., McMichael Mills, Inc. and Worldtex, Inc. in the nylon yarn segment. The importation of garments and fabrics from lower wage-based countries and overcapacity throughout the world has resulted in lower net sales, gross profits and net income for both its polyester and nylon segments. The primary competitive factors in the textile industry include price, quality, product styling and differentiation, flexibility of production and finishing, delivery time and customer service. The needs of particular customers and the characteristics of particular products determine the relative importance of these various factors. Because the Company, and the supply chain in which the Company operates, do not typically operate on the basis of long-term contracts with textile and apparel customers, these competitive factors could cause the Company's customers to rapidly shift to other producers. A large number of the Company's foreign competitors have significant competitive advantages, including lower labor costs, lower raw materials and energy costs and favorable currency exchange rates against the U.S. dollar. If any of these advantages increase, the Company's products could become less competitive, and its sales and profits may decrease as a result. In addition, while traditionally these foreign competitors have focused on commodity production, they are now increasingly focused on value-added products, where the Company continues to generate higher margins. Competitive pressures may also intensify as a result of the gradual elimination of quotas and the potential elimination of duties. See "— Changes in the trade regulatory environment could weaken the Company's competitive position dramatically and have a material adverse effect on its business, net sales and profitability." The Company, and the supply chain in which the Company operates, may therefore not be able to continue to compete effectively with imported foreign-made textile and apparel products, which would materially adversely affect its business, financial condition, results of operations or cash flows.

Changes in the trade regulatory environment could weaken the Company's competitive position dramatically and have a material adverse effect on its business, net sales and profitability.

A number of sectors of the textile industry in which the Company sells its products, particularly apparel and home furnishings, are subject to intense foreign competition. Other sectors of the textile industry in which the Company sells its products may in the future become subject to more intense foreign competition. There are currently a number of trade regulations, quotas and duties in place to protect the U.S. textile industry against competition from low-priced foreign producers, such as China. Changes in such trade regulations, quotas and duties

may make its products less attractive from a price standpoint than the goods of its competitors or the finished apparel products of a competitor in the supply chain, which could have a material adverse effect on the Company's business, net sales and profitability. In addition, increased foreign capacity and imports that compete directly with its products could have a similar effect. Furthermore, one of the Company's key business strategies is to expand its business within countries that are parties to free-trade agreements with the United States. Any relaxation of duties or other trade protections with respect to countries that are not parties to those free-trade agreements could therefore decrease the importance of the trade agreements and have a material adverse effect on its business, net sales and profitability. See "Item 1 — Business — Trade Regulation."

The significant price volatility of many of the Company's raw materials and rising energy costs may result in increased production costs, which the Company may not be able to pass on to its customers, which could have a material adverse effect on its business, financial condition, results of operations or cash flows.

A significant portion of the Company's raw materials are petroleum-based chemicals and a significant portion of its costs are energy costs. The prices for petroleum and petroleum-related products and energy costs are volatile and have recently increased significantly. While the Company frequently enters into raw material supply agreements, as is the general practice in its industry, these agreements typically provide for formula-based pricing. Therefore, its supply agreements provide only limited protection against price volatility. As a result, its production costs have increased significantly in recent times. While the Company has in the past matched cost increases with corresponding product price increases, the Company may not always be able to immediately raise product prices, and, ultimately, pass on underlying cost increases to its customers. The Company has in the past lost and expects that it will continue to lose, customers to its competitors as a result of these price increases. In addition, its competitors may be able to obtain raw materials at a lower cost due to market regulations. Additional raw material and energy cost increases that the Company is not able to fully pass on to customers or the loss of a large number of customers to competitors as a result of price increases could have a material adverse effect on its business, financial condition, results of operations or cash flows.

The Company depends upon limited sources for raw materials, and interruptions in supply could increase its costs of production and cause its operations to suffer.

The Company depends on a limited number of third parties for certain raw material supplies, such as chip, TPA and MEG. Although alternative sources of raw materials exist, the Company may not continue to be able to obtain adequate supplies of such materials on acceptable terms, or at all, from other sources when its existing supply agreements expire. In addition, the Company has in the past and may in the future experience interruptions or limitations in the supply of its raw materials, which would increase its product costs and could have a material adverse effect on its business, financial condition, results of operations or cash flows. For example, in the Louisiana area in 2005, Hurricane Katrina created shortages in the supply of paraxlyene, a feedstock used in polymer production, because refineries diverted production to mixed xylene to increase the supply of gasoline. As a result, supplies of paraxlyene were reduced, and prices increased. Additionally, five of the six refineries in Texas that produce MEG shut down, including the supplier to the Company's Kinston operation due to Hurricane Rita. The supply of MEG was reduced, and prices increased as well. These disruptions had an adverse effect on the Company's net sales and product costs. Any future disruption or curtailment in the supply of any of its raw materials could cause the Company to reduce or cease its production in general or require the Company to increase its pricing, which could have a material adverse effect on its business, financial condition, results of operations or cash flows. See "— The significant price volatility of many of the Company's raw materials and rising energy costs may result in increased production costs, which the Company may not be able to pass on to its customers, which could have a material adverse effect on its business, financial condition, results of operations or cash flows."

A decline in general economic or political conditions and changes in consumer spending could cause the Company's sales and profits to decline.

The Company's products are used in the production of fabrics primarily for the apparel, hosiery, home furnishing, automotive, industrial and other similar end-use markets. Demand for furniture and durable goods, such as automobiles, is often affected significantly by economic conditions. Demand for a number of categories of

apparel also tends to be tied to economic cycles. Domestic demand for textile products therefore tends to vary with the business cycles of the U.S. economy as well as changes in global economic and political conditions. Future armed conflicts, terrorist activities or natural disasters in the United States or abroad and any consequent actions on the part of the U.S. government and others may cause general economic conditions in the United States to deteriorate or otherwise reduce U.S. consumer spending. A decline in general economic conditions or consumer confidence may also lead to significant changes to inventory levels and, in turn, replenishment orders placed with suppliers. These changing demands ultimately work their way through the supply chain and could adversely affect demand for the Company's products and have a material adverse effect on its business, net sales and profitability.

Failure to successfully reduce the Company's production costs may adversely affect its financial results.

A significant portion of the Company's strategy relies upon its ability to successfully rationalize and improve the efficiency of its operations. In particular, the Company's strategy relies on its ability to reduce its production costs in order to remain competitive. Over the past three years, the Company has consolidated multiple unprofitable businesses and production lines in an effort to match operating rates to the market; reduced overhead and supply costs; focused on optimizing the product mix amongst its reorganized assets; and made significant capital expenditures to more completely automate its production facilities, lessen the dependence on labor and decrease waste. If the Company is not able to continue to successfully implement cost reduction measures, or if these efforts do not generate the level of cost savings that it expects going forward or result in higher than expected costs, there could be a material adverse effect on its business, financial condition, results of operations or cash flows.

Changes in customer preferences, fashion trends and end-uses could have a material adverse effect on the Company's business, net sales and profitability and cause inventory build-up if the Company is not able to adapt to such changes.

The demand for many of the Company's products depends upon timely identification of consumer preferences for fabric designs, colors and styles. In the apparel sector, a failure by the Company or its customers to identify fashion trends in time to introduce products and fabrics consistent with those trends could reduce its sales and the acceptance of its products by its customers and decrease its profitability as a result of costs associated with failed product introductions and reduced sales. The Company's nylon segment has been adversely affected by changing customer preferences that have reduced demand for sheer hosiery products. In all sectors, changes in customer preferences or specifications may cause shifts away from the products which the Company provides, which can also have an adverse effect on its business, net sales and profitability.

The Company has significant foreign operations and its results of operations may be adversely affected by currency fluctuations.

The Company has a significant operation in Brazil, operations in Colombia and joint ventures in China and Israel. The Company serves customers in Canada, Mexico, Israel and various countries in Europe, Central America, South America and South Africa. Foreign operations are subject to certain political, economic and other uncertainties not encountered by its domestic operations that can materially affect sales, profits, cash flows and financial position. The risks of international operations include trade barriers, duties, exchange controls, national and regional labor strikes, social and political risks, general economic risks, required compliance with a variety of foreign laws, including tax laws, the difficulty of enforcing agreements and collecting receivables through foreign legal systems, taxes on distributions or deemed distributions to the Company or any of its U.S. subsidiaries, maintenance of minimum capital requirements and import and export controls. Through its foreign operations, the Company is also exposed to currency fluctuations and exchange rate risks. Because a significant amount of its costs incurred to generate the revenues of its foreign operations are denominated in local currencies, while the majority of its sales are in U.S. dollars, the Company has in the past been adversely impacted by the appreciation of the local currencies relative to the U.S. dollar, and currency exchange rate fluctuations could have a material adverse effect on its business, financial condition, results of operations or cash flows. The Company has translated its revenues and expenses denominated in local currencies into U.S. dollars at the average exchange rate during the relevant period and its assets and liabilities denominated in local currencies into U.S. dollars at the exchange rate at the end of the relevant period. Fluctuations in the foreign exchange rates will affect period-to-period comparisons of its reported

results. Additionally, the Company operates in countries with foreign exchange controls. These controls may limit its ability to repatriate funds from its international operations and joint ventures or otherwise convert local currencies into U.S. dollars. These limitations could adversely affect the Company's ability to access cash from these operations.

The Company may be exposed to liabilities under the Foreign Corrupt Practices Act and any determination that the Company violated the Foreign Corrupt Practices Act could have a material adverse effect on its business.

To the extent that the Company operates outside the United States, it is subject to the Foreign Corrupt Practices Act (the "FCPA") which generally prohibits U.S. companies and their intermediaries from bribing foreign officials for the purpose of obtaining or keeping business or otherwise obtaining favorable treatment. In particular, the Company may be held liable for actions taken by its strategic or local partners even though such partners are foreign companies that are not subject to the FCPA. Any determination that the Company violated the FCPA could result in sanctions that could have a material adverse effect on its business.

The Company's business could be negatively impacted by the financial condition of its customers.

The U.S. textile and apparel industry faces many challenges. Overcapacity, volatility in raw material pricing, and intense pricing pressures has led to the closure of many domestic textile and apparel plants. Continued negative industry trends may result in the deteriorating financial condition of its customers. Certain of the Company's customers are experiencing financial difficulties. The loss of any significant portion of its sales to any of these customers could have a material adverse impact on its business, results of operations, financial condition or cash flows. In addition, any receivable balances related to its customers would be at risk in the event of their bankruptcy.

As one of the many participants in the U.S. and regional textile and apparel supply chain, the Company's business and competitive position are directly impacted by the business and financial condition of the other participants across the supply chain in which it operates, including other regional yarn manufacturers, knitters and weavers. If other supply chain participants are unable to access capital, fund their operations and make required technological and other investments in their businesses or experience diminished demand for their products, there could be a material adverse impact on the Company's business, financial condition, results of operations or cash flows.

Failure to implement future technological advances in the textile industry or fund capital expenditure requirements could have a material adverse effect on the Company's competitive position and net sales.

The Company's operating results depend to a significant extent on its ability to continue to introduce innovative products and applications and to continue to develop its production processes to be a competitive producer. Accordingly, to maintain its competitive position and its revenue base, the Company must continually modernize its manufacturing processes, plants and equipment. To this end, the Company has made significant investments in its manufacturing infrastructure over the past fifteen years and does not currently anticipate any significant additional capital expenditures to replace or expand its production facilities over the next five years. Accordingly, the Company expects its capital requirements in the near term will be used primarily to maintain its manufacturing operations, but the Company may nevertheless require significant capital expenditures for expansion purposes. Future technological advances in the textile industry may result in the availability of new products or increase the efficiency of existing manufacturing and distribution systems, and the Company may not be able to adapt to such technological changes or offer such products on a timely basis or establish or maintain competitive positions. Existing, proposed or yet undeveloped technologies may render its technology less profitable or less viable, and the Company may not have available the financial and other resources to compete effectively against companies possessing such technologies. To the extent sources of funds are insufficient to meet its ongoing capital improvement requirements, the Company would need to seek alternative sources of financing or curtail or delay capital spending plans. The Company may not be able to obtain the necessary financing when needed or on terms acceptable to us. The Company is unable to predict which of the many possible future products and services will meet the evolving industry standards and consumer demands. If the Company fails to make the capital

improvements necessary to continue the modernization of its manufacturing operations and reduction of its costs, its competitive position may suffer, and its net sales may decline.

Unforeseen or recurring operational problems at any of the Company's facilities may cause significant lost production, which could have a material adverse effect on its business, financial condition, results of operations and cash flows.

The Company's manufacturing process could be affected by operational problems that could impair its production capability. Each of its facilities contains complex and sophisticated machines that are used in its manufacturing process. Disruptions at any of its facilities could be caused by maintenance outages; prolonged power failures or reductions; a breakdown, failure or substandard performance of any of its machines; the effect of noncompliance with material environmental requirements or permits; disruptions in the transportation infrastructure, including railroad tracks, bridges, tunnels or roads; fires, floods, earthquakes or other catastrophic disasters; labor difficulties; or other operational problems. Any prolonged disruption in operations at any of its facilities could cause significant lost production, which would have a material adverse effect on its business, financial condition, results of operations and cash flows.

The Company has made and may continue to make investments in entities that it does not control.

The Company has established joint ventures and made minority interest investments designed to increase its vertical integration, increase efficiencies in its procurement, manufacturing processes, marketing and distribution in the United States and other markets. The Company's principal joint ventures and minority investments include UNF, Unifi-SANS Technical Fibers, LLC ("USTF"), PAL and Yihua Unifi Fibre Industry Company Limited ("YUFI"). See "Item 7 — Management's Discussion and Analysis of Financial Condition and Results of Operations — Joint Ventures and Other Equity Investments." The Company's inability to control entities in which it invests may affect its ability to receive distributions from those entities or to fully implement its business plan. The incurrence of debt or entry into other agreements by an entity not under its control may result in restrictions or prohibitions on that entity's ability to pay dividends or make other distributions. Even where these entities are not restricted by contract or by law from making distributions, the Company may not be able to influence the occurrence or timing of such distributions. In addition, if any of the other investors in these entities fails to observe its commitments, that entity may not be able to operate according to its business plan or the Company may be required to increase its level of commitment. If any of these events were to occur, its business, results of operations, financial condition or cash flows could be adversely affected. Because the Company does not own a majority or maintain voting control of these entities, the Company does not have the ability to control their policies, management or affairs. The interests of persons who control these entities or partners may differ from the Company's, and they may cause such entities to take actions which are not in its best interest. If the Company is unable to maintain its relationships with its partners in these entities, the Company could lose its ability to operate in these areas which could have a material adverse effect on its business, financial condition, results of operations or cash flows.

The Company's acquisition strategy may not be successful, which could adversely affect its business.

The Company has expanded its business partly through acquisitions and anticipates that it will continue to make selective acquisitions. The Company's acquisition strategy is dependent upon the availability of suitable acquisition candidates, obtaining financing on acceptable terms, and its ability to comply with the restrictions contained in its debt agreements. Acquisitions may divert a significant amount of management's time away from the operation of its business. Future acquisitions may also have an adverse effect on its operating results, particularly in the fiscal quarters immediately following their completion while the Company integrates the operations of the acquired business. Growth by acquisition involves risks that could have a material adverse effect on business and financial results, including difficulties in integrating the operations and personnel of acquired companies and the potential loss of key employees and customers of acquired companies. Once integrated, acquired operations may not achieve the levels of revenues, profitability or productivity comparable with those achieved by its existing operations, or otherwise perform as expected. While the Company has experience in identifying and integrating acquisitions, the Company may not be able to identify suitable acquisition candidates, obtain the capital necessary

to pursue its acquisition strategy or complete acquisitions on satisfactory terms or at all. Even if the Company successfully completes an acquisition, it may not be able to integrate it into its business satisfactorily or at all.

Increases of illegal transshipment of textile and apparel goods into the United States could have a material adverse effect on the Company's business.

There has been a significant increase recently in illegal transshipments of apparel products into the United States. Illegal transshipment involves circumventing quotas by falsely claiming that textiles and apparel are a product of a particular country of origin or include yarn of a particular country of origin to avoid paying higher duties or to receive benefits from regional free-trade agreements, such as NAFTA and CAFTA. If illegal transshipment is not monitored and enforcement is not effective, these shipments could have a material adverse effect on its business.

The Company is subject to many environmental and safety regulations that may result in significant unanticipated costs or liabilities or cause interruptions in its operations.

The Company is subject to extensive federal, state, local and foreign laws, regulations, rules and ordinances relating to pollution, the protection of the environment and the use or cleanup of hazardous substances and wastes. The Company may incur substantial costs, including fines, damages and criminal or civil sanctions, or experience interruptions in its operations for actual or alleged violations of or compliance requirements arising under environmental laws, any of which could have a material adverse effect on its business, financial condition, results of operations or cash flows. The Company's operations could result in violations of environmental laws, including spills or other releases of hazardous substances to the environment. In the event of a catastrophic incident, the Company could incur material costs.

In addition, the Company could incur significant expenditures in order to comply with existing or future environmental or safety laws. For example, the land associated with the Kinston acquisition is leased pursuant to a 99 year Ground Lease with DuPont. Since 1993, DuPont has been investigating and cleaning up the Kinston Site under the supervision of the EPA and the North Carolina Department of Environment and Natural Resources pursuant to the Resource Conservation and Recovery Act Corrective Action Program. The Corrective Action Program requires DuPont to identify all potential areas of environmental concern, known as solid waste management units or areas of concern, assess the extent of contamination at the identified areas and clean them up to applicable regulatory standards. Under the terms of the Ground Lease, upon completion by DuPont of required remedial action, ownership of the Kinston Site will pass to the Company. Thereafter, the Company will have responsibility for future remediation requirements, if any, at the solid waste management units and areas of concern previously addressed by DuPont and at any other areas at the plant. At this time, the Company has no basis to determine if and when it will have any responsibility or obligation with respect to contaminated solid waste management units and areas of concern or the extent of any potential liability for the same. Accordingly, the possibility that the Company could face material clean-up costs in the future relating to the Kinston facility cannot be eliminated. Capital expenditures and, to a lesser extent, costs and operating expenses relating to environmental or safety matters will be subject to evolving regulatory requirements and will depend on the timing of the promulgation and enforcement of specific standards which impose requirements on its operations. Therefore, capital expenditures beyond those currently anticipated may be required under existing or future environmental or safety laws. See "Item 7 — Management's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources — Environmental Liabilities."

Furthermore, the Company may be liable for the costs of investigating and cleaning up environmental contamination on or from its properties or at off-site locations where the Company disposed of or arranged for the disposal or treatment of hazardous materials or from disposal activities that pre-dated the purchase of its businesses. If significant previously unknown contamination is discovered, existing laws or their enforcement change or its indemnities do not cover the costs of investigation and remediation, then such expenditures could have a material adverse effect on the Company's business, financial condition, results of operations or cash flows.

Health and safety regulation costs could increase.

The Company's operations are also subject to regulation of health and safety matters by the United States Occupational Safety and Health Administration and comparable statutes in foreign jurisdictions where the

Company operates. The Company believes that it employs appropriate precautions to protect its employees and others from workplace injuries and harmful exposure to materials handled and managed at its facilities. However, claims that may be asserted against the Company for work-related illnesses or injury, and changes in occupational health and safety laws and regulations in the United States or in foreign jurisdictions in which the Company operates could increase its operating costs. The Company is unable to predict the ultimate cost of compliance with these health and safety laws and regulations. Accordingly, the Company may become involved in future litigation or other proceedings or be found to be responsible or liable in any litigation or proceedings, and such costs may be material to us.

The Company's business may be adversely affected by adverse employee relations.

The Company employs approximately 3,300 employees, approximately 2,900 of which are domestic employees and approximately 400 of which are foreign employees. While employees of its foreign operations are generally unionized, none of its domestic employees are currently covered by collective bargaining agreements. The failure to renew collective bargaining agreements with employees of the Company's foreign operations and other labor relations issues, including union organizing activities, could result in an increase in costs or lead to a strike, work stoppage or slow down. Such labor issues and unrest by its employees could have a material adverse effect on the Company's business.

The Company depends on the continued services of key managers and employees.

The Company's ability to maintain its competitive position is dependent to a large degree on the services of its senior management team, including its Chief Executive Officer, Mr. Parke, and its Chief Operating Officer and Chief Financial Officer, Mr. Lowe. The Company currently does not have any employment agreements with its senior management team other than Mr. Parke and Mr. Lowe, and cannot assure investors that any of these individuals will remain with it. The Company currently does not have a life insurance policy on any of the members of the senior management team. The death or loss of the services of any of its senior managers or the inability to attract and retain additional senior management personnel could have a material adverse effect on its business.

The Company's future financial results could be adversely impacted by asset impairments or other charges.

Under Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," the Company is required to assess the impairment of the Company's long-lived assets, such as plant and equipment, whenever events or changes in circumstances indicate that the carrying value may not be recoverable as measured by the sum of the expected future undiscounted cash flows. When the Company determines that the carrying value of certain long-lived assets may not be recoverable based upon the existence of one or more impairment indicators, the Company then measures any impairment based on a projected discounted cash flow method using a discount rate determined by management to be commensurate with the risk inherent in its current business model. In accordance with SFAS No. 144, any such impairment charges will be recorded as operating losses. See "Item 7 — Management's Discussion and Analysis of Financial Condition and Results of Operations — Critical Accounting Policies — Impairment of Long-Lived Assets."

In addition, the Company evaluates the net values assigned to various equity investments it holds, such as its investment in YUFI, PAL, USTF and UNF, in accordance with the provisions of Accounting Principles Board Opinion No. 18, "The Equity Method of Accounting for Investments in Common Stock." APB No. 18 requires that a loss in value of an investment, which is other than a temporary decline, should be recognized as an impairment loss. Any such impairment losses will be recorded as operating losses. See "Item 7 — Management's Discussion and Analysis of Financial Condition and Results of Operations — Joint Ventures and Other Equity Investments" for more information regarding the Company's equity investments.

Any operating losses resulting from impairment charges under SFAS No. 144 or APB No. 18 could have an adverse effect on its net income and therefore the market price of its securities, including its common stock.

The Company's business could be adversely affected if the Company fails to protect its intellectual property rights.

The Company's success depends in part on its ability to protect its intellectual property rights. The Company relies on a combination of patent, trademark, and trade secret laws, licenses, confidentiality and other agreements to

protect its intellectual property rights. However, this protection may not be fully adequate: its intellectual property rights may be challenged or invalidated, an infringement suit by the Company against a third party may not be successful and/or third parties could design around its technology or adopt trademarks similar to its own. In addition, the laws of some foreign countries in which its products are manufactured and sold do not protect intellectual property rights to the same extent as the laws of the United States. Although the Company routinely enters into confidentiality agreements with its employees, independent contractors and current and potential strategic and joint venture partners, among others, such agreements may be breached, and the Company could be harmed by unauthorized use or disclosure of its confidential information. Further, the Company licenses trademarks from third parties, and these agreements may terminate or become subject to litigation. Its failure to protect its intellectual property could materially and adversely affect its competitive position, reduce revenue or otherwise harm its business. The Company may also be accused of infringing or violating the intellectual property rights of third parties. Any such claims, whether or not meritorious, could result in costly litigation and divert the efforts of its personnel. Should the Company be found liable for infringement, the Company may be required to enter into licensing arrangements (if available on acceptable terms or at all) or pay damages and cease selling certain products or using certain product names or technology. The Company's failure to prevail in any intellectual property litigation could materially adversely affect its competitive position, reduce revenue or otherwise harm its business.

Forward-Looking Statements

Forward-looking statements are those that do not relate solely to historical fact. They include, but are not limited to, any statement that may predict, forecast, indicate or imply future results, performance, achievements or events. They may contain words such as "believe," "anticipate," "expect," "estimate," "intend," "project," "plan," "will," or words or phrases of similar meaning. They may relate to, among other things, the risks described under the caption "Item 1A — Risk Factors" above and:

- the competitive nature of the textile industry and the impact of worldwide competition;
- changes in the trade regulatory environment and governmental policies and legislation;
- the availability, sourcing and pricing of raw materials;
- general domestic and international economic and industry conditions in markets where the Company competes, such as recession and other economic and political factors over which the Company has no control;
- changes in consumer spending, customer preferences, fashion trends and end-uses;
- its ability to reduce production costs;
- changes in currency exchange rates, interest and inflation rates;
- the financial condition of its customers;
- technological advancements and the continued availability of financial resources to fund capital expenditures;
- the operating performance of joint ventures, alliances and other equity investments;
- the impact of environmental, health and safety regulations; and
- employee relations.

These forward-looking statements reflect the Company's current views with respect to future events and are based on assumptions and subject to risks and uncertainties that may cause actual results to differ materially from trends, plans or expectations set forth in the forward-looking statements. These risks and uncertainties may include those discussed above or in "Item 1A — Risk Factors." New risks can emerge from time to time. It is not possible for the Company to predict all of these risks, nor can it assess the extent to which any factor, or combination of factors, may cause actual results to differ from those contained in forward-looking statements. The Company will not update these forward-looking statements, even if its situation changes in the future, except as required by federal securities laws.

Item 1B. ***Unresolved Staff Comments***

None.

Item 2. ***Properties***

Following is a summary of principal properties owned or leased by the Company as of June 25, 2006:

Location	Description
Polyester Segment Properties:	
Domestic:	
Yadkinville, NC	Five plants and three warehouses
Kinston, NC	One plant and one warehouse
Reidsville, NC	One plant
Mayodan, NC	One plant
Staunton, VA	One plant and one warehouse
Foreign:	
Alfenas, Brazil	One plant and one warehouse
Sao Paulo, Brazil	One corporate office
Nylon Segment Properties:	
Domestic	
Madison, NC	One plant
Fort Payne, AL	One central distribution center
Foreign:	
Bogota, Colombia	One plant

In addition to the above properties, the corporate administrative office for each of its segments is located at 7201 West Friendly Ave. in Greensboro, North Carolina. Such property consists of a building containing approximately 100,000 square feet located on a tract of land containing approximately 9 acres.

All of the above facilities are owned in fee simple, with the exception of a plant in Mayodan, North Carolina which is leased from a financial institution pursuant to a sale-leaseback agreement entered into on May 20, 1997, as amended; one warehouse in Staunton, Virginia, one warehouse in Kinston, North Carolina and one office in Sao Paulo, Brazil. Management believes all the properties are well maintained and in good condition. In fiscal year 2006, the Company's manufacturing plants in the U.S. and Brazil operated below capacity. Accordingly, management does not perceive any capacity constraints in the foreseeable future.

In March 2006 the Company classified several properties as assets held for sale. During the fourth quarter of fiscal year 2006, the Company sold an idle manufacturing facility in Staunton, Virginia and a central distribution center in Madison, North Carolina. The remaining assets held for sale are not included in the property listing table above.

The Company also leases two manufacturing facilities to other manufacturers, one of which is leased to USTF, a joint venture in which the Company is a 50% owner.

Item 3. ***Legal Proceedings***

There are no pending legal proceedings, other than ordinary routine litigation incidental to the Company's business, to which the Company is a party or of which any of its property is the subject.

Item 4. ***Submission of Matters to a Vote of Security Holders***

No matters were submitted to a vote of security holders during the fourth quarter for the fiscal year ended June 25, 2006.

EXECUTIVE OFFICERS OF THE COMPANY

The following is a description of the name, age, position and offices held, and the period served in such position or offices for each of the executive officers of the Company.

Chairman of the Board and Chief Executive Officer

BRIAN R. PARKE — Age: 58 — Mr. Parke has been the Chief Executive Officer of the Company since January 2000 and the President of the Company since 1999. Mr. Parke has also been the Chairman of the Board of Directors since 2004. Prior to that, Mr. Parke had been the President and Chief Operating Officer of the Company since January 1999 and the Manager or President of its former Irish subsidiary (Unifi Textured Yarns Europe Limited) since its acquisition by the Company in 1984. Additionally, Mr. Parke had been a Vice President of the Company since October 1993. Mr. Parke was elected to the Company's Board of Directors in July 1999.

Vice Presidents

WILLIAM M. LOWE, JR. — Age: 53 — Mr. Lowe has been Vice President and Chief Financial Officer of the Company since January 2004 and Chief Operating Officer of the Company since April 2004. Prior to being employed by the Company, Mr. Lowe was Executive Vice President and Chief Financial Officer of Metaldyne Corporation, an automotive component and systems manufacturer from 2001 to 2003. From 1991 to 2001 Mr. Lowe held various financial positions at Arvinmeritor, Inc. a diversified manufacturer of automotive components and systems.

R. ROGER BERRIER — Age: 37 — Mr. Berrier has been the Vice President of Commercial Operations of the Company since April 2006. Prior to that, Mr. Berrier had been the Commercial Operations Manager responsible for Corporate Product Development, Marketing and Brand Sales Management since April 2004. Mr. Berrier joined the Company in 1991 and has held various management positions within operations, including International Operations, Machinery Technology, Research & Development and Quality Control.

THOMAS H. CAUDLE, JR. — Age: 54 — Mr. Caudle has been the Vice President of Global Operations of the Company since April 2003. Prior to that, Mr. Caudle had been Senior Vice President in charge of manufacturing for the Company since July 2000 and Vice President of Manufacturing Services of the Company since January 1999. Mr. Caudle has been an employee of the Company since 1982.

BENNY L. HOLDER — Age: 44 — Mr. Holder has been the Vice President and Chief Information Officer of the Company since January 2001, and has been an employee of the Company since January 1995. Mr. Holder has held various management positions within the Company's information technology group since joining the Company, overseeing all of the Company's information technology operations as Managing Director from June 1999 until January 2001. Prior to joining the Company, Mr. Holder held various management positions in the information technology departments of Memorex Telex from 1990 until 1994 and Revlon, Inc. from 1994 until 1995.

WILLIAM L. JASPER — Age: 53 — Mr. Jasper has been the Vice President of Sales since April 2006. Prior to that, Mr. Jasper was the General Manager of the Polyester segment, having responsibility for all natural polyester businesses. He joined the Company with the purchase of the Kinston polyester POY assets from INVISTA in September 2004. Prior to joining the Company, he was the Director of INVISTA's Dacron® polyester filament business. Prior to that, Mr. Jasper held various management positions in Operations, Technology, Sales and Business for DuPont since 1980.

CHARLES F. MCCOY — Age: 42 — Mr. McCoy has been the Vice President, Secretary and General Counsel of the Company since October 2000, the Corporate Compliance Officer of the Company since 2002 and the Corporate Governance Officer of the Company since 2004. Mr. McCoy became an employee of the Company in January 2000, when he joined the Company as its Assistant Secretary and General Counsel. Prior to that, Mr. McCoy was a partner with the law firm of Frazier, Frazier & Mahler, LLP, the firm serving as outside counsel to the Company.

These executive officers, unless otherwise noted, were elected by the Board of Directors of the Registrant at the Annual Meeting of the Board of Directors held on October 19, 2005. Each executive officer was elected to serve until the next Annual Meeting of the Board of Directors or until his successor was elected and qualified. No executive officer has a family relationship as close as first cousin with any other executive officer or director.

PART II

Item 5. ***Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities***

The Company's common stock is listed for trading on the New York Stock Exchange ("NYSE") under the symbol "UFI." The following table sets forth the high and low sales prices of the Company's common stock as reported on the NYSE Composite Tape for the Company's two most recent fiscal years.

	High	Low
Fiscal year 2005:		
First quarter ended September 26, 2004	$ 3.24	$ 1.80
Second quarter ended December 26, 2004	4.05	2.00
Third quarter ended March 27, 2005	4.55	3.02
Fourth quarter ended June 26, 2005	4.12	2.75
Fiscal year 2006:		
First quarter ended September 25, 2005	$ 4.49	$ 3.33
Second quarter ended December 25, 2005	3.49	2.33
Third quarter ended March 26, 2006	3.37	2.82
Fourth quarter ended June 25, 2006	3.76	2.84

As of September 5, 2006 there were approximately 515 record holders of the Company's common stock. A significant number of the outstanding shares of common stock which are beneficially owned by individuals and entities are registered in the name of Cede & Co. Cede & Co. is a nominee of The Depository Trust Company, a securities depository for banks and brokerage firms. The Company estimates that there are approximately 4,200 beneficial owners of its common stock.

No dividends were paid in the past two fiscal years and none are expected to be paid in the foreseeable future. The indenture governing the 2014 notes and the Company's amended revolving credit facility restrict its ability to pay dividends or make distributions on its capital stock. See "Item 7 — Management's Discussion and Analysis of Financial Condition and Results of Operations — Long-Term Debt — Senior Secured Notes" and "— Amended Revolving Credit Facility."

The following table summarizes information as of June 25, 2006 regarding the number of shares of common stock that may be issued under the Company's equity compensation plans:

Plan Category	(a) Number of Shares to be Issued Upon Exercise of Outstanding Options, Warrants and Rights	(b) Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights	(c) Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a))
Equity compensation plans approved by shareholders	3,946,341	$ 6.85	2,218,460
Equity compensation plans not approved by shareholders	—	—	—
Total	3,946,341	$ 6.85	2,218,460

Under the terms of the 1999 Unifi Inc. Long-Term Incentive Plan ("1999 Long-Term Incentive Plan"), the maximum number of shares to be issued was approved at 6,000,000. Of the 6,000,000 shares approved for issuance, no more than 3,000,000 may be issued as restricted stock. To date, 258,466 shares have been issued as restricted stock and are deemed to be outstanding. Any option or restricted stock that is forfeited may be reissued under the terms of the plan. The amount forfeited or canceled is included in the number of securities remaining available for future issuance in column (c) in the above table.

During the fiscal quarter ended June 25, 2006, the maximum number of shares available for purchase under Company plans or programs were 6,807,241. The Company did not make any repurchases under such plans or programs during this time.

On April 25, 2003, the Company announced that its Board of Directors had reinstituted the Company's previously authorized stock repurchase plan at its meeting on April 24, 2003. The plan was originally announced by the Company on July 26, 2000 and authorized the Company to repurchase of up to 10.0 million shares of its common stock. During fiscal years 2004 and 2003, the Company repurchased approximately 1.3 million and 0.5 million shares, respectively. The repurchase program was suspended in November 2003 and the Company has no immediate plans to reinstitute the program. There is remaining authority for the Company to repurchase approximately 6.8 million shares of its common stock under the repurchase plan. The repurchase plan has no stated expiration or termination date.

For information regarding the Company's equity compensation plans, see "Item 12 — Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters."

Item 6. ***Selected Financial Data***

	June 25, 2006 (52 Weeks)	June 26, 2005 (52 Weeks)	June 27, 2004 (52 Weeks)	June 29, 2003 (52 Weeks)	June 30, 2002 (53 Weeks)
	(Amounts in thousands, except per share data)				
Summary of Operations:					
Net sales	$ 738,825	$ 793,796	$ 666,383	$ 747,681	$ 813,635
Cost of sales	696,055	762,717	625,983	675,829	739,623
Selling, general and administrative expenses	41,534	42,211	45,963	48,182	44,707
Provision for bad debts	1,256	13,172	2,389	3,812	6,285
Interest expense	19,247	20,575	18,698	19,736	22,948
Interest income	(4,489)	(2,152)	(2,152)	(1,420)	(2,260)
Other (income) expense, net	(3,118)	(2,300)	(2,590)	(115)	4,129
Equity in (earnings) losses of unconsolidated affiliates	(825)	(6,938)	6,877	(10,728)	1,659
Minority interest (income) expense	—	(530)	(6,430)	4,769	—
Restructuring charges (recovery)(1)	(254)	(341)	8,229	10,597	—
Arbitration costs and expenses(2)	—	—	182	19,185	1,129
Alliance plant closure costs (recovery)(3)	—	—	(206)	(3,486)	—
Write down of long-lived assets(4)	2,366	603	25,241	—	—
Goodwill impairment(5)	—	—	13,461	—	—
Loss on early extinguishment of debt(6)	2,949	—	—	—	—
Loss from continuing operations before income taxes and extraordinary item	(15,896)	(33,221)	(69,262)	(18,680)	(4,585)
Benefit for income taxes	(1,170)	(13,483)	(25,113)	(2,590)	(2,132)
Loss from continuing operations before extraordinary Item	(14,726)	(19,738)	(44,149)	(16,090)	(2,453)
Income (loss) from discontinued operations, net of tax	360	(22,644)	(25,644)	(11,087)	(3,621)
Loss before extraordinary item and cumulative effect of accounting change	(14,366)	(42,382)	(69,793)	(27,177)	(6,074)
Extraordinary gain — net of taxes of $0(7)	—	1,157	—	—	—
Cumulative effect of accounting change, net of tax(8)	—	—	—	—	(37,851)
Net loss	$ (14,366)	$ (41,225)	$ (69,793)	$ (27,177)	$ (43,925)
Per Share of Common Stock: (basic and diluted)					
Loss from continuing operations	$ (.28)	$ (.38)	$ (.85)	$ (.30)	$ (.05)
Income (loss) from discontinued operations, net of tax	—	(.43)	(.49)	(.21)	(.06)
Extraordinary gain — net of taxes of $0	—	.02	—	—	—
Cumulative effect of accounting change, net of tax	—	—	—	—	(.71)
Net loss	$ (.28)	$ (.79)	$ (1.34)	$ (.51)	$ (.82)

	June 25, 2006 (52 Weeks)	June 26, 2005 (52 Weeks)	June 27, 2004 (52 Weeks)	June 29, 2003 (52 Weeks)	June 30, 2002 (53 Weeks)
	(Amounts in thousands, except per share data)				
Balance Sheet Data:					
Working capital	$ 179,540	$ 242,440	$ 236,881	$ 183,973	$ 167,469
Gross property, plant and equipment	916,337	955,459	943,555	978,200	961,327
Total assets	732,637	845,375	872,535	1,002,201	1,019,555
Long-term debt and other obligations	202,110	259,790	263,779	259,395	280,267
Shareholders' equity	382,953	383,575	401,901	479,748	498,040

(1) During fiscal year 2003, the Company developed a plan of reorganization that resulted in the termination of management and production level employees. In fiscal year 2004, the Company recorded a restructuring charge which consisted of severance and related employee termination costs and facility closure costs.

(2) The arbitration costs and expenses include the award owed by the Company to DuPont as a result of an arbitration panel ruling in June 2003 and professional fees incurred.

(3) In fiscal year 2001, the Company recorded its share of the anticipated costs of closing DuPont's Cape Fear, North Carolina facility which was in accordance with the Company's manufacturing alliance with DuPont. During fiscal year 2003, the project was substantially complete; and as a result, the Company obtained updated cost estimates which resulted in reductions to the reserve.

(4) In fiscal year 2004, management performed impairment testing for the domestic textured polyester business due to the continued challenging business conditions and reduction in volume and gross profit. As a result, management determined that the assets were in fact impaired, resulting in a charge of $25.2 million.

(5) In fiscal year 2004, management performed an impairment test for the entire domestic polyester segment. As a result of the testing, the Company recorded a goodwill impairment charge of $13.5 million to reduce the segment's goodwill to $0.

(6) In April 2006, the Company commenced a tender offer for all of its outstanding 2008 notes. In May 2006, the Company issued $190 million of notes due in 2014. The $2.9 million charge related to the fees associated with the tender offer as well as the unamortized bond issuance costs on the 2008 notes.

(7) In fiscal year 2005, the Company completed its acquisition of the INVISTA polyester POY manufacturing assets located in Kinston, North Carolina, including inventories, valued at $24.4 million. As part of the acquisition, the Company announced its plans to curtail two production lines and downsize the workforce at its newly acquired manufacturing facility. At that time, the Company recorded a reserve of $10.7 million in related severance costs and $0.4 million in restructuring costs which were recorded as assumed liabilities in purchase accounting; and therefore, had no impact on the Consolidated Statements of Operations. As of March 27, 2005, both lines were successfully shut down and a reduction in the original restructuring estimate for severance was recorded. As a result of the reduction to the restructuring reserve, a $1.2 million extraordinary gain, net of tax, was recorded.

(8) The 2002 fiscal year cumulative effect of accounting change represents the write-off of goodwill associated with the nylon reporting segment. Upon adoption of Financial Accounting Standard No. 142, "Goodwill and Other Intangible Assets" ("SFAS 142"), the Company wrote off $46.3 million ($37.9 million after tax) or $.71 per diluted share of the unamortized balance of the goodwill associated with the nylon business segment as of June 25, 2001, as a cumulative effect of an accounting change.

Item 7. ***Management's Discussion and Analysis of Financial Condition and Results of Operations***

The following discussion of management's views on the financial condition and results of operations of the Company should be read in conjunction with the Consolidated Financial Statements and Notes included elsewhere in this Annual Report on Form 10-K. The discussion contains forward-looking statements that reflect management's current expectations, estimates and projections. Actual results for the Company could differ materially from those discussed in the forward-looking statements. Factors that could cause such differences are discussed in "Forward-Looking Statements" above in "Item 1A — Risk Factors" and elsewhere in this Annual Report on Form 10-K.

Business Overview

The Company is a diversified producer and processor of multi-filament polyester and nylon yarns, including specialty yarns with enhanced performance characteristics. Unifi adds value to the supply chain and enhances consumer demand for its products through the development and introduction of branded yarns that provide unique performance, comfort and aesthetic advantages. The Company manufactures partially oriented, textured, dyed, twisted and beamed polyester yarns as well as textured nylon and nylon covered spandex products. Unifi sells its products to other yarn manufacturers, knitters and weavers that produce fabrics for the apparel, hosiery, home furnishings, automotive, industrial and other end-use markets. The Company maintains one of the industry's most comprehensive product offerings and emphasizes quality, style and performance in all of its products.

Polyester Segment. The polyester segment manufactures partially oriented, textured, dyed, twisted and beamed yarns with sales to other yarn manufacturers, knitters and weavers that produce fabrics for the apparel, automotive and furniture upholstery, hosiery, home furnishings, automotive, industrial and other end-use markets. The polyester segment primarily manufactures its products in Brazil, Colombia and the United States, which has the largest operations and number of locations. For fiscal years 2006, 2005, and 2004 polyester segment net sales were $566.4 million, $587.0 million, and $481.9 million, respectively.

Nylon Segment. The nylon segment manufactures textured nylon and covered spandex products with sales to other yarn manufacturers, knitters and weavers that produce fabrics for the apparel, hosiery, sock and other end-use markets. The nylon segment consists of operations in the United States and Colombia. For fiscal years 2006, 2005, and 2004 nylon segment net sales were $172.5 million, $206.8 million, and $184.5 million, respectively.

Sourcing Segment. In July 2005, the Company announced its decision to exit the sourcing business, and as of the end of fiscal year 2006 the Company had fully liquidated the business. All periods have been presented as discontinued operations in accordance with generally accepted accounting principles in the United States ("GAAP").

The Company's fiscal year is the 52 or 53 weeks ending in the last Sunday in June. Fiscal years 2006, 2005 and 2004 had 52 weeks.

Line Items Presented

Net sales. Net sales include amounts billed by the Company to customers for products, shipping and handling, net of allowances for rebates. Rebates may be offered to specific large volume customers for purchasing certain quantities of yarn over a prescribed time period. The Company provides for allowances associated with rebates in the same accounting period the sales are recognized in income. Allowances for rebates are calculated based on sales to customers with negotiated rebate agreements with the Company. Non-defective returns are deducted from revenues in the period during which the return occurs. The Company records allowances for customer claims based upon its estimate of known claims and its past experience for unknown claims.

Cost of sales. The Company's cost of sales consists of direct material, delivery and other manufacturing costs, including labor and overhead, depreciation and amortization expense with respect to manufacturing assets, fixed asset depreciation, amortization of intangible assets and reserves for obsolete and slow-moving inventory. Cost of sales also includes amounts directly related to providing technological support to the Company's Chinese joint venture discussed below.

Selling, general and administrative expenses. The Company's selling, general and administrative expenses consist of selling expense (which includes sales staff salaries and bonuses), advertising and promotion (which includes direct marketing expenses) and administrative expense (which includes corporate expenses and bonuses). In addition, selling, general and administrative expenses also include depreciation and amortization with respect to certain corporate administrative assets.

Recent Developments and Outlook

Although the global textile and apparel industry continues to grow, the U.S. textile and apparel industry has contracted since 1999, caused primarily by intense foreign competition in finished goods on the basis of price,

resulting in ongoing U.S. domestic overcapacity, many producers moving their operations offshore and the closure of many domestic textile and apparel plants. More recently, the U.S. textile and apparel industry has continued to decline although it has been experiencing low negative growth rates. In addition, due to consumer preferences, demand for sheer hosiery products has declined significantly in recent years, which negatively impacts nylon manufacturers. Because of these general industry trends, the Company's net sales, gross profits and net income have been trending downward for the past several years. These challenges continue to impact the U.S. textile and apparel industry, and the Company expects that they will continue to impact the U.S. textile and apparel industry for the foreseeable future. The Company believes that its success going forward is primarily based on its ability to improve the mix of its product offerings to shift to more premium value-added products, to exploit the free-trade agreements to which the United States is a party and to implement cost saving strategies which will improve its operating efficiencies. The continued viability of the U.S. domestic textile and apparel industry is dependent, to a large extent, on the international trade regulatory environment. For the most part, because of protective duties currently in place and NAFTA, CAFTA, CBI, ATPA and other free-trade agreements or duties preference programs, the Company has not experienced significant declines in its market share due to the importation of Asian products.

The Company is also highly committed and dedicated to identifying strategic opportunities to participate in the Asian textile market, specifically China, where the growth rate is estimated to be within a range of 7% to 9%. As further discussed below in "— Joint Ventures and Other Equity Investments," the Company has invested $30.0 million in a joint venture in China to manufacture, process and market polyester filament yarn.

During fiscal year 2006, the Company continued its focus away from selling large volumes of products in order to focus on making each product line profitable. The Company has identified unprofitable product lines and raised sales prices accordingly. In some cases, this strategy has resulted in reduced sales of these products or even the elimination of the unprofitable product lines. The Company expects that the reduction of these unprofitable businesses will improve its future operating results. This program has resulted in significant restructuring charges in recent periods, and additional losses of volume associated with these actions may require additional plant consolidations in the future, which may result in further restructuring charges.

The Company entered into a manufacturing alliance with DuPont in June 2000 to produce polyester POY at DuPont's facility in Kinston and at the Company's facility in Yadkinville, North Carolina. DuPont later transferred its interest in this alliance to Invista, Inc. This alliance resulted in significant annual benefits to the Company of approximately $30 million, consisting of reductions in fixed costs, variable costs savings and product development enrichment. On September 30, 2004, the Company acquired the Kinston facility, including inventories, for approximately $24.4 million, in the form of a note payable to Invista (the "Kinston acquisition''). The Company closed two of the Kinston facility's four production lines, increased efficiency and automation and reduced the workforce. See "— Corporate Restructurings." The acquisition resulted in the termination of the Company's alliance with DuPont. As a result of the Kinston acquisition, the Company's results for periods subsequent to the Kinston acquisition will not be fully comparable to its results for the prior periods, which include the annual benefit of the alliance.

The impact of Hurricane Katrina on the oil refineries in the Louisiana area in August 2005 created shortages of supply of gasoline and as a result a shortage of paraxlyene, a feedstock used in polymer production in its polyester segment, because producers diverted production to mixed xlyene to increase the supply of gasoline. As a result, while supplies were tight, paraxlyene continued to be available at a much higher price. During September 2005, the Company received notices from several raw material suppliers declaring force majeure under its contracts and increasing the price the Company paid under those contracts effective September 1, 2005. As a result of this increase, and other energy-related cost increases, the Company imposed a 14 cents per pound surcharge on its polyester products in an effort to maintain its margins. Throughout the second quarter of fiscal year 2006, the surcharge stayed in effect at different levels as raw material prices declined. In other operations that have a high usage of natural gas, the Company also increased sales prices effective November 1, 2005 to compensate for the increase in utility costs.

Though polyester raw material prices declined during the end of the second quarter of fiscal year 2006, a different set of paraxylene industry dynamics emerged during the third quarter of fiscal year 2006 that led to further increases of raw material prices. Polyester raw material prices once again increased during the last two quarters of

fiscal year 2006 and continue to be steady. The belief is that the pressure from strong gasoline demand coupled with the phase out of Methyl Tert-butyl Ether ("MTBE") from gasoline has had an impact on paraxylene pricing as it has raised the value of mixed xylenes (feedstock to paraxylene) as a blend component for gasoline, as xylenes are diverted into gasoline as a replacement for MTBE.

Hurricane Rita shut down five of the six refineries in Texas that produce MEG in September 2005, including the supplier to the Company's Kinston polyester filament manufacturing operation. In addition, an unrelated accident closed one of the supplier's facilities in early October 2005. With five of the six facilities closed, the supply of MEG in the marketplace became temporarily tight, and MEG became unavailable at historical prices. At the time of Hurricane Rita, the Company had approximately 22 days of inventory of MEG. The Company started purchasing MEG on the spot market and trucking the MEG to Kinston, which increased its costs compared to its more economical method of transportation by railroad.

The Company successfully managed through these transportation and access issues to meet its delivery commitments. As of the close of the second quarter of fiscal year 2006, the availability of raw materials had returned to normal levels, but pricing had not returned to pre-hurricane levels. Effective January 1, 2006, the Company removed the surcharge on its products and instituted a price increase to maintain its margins.

In spite of the Company's ability to pass to its customers nearly all of the cost increases resulting from the 2005 hurricanes and the associated supply shortages, revenues in the polyester segment for the second and third quarters of fiscal year 2006 were lower than for the comparable period in fiscal year 2005 due to lower overall purchases by its customers because of the increased prices. The polyester segment revenues lost during the second and third quarters of fiscal year 2006 have not been fully offset by increased orders in subsequent periods. In addition to the decrease in overall polyester segment revenues, increased prices also resulted in smaller order size for the polyester segment products during the second quarter of fiscal year 2006, as customers sought to purchase only their minimum requirements during the supply disruption period. Smaller order sizes affected margins negatively during that period, as repeated changes in production lines increased per-unit costs for smaller orders. As a result, in February 2006, the Company instituted small order pricing surcharges to offset this effect on margins.

On April 28, 2006, the Company commenced a tender offer for all of its then outstanding $250 million in aggregate principal amount of 2008 notes simultaneously with a consent solicitation from the holders of the 2008 notes to remove substantially all of the restrictive covenants and certain events of default under the indenture governing the 2008 notes. The tender offer expired on May 25, 2006, and $248.7 million in aggregate principal amount of 2008 notes were tendered in the tender offer, representing 99.5% of the then outstanding aggregate principal amount of 2008 notes. The tender consideration was 100% of the principal amount of 2008 notes validly tendered plus accrued but unpaid interest to, but not including, May 26, 2006. The Company paid a total consideration of $253.9 million for the tendered 2008 notes and accrued interest. The proceeds from the sale of the 2014 notes were used to fund, in part, the purchase price for the tendered 2008 notes. The $1.3 million in aggregate principal amount of 2008 notes that were not tendered and purchased in the tender offer remain outstanding in accordance with their amended terms.

On May 26, 2006 the Company issued $190 million in aggregate principal amount of 2014 notes. Interest is payable on the notes on May 15 and November 15 of each year, beginning on November 15, 2006. The 2014 notes are unconditionally guaranteed on a senior, secured basis by each of the Company's existing and future restricted domestic subsidiaries. The 2014 notes and guarantees are secured by first-priority liens, subject to permitted liens, on substantially all of the Company's and the Company's subsidiary guarantors' assets (other than the assets securing the Company's obligations under its amended revolving credit facility on a first-priority basis, which consist primarily of accounts receivable and inventory), including, but not limited to, property, plant and equipment, the capital stock of the Company's domestic subsidiaries and certain of the Company's joint ventures and up to 65% of the voting stock of the Company's first-tier foreign subsidiaries, whether now owned or hereafter acquired, except for certain excluded assets. The 2014 notes and guarantees are secured by second-priority liens, subject to permitted liens, on the Company and its subsidiary guarantors' assets that secure the Company's amended revolving credit facility on a first-priority basis. In connection with the issuance, the Company incurred $6.8 million in professional fees and other expenses which will be amortized to expense over the life of the 2014 notes. The estimated fair value of the 2014 notes, based on quoted market prices, at June 25, 2006 was approximately $182.4 million.

Concurrently with the closing of the offering of the 2014 notes, the Company amended its existing senior secured asset-based revolving credit facility to extend its maturity to 2011, permit the 2014 notes offering, give the Company the ability to request that the borrowing capacity be increased up to $150 million under certain circumstances and revise some of its other terms and covenants. The Company drew $3.0 million under its amended revolving credit facility to fund, in part, the purchase price of the tendered 2008 notes. The remainder of the purchase price of the tender 2008 notes was funded with cash on hand of $55.7 million.

Key Performance Indicators

The Company continuously reviews performance indicators to measure its success. The following are the indicators management uses to assess performance of the Company's business:

- sales volume, which are an indicator of demand;
- margins, which are an indicator of product mix and profitability;
- net loss before interest, taxes, depreciation and amortization and loss or income from discontinued operations ("EBITDA"), which is an indicator of its ability to pay debt; and
- working capital of each business unit as a percentage of sales, which is an indicator of its production efficiency and ability to manage its inventory and receivables.

Corporate Restructurings

Over the last three fiscal years, the Company has focused on reducing costs throughout its operations and continuing to improve working capital. The Company closed one of its air-jet texture operations in Altamahaw, North Carolina in mid-2004. The Company closed its dyed facility in Manchester, England, in June 2004. On July 28, 2004, the Company announced the closing of its European manufacturing operations and associated sales offices. The Company ceased its manufacturing operations in Ireland on October 31, 2004. The Company ceased all other European operations by June 2005 and sold the real property, plant and equipment of its European division in fiscal year 2005 and 2006 for total proceeds of $38.0 million that resulted in a net gain of approximately $4.6 million. In connection with these closings and consolidations, the Company significantly reduced its workforce. As a result, the Company incurred a restructuring charge of $27.7 million in fiscal year 2004 for employee severance costs, fixed asset write-offs associated with the closure of the dyed facility in Manchester and lease related costs associated with the closure of the air-jet texture operation in North Carolina. All payments, excluding lease related payments which continue until May 2008, have been paid and the Company reclassified the financial results of its UK and Ireland facilities as "discontinued operations" for all periods prescribed in its financial statements.

On October 19, 2004, the Company announced plans to close two production lines and downsize its facility in Kinston, North Carolina, which had been acquired in September 2004. During the second quarter of fiscal year 2005, the Company recorded a severance reserve of $10.7 million for approximately 500 production level employees and a restructuring reserve of $0.4 million for the cancellation of certain warehouse leases. The entire restructuring reserve was recorded as assumed liabilities in purchase accounting; and accordingly, was not recorded as a restructuring expense in the Company's consolidated statements of operations. During the third quarter of fiscal year 2005, the Company completed the closure of both production lines as scheduled, which resulted in an actual reduction of 388 production level employees and a reduction to the initial restructuring reserve. Since no long-term assets or intangible assets were recorded in purchase accounting, the net reduction of $1.2 million was recorded as an extraordinary gain in fiscal year 2005. During the first quarter of fiscal year 2006, the Company determined that there were additional costs relating to the termination of two warehouse leases which resulted in a $0.2 million extraordinary loss. During the second quarter of fiscal year 2006, the Company negotiated a favorable settlement on the two warehouse leases that resulted in a reduction to the reserve and the recognition of an extraordinary gain of $0.2 million.

In fiscal year 2005, the Company closed its central distribution center in Mayodan, North Carolina, and moved the operations to its warehouse and logistics facilities in Yadkinville, North Carolina, and relocated one of its plants from Mayodan to Madison, North Carolina. In connection with this initiative, the Company determined to offer for

sale a plant, a warehouse and a central distribution center ("CDC") located in Mayodan. Based on appraisals received in September 2005, the Company determined that the warehouse was impaired and recorded an impairment charge of $1.5 million, which included $0.2 million in estimated selling costs that will be paid from the proceeds of the sale when it occurs. On March 13, 2006, the Company entered into a contract to sell the CDC and related land located in Mayodan, North Carolina. The terms of the contract call for a sale price of $2.7 million, which was approximately $0.7 million below the property's carrying value. In accordance with SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," ("SFAS No. 144") the Company recorded an impairment charge of approximately $0.8 million during the third quarter of fiscal year 2006 which included selling costs of $0.1 million. The sale of the CDC closed in the fourth quarter of fiscal 2006 with no further expense to the Company.

On July 28, 2005, the Company announced its decision to discontinue the operations of its external sourcing business, Unimatrix Americas, and as of the end of the third quarter fiscal year 2006, the Company had substantially liquidated the business resulting in the reclassification of the sourcing segment's losses for the current and prior periods as discontinued operations. The sourcing segment was completely liquidated as of June 25, 2006.

On April 20, 2006, the Company re-organized its domestic business operations, and as a result, recorded a restructuring charge for severance of approximately $0.8 million in the fourth quarter of fiscal 2006. Approximately 45 management level salaried employees were affected by the plan of reorganization.

The table below summarizes changes to the accrued severance and accrued restructuring accounts for fiscal years 2006, 2005 and 2004 (in thousands):

	Balance at June 26, 2005	Additional Charges	Adjustments	Amounts Used	Balance at June 25, 2006
Accrued severance	$ 5,252	$ 812	$ 44	$ (5,532)	$ 576
Accrued restructuring	5,053	—	(195)	(1,308)	3,550

	Balance at June 27, 2004	Additional Charges	Adjustments	Amounts Used	Balance at June 26, 2005
Accrued severance	$ 2,949	$ 10,701	$ (834)	$ (7,564)	$ 5,252
Accrued restructuring	6,654	391	(695)	(1,297)	5,053

	Balance at June 29, 2003	Additional Charges	Adjustments	Amounts Used	Balance at June 27, 2004
Accrued severance	$ 13,893	$ 7,847	$ (10)	$ (18,781)	$ 2,949
Accrued restructuring	—	6,739	—	(85)	6,654

Joint Ventures and Other Equity Investments

YUFI. In August 2005, the Company formed YUFI, a 50/50 joint venture with Sinopec Yizheng Chemical Fiber Co., Ltd., or ("YCFC"), to manufacture, process and market polyester filament yarn in YCFC's facilities in Yizheng, Jiangsu Province, China. YCFC is a publicly traded (listed in Shanghai and Hong Kong) enterprise with approximately $1.3 billion in annual sales. The Company believes that the addition of a high-quality, globally cost competitive operation in China allows the Company to pursue long-term, profitable revenue growth in Asia. By forming a joint venture with a long-established and highly respected fiber industry leader like YCFC, the Company also has an immediately accessible customer base in Asia at lower start-up costs and with fewer execution risks. The principal goal of YUFI is to supply premium value-added products to the Chinese market, which is currently an importer of such products. On August 4, 2005, the Company contributed to YUFI its initial capital contribution of $15.0 million in cash. On October 12, 2005, the Company transferred an additional $15.0 million in the form of shareholder loan with a thirteen month term to complete the capitalization of the joint venture. Effective July 25, 2006, the shareholder loan was converted to registered capital of the joint venture. During fiscal year 2006, the Company recognized equity losses relating to YUFI of $3.2 million which is reported net of elimination of intercompany support provided . The Company expects that YUFI will continue to incur losses for at least the next six months as it continues to transition the business from the sale of commodity products to value-added products which have a higher gross margin. In addition, the Company recognized $2.7 million in operating expenses for

fiscal year 2006, which were primarily reflected on the "Cost of sales" line item in the consolidated statements of operations, directly related to providing technological support in accordance with the Company's joint venture contract. The Company has granted YUFI an exclusive, non-transferable license to certain of its branded product technology (including Mynx®, Sorbtek®, Reflexx®, dye springs and other products) in China for a license fee of $6.0 million that is payable over four years.

PAL. In June 1997, the Company contributed all of the assets of its spun cotton yarn operations, utilizing open-end and air jet spinning technologies, into PAL, a joint venture with Parkdale Mills, Inc. in exchange for a 34% ownership interest in the joint venture. PAL is a producer of cotton and synthetic yarns for sale to the textile and apparel industries primarily within North America. PAL has 14 manufacturing facilities primarily located in central and western North Carolina. The Company's investment in PAL at June 25, 2006 was $140.9 million. For the fiscal years 2006, 2005, and 2004, the Company reported equity income (loss) of $3.8 million, $6.4 million, and $(6.9) million, respectively, from PAL. The Company is currently exploring ways to monetize its interest in PAL.

USTF. On September 13, 2000, the Company formed USTF a 50/50 joint venture with SANS Fibres of South Africa ("SANS Fibres"), to produce low-shrinkage high tenacity nylon 6.6 light denier industrial, or "LDI" yarns in North Carolina. The business is operated in its plant in Stoneville, North Carolina. The Company manages the day-to-day production and shipping of the LDI produced in North Carolina and SANS Fibres handles technical support and sales. Sales from this entity are primarily to customers in the Americas. For the fiscal years 2006, 2005, and 2004, the Company reported equity income (loss) of $0.8 million, $(0.1) million and $(1.3) million, respectively, from USTF. The Company has a put right under this agreement to sell its entire interest in the joint venture at fair market value and the related Stoneville, North Carolina manufacturing facility for $3.0 million (or fair market value if the sale is consummated after March 2011) in cash to SANS Fibres. This right can be exercised beginning on December 31, 2006 upon one year's prior written notice. SANS Fibres has a call option upon the same terms as the Company's put right.

UNF. On September 27, 2000, The Company formed UNF a 50/50 joint venture with Nilit, which produces nylon POY at Nilit's manufacturing facility in Migdal Ha-Emek, Israel, that is its primary source of nylon POY for its texturing and covering operations. The Company has entered into a supply agreement, on customary terms, with UNF which expires in April 2008 pursuant to which the Company has agreed to purchase from UNF all of the nylon POY produced from three dedicated production lines at a rate determined by index prices, subject to certain adjustments for market downturns. This vertical integration allows the Company to realize advantageous raw material pricing in its domestic nylon operations. The Company's investment in UNF at June 25, 2006 was $6.3 million. For the fiscal years 2006, 2005, and 2004, the Company reported income (losses) in equity investees of $(0.8) million, $0.7 million, and $1.1 million, respectively, from UNF.

Condensed balance sheet information as of June 25, 2006 and June 26, 2005, and income statement information for fiscal years 2006, 2005 and 2004, of combined unconsolidated equity affiliates were as follows (in thousands):

	June 25, 2006	June 26, 2005
Current assets	$ 149,278	$ 127,188
Noncurrent assets	217,955	176,265
Current liabilities	48,334	28,235
Noncurrent liabilities	44,460	18,840
Shareholders' equity and capital accounts	274,439	256,378

	Fiscal Years Ended		
	June 25, 2006	June 26, 2005	June 27, 2004
Net sales	$ 567,223	$ 471,786	$ 469,512
Gross profit	31,853	40,312	7,880
Income (loss) from continuing operations	8,435	16,991	(15,928)
Net income (loss)	6,279	14,003	(20,183)

UTP. Minority interest (income) expense was $0.0 million, $(0.5) million and $(6.4) million, respectively, for fiscal year 2006, 2005 and 2004. The minority interest (income) expense recorded in the consolidated statements of operations for the fiscal year 2006, 2005 and 2004 primarily relates to the minority owner's share of the earnings of UTP. The Company had an 85.4% ownership interest in UTP and Burlington Industries, LLC had a 14.6% interest in UTP. In April 2005, the Company acquired ITG's ownership interest in UTP for $0.9 million in cash.

Review of Fiscal Year 2006 Results of Operations (52 Weeks) Compared to Fiscal Year 2005 (52 Weeks)

The following table sets forth the loss from continuing operations components for each of the Company's business segments for fiscal year 2006 and fiscal year 2005. The table also sets forth each of the segments' net sales as a percent to total net sales, the net income components as a percent to total net sales and the percentage increase or decrease of such components over the prior year:

	Fiscal Year 2006	% to Total	Fiscal Year 2005	% to Total	% Inc. (Dec.)
	(Amounts in thousands, except percentages)				
Consolidated					
Net sales					
Polyester	$ 566,367	76.7	$ 587,008	73.9	(3.5)
Nylon	172,458	23.3	206,788	26.1	(16.6)
Total	$ 738,825	100.0	$ 793,796	100.0	(6.9)
		% to Net Sales		% to Net Sales	
Cost of sales					
Polyester	$ 527,354	71.4	$ 558,498	70.4	(5.6)
Nylon	168,701	22.8	204,219	25.7	(17.4)
Total	696,055	94.2	762,717	96.1	(8.7)
Selling, general and administrative					
Polyester	32,771	4.4	30,291	3.8	8.2
Nylon	8,763	1.2	11,920	1.5	(26.5)
Total	41,534	5.6	42,211	5.3	(1.6)
Restructuring charges (recovery)					
Polyester	533	0.1	(212)	—	(351.4)
Nylon	(787)	(0.1)	(129)	—	510.1
Total	(254)	0.0	(341)	—	(25.5)
Write down of long-lived assets					
Polyester	51	—	—	—	100.0
Nylon	2,315	0.3	603	0.1	283.9
Total	2,366	0.3	603	0.1	292.4
Other (income) expenses	15,020	2.0	21,827	2.7	(31.2)
Loss from continuing operations before income taxes	(15,896)	(2.1)	(33,221)	(4.2)	(52.2)
Benefit for income taxes	(1,170)	(0.2)	(13,483)	(1.7)	(91.3)
Loss from continuing operations	(14,726)	(1.9)	(19,738)	(2.5)	(25.4)
Income (loss) from discontinued operations, net of tax	360	—	(22,644)	(2.9)	(101.6)
Extraordinary gain — net of taxes of $0	—	—	1,157	0.1	(100.0)
Net loss	$ (14,366)	(1.9)	$ (41,225)	(5.2)	(65.2)

For the fiscal year 2006, the Company recognized a $15.9 million loss from continuing operations before income taxes which was a $17.3 million improvement from the prior year. The improvement in continuing operations was primarily attributable to increased polyester conversion margins, decreased selling, general and administrative expenses, reduced charges of $11.9 million for bad debt expenses offset by asset impairment charges and debt extinguishment expenses. The last-in, first-out ("LIFO") reserve increased $3.9 million for fiscal year 2006 compared to $2.4 million for the prior fiscal year. During fiscal year 2006 raw material prices increased for polyester ingredients in POY whereas in fiscal year 2005 the primary drivers to the LIFO reserve were increases in nylon raw material prices and higher values in the nylon inventories due to the product mix.

Consolidated net sales from continuing operations decreased from $793.8 million to $738.8 million, or 6.9%, for the current fiscal year. For the fiscal year 2006, the weighted average price per pound for the Company's products on a consolidated basis increased 6.1% compared to the prior year. Unit volume from continuing operations decreased 13.0% for the fiscal year primarily due to management's decision to focus on profitable business as well as market conditions.

At the segment level, polyester dollar net sales accounted for 76.7% in fiscal year 2006 compared to 73.9% in fiscal year 2005. Nylon accounted for 23.3% of dollar net sales for fiscal year 2006 compared to 26.1% for the prior fiscal year.

Gross profit from continuing operations increased $11.7 million to $42.8 million for fiscal year 2006. This increase is primarily attributable to higher average selling prices for both the polyester and nylon segments.

Selling, general, and administrative expenses decreased by 1.6% or $0.7 million for the fiscal year. The decrease in selling, general, and administrative expenses is due to the downsizing of the Company's corporate departments and their related costs. During the fiscal year 2005, the Company incurred approximately $1.1 million in professional fees associated with its efforts in becoming compliant with the Sarbanes-Oxley Act of 2002 ("Sarbanes-Oxley"). During the fiscal year 2006, the Company incurred $0.3 million in professional fees associated with Sarbanes-Oxley 404.

For the fiscal year 2006, the Company recorded a $1.3 million provision for bad debts. This compares to $13.1 million recorded in the prior fiscal year. The decrease relates to the Company's domestic operations and is primarily due to the write off of one customer who filed bankruptcy in May 2005 resulting in $8.2 million in additional bad debt expense. Although the Company experienced significant improvements in its collections during fiscal year 2006, the financial viability of certain customers continue to require close management scrutiny. Management believes that its reserve for uncollectible accounts receivable is adequate.

Interest expense decreased from $20.6 million in fiscal year 2005 to $19.2 million in fiscal year 2006. The decrease in interest expense is primarily due to the payment by the Company of a notes payable relating to the Kinston acquisition. The Company had no outstanding borrowings under its amended revolving credit facility as of June 25, 2006 or its old credit facility as of June 26, 2005. The weighted average interest rate of Company debt outstanding at June 25, 2006 and June 26, 2005 was 6.9% and 6.7%, respectively. Interest income increased from $2.1 million in fiscal year 2005 to $4.5 million in fiscal year 2006 which was due to the increased cash position that the Company maintained throughout most of fiscal year 2006.

Other (income) expense increased from $2.3 million of income in fiscal year 2005 to $3.1 million of income in fiscal year 2006. Fiscal year 2006 other income includes net gains from the sale of property and equipment of $1.8 million, offset by charges relating to currency translations and other expenses of $0.7 million. Fiscal year 2005 other income includes net gains from the sale of property and equipment of $1.8 million and net unrealized gains on hedging contracts of $1.7 million; offset by charges relating to currency translations and other expenses of $0.9 million.

Equity in the net income of its equity affiliates, PAL, USTF, UNF, and YUFI was $0.8 million in fiscal year 2006 compared to equity in net income of $6.9 million in fiscal year 2005. The decrease in earnings is primarily attributable to the $3.2 million loss that the Company incurred on its newly acquired investment in YUFI as discussed above. The Company's share of PAL's earnings decreased from a $6.4 million income in fiscal year 2005 to $3.8 million of income in fiscal year 2006. PAL realized net losses on cotton futures contracts of $1.4 million for

fiscal year 2006 compared to $1.4 million in realized net gains for fiscal year 2005. The Company expects to continue to receive cash distributions from PAL.

The Company recorded no minority interest income for fiscal year 2006 compared to minority interest income of $0.5 million in the fiscal year 2005. Minority interest recorded in the Company's Consolidated Statements of Operations primarily relates to the minority owner's share of the earnings of UTP. The Company had an 85.4% ownership interest and ITG, had a 14.6% interest in UTP. In April 2005, the Company acquired ITG's ownership interest for $0.9 million in cash.

In fiscal year 2006, the Company's nylon segment recorded charges of $2.3 million to write down to fair value less cost to sell a nylon manufacturing plant and a nylon warehouse. In the fourth quarter of fiscal year 2005, the Company's nylon segment recorded a $0.6 million charge to write down to fair value less cost to sell 166 textile machines that are held for sale.

The Company has established a valuation allowance against its deferred tax assets relating primarily to North Carolina income tax credits. The valuation allowance decreased $1.7 million in fiscal year 2006 compared to a decrease of $2.2 million in fiscal year 2005. The gross decrease of $3.6 million in fiscal year 2006 consisted of the expiration of unused North Carolina income tax credits. The gross decrease of $3.0 million in fiscal year 2005 consisted of the expiration of unused North Carolina income tax credits of $2.2 million and the expiration of a long-term capital loss carryforward of $0.8 million. Due to lower estimates of future state taxable income, the portion of the valuation allowance that relates to North Carolina income tax credits increased $1.9 million and $0.8 million in fiscal years 2006 and 2005, respectively. The net impact of changes in the valuation allowance to the effective tax rate reconciliation for fiscal years 2006 and 2005 were 11.9% and 2.5%, respectively. The percentage increase from fiscal year 2006 to fiscal year 2005 was primarily attributable to lower forecasted state taxable income.

The Company recognized an income tax benefit in fiscal year 2006, at a 7.4% effective tax rate, compared to an income tax benefit, at a 40.6% effective tax rate, in fiscal year 2005. The fiscal year 2006 effective rate was negatively impacted by foreign losses for which no tax benefit was recognized, the change in the deferred tax valuation allowance and tax expense not previously accrued for repatriation of foreign earnings. In fiscal year 2006, the Company recognized a state income tax benefit net of federal income tax of 10.4% as compared to 4.2% in fiscal year 2005. The increase in fiscal year 2006 was primarily attributable to the pass through of $1.2 million of state income tax credits from an equity affiliate.

With respect to repatriation of foreign earnings, the American Jobs Creation Act of 2004 (the "AJCA") created a temporary incentive for U.S. multinational corporations to repatriate accumulated income earned outside the U.S. by providing an 85% dividend received deduction for certain dividends from controlled foreign corporations. According to the AJCA, the amount of eligible repatriation was limited to $500 million or the amount described as permanently reinvested earnings outside the U.S. in the most recent audited financial statements filed with the SEC on or before June 30, 2003. Dividends received must be reinvested in the U.S. in certain permitted uses. The Company repatriated $31 million in fiscal year 2006 resulting from approximately $45 million of proceeds from the liquidation of its European manufacturing operations less approximately $30 million re-invested in YUFI as well as $16 million of accumulated income earned by its Brazilian manufacturing operation. The Company has not made any changes to its position on the reinvestment of other foreign earnings.

The following summarizes the results of the above and the prior year after restatements:

	Fiscal Year 2006	Fiscal Year 2005
Loss from continuing operations before extraordinary item	$ (14,726)	$ (19,738)
Income (loss) from discontinued operations, net of tax	360	(22,644)
Loss before extraordinary item	(14,366)	(42,382)
Extraordinary gain — net of taxes of $0	—	1,157
Net loss	$ (14,366)	$ (41,225)
Income (losses) per common share (basic and diluted):		
Loss from continuing operations before extraordinary item	$ (.28)	$ (.38)
Loss from discontinued operations, net of tax	—	(.43)
Extraordinary gain — net of taxes of $0	—	.02
Net loss per common share	$ (.28)	$ (.79)

Polyester Operations

The following table sets forth the segment operating gain (loss) components for the polyester segment for fiscal year 2006 and fiscal year 2005. The table also sets forth the percent to net sales and the percentage increase or decrease over the prior year:

	Fiscal Year 2006		Fiscal Year 2005		
		% to Net Sales		% to Net Sales	% Inc. (Dec.)
	(Amounts in thousands, except percentages)				
Net sales	$ 566,367	100.0	$ 587,008	100.0	(3.5)
Cost of sales	527,354	93.1	558,498	95.1	(5.6)
Selling, general and administrative expenses	32,771	5.8	30,291	5.2	8.2
Restructuring charges (recovery)	533	0.1	(212)	—	(351.4)
Write down of long-lived assets	51	—	—	—	—
Segment operating income (loss)	$ 5,658	1.0	$ (1,569)	(0.3)	(460.6)

Fiscal year 2006 polyester net sales decreased $20.6 million, or 3.5% compared to fiscal year 2005. The Company's polyester segment sales volumes decreased approximately 11.8% while the weighted-average unit prices increased approximately 8.3%.

Domestically, polyester sales volumes decreased 15.2% while average unit prices increased approximately 8.7%. Sales from the Company's Brazilian texturing operation, on a local currency basis, decreased 11.2% over fiscal year 2005 due primarily to the devaluation of the U.S. dollar against the Brazilian Real. The Brazilian texturing operation predominately purchased all of its fiber in U.S. dollars. The impact on net sales from this operation on a U.S. dollar basis as a result of the change in currency exchange rate was an increase of $17.2 million in fiscal year 2006.

Gross profit on sales for the polyester operations increased $10.5 million, or 36.8%, over fiscal year 2005, and gross margin (gross profit as a percentage of net sales) increased from 4.9% in fiscal year 2005 to 6.9% in fiscal year 2006. The increase from the prior year is primarily attributable to an increase in higher average selling prices as well as costs savings realized from the consolidation of warehousing and transportation services, and the curtailment of two POY production lines at the Kinston facility. In addition, fiber cost decreased as a percent of net sales from 54.8% in fiscal year 2005 to 52.4% in fiscal year 2006.

Selling, general and administrative expenses for the polyester segment increased $2.5 million from fiscal years 2005 to 2006. While the methodology to allocate domestic selling, general and administrative costs remained consistent between fiscal year 2005 and fiscal year 2006, the percentage of such costs allocated to each segment are determined at the beginning of every year based on specific cost drivers. The polyester segment had a higher percentage in fiscal year 2006 compared to fiscal year 2005 due to the addition of the Kinston manufacturing operations to the polyester segment.

The polyester segment net sales, gross profit and selling, general and administrative expenses as a percentage of total consolidated amounts were 73.9%, 91.7% and 71.8% for fiscal year 2005 compared to 76.7%, 91.2% and 78.9% for fiscal year 2006, respectively.

Restructuring charges of $0.5 million in fiscal year 2006 were related to adjustments for severance, retiree reserves and charges related to the polyester segment of Unifi Latin America.

The Company's international polyester pre-tax results of operations for the polyester segment's Brazilian location increased $0.2 million in fiscal year 2006 over fiscal year 2005. This increase is primarily due to a $0.9 million increase in interest income, a $0.2 million reduction in bad debt expense, a $1.1 million increase in Other (income) expense, net offset by a $0.9 million reduction in gross margin and a $1.1 million increase in selling, general and administrative costs.

Nylon Operations

The following table sets forth the segment operating loss components for the nylon segment for fiscal year 2006 and fiscal year 2005. The table also sets forth the percent to net sales and the percentage increase or decrease over fiscal year 2005:

	Fiscal Year 2006		Fiscal Year 2005		
		% to Net Sales		% to Net Sales	% Inc. (Dec.)
	(Amounts in thousands, except percentages)				
Net sales	$ 172,458	100.0	$ 206,788	100.0	(16.6)
Cost of sales	168,701	97.8	204,219	98.8	(17.4)
Selling, general and administrative expenses	8,763	5.1	11,920	5.8	(26.5)
Restructuring charges (recovery)	(787)	(0.4)	(129)	(0.1)	510.1
Write down of long-lived assets	2,315	1.3	603	0.3	283.9
Segment operating loss	$ (6,534)	(3.8)	$ (9,825)	(4.8)	(33.5)

Fiscal year 2006 nylon net sales decreased $34.3 million, or 16.6% compared to fiscal year 2005. Unit volumes for fiscal year 2006 decreased 23.4% while the average selling price increased 6.9%. Weighted-average selling prices increased in fiscal year 2006 due to a greater percentage of higher priced products being sold and to sales price increases instituted during the third quarter.

Gross profit increased $1.2 million, or 46.2% in fiscal year 2006 and gross margin increased from 1.2% in fiscal year 2005 to 2.2% in fiscal year 2006. This was primarily attributable to higher per unit sales prices, cost savings associated with closing a central distribution center, and closing two nylon manufacturing facilities. Fiber costs decreased from 64.5% of net sales in fiscal year 2005 to 60.1% of net sales in fiscal year 2006 due to the incremental change in product mix driven by the Company's supply agreement with Sara Lee Branded Apparel and the continued price increases. Fixed and variable manufacturing costs increased as a percentage of sales from 30.6% in fiscal year 2005 to 35.5% in fiscal year 2006.

Selling, general and administrative expenses for the nylon segment decreased $3.1 million in fiscal year 2006. This decrease as a percentage of net sales is primarily due to a reduced allocation percentage of selling, general and administrative expenses to the nylon segment due to additional business from the polyester Kinston manufacturing operation.

The nylon segment net sales, gross profit and selling, general and administrative expenses as a percentage of total consolidated amounts were 26.1%, 8.3% and 28.2% for fiscal year 2005 compared to 23.3%, 8.8% and 21.1% for fiscal year 2006, respectively.

Restructuring recoveries of $0.8 million in fiscal year 2006 were related to adjustments for severance, retiree reserves and recoveries of 2001 reserves related to the nylon segment of Unifi Latin America.

See "— Corporate Restructurings" above for a discussion of the Company's restructurings of its nylon facilities in North Carolina.

Review of Fiscal Year 2005 Results of Operations (52 Weeks) Compared to Fiscal Year 2004 (52 Weeks)

The following table sets forth the loss from continuing operations components for each of the Company's business segments for fiscal year 2005 and fiscal year 2004. The table also sets forth each of the segments' net sales as a percent to total net sales, the net income components as a percent to total net sales and the percentage increase or decrease of such components over the prior year:

	Fiscal Year 2005	% to Total	Fiscal Year 2004	% to Total	% Inc. (Dec.)
	(Amounts in thousands, except percentages)				
Consolidated					
Net sales					
Polyester	$ 587,008	73.9	$ 481,847	72.3	21.8
Nylon	206,788	26.1	184,536	27.7	12.1
Total	$ 793,796	100.0	$ 666,383	100.0	19.1
		% to Net Sales		% to Net Sales	
Cost of sales					
Polyester	$ 558,498	70.4	$ 449,121	67.4	24.4
Nylon	204,219	25.7	176,862	26.5	15.5
Total	762,717	96.1	625,983	93.9	21.8
Selling, general and administrative					
Polyester	30,291	3.8	34,835	5.2	(13.0)
Nylon	11,920	1.5	11,128	1.7	7.1
Total	42,211	5.3	45,963	6.9	(8.2)
Restructuring charges (recovery)					
Polyester	(212)	—	7,591	1.1	—
Nylon	(129)	—	638	0.1	—
Total	(341)	—	8,229	1.2	—
Arbitration costs and expense					
Polyester	—	—	182	—	—
Alliance plant closure costs (recovery)					
Polyester	—	—	(206)	—	—
Write down of long-lived assets					
Polyester	—	—	25,241	3.8	—
Nylon	603	0.1	—	—	—
Total	603	0.1	25,241	3.8	(97.6)
Goodwill impairment					
Polyester	—	—	13,461	2.0	—
Other (income) expenses	21,827	2.7	16,792	2.5	30.0
Loss from continuing operations before income taxes	(33,221)	(4.2)	(69,292)	(10.4)	(52.0)
Benefit for income taxes	(13,483)	(1.7)	(25,113)	(3.8)	(46.3)
Loss from continuing operations	(19,738)	(2.5)	(44,149)	(6.6)	(55.3)
Loss from discontinued operations, net of tax	(22,644)	(2.9)	(25,644)	(3.8)	(11.7)
Extraordinary gain — net of taxes of $0	1,157	0.1	—	—	—
Net loss	$ (41,225)	(5.2)	$ (69,793)	(10.5)	(40.9)

For fiscal year 2005, the Company recognized a $33.2 million loss from continuing operations before income taxes, which was a $36.0 million improvement from fiscal year 2004. The improvement in continuing operations was primarily attributable to $38.7 million in charges for asset write downs and goodwill impairment included in fiscal year 2004 that did not occur in 2005, consisted of a $25.2 million impairment of fixed assets in its domestic polyester segment and the writedown of $13.5 million of goodwill related to UTP. During fiscal year 2005, raw material prices declined slightly and selling prices increased slightly due in part to efforts to improve gross margin.

Consolidated net sales from continuing operations increased from $666.4 million to $793.8 million, or 19.1%, for fiscal year 2005. Included in fiscal year 2005 net sales amounts are $117.7 million related to revenue generated from the Kinston acquisition. Unit volume from continuing operations increased 19.6% for the year, while average net selling prices decreased by 0.4%. The primary driver of the increase in unit volumes is the Kinston acquisition. The increase in net selling price was reduced by 10.5% due to the Kinston operation which sold lower priced commodity products. See the polyester segment discussion below for further analysis on the effects of the Kinston acquisition on fiscal year 2005.

At the segment level, polyester dollar net sales accounted for 73.9% of consolidated net sales in fiscal year 2005 compared to 72.3% in fiscal year 2004. Nylon accounted for 26.1% of consolidated net sales for fiscal year 2005 compared to 27.7% for fiscal year 2004.

Gross profit from continuing operations decreased $9.3 million to $31.1 million for fiscal year 2005. This decrease is primarily attributable to higher volumes and lower average selling prices for the nylon segment resulting from a change in product mix from high-volume to premium value-added products and the polyester segment resulting from the Kinston acquisition and a delay in passing increased fiber prices to customers during the first half of fiscal year 2005. The Company also recognized, as a reduction of cost of sales, cost savings and other benefits from its alliance with DuPont at the Kinston facility of $8.4 million in fiscal year 2005 compared to $38.2 million in fiscal year 2004. In addition, the Company sold off inventory during the fourth quarter of fiscal year 2005 that was slow moving at below cost in order to reduce its inventories and improve its working capital position, which resulted in a $3.1 million loss in fiscal year 2005.

Selling, general, and administrative expenses decreased by 8.2% or $3.8 million for fiscal year 2005. The decrease in selling, general, and administrative expenses was due to the downsizing of the Company’s corporate departments and reducing its related costs. During fiscal year 2005, the Company incurred approximately $1.1 million in professional fees associated with its efforts in becoming compliant with the Sarbanes-Oxley.

For fiscal year 2005, the Company recorded a $13.2 million provision for bad debts, compared to $2.4 million recorded in fiscal year 2004. The increase relates to its domestic operations and is primarily due to the write off of debts of one customer who filed for bankruptcy in May 2005, resulting in $8.2 million in additional bad debt expense. Fiscal year 2005 continued to be a challenging year for the U.S. textile industry, particularly in the apparel sector. The financial viability of certain customers continued to require close management scrutiny. Management believes that the reserve for uncollectible accounts receivable is adequate.

Interest expense increased from $18.7 million in fiscal year 2004 to $20.6 million in fiscal year 2005. The increase in interest expense was primarily due to the interest payable on the notes the Company issued to the seller in the Kinston acquisition. The Company had no outstanding borrowings on its old credit facility at June 26, 2005 and June 27, 2004, and had no borrowings on this facility since October 3, 2002. The weighted average interest rate of its debt outstanding at June 26, 2005 and June 27, 2004 was 6.7% and 6.4%, respectively. Interest income remained at $2.2 million in fiscal year 2004 and $2.2 million in fiscal year 2005.

Other (income) expense decreased from $2.6 million of income in fiscal year 2004 to $2.3 million of income in fiscal year 2005. Fiscal year 2004 income included net gains from the sale of property and equipment of $3.2 million, offset by other expenses of $0.7 million. Fiscal year 2005 income includes net gains from the sale of property and equipment of $1.8 million and net unrealized gains on hedging contracts of $1.7 million, offset by charges relating to currency translations and other expenses of $0.9 million.

Equity in the net income of the Company’s equity affiliates, PAL, USTF and UNF, totaled $6.9 million in fiscal year 2005 compared to equity in net loss of $6.9 million in fiscal year 2004. The Company’s share of PAL’s earnings improved from a $6.9 million loss in fiscal year 2004 to $6.4 million of income in fiscal year 2005. The increase in

earnings is primarily attributable to PAL's higher operating profit due primarily to lower cotton prices and realized net gains on cotton futures contracts. PAL realized gains on future contracts of $1.4 million in fiscal year 2005 compared to net losses of $4.7 million on future contracts for cotton purchases in fiscal year 2004. PAL reported net income of $8.2 million in calendar year 2005 as compared to a net loss of $9.8 million in calendar year 2004. As a result of this financial improvement, the Company expects to continue to receive cash distributions from PAL.

The Company recorded minority interest income of $0.5 million for fiscal year 2005 compared to minority interest income of $6.4 million in fiscal year 2004. Minority interest recorded in its consolidated statements of operations primarily relates to the minority owner's share of the earnings of UTP. See "— Joint Ventures and Other Equity Investments."

In the fourth quarter of fiscal year 2005, the nylon segment recorded a $0.6 million charge to write down to fair value less cost to sell 166 textile machines that are held for sale.

The Company has established a valuation allowance against its deferred tax assets relating primarily to North Carolina income tax credits. The valuation allowance decreased $2.2 million in fiscal year 2005 compared to an increase of $2.6 million in fiscal year 2004. The gross decrease of $3.0 million in fiscal year 2005 consisted of the expiration of unused North Carolina income tax credits of $2.2 million and the expiration of a long-term capital loss carry forward of $0.8 million. Due to lower estimates of future state taxable income, the portion of the valuation allowance that relates to North Carolina income tax credits increased $0.8 million and $2.6 million in fiscal years 2005 and 2004, respectively. In fiscal year 2004, the increase to the reserve also included $0.8 million that related to a long-term capital loss carry forward that the Company did not expect to utilize before it was scheduled to expire in fiscal year 2005. The net impact of changes in the valuation allowance to the effective tax rate reconciliation for fiscal years 2005 and 2004 were 2.5% and 5.7%, respectively. The percentage decrease from fiscal year 2005 to fiscal year 2004 is primarily attributable to the stabilization of forecasted state taxable income.

The Company recognized an income tax benefit in fiscal year 2005 at a 40.6% effective tax rate compared to an income tax benefit at a 36.3% effective tax rate in fiscal year 2004. Fiscal year 2005 effective rate was positively impacted by a reduction in the change to the valuation allowance, an increase in the utilization of state tax losses and a change in the tax status of a subsidiary. Fiscal year 2005 effective rate was also positively impacted by the recording of a deferred tax asset for a foreign subsidiary that should have been previously recognized. The Company recorded this deferred tax asset of $1.2 million in the fourth quarter of fiscal year 2005. The Company evaluated the effect of the adjustment and determined that the differences were not material for any of the periods presented in its consolidated financial statements. Fiscal year 2005 effective tax rate was negatively impacted by the accrual required by management's decision to repatriate approximately $15.0 million from controlled foreign corporations under the provisions of the AJCA.

The following summarizes the results of the above and the prior year after restatements:

	Fiscal Year 2005	Fiscal Year 2004
Loss from continuing operations before extraordinary item	$ (19,738)	$ (44,149)
Loss from discontinued operations, net of tax	(22,644)	(25,644)
Loss before extraordinary item	(42,382)	(69,793)
Extraordinary gain — net of taxes of $0	1,157	—
Net loss	$ (41,225)	$ (69,793)
Income (losses) per common share (basic and diluted):		
Loss from continuing operations before extraordinary item	$ (.38)	$ (.85)
Loss from discontinued operations, net of tax	(.43)	(.49)
Extraordinary gain — net of taxes of $0	.02	—
Net loss per common share	$ (.79)	$ (1.34)

Polyester Operations

The following table sets forth the segment operating loss components for the polyester segment for fiscal year 2005 and fiscal year 2004. The table also sets forth the percent to net sales and the percentage increase or decrease over the prior year:

	Fiscal Year 2005		Fiscal Year 2004		
		% to Net Sales		% to Net Sales	% Inc. (Dec.)
	(Amounts in thousands, except percentages)				
Net sales	$ 587,008	100.0	$ 481,847	100.0	21.8
Cost of sales	558,498	95.1	449,121	93.2	24.4
Selling, general and administrative	30,291	5.2	34,835	7.2	(13.0)
Restructuring charges (recovery)	(212)	—	7,591	1.6	(102.8)
Arbitration costs and expenses	—	—	182	—	—
Alliance plant closure costs (recovery)	—	—	(206)	—	—
Write down of long-lived assets	—	—	25,241	5.2	—
Goodwill impairment	—	—	13,461	2.8	—
Segment operating loss	$ (1,569)	(0.3)	$ (48,378)	(10.0)	(96.8)

Fiscal year 2005 polyester net sales increased $105.2 million, or 21.8%, compared to fiscal year 2004. The polyester segment sales volumes and average unit prices increased approximately 21.3% and 0.5%, respectively. The increase was due mainly to the Kinston acquisition on September 30, 2004, which contributed $77.9 million of net sales that were realized in the second half of fiscal year 2005.

Domestically, polyester sales volumes increased 28.3% while average unit prices declined approximately 4.5%. Sales from the Company's Brazilian texturing operation, on a local currency basis, increased 3.7% over fiscal year 2004 due primarily to sales price adjustments for changes in the inflation index which were significant during fiscal year 2005. The impact on net sales from this operation on a U.S. dollar basis as a result of the change in currency exchange rate was an increase of $6.1 million.

Gross profit on sales for the polyester operations decreased $4.2 million, or 12.9%, over fiscal year 2004, while gross margin (gross profit as a percentage of net sales) declined from 6.8% in fiscal year 2004 to 4.9% in fiscal year 2005. These decreases were primarily attributable to an increase in fixed and variable manufacturing costs which were 38.4% of net sales in fiscal year 2005 compared to 37.5% of net sales in fiscal year 2004. In addition, fiber cost increased as a percent of net sales from 52.6% in fiscal year 2004 to 54.8% in fiscal year 2005. The Company also recognized, as a reduction of cost of sales, cost savings and other benefits from the alliance with DuPont of $8.4 million and $38.2 million for fiscal years 2005 and 2004, respectively. Following the Kinston acquisition, the benefits to the Company from its alliance with DuPont ended.

Selling, general and administrative expenses for this segment decreased $4.5 million from fiscal year 2004 to fiscal year 2005. While the methodology to allocate domestic selling, general and administrative costs remains consistent between fiscal year 2004 and fiscal year 2005, the percentage of such costs allocated to each segment is determined at the beginning of every year based on specific cost drivers. The polyester segment's share of these costs for fiscal year 2005 was lower compared to fiscal year 2004 due to increases in the nylon segment's share of these cost drivers.

The polyester segment net sales, gross profit and selling, general and administrative expenses for fiscal year 2005 were 73.9%, 91.7% and 71.8%, respectively, of consolidated amounts compared to 72.3%, 81.0% and 75.8%, respectively, for fiscal year 2004.

Restructuring charges of $7.6 million in fiscal year 2004 were primarily caused by relocation of the air jet texturing business from Altamahaw, North Carolina, to Yadkinville, North Carolina, which resulted in an accrual for future lease obligations. During the third quarter of fiscal year 2004, management performed impairment testing for the domestic textured polyester business due to the continued challenging business conditions and reduction in

volume and gross profit in the preceding quarter. As a result, management determined that its plant, property and equipment were impaired, and the Company recorded a $25.2 million write down of the assets. As a result of the testing, the Company also recorded a goodwill impairment charge of $13.5 million in the third quarter of fiscal year 2004 to eliminate the polyester segment's goodwill.

The Company's international polyester pre-tax results of operations for the polyester segment's Brazilian location declined $4.6 million in fiscal year 2005 over fiscal year 2004. This decline is primarily due to a 4.8% increase in the cost of fiber, a 4.5% decrease in volume and a $0.5 million increase in selling, general and administrative costs.

Nylon Operations

The following table sets forth the segment operating loss components for the nylon segment for fiscal year 2005 and fiscal year 2004. The table also sets forth the percent to net sales and the percentage increase or decrease over the prior year:

	Fiscal Year 2005		Fiscal Year 2004		
		% to Net sales		% to Net sales	% Inc. (Dec.)
	(Amounts in thousands, except percentages)				
Net sales	$ 206,788	100.0	$ 184,536	100.0	12.1
Cost of sales	204,219	98.8	176,862	95.8	15.5
Selling, general and administrative	11,920	5.8	11,128	6.0	7.1
Restructuring charges (recovery)	(129)	(0.1)	638	0.4	(120.2)
Write down of long-lived assets	603	0.3	—	—	—
Segment operating loss	$ (9,825)	(4.8)	$ (4,092)	(2.2)	140.1

Fiscal year 2005 nylon net sales increased $22.3 million, or 12.1%, compared to fiscal year 2004. Unit volumes for fiscal year 2005 increased 5.9% while the average selling price increased 6.2%. The Company acquired the Sara Lee hosiery yarn business for $2.6 million and completed the integration of its operations and sales volume during 2004. The Company entered in to a five-year branded apparel supply agreement with Sara Lee in April 2004. The increase in sales volume and price is primarily attributable to higher sales at retail resulting from the Sara Lee agreement. These incremental sales were offset by erosion in its U.S. customer base due primarily to an increase in the importation of socks into the domestic market and a decline in domestic demand for sheer hosiery products.

Gross profit for the nylon operations decreased $5.1 million, or 66.5%, over fiscal year 2004 while gross margin decreased from 4.2% in fiscal year 2004 to 1.2% in fiscal year 2005. These decreases are primarily attributable to reductions in per unit sales prices in excess of reduced unit costs for raw materials. Fiber costs increased from 62.0% of net sales in fiscal year 2004 to 64.5% of net sales in fiscal year 2005 due to the incremental change in product mix driven by the Sara Lee agreement. Fixed and variable manufacturing costs decreased as a percentage of sales from 30.9% in fiscal year 2004 to 30.6% in fiscal year 2005.

Selling, general and administrative expense for the nylon segment increased $0.8 million in fiscal year 2005. This increase is due to a significantly larger allocation of selling, general and administrative expenses based on cost drivers which were affected by increased sales volumes directly related to the Sara Lee agreement. The increase in volumes attributable to the Sara Lee agreement more than offset the overall reduction of selling, general and administrative expense that the Company realized.

The nylon segment net sales, gross profit and selling, general and administrative expenses for fiscal year 2005 were 26.1%, 8.3% and 28.2%, respectively, of consolidated amounts compared to 27.7%, 19.0% and 24.2%, respectively, for fiscal year 2004.

Restructuring expenses of $0.6 million in fiscal year 2004 were related to severance. In June 2005, the Company entered into a contract to sell 166 machines held by the nylon segment. As a result, a $0.6 million impairment of long-lived assets was recorded to write the assets down to their fair value less cost to sell.

Liquidity and Capital Resources

Cash Provided by Continuing Operations

While the Company had a net loss in fiscal year 2006, the Company generated $30.1 million of cash from continuing operations in fiscal year 2006 primarily due to depreciation and amortization of $49.9 million, a decrease in accounts receivables of $10.6 million, an impairment charge of $2.4 million, loss from unconsolidated equity affiliates of $1.9 million, non-cash charges for the early extinguishment of debt of $1.8 million, a provision for bad debt of $1.3 million, other amounts of $1.8 million, and income taxes of $0.6 million, as compared to $28.8 million for fiscal year 2005. Cash uses from continuing operations included net loss from continuing operations of $14.4 million, reductions in accounts payable and accrued expenses of $8.5 million, decreases in deferred taxes of $7.7 million, higher inventories of $5.8 million, gains from the sale of capital assets of $1.8 million, increases in other current assets of $1.3 million, income from discontinued operations of $0.4 million and recoveries of restructuring charges of $0.3 million. The primary items affecting deferred taxes were depreciation in excess of federal tax depreciation, decreases in investments in equity affiliates, decreases in reserves for accounts receivable and severance, and increases in net operating losses which reduced the deferred tax obligation by $10.8 million, $3.6 million, $4.0 million and $2.7 million, respectively.

While the Company had a net loss in fiscal year 2005, it generated $28.8 million of cash from continuing operations in fiscal year 2005 primarily due to depreciation and amortization of $52.9 million, lower inventories of $20.6 million, a provision for bad debt of $13.2 million that was increased by the write-off of Collins & Aikman receivables, asset impairment charges of $0.6 million and income taxes of $0.2 million, as compared to $11.4 million for fiscal year 2004. Cash uses from continuing operations included net loss from continuing operations of $41.2 million, decreases in deferred taxes of $19.1 million, reductions in accounts payable and accrued expenses of $10.9 million, income from unconsolidated equity affiliates of $2.3 million, other amounts of $2.1 million, gains from the sale of capital assets of $1.8 million, increases in accounts receivable of $1.5 million and recoveries of restructuring charges of $0.3 million. The primary items affecting deferred taxes were depreciation in excess of federal tax depreciation, increases in reserves for accounts receivable and severance and increases in net operating losses which reduced the deferred tax obligation by $10.0 million, $3.6 million and $4.1 million, respectively. The decrease in inventories was primarily the result of our inventory reduction program in the fourth quarter of fiscal year 2005.

Cash provided by continuing operations was $11.4 million for fiscal year 2004 based on a net loss of $69.8 million. Non-cash components of the net loss were depreciation and amortization of $57.6 million, write-downs of long-lived assets of $25.2 million, goodwill impairment charges of $13.5 million, losses of unconsolidated equity affiliates of $8.7 million, non-cash restructuring charges of $7.2 million and the provision for bad debt of $2.4 million. Cash uses from continuing operations included a reduction of deferred taxes of $28.2 million, decreases in accounts payable and accrued expenses of $13.5 million, increases in accounts receivable of $9.0 million, other items of $3.8 million, gain on sales of assets $3.2 million, decreased inventories of $0.8 million and decreases in other current assets of $0.7 million. The accounts payable decrease includes $25.0 million representing a delayed billing payment resulting from a vendor’s inability to invoice us for an extended period of time due to technical issues associated with the vendor’s software system. The decrease in deferred taxes primarily relates to a goodwill impairment write-down of $13.5 million, long-lived asset write-downs totaling $25.2 million and book depreciation in excess of federal tax depreciation of $30.5 million.

Working capital changes have been adjusted to exclude the effects of acquisitions and currency translation for all years presented, where applicable. Net working capital at June 25, 2006 was $179.5 million.

Cash Used in Investing Activities

The Company utilized $29.2 million for net investing activities and $90.2 million in net financing activities during fiscal year 2006. For fiscal year 2005, the Company utilized $4.7 million for net investing activities and provided $0.1 million for net financing activities. The primary cash expenditures during fiscal year 2006 included $248.7 million for payment of the 2008 notes, $30.6 million for its investment in YUFI, $24.4 million for early payment of notes payable, $12.0 million for capital expenditures and $8.0 million for issuance and debt refinancing costs, offset by $190.0 million in proceeds from the issuance of the 2014 notes, proceeds from the sale of capital

assets of $10.1 million, decreased restricted cash of $2.7 million, other financing activities of $1.0 million, and other investing activities of $0.5 million.

The Company utilized net cash of $4.7 million for investing activities in fiscal year 2005, which included $9.4 million for capital expenditures, $2.7 million for a deposit of restricted cash, and $1.4 million for acquisition related costs. These amounts were offset by $6.1 million for return of capital on investments from equity affiliates, $2.3 million of proceeds from sales of capital assets and $0.4 million, net of other investing activities. Net cash provided by financing activities increased by $0.1 million in fiscal year 2005 due to the issuance of common stock pursuant to the exercise of stock options.

The Company utilized $5.8 million for net investing activities and $8.5 million for net financing activities during fiscal year 2004. Significant expenditures during this period included $11.1 million for capital expenditures which included the $2.6 million purchase of the Sara Lee assets, and $3.6 million in capitalized software costs. Additionally, $8.4 million was expended for repurchasing the Company's stock.

Long-Term Debt

On May 26, 2006, the Company issued $190.0 million in aggregate principal amount of its 2014 notes and entered into the amended revolving credit facility. The Company used the net proceeds of the issuance of the 2014 notes, borrowings under its amended revolving credit facility and cash on hand to pay the consideration for the 2008 notes tendered in its tender offer for the 2008 notes.

Tender Offer for the 2008 Notes. On April 28, 2006, the Company commenced a tender offer for all of its then outstanding $250 million in aggregate principal amount of 2008 notes, simultaneously with a consent solicitation from the holders of the 2008 notes to remove substantially all of the restrictive covenants and certain events of default under the indenture governing the 2008 notes. The tender offer expired on May 25, 2006, and $248.7 million in aggregate principal amount of 2008 notes were tendered in the tender offer, representing 99.5% of the then outstanding aggregate principal amount of 2008 notes. The $1.3 million in aggregate principal amount of 2008 notes that were not tendered and purchased in the tender offer remain outstanding in accordance with their amended terms. The Company funded the purchase price in the tender offer with available cash, borrowings under its amended revolving credit facility and proceeds from the initial notes offering. As a result of the tender offer and the 2014 notes offering, the Company expects that its interest expense will increase approximately $5.6 million.

2014 Notes. On May 26, 2006 the Company issued $190 million in aggregate principal amount of 2014 notes. Interest is payable on the notes on May 15 and November 15 of each year, beginning on November 15, 2006. The 2014 notes are unconditionally guaranteed on a senior, secured basis by each of the Company's existing and future restricted domestic subsidiaries. The 2014 notes and guarantees are secured by first-priority liens, subject to permitted liens, on substantially all of the Company's and the Company's subsidiary guarantors' assets (other than the assets securing the Company's obligations under its amended revolving credit facility on a first-priority basis, which consist primarily of accounts receivable and inventory), including, but not limited to, property, plant and equipment, the capital stock of the Company's domestic subsidiaries and certain of the Company's joint ventures and up to 65% of the voting stock of the Company's first-tier foreign subsidiaries, whether now owned or hereafter acquired, except for certain excluded assets. The 2014 notes and guarantees are secured by second-priority liens, subject to permitted liens, on the Company and its subsidiary guarantors' assets that secure amended revolving credit facility on a first-priority basis. The Company may redeem some or all of the 2014 notes on or after May 15, 2010. In addition, prior to May 15, 2009, the Company may redeem up to 35% of the principal amount of the 2014 notes with the proceeds of certain equity offerings. In connection with the issuance, the Company incurred $6.8 million in professional fees and other expenses which will be amortized to expense over the life of the 2014 notes. The estimated fair value of the 2014 notes, based on quoted market prices, at June 25, 2006 was approximately $182.4 million.

The indenture for the 2014 notes, among other things, restricts the Company's ability and the ability of its restricted subsidiaries to make investments, incur additional indebtedness and issue disqualified stock, pay dividends or make distributions on capital stock or redeem or repurchase capital stock, create liens, incur dividend or other payment restrictions affecting subsidiaries, sell assets, merge or consolidated with other entities and enter into transactions with affiliates.

Amended Revolving Credit Facility. Concurrently with the closing of issuance of the 2014 notes, the Company amended its old credit facility to extend its maturity to 2011, permit the initial notes, give it the ability to request that the borrowing capacity be increased up to $150 million under certain circumstances and revise some of its other terms and covenants. The amended revolving credit facility matures in 2011. The borrowings under the amended revolving credit facility are collateralized by first-priority liens, subject to permitted liens, in among other things, the Company's inventory, accounts receivable, general intangibles (other than uncertified capital stock of subsidiaries and other persons), investment property (other than capital stock of subsidiaries and other persons), chattel paper, documents, instruments, letter of credit rights, deposit accounts and other related personal property and all proceeds relating to any of the above and by second-priority liens, subject to permitted liens, on the Company's and its subsidiary guarantors' assets that secure the 2014 notes and guarantees on a first-priority basis, in each case, other than certain excluded assets. The Company's ability to borrow under its amended revolving credit facility is limited to a borrowing base equal to specified percentages of eligible accounts receivable and inventory and is subject to other conditions and limitations. As of June 25, 2006, no amounts were outstanding under that facility.

The amended revolving credit facility contains affirmative and negative customary covenants for asset-based loans that restrict future borrowings and capital spending. The covenants under the amended revolving credit facility are more restrictive than those in the indenture for the 2014 notes. Such covenants include, without limitation, restrictions and limitations on (i) sales of assets, consolidation, merger, dissolution and the issuance of the Company's capital stock, each subsidiary guarantor and any domestic subsidiary thereof, (ii) permitted encumbrances on the Company's property, each subsidiary guarantor and any domestic subsidiary thereof, (iii) the incurrence of indebtedness by the Company, any subsidiary guarantor or any domestic subsidiary thereof, (iv) the making of loans or investments by the Company, any subsidiary guarantor or any domestic subsidiary thereof, (v) the declaration of dividends and redemptions by the Company or any subsidiary guarantor, (vi) transactions with affiliates by the Company or any subsidiary guarantor and (vii) the repurchase by the Company of the 2014 notes.

Under the amended revolving credit facility, if borrowing capacity is less than $25 million at any time during the quarter, covenants also include a required minimum fixed charge coverage ratio of 1.1 to 1.0. In addition, maximum capital expenditures are limited to $30 million per fiscal year (subject to pro forma availability greater than $25 million) with a 75% one-year unused carry forward. The amended revolving credit facility also permits the Company to make distributions, subject to standard criteria, as long as pro forma excess availability is greater than $25 million both before and after giving effect to such distributions, subject to certain exceptions. Under the amended revolving credit facility, acquisitions by the Company are subject to pro forma covenant compliance. In addition, under the amended revolving credit facility, receivables are subject to cash dominion if excess availability is below $25 million.

Liquidity Assessment

In addition to its normal operating cash and working capital requirements and service of its indebtedness, the Company will also require cash to fund capital expenditures and enable cost reductions through restructuring projects as follows:

- *Capital Expenditures.* The Company has no current commitment to make any significant capital expenditures which relate to fiscal year 2006, but the Company estimates its fiscal year 2007 capital expenditures will be within a range of $12.0 million to $15.0 million. Its capital expenditures primarily relate to maintenance of existing assets and equipment and technology upgrades. Management continuously evaluates opportunities to further reduce production costs, and the Company may incur additional capital expenditures from time to time as it pursues new opportunities for further cost reductions.
- *Restructuring/Cost Reductions.* On April 20, 2006, the Company reorganized its domestic business operations, and as a result, recorded a restructuring charge for severance of approximately $0.8 million in the fourth quarter of fiscal year 2006. Approximately 45 management level salaried employees were affected by the plan of reorganization. In connection with its acquisition strategy, the Company may incur additional restructuring charges, including severance payments and other related expenses.

- *Joint Venture Investments.* The Company may from time to time increase its interest in its joint ventures, sell its interest in its joint ventures, invest in new joint ventures or transfer idle equipment to its joint ventures.

The Company believes that, based on current levels of operations and anticipated growth, cash flow from operations, together with other available sources of funds, including borrowings under its amended revolving credit facility, will be adequate to fund anticipated capital and other expenditures and to satisfy its working capital requirements for at least the next 12 months.

The Company's ability to meet its debt service obligations and reduce its total debt will depend upon its ability to generate cash in the future which, in turn, will be subject to general economic, financial, business, competitive, legislative, regulatory and other conditions, many of which are beyond its control. The Company may not be able to generate sufficient cash flow from operations and future borrowings may not be available to the Company under its amended revolving credit facility in an amount sufficient to enable it to repay its debt or to fund its other liquidity needs. If its future cash flow from operations and other capital resources are insufficient to pay its obligations as they mature or to fund its liquidity needs, the Company may be forced to reduce or delay its business activities and capital expenditures, sell assets, obtain additional debt or equity capital or restructure or refinance all or a portion of its debt on or before maturity. The Company may not be able to accomplish any of these alternatives on a timely basis or on satisfactory terms, if at all. In addition, the terms of its existing and future indebtedness, including the 2014 notes and its amended revolving credit facility, may limit its ability to pursue any of these alternatives. See "Item 1A — Risk Factors — The Company will require a significant amount of cash to service its indebtedness, and its ability to generate cash depends on many factors beyond its control." Some risks that could adversely affect its ability to meet its debt service obligations include, but are not limited to, intense domestic and foreign competition in its industry, general domestic and international economic conditions, changes in currency exchange rates, interest and inflation rates, the financial condition or its customers and the operating performance of joint ventures, alliances and other equity investments.

Other Factors Affecting Liquidity

Stock Repurchase Program. Effective July 26, 2000, the Board of Directors increased the remaining authorization to repurchase up to 10.0 million shares of its common stock. The Company purchased 1.4 million shares in fiscal year 2001 for a total of $16.6 million. There were no significant stock repurchases in fiscal year 2002. Effective April 24, 2003, the Board of Directors re-instituted the stock repurchase program. Accordingly, the Company purchased 0.5 million shares in fiscal year 2003 and 1.3 million shares in fiscal year 2004. At June 25, 2006, the Company had remaining authority to repurchase approximately 6.8 million shares of its common stock under the repurchase plan. The repurchase program was suspended in November 2003, and the Company has no immediate plans to reinstitute the program.

Acquisitions. On September 30, 2004, the Company completed the Kinston acquisition, including inventories, for a purchase price of approximately $24.4 million which was financed with a seller note. The acquisition resulted in the termination of the Company's alliance agreement with INVISTA. As part of the Kinston acquisition and upon finalizing the quantities and value of the acquired inventory, Unifi Kinston, LLC, a subsidiary of the Company, entered into a $24.4 million five-year loan agreement. The loan, which calls for interest only payments for the first two years, bore interest at 10% per annum and was payable in arrears each quarter commencing December 31, 2004 until paid in full. Quarterly principal payments of approximately $2.0 million were due beginning December 31, 2006 with the final payment due September 30, 2009. The loan agreement contained customary covenants for asset based loans including a required minimum collateral value ratio of 1.0 to 1.0 and a pre-defined maximum leverage ratio. The loan was secured by all of the business assets held by Unifi Kinston, LLC. On July 25, 2005, the Company made a $24.4 million pre-payment, plus accrued interest, paying off the loan in full.

Environmental Liabilities. The land associated with the Kinston acquisition is leased pursuant to a 99 year Ground Lease with DuPont. Since 1993, DuPont has been investigating and cleaning up the Kinston Site under the supervision of the EPA and the North Carolina Department of Environment and Natural Resources pursuant to the Resource Conservation and Recovery Act Corrective Action Program. The Corrective Action Program requires DuPont to identify all solid waste management units or areas of concern, assess the extent of contamination at the

identified areas and clean them up to applicable regulatory standards. Under the terms of the Ground Lease, upon completion by DuPont of required remedial action, ownership of the Kinston Site will pass to the Company. Thereafter, the Company will have responsibility for future remediation requirements, if any, at the solid waste management units and areas of concern previously addressed by DuPont and at any other areas at the plant. At this time, the Company has no basis to determine if and when it will have any responsibility or obligation with respect to the solid waste management units and areas of concern or the extent of any potential liability for the same. Accordingly, the possibility that the Company could face material clean-up costs in the future relating to the Kinston facility cannot be eliminated. In addition, the Company is evaluating several options with respect to the upgrade of its industrial boilers at the Kinston Site. The estimated investment ranges from $0 to $2.0 million. No determination has been made with respect to which alternative to pursue, if any.

Joint Ventures. The Company has invested $30.6 million in cash in its Chinese joint venture, YUFI, for its 50% equity interest which the Company paid using the proceeds of capital asset sales relating to the closure of its European manufacturing operations.

Contractual Obligations

The Company's significant long-term obligations as of June 25, 2006 are as follows:

	Cash Payments Due by Period				
Description of Commitment	**Total**	**Less Than 1 Year**	**1-3 years**	**3-5 Years**	**More Than 5 Years**
			(Amounts in thousands)		
2014 notes(1)	$ 190,000	$ —	$ —	$ —	$ 190,000
2008 notes(2)	1,273	—	1,273	—	—
Interest on long-term debt(3)	175,704	22,554	44,795	44,598	63,757
Other long-term debt	19,028	10,766	7,148	785	329
Purchase obligations Nylon yarn procurement — U.S. (4)	41,070	20,535	20,535	—	—
Operating leases	9,795	3,460	6,019	316	—
	$ 436,870	$ 57,315	$ 79,770	$ 45,699	$ 254,086

(1) The notes will mature in 2014.

(2) On April 28, 2006, the Company commenced a tender offer for all of its then outstanding $250 million in aggregate principal amount of 2008 notes, simultaneously with a consent solicitation from the holders of the 2008 notes to remove substantially all of the restrictive covenants and certain events of default under the indenture governing the 2008 notes. The tender offer expired on May 25, 2006, and $248.7 million in aggregate principal amount of 2008 notes were tendered in the tender offer, representing 99.5% of the then outstanding aggregate principal amount of 2008 notes. The $1.3 million in aggregate principal amount of 2008 notes that were not tendered and purchased in the tender offer remain outstanding in accordance with their amended terms.

(3) Consists of interest on the 2014 notes, the 2008 notes and the amended revolving credit facility and interest on other long-term debt.

(4) The nylon segment has a supply agreement with UNF which expires in April 2008. The Company is obligated to purchase certain to be agreed upon quantities of yarn production from UNF. The agreement does not provide for a fixed or minimum amount of yarn purchases, therefore there is a degree of uncertainty associated with the obligation. Accordingly, the Company has estimated its obligation under the agreement based on past history and internal projections.

Recent Accounting Pronouncements

In March 2005, the FASB issued FASB Interpretation No. 47, "Accounting for Conditional Asset Retirement Obligations" ("FIN 47"). This is an interpretation of SFAS No. 143, "Accounting for Asset Retirement Obligations"

("SFAS No. 143") which applies to all entities and addresses the legal obligations with the retirement of tangible long-lived assets that result from the acquisition, construction, development or normal operation of a long-lived asset. SFAS No. 143 requires that the fair value of a liability for an asset retirement obligation be recognized in the period in which it is incurred if a reasonable estimate of fair value can be made. FIN 47 further clarifies that "conditional asset retirement obligation," means with respect to recording the asset retirement obligation discussed in SFAS No. 143. The effective date is for fiscal years ending after December 15, 2005. During the fourth quarter of fiscal 2006, the Company performed a formal review of its asset retirement obligations in accordance with FIN 47. With respect to assets in which the retirement was measurable the impact on the Company's financial position and results of operations was immaterial. The fair value of the assets retirement obligations relating to the Company's Kinston facility (see Note 19, "Contingencies") could not be reasonable estimated.

In June 2006, the FASB issued Interpretation No. 48, "Accounting for Uncertainty in Income Taxes" ("FIN 48") which is an interpretation of SFAS No. 109. The pronouncement creates a single model to address accounting for uncertainty in tax positions. FIN 48 clarifies the accounting for income taxes, by prescribing a minimum recognition threshold a tax position is required to meet before being recognized in the financial statements. FIN 48 also provides guidance on derecognition, measurement, classification, interest and penalties, accounting in interim periods, disclosure and transition. FIN 48 is effective for fiscal years beginning after December 15, 2006. The Company will adopt FIN 48 as of the first day of fiscal year 2008 and it does not expect that the adoption of this interpretation will have a significant impact on its financial position and results of operations.

Off Balance Sheet Arrangements

The Company is not a party to any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future material effect on the Company's financial condition, revenues, expenses, results of operations, liquidity, capital expenditures or capital resources.

Critical Accounting Policies

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. The SEC has defined a company's most critical accounting policies as those involving accounting estimates that require management to make assumptions about matters that are highly uncertain at the time and where different reasonable estimates or changes in the accounting estimate from quarter to quarter could materially impact the presentation of the financial statements. The following discussion provides further information about accounting policies critical to the Company and should be read in conjunction with Note 1, "Significant Accounting Policies and Financial Statement Information" of its audited historical consolidated financial statements included elsewhere in this Annual Report on Form 10-K.

Allowance for Doubtful Accounts. An allowance for losses is provided for known and potential losses arising from yarn quality claims and for amounts owed by customers. Reserves for yarn quality claims are based on historical claim experience and known pending claims. The collectability of accounts receivable is based on a combination of factors including the aging of accounts receivable, historical write-off experience, present economic conditions such as chapter 11 bankruptcy filings within the industry and the financial health of specific customers and market sectors. Since losses depend to a large degree on future economic conditions, and the health of the textile industry, a significant level of judgment is required to arrive at the allowance for doubtful accounts. Accounts are written off when they are no longer deemed to be collectible. The reserve for bad debts is established based on certain percentages applied to accounts receivable aged for certain periods of time and are supplemented by specific reserves for certain customer accounts where collection is no longer certain. The Company's exposure to losses as of June 25, 2006 on accounts receivable was $98.4 million against which an allowance for losses of $5.1 million was provided. Establishing reserves for yarn claims and bad debts requires management judgment and estimates, which may impact the ending accounts receivable valuation, gross margins (for yarn claims) and the provision for bad debts.

Inventory Reserves. The Company maintains reserves for inventories valued utilizing the first-in, first-out ("FIFO") method and may provide for additional reserves over and above the LIFO reserve for inventories valued at

LIFO. Such reserves for both FIFO and LIFO valued inventories can be specific to certain inventory or general based on judgments about the overall condition of the inventory. Reserves are established based on percentage markdowns applied to inventories aged for certain time periods. Specific reserves are established based on a determination of the obsolescence of the inventory and whether the inventory value exceeds amounts to be recovered through expected sales prices, less selling costs; and, for inventory subject to LIFO (raw materials only), the amount of existing LIFO reserves. The LIFO reserve has increased $3.8 million for fiscal year 2006 primarily due to increases in raw material prices and higher inventory levels. The balance of the LIFO reserve was $7.6 million as of June 25, 2006. Estimating sales prices, establishing markdown percentages and evaluating the condition of the inventories require judgments and estimates, which may impact the ending inventory valuation and gross margins.

Impairment of Long-Lived Assets. Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. For assets held and used, an impairment may occur if projected undiscounted cash flows are not adequate to cover the carrying value of the assets. In such cases, additional analysis is conducted to determine the amount of loss to be recognized. The impairment loss is determined by the difference between the carrying amount of the asset and the fair value measured by future discounted cash flows. The analysis requires estimates of the amount and timing of projected cash flows and, where applicable, judgments associated with, among other factors, the appropriate discount rate. Such estimates are critical in determining whether any impairment charge should be recorded and the amount of such charge if an impairment loss is deemed to be necessary. During the third quarter of fiscal year 2004, the Company performed impairment testing on its domestic polyester texturing segment's long-lived assets and determined that a write down was required. Based on the historical financial performance of the segment and the uncertainty of the moderate forecasted cash flows, the Company estimated the fair value of assets using a market value of $73.7 million. Management determined that the assets were impaired because the carrying value was $98.9 million. This resulted in the segment recording an impairment charge of $25.2 million. The Company also tested for impairment the entire domestic polyester segment and domestic nylon segment, both of which passed the tests. Future events impacting cash flows for existing assets could render a write down necessary that previously required no such write down.

For assets held for disposal, an impairment charge is recognized if the carrying value of the assets exceeds the fair value less costs to sell. Estimates are required of fair value, disposal costs and the time period to dispose of the assets. Such estimates are critical in determining whether any impairment charge should be recorded and the amount of such charge if an impairment loss is deemed to be necessary. Actual cash flows received or paid could differ from those used in estimating the impairment loss, which would impact the impairment charge ultimately recognized and the Company's cash flows.

Accruals for Costs Related to Severance of Employees and Related Health Care Costs. From time to time, the Company establishes accruals associated with employee severance or other cost reduction initiatives. Such accruals require that estimates be made about the future payout of various costs, including, for example, health care claims. The Company uses historical claims data and other available information about expected future health care costs to estimate its projected liability. Such costs are subject to change due to a number of factors, including the incidence rate for health care claims, prevailing health care costs and the nature of the claims submitted, among others. Consequently, actual expenses could differ from those expected at the time the provision was estimated, which may impact the valuation of accrued liabilities and results of operations. The Company's estimates have been materially accurate in the past; and accordingly, at this time management expects to continue to utilize the present estimation processes.

Valuation Allowance for Deferred Tax Assets. The Company established a valuation allowance against its deferred tax assets in accordance with SFAS No. 109, "Accounting for Income Taxes." The specifically identified deferred tax assets which may not be recoverable are primarily state income tax credits. The Company's realization of some of its deferred tax assets is based on future taxable income within a certain time period and is therefore uncertain. On a quarterly basis, the Company reviews its estimates for future taxable income over a period of years to assess if the need for a valuation allowance exists. To forecast future taxable income, the Company uses historical profit before tax amounts which may be adjusted upward or downward depending on various factors, including perceived trends, and then applies the expected change in rates to deferred tax assets and liabilities based on when they reverse in the future. At June 25, 2006, the Company had a gross deferred tax liability of approximately

$10.8 million relating specifically to depreciation. The reversal of this deferred tax liability is the primary item generating future taxable income. Actual future taxable income may vary significantly from management's projections due to the many complex judgments and significant estimations involved, which may result in adjustments to the valuation allowance which may impact the net deferred tax liability and provision for income taxes.

Management and the Company's audit committee discussed the development, selection and disclosure of all of the critical accounting estimates described above.

Item 7A. ***Quantitative and Qualitative Disclosure About Market Risk***

The Company is exposed to market risks associated with changes in interest rates and currency fluctuation rates, which may adversely affect its financial position, results of operations and cash flows. In addition, the Company is also exposed to other risks in the operation of its business.

Interest Rate Risk: The Company is exposed to interest rate risk through its borrowing activities, which are further described in Note 2, "Long Term Debt and Other Liabilities." The majority of the Company's borrowings are in long-term fixed rate bonds. Therefore, the market rate risk associated with a 100 basis point change in interest rates would not be material to the Company's results of operation at the present time.

Currency Exchange Rate Risk: The Company conducts its business in various foreign currencies. As a result, it is subject to the transaction exposure that arises from foreign exchange rate movements between the dates that foreign currency transactions are recorded (export sales and purchases commitments) and the dates they are consummated (cash receipts and cash disbursements in foreign currencies). The Company utilizes some natural hedging to mitigate these transaction exposures. The Company also enters into foreign currency forward contracts for the purchase and sale of European and North American currencies to hedge balance sheet and income statement currency exposures. These contracts are principally entered into for the purchase of inventory and equipment and the sale of Company products into export markets. Counter parties for these instruments are major financial institutions. If the derivative is a hedge, changes in the fair value of derivatives are either offset against the change in fair value of the hedged assets, liabilities or firm commitments through earnings. The Company does not enter into derivative financial instruments for trading purposes nor is it a party to any leveraged financial instruments.

Currency forward contracts are used to hedge exposure for sales in foreign currencies based on specific sales orders with customers or for anticipated sales activity for a future time period. Generally, 60-80% of the sales value of these orders is covered by forward contracts. Maturity dates of the forward contracts are intended to match anticipated receivable collections. The Company marks the outstanding accounts receivable and forward contracts to market at month end and any realized and unrealized gains or losses are recorded as other income and expense. The Company also enters currency forward contracts for committed or anticipated equipment and inventory purchases. Generally 50-75% of the asset cost is covered by forward contracts, although 100% of the asset cost may be covered by contracts in certain instances. Effective February 14, 2005, the Company entered into a contract to sell the European facility in Ireland and received a $2.8 million non-refundable deposit from the purchaser. In addition to the deposit, the contract called for a partial payment of 16.0 million Euros on June 30, 2005 and a final payment of 2.1 million Euros on September 30, 2005. On February 22, 2005, the Company entered into a forward exchange contract for 15.0 million Euros. The Company was required by the financial institution to deposit $2.8 million in an interest bearing collateral account to secure the financial institution's maximum exposure on the hedge contract. This cash deposit has been reclassified as "Restricted cash" and is included on the Company's balance sheet under current assets. On July 15, 2005, the Company settled the forward exchange contract for 15.0 million Euros. Forward contracts are matched with the anticipated date of delivery of the assets and gains and losses are recorded as a component of the asset cost for purchase transactions for which the Company is firmly committed. The latest maturity for all outstanding purchase and sales foreign currency forward contracts is July 2006 and October 2006, respectively.

The dollar equivalent of these forward currency contracts and their related fair values are detailed below:

	June 25, 2006	June 26, 2005	June 27, 2004
		(Amounts in thousands)	
Foreign currency purchase contracts:			
Notional amount	$ 526	$ 168	$ 3,660
Fair value	535	159	3,642
Net (gain) loss	$ (9)	$ 9	$ 18
Foreign currency sales contracts:			
Notional amount	$ 832	$ 24,414	$ 18,833
Fair value	878	22,687	19,389
Net (gain) loss	$ 45	$ (1,727)	$ 556

The fair values of the foreign exchange forward contracts at the respective year-end dates are based on discounted year-end forward currency rates. The total impact of foreign currency related items that are reported on the line item “Other (income) expense, net” in the Consolidated Statements of Operations, including transactions that were hedged and those that were not hedged, was a pre-tax loss of $0.7 million for the fiscal year ended June 25, 2006, a pre-tax gain of $1.1 million for the fiscal year ended June 26, 2005, and a pre-tax loss of $0.5 million for the fiscal year ended June 27, 2004.

Inflation and Other Risks: The inflation rate in most countries the Company conducts business has been low in recent years and the impact on the Company’s cost structure has not been significant. The Company is also exposed to political risk, including changing laws and regulations governing international trade such as quotas and tariffs and tax laws. The degree of impact and the frequency of these events cannot be predicted.

Item 8. ***Financial Statements and Supplementary Data***

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders of Unifi, Inc.

We have audited the accompanying consolidated balance sheets of Unifi, Inc. as of June 25, 2006, and June 26, 2005, and the related consolidated statements of operations, changes in shareholders' equity and comprehensive income (loss), and cash flows for each of the three years in the period ended June 25, 2006. Our audits also include the Valuation and Qualifying Accounts financial statement schedule in the index at Item 15(a). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Unifi, Inc. at June 25, 2006 and June 26, 2005 and the consolidated results of its operations and its cash flows for each of the three years in the period ended June 25, 2006, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of Unifi, Inc.'s internal control over financial reporting as of June 25, 2006, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated August 30, 2006, expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Greensboro, North Carolina
August 30, 2006

CONSOLIDATED BALANCE SHEETS

	June 25, 2006	June 26, 2005
	(Amounts in thousands, except per share data)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 35,317	$ 105,621
Receivables, net	93,236	106,437
Inventories	116,018	110,827
Deferred income taxes	11,739	14,578
Assets held for sale	15,419	32,536
Restricted cash	—	2,766
Other current assets	9,229	15,590
Total current assets	280,958	388,355
Property, plant and equipment:		
Land	3,628	3,979
Buildings and improvements	170,377	166,504
Machinery and equipment	642,192	664,228
Other	100,140	120,748
	916,337	955,459
Less accumulated depreciation	(676,641)	(675,727)
	239,696	279,732
Investments in unconsolidated affiliates	190,217	160,675
Other noncurrent assets	21,766	16,613
	$ 732,637	$ 845,375
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 68,593	$ 62,666
Accrued expenses	23,869	45,618
Deferred gain	323	—
Income taxes payable	2,303	2,292
Current maturities of long-term debt and other current liabilities	6,330	35,339
Total current liabilities	101,418	145,915
Long-term debt and other liabilities	202,110	259,790
Deferred gain	295	—
Deferred income taxes	45,861	55,913
Minority interests	—	182
Commitments and contingencies		
Shareholders' equity:		
Common stock, $0.10 par (500,000 shares authorized, 52,208 and 52,145 shares outstanding)	5,220	5,215
Capital in excess of par value	929	208
Retained earnings	382,082	396,448
Unearned compensation	—	(128)
Accumulated other comprehensive loss	(5,278)	(18,168)
	382,953	383,575
	$ 732,637	$ 845,375

The accompanying notes are an integral part of the financial statements.

CONSOLIDATED STATEMENTS OF OPERATIONS

	Fiscal Years Ended		
	June 25, 2006	June 26, 2005	June 27, 2004
	(Amounts in thousands, except per share data)		
Summary of Operations:			
Net sales	$ 738,825	$ 793,796	$ 666,383
Cost of sales	696,055	762,717	625,983
Selling, general and administrative expenses	41,534	42,211	45,963
Provision for bad debts	1,256	13,172	2,389
Interest expense	19,247	20,575	18,698
Interest income	(4,489)	(2,152)	(2,152)
Other (income) expense, net	(3,118)	(2,300)	(2,590)
Equity in (earnings) losses of unconsolidated affiliates	(825)	(6,938)	6,877
Minority interest income	—	(530)	(6,430)
Restructuring charges (recovery)	(254)	(341)	8,229
Arbitration costs and expenses	—	—	182
Alliance plant closure recovery	—	—	(206)
Write down of long-lived assets	2,366	603	25,241
Goodwill impairment	—	—	13,461
Loss from early extinguishment of debt	2,949	—	—
Loss from continuing operations before income taxes and extraordinary item	(15,896)	(33,221)	(69,262)
Benefit for income taxes	(1,170)	(13,483)	(25,113)
Loss from continuing operations before extraordinary item	(14,726)	(19,738)	(44,149)
Income (loss) from discontinued operations, net of tax	360	(22,644)	(25,644)
Loss before extraordinary item	(14,366)	(42,382)	(69,793)
Extraordinary gain — net of taxes of $0	—	1,157	—
Net loss	$ (14,366)	$ (41,225)	$ (69,793)
Income (losses) per common share (basic and diluted):			
Loss from continuing operations before extraordinary item	$ (.28)	$ (.38)	$ (.85)
Income (loss) from discontinued operations, net of tax	—	(.43)	(.49)
Extraordinary gain — net of taxes of $0	—	.02	—
Net loss per common share	$ (.28)	$ (.79)	$ (1.34)

The accompanying notes are an integral part of the financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY AND COMPREHENSIVE INCOME (LOSS)

	Shares Outstanding	Common Stock	Capital in Excess of Par Value	Retained Earnings	Unearned Compensation	Other Comprehensive Income (Loss)	Total Shareholders' Equity	Comprehensive Income (Loss) Note 1
				(Amounts in thousands)				
Balance June 29, 2003	53,399	$ 5,340	$ —	$ 515,572	$ (302)	$ (40,862)	$ 479,748	—
Purchase of stock	(1,304)	(131)	(7)	(8,242)	—	—	(8,380)	—
Cancellation of unvested restricted stock	(2)	—	—	(18)	18	—	—	—
Issuance of restricted stock	22	2	134	—	(136)	—	—	—
Amortization of restricted stock	—	—	—	—	192	—	192	—
Currency translation adjustments	—	—	—	—	—	134	134	$ 134
Net loss	—	—	—	(69,793)	—	—	(69,793)	(69,793)
Balance June 27, 2004	52,115	5,211	127	437,519	(228)	(40,728)	401,901	$ (69,659)
Purchase of stock	(1)	—	(2)	—	—	—	(2)	—
Options exercised	33	4	101	—	—	—	105	—
Cancellation of unvested restricted stock	(2)	—	(18)	—	15	—	(3)	—
Amortization of restricted stock	—	—	—	—	85	—	85	—
Currency translation adjustments	—	—	—	—	—	19,580	19,580	$ 19,580
Liquidation of foreign subsidiaries	—	—	—	154	—	2,980	3,134	2,980
Net loss	—	—	—	(41,225)	—	—	(41,225)	(41,225)
Balance June 26, 2005	52,145	5,215	208	396,448	(128)	(18,168)	383,575	$ (18,665)
Reclassification upon adoption of SFAS 123R	—	(1)	27	—	128	—	154	—
Options exercised	63	6	168	—	—	—	174	—
Stock option tax benefit	—	—	1	—	—	—	1	—
Stock option expense	—	—	394	—	—	—	394	—
Cancellation of unvested restricted stock	—	—	131	—	—	—	131	—
Currency translation adjustments	—	—	—	—	—	5,550	5,550	$ 5,550
Liquidation of foreign subsidiaries	—	—	—	—	—	7,340	7,340	7,340
Net loss	—	—	—	(14,366)	—	—	(14,366)	(14,366)
Balance June 25, 2006	52,208	$ 5,220	$ 929	$ 382,082	$ —	$ (5,278)	$ 382,953	$ (1,476)

The accompanying notes are an integral part of the financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Fiscal Years Ended		
	June 25, 2006	June 26, 2005	June 27, 2004
	(Amounts in thousands)		
Cash and cash equivalents at beginning of year	$ 105,621	$ 65,221	$ 76,801
Operating activities:			
Net loss	(14,366)	(41,225)	(69,793)
Adjustments to reconcile net loss to net cash provided by continuing operating activities:			
Extraordinary gain	—	(1,157)	—
(Income) loss from discontinued operations	(360)	22,644	25,644
Net (income) loss of unconsolidated equity affiliates, net of distributions	1,945	(2,302)	8,695
Depreciation	48,669	51,542	56,226
Amortization	1,276	1,350	1,377
Net (gain) loss on asset sales	(1,755)	(1,770)	(3,227)
Non-cash portion of loss on extinguishment of debt	1,793	—	—
Non-cash portion of restructuring charges (recovery)	(254)	(341)	7,155
Non-cash write down of long-lived assets	2,366	603	25,241
Non-cash effect of goodwill impairment	—	—	13,461
Deferred income taxes	(7,776)	(19,057)	(28,201)
Provision for bad debts	1,256	13,172	2,389
Change in cash surrender value of life insurance	1,643	(1,077)	3,107
Minority interest	—	(551)	(6,148)
Other	148	(461)	(731)
Changes in assets and liabilities, excluding effects of acquisitions and foreign currency adjustments:			
Receivables	10,592	(1,504)	(8,954)
Inventories	(5,844)	20,574	(813)
Other current assets	(1,278)	(901)	(668)
Accounts payable and accrued expenses	(8,504)	(10,933)	(13,539)
Income taxes	542	179	159
Net cash provided by continuing operating activities	30,093	28,785	11,380
Investing activities:			
Capital expenditures	(11,988)	(9,422)	(11,124)
Acquisition	(30,634)	(1,358)	(83)
Return of capital from equity affiliates	—	6,138	1,665
Investment of foreign restricted assets	171	388	(323)
Collection of notes receivable	404	520	581
Increase in notes receivable	—	(139)	(711)
Proceeds from sale of capital assets	10,093	2,290	4,242
Restricted cash	2,766	(2,766)	—
Other	(42)	(342)	(24)
Net cash used in investing activities	(29,230)	(4,691)	(5,777)
Financing activities:			
Payment of long term debt	(273,134)	—	—
Borrowing of long term debt	190,000	—	—
Debt issuance costs	(8,041)	—	—
Issuance of Company stock	176	104	—
Purchase and retirement of Company stock	—	(2)	(8,390)
Other	825	(20)	(77)
Net cash provided by (used in) financing activities	(90,174)	82	(8,467)
Cash flows of discontinued operations (Revised — See Note 18)			
Operating cash flow	(3,342)	(6,273)	(8,358)
Investing cash flow	22,028	13,902	(427)
Financing cash flow	—	—	10
Net cash provided by (used in) discontinued operations	18,686	7,629	(8,775)
Effect of exchange rate changes on cash and cash equivalents	321	8,595	59
Net increase (decrease) in cash and cash equivalents	(70,304)	40,400	(11,580)
Cash and cash equivalents at end of year	$ 35,317	$ 105,621	$ 65,221

The accompanying notes are an integral part of the financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Significant Accounting Policies and Financial Statement Information

Principles of Consolidation. The Consolidated Financial Statements include the accounts of the Company and all majority-owned subsidiaries. The portion of the income applicable to non-controlling interests in the majority-owned operations is reflected as minority interests in the Consolidated Statements of Operations. The accounts of all foreign subsidiaries have been included on the basis of fiscal periods ended three months or less prior to the dates of the Consolidated Balance Sheets. All significant intercompany accounts and transactions have been eliminated. Investments in 20% to 50% owned companies and partnerships where the Company is able to exercise significant influence, but not control, are accounted for by the equity method and, accordingly, consolidated income includes the Company's share of the investees' income or losses.

Fiscal Year. The Company's fiscal year is the 52 or 53 weeks ending in the last Sunday in June. Fiscal years 2006, 2005 and 2004 were comprised of 52 weeks.

Reclassification. The Company has reclassified the presentation of certain prior year information to conform with the current year presentation.

Restatements. In July 2004, the Company announced the closing of its European manufacturing operations and associated sales offices. Unifi ceased operating its dyed facility in Manchester, England, in June 2004 and ceased its manufacturing operations in Ireland in October 2004. The Company ceased all other European operations by June 2005 and sold the real property, plant and equipment of its European division in fiscal years 2005 and 2006. In July 2005, the Company announced that it had decided to exit the sourcing business and, as of the end of the third quarter of fiscal year 2006, it had substantially liquidated the business. Accordingly, the consolidated financial statements have been restated to present these results as discontinued operations for all periods presented.

Revenue Recognition. Revenues from sales are recognized at the time shipments are made and include amounts billed to customers for shipping and handling. Costs associated with shipping and handling are included in cost of sales in the Consolidated Statements of Operations. Freight paid by customers is included in net sales in the Consolidated Statements of Operations.

Foreign Currency Translation. Assets and liabilities of foreign subsidiaries are translated at year-end rates of exchange and revenues and expenses are translated at the average rates of exchange for the year. Gains and losses resulting from translation are accumulated in a separate component of shareholders' equity and included in comprehensive income (loss). Gains and losses resulting from foreign currency transactions (transactions denominated in a currency other than the subsidiary's functional currency) are included in other income or expense in the Consolidated Statements of Operations.

Cash and Cash Equivalents. Cash equivalents are defined as short-term investments having an original maturity of three months or less.

Restricted Cash. Cash deposits held for a specific purpose or held as security for contractual obligations are classified as restricted cash.

Receivables. The Company extends unsecured credit to its customers as part of its normal business practices. An allowance for losses is provided for known and potential losses arising from yarn quality claims and for amounts owed by customers. Reserves for yarn quality claims are based on historical experience and known pending claims. The ability to collect accounts receivable is based on a combination of factors including the aging of accounts receivable, write-off experience and the financial condition of specific customers. Accounts are written off when they are no longer deemed to be collectible. General reserves are established based on the percentages applied to accounts receivables aged for certain periods of time and are supplemented by specific reserves for certain customer accounts where collection is no longer certain. Establishing reserves for yarn claims and bad debts requires management judgment and estimates, which may impact the ending accounts receivable valuation, gross margins (for yarn claims) and the provision for bad debts. The reserve for such losses was $5.1 million at June 25, 2006 and $14.0 million at June 26, 2005.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Inventories. The Company utilizes the last-in, first-out ("LIFO") method for valuing certain inventories representing 38.2% and 40.2% of all inventories at June 25, 2006, and June 26, 2005, respectively, and the first-in, first-out ("FIFO") method for all other inventories. Inventories are valued at lower of cost or market including a provision for slow moving and obsolete items. Market is considered net realizable value. Inventories valued at current or replacement cost would have been approximately $7.3 million and $3.5 million in excess of the LIFO valuation at June 25, 2006, and June 26, 2005, respectively. The Company did not have LIFO liquidations during fiscal year 2006 but experienced LIFO liquidations of $0.3 million pre-tax loss during fiscal year 2005. The Company maintains reserves for inventories valued utilizing the FIFO method and may provide for additional reserves over and above the LIFO reserve for inventories valued at LIFO. Such reserves for both FIFO and LIFO valued inventories can be specific to certain inventory or general based on judgments about the overall condition of the inventory. General reserves are established based on percentage markdowns applied to inventories aged for certain time periods. Specific reserves are established based on a determination of the obsolescence of the inventory and whether the inventory value exceeds amounts to be recovered through expected sales prices, less selling costs; and, for inventory subject to LIFO, the amount of existing LIFO reserves. Estimating sales prices, establishing markdown percentages and evaluating the condition of the inventories require judgments and estimates, which may impact the ending inventory valuation and gross margins. The total inventory reserves on the Company's books, including LIFO reserves, at June 25, 2006 and June 26, 2005 were $10.7 million and $7.9 million, respectively. The following table reflects the composition of the Company's inventory as of June 25, 2006 and June 26, 2005:

	June 25, 2006	June 26, 2005
	(Amounts in thousands)	
Raw materials and supplies	$ 48,594	$ 47,441
Work in process	10,144	8,497
Finished goods	57,280	54,889
	$ 116,018	$ 110,827

Other Current Assets. Other current assets consist of government tax deposits ($4.3 million and $8.9 million), prepaid insurance ($2.5 million and $2.8 million), unrealized gains on hedging contracts ($0.0 million and $1.6 million), prepaid VAT taxes ($1.4 million and $1.0 million), deposits of ($0.7 million and $0.7 million) and other assets ($0.3 million and $0.6 million) as of June 25, 2006 and June 26, 2005, respectively.

Property, Plant and Equipment. Property, plant and equipment are stated at cost. Depreciation is computed for asset groups primarily utilizing the straight-line method for financial reporting and accelerated methods for tax reporting. For financial reporting purposes, asset lives have been assigned to asset categories over periods ranging between three and forty years. Amortization of assets recorded under capital leases is included with depreciation expense.

Goodwill and Other Intangible Assets. The Company accounts for goodwill and other intangibles under the provisions of Statements of Financial Accounting Standard No. 142, "Goodwill and Other Intangible Assets" ("SFAS 142"). SFAS 142 requires that these assets be reviewed for impairment annually, unless specific circumstances indicate that a more timely review is warranted. This impairment test involves estimates and judgments that are critical in determining whether any impairment charge should be recorded and the amount of such charge if an impairment loss is deemed to be necessary. In addition, future events impacting cash flows for existing assets could render a writedown necessary that previously required no such writedown.

Other Noncurrent Assets. Other noncurrent assets at June 25, 2006, and June 26, 2005, consist primarily of the cash surrender value of key executive life insurance policies ($4.6 million and $6.1 million), unamortized bond issue costs and debt origination fees ($7.9 million and $2.5 million), restricted cash investments in Brazil ($6.2 million and $4.1 million), strategic investment assets ($1.0 million and $1.4 million), other miscellaneous assets ($1.8 million and $0.7 million), and various notes receivable due from both affiliated and non-affiliated parties ($0.3 million and $1.8 million), respectively. On April 28, 2006 the Company commenced a tender offer to purchase the outstanding $250 million of 2008 senior, unsecured debt securities (the "2008 notes"). The offer

expired on May 25, 2006. On May 26, 2006, the Company issued $190 million in senior, secured notes (the "2014 notes") that expire in 2014, incurring $6.8 million in related issuance costs. As a result, $1.3 million of the remaining 2008 note issue costs were expensed. The Company simultaneously on May 26, 2006 amended its Revolving Credit Facility ("amended revolving credit facility") to extend its maturity from 2006 to 2011 and increase its borrowing capacity. The Company incurred $1.2 million in origination fees related to the new facility. The debt origination fees relating to the old facility of $0.2 million were expensed in the fourth quarter fiscal 2006. All debt related origination costs have been amortized on the straight-line method over the life of the corresponding debt, which approximates the effective interest method. Accumulated amortization at June 25, 2006 for unamortized debt origination costs attributable to the 2014 notes and 2011 amended credit facility was $0.1 million. Accumulated amortization at June 26, 2005 attributable to the 2008 notes and 2006 Revolving Credit Facility was $7.3 million.

Long-Lived Assets. Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. For assets held and used, impairment may occur if projected undiscounted cash flows are not adequate to cover the carrying value of the assets. In such cases, additional analysis is conducted to determine the amount of loss to be recognized. The impairment loss is determined by the difference between the carrying amount of the asset and the fair value measured by future discounted cash flows. The analysis requires estimates of the amount and timing of projected cash flows and, where applicable, judgments associated with, among other factors, the appropriate discount rate. Such estimates are critical in determining whether any impairment charge should be recorded and the amount of such charge if an impairment loss is deemed to be necessary. In addition, future events impacting cash flows for existing assets could render a writedown necessary that previously required no such writedown.

For assets held for disposal, an impairment charge is recognized if the carrying value of the assets exceeds the fair value less costs to sell. Estimates are required of fair value, disposal costs and the time period to dispose of the assets. Such estimates are critical in determining whether any impairment charge should be recorded and the amount of such charge if an impairment loss is deemed to be necessary. Actual cash flows received or paid could differ from those used in estimating the impairment loss, which would impact the impairment charge ultimately recognized and the Company's cash flows.

Accrued Expenses. The following table reflects the composition of the Company's accrued expenses as of June 25, 2006 and June 26, 2005:

	June 25, 2006	June 26, 2005
	(Amounts in thousands)	
Payroll and fringe benefits	$ 11,112	$ 14,309
Severance	576	5,252
Interest	1,984	7,325
Pension	—	6,141
Other	10,197	12,591
	$ 23,869	$ 45,618

Income Taxes. The Company and its domestic subsidiaries file a consolidated federal income tax return. Income tax expense is computed on the basis of transactions entering into pre-tax operating results. Deferred income taxes have been provided for the tax effect of temporary differences between financial statement carrying amounts and the tax basis of existing assets and liabilities. Otherwise, income taxes have not been provided for the undistributed earnings of certain foreign subsidiaries as such earnings are deemed to be permanently invested.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Losses Per Share. The following table details the computation of basic and diluted losses per share:

	Fiscal Year Ended		
	June 25, 2006	June 26, 2005	June 27, 2004
	(Amounts in thousands)		
Numerator:			
Loss from continuing operations before discontinued operations	$ (14,726)	$ (19,738)	$ (44,149)
Income (loss) from discontinued operations, net of tax	360	(22,644)	(25,644)
Extraordinary gain, net of taxes of $0	—	1,157	—
Net loss	$ (14,366)	$ (41,225)	$ (69,793)
Denominator:			
Denominator for basic losses per share — weighted average shares	52,155	52,106	52,249
Effect of dilutive securities:			
Stock options	—	—	—
Restricted stock awards	—	—	—
Diluted potential common shares denominator for diluted losses per share — adjusted weighted average shares and assumed conversions	52,155	52,106	52,249

In fiscal years 2006, 2005, and 2004, options and unvested restricted stock awards had the potential effect of diluting basic earnings per share, and if the Company had net earnings in these years, diluted weighted average shares would have been higher than basic weighted average shares by 232,986 shares, 199,207 shares, and 1,507 shares, respectively.

Stock-Based Compensation. With the adoption of SFAS 123, the Company elected for fiscal years 2005 and 2004 to continue to measure compensation expense for its stock-based employee compensation plans using the intrinsic value method prescribed by APB Opinion No. 25, “Accounting for Stock Issued to Employees.” Had the fair value-based method under SFAS 148 been applied, compensation expense would have been recorded for the options outstanding in fiscal years 2005 and 2004 based on their respective vesting schedules.

Net loss in fiscal years 2005 and 2004 on a pro forma basis assuming SFAS 123 had been applied would have been as follows:

	June 26, 2005	June 27, 2004
	(Amounts in thousands, except per share amounts)	
Net loss as reported	$ (41,225)	$ (69,793)
Adjustment: Impact of stock options, net of tax	(3,321)	(1,656)
Adjusted net loss	$ (44,546)	$ (71,449)
Basic and diluted net loss per share:		
As reported	$ (.79)	$ (1.34)
Adjusted for stock option expense	(.85)	(1.37)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Stock options were granted during fiscal years 2006, 2005, and 2004. The fair value and related compensation expense of fiscal years 2006, 2005, and 2004 options were calculated as of the issuance date using the Black-Scholes model with the following assumptions:

Options Granted	2006	2005	2004
Expected term (years)	6.1	7.0	7.0
Interest rate	4.9%	4.4%	2.5%
Volatility	57.2%	57.0%	51.0%
Dividend yield	—	—	—

On December 16, 2004, the Financial Accounting Standards Board ("FASB") finalized Statement of Financial Accounting Standards ("SFAS") No. 123(R) "Shared-Based Payment" ("SFAS No. 123R") which, after the Securities and Exchange Commission ("SEC") amended the compliance dates on April 15, 2005, was effective for the Company's fiscal year beginning June 27, 2005. The new standard required the Company to record compensation expense for stock options using a fair value method. On March 29, 2005, the SEC issued Staff Accounting Bulletin No. 107 ("SAB No. 107"), which provides the Staff's views regarding interactions between SFAS No. 123R and certain SEC rules and regulations and provides interpretation of the valuation of share-based payments for public companies.

Effective June 27, 2005, the Company adopted SFAS 123R and elected the Modified — Prospective Transition Method whereby compensation cost is recognized for share-based payments based on the grant date fair value from the beginning of the fiscal period in which the recognition provisions are first applied (see Note 4, "Common Stock, Stock Option Plan and Restricted Stock Plan").

Comprehensive Income. Comprehensive income includes net income and other changes in net assets of a business during a period from non-owner sources, which are not included in net income. Such non-owner changes may include, for example, available-for-sale securities and foreign currency translation adjustments. Other than net income, foreign currency translation adjustments presently represent the only component of comprehensive income for the Company. The Company does not provide income taxes on the impact of currency translations as earnings from foreign subsidiaries are deemed to be permanently invested.

Recent Accounting Pronouncements. In March 2005, the FASB issued FASB Interpretation No. 47, "Accounting for Conditional Asset Retirement Obligations" ("FIN 47"). This is an interpretation of SFAS No. 143, "Accounting for Asset Retirement Obligations" ("SFAS No. 143") which applies to all entities and addresses accounting and reporting for legal obligations associated with the retirement of tangible long-lived assets that result from the acquisition, construction, development or normal operation of a long-lived asset. The SFAS requires that the fair value of a liability for an asset retirement obligation be recognized in the period in which it is incurred if a reasonable estimate of fair value can be made. FIN 47 further clarifies what "conditional asset retirement obligation" means with respect to recording the asset retirement obligation discussed in SFAS No. 143. The effective date is for fiscal years ending after December 15, 2005. During fiscal year 2006, the Company performed a formal review of its asset retirement obligations in accordance with FIN 47. With respect to assets for which the retirement obligation was measurable, the impact on the Company's financial position and results of operations was immaterial.

In June 2006, the FASB issued Interpretation No. 48, "Accounting for Uncertainty in Income Taxes" ("FIN 48") which is an interpretation of SFAS No. 109. The pronouncement creates a single model to address accounting for uncertainty in tax positions. FIN 48 clarifies the accounting for income taxes, by prescribing a minimum recognition threshold a tax position is required to meet before being recognized in the financial statements. FIN 48 also provides guidance on derecognition, measurement, classification, interest and penalties, accounting in interim periods, disclosure and transition. FIN 48 is effective for fiscal years beginning after December 15, 2006. The Company will adopt FIN 48 as of the first day of fiscal year 2008 and it does not expect that the adoption of this interpretation will have a significant impact on its financial position and results of operations.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Use of Estimates. The preparation of financial statements in conformity with U.S. Generally Accepted Accounting Principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

2. Long-Term Debt and Other Liabilities

A summary of long-term debt and other liabilities follows:

	June 25, 2006	June 26, 2005
	(Amounts in thousands)	
Senior secured notes — due 2014	$ 190,000	$ —
Senior unsecured notes — due 2008	1,273	249,473
Note payable	—	24,407
Brazilian government loans	10,499	12,912
Other obligations	6,668	8,337
Total debt and other obligations	208,440	295,129
Current maturities	(6,330)	(35,339)
Total long-term debt and other liabilities	$ 202,110	$ 259,790

Long-Term Debt

On February 5, 1998, the Company issued $250 million of senior, unsecured debt securities which bore a coupon rate of 6.5% and were scheduled to mature in February 2008. On April 28, 2006, the Company commenced a tender offer for all of its outstanding 2008 notes. As of June 25, 2006 $1.3 million in aggregate principal amount of 2008 notes had not been tendered and remain outstanding in accordance with their amended terms. As a result of the tender offer, the Company incurred $1.1 million in related fees and wrote off the remaining $1.3 million of unamortized issuance costs and $0.3 million of unamortized bond discounts as expense. The estimated fair value of the 2008 notes, based on quoted market prices as of June 25, 2006, and June 26, 2005, was approximately $1.3 million and $210.0 million, respectively.

On May 26, 2006 the Company issued $190 million of 11.5% senior secured notes due May 15, 2014. Interest is payable on the notes on May 15 and November 15 of each year, beginning on November 15, 2006. The 2014 notes and guarantees are secured by first-priority liens, subject to permitted liens, on substantially all of the Company's and the Company's subsidiary guarantors' assets (other than the assets securing the Company's obligations under the Company's amended revolving credit facility on a first-priority basis, which consist primarily of accounts receivable and inventory), including, but not limited to, property, plant and equipment, the capital stock of the Company's domestic subsidiaries and certain of the Company's joint ventures and up to 65% of the voting stock of the Company's first-tier foreign subsidiaries, whether now owned or hereafter acquired, except for certain excluded assets. The 2014 notes are unconditionally guaranteed on a senior, secured basis by each of the Company's existing and future restricted domestic subsidiaries. The 2014 notes and guarantees are secured by second-priority liens, subject to permitted liens, on the Company and its subsidiary guarantors' assets that will secure the notes and guarantees on a first-priority basis. The Company may redeem some or all of the 2014 notes on or after May 15, 2010. In addition, prior to May 15, 2009, the Company may redeem up to 35% of the principal amount of the 2014 notes with the proceeds of certain equity offerings. In connection with the issuance, the Company incurred $6.8 million in professional fees and other expenses which will be amortized to expense over the life of the 2014 notes. The estimated fair value of the 2014 notes, based on quoted market prices, at June 25, 2006 was approximately $182.4 million.

Concurrently with the closing of this offering, the Company amended its senior secured asset-based revolving credit facility to provide a $100 million revolving borrowing base (with an option to increase borrowing capacity up to $150 million), to extend its maturity to 2011, and revise some of its other terms and covenants. The amended

revolving credit facility is secured by first-priority liens on the Company's and it's subsidiary guarantors' inventory, accounts receivable, general intangibles (other than uncertificated capital stock of subsidiaries and other persons), investment property (other than capital stock of subsidiaries and other persons), chattel paper, documents, instruments, supporting obligations, letter of credit rights, deposit accounts and other related personal property and all proceeds relating to any of the above, and by second-priority liens, subject to permitted liens, on the Company's and its subsidiary guarantors' assets securing the notes and guarantees on a first-priority basis, in each case other than certain excluded assets. The Company's ability to borrow under the Company's amended revolving credit facility is limited to a borrowing base equal to specified percentages of eligible accounts receivable and inventory and is subject to other conditions and limitations.

Borrowings under the amended revolving credit facility bear interest at rates of LIBOR plus 1.50% to 2.25% and/or prime plus 0.00% to 0.50%. The interest rate matrix is based on the Company's excess availability under the amended revolving credit facility. The amended revolving credit facility also includes a 0.25% LIBOR margin pricing reduction if the Company's fixed charge coverage ratio is greater than 1.5 to 1.0. The unused line fee under the amended revolving credit facility is 0.25% to 0.35% of the borrowing base. In connection with the refinancing, the Company incurred fees and expenses aggregating $1.2 million, which are being amortized over the term of the amended revolving credit facility. As of June 25, 2006, the Company had no outstanding borrowings and availability of $94.2 million under the terms of the amended credit facility.

The amended credit facility replaces the December 7, 2001 $100 million revolving bank credit facility (the "Credit Agreement"), as amended, which would have terminated on December 7, 2006. The Credit Agreement was secured by substantially all U.S. assets excluding manufacturing facilities and manufacturing equipment. Borrowing availability was based on eligible domestic accounts receivable and inventory. Borrowings under the Credit Agreement bore interest at rates selected periodically by the Company of LIBOR plus 1.75% to 3.00% and/or prime plus 0.25% to 1.50%. The interest rate matrix was based on the Company's leverage ratio of funded debt to EBITDA, as defined by the Credit Agreement. Under the Credit Agreement, the Company paid unused line fees ranging from 0.25% to 0.50% per annum on the unused portion of the commitment which is included in interest expense. In connection with the refinancing, the Company incurred fees and expenses aggregating $2.0 million, which were being amortized over the term of the Credit Agreement with the balance of $0.2 million expensed upon the May 26, 2006 refinancing.

The amended revolving credit facility contains affirmative and negative customary covenants for asset based loans that restrict future borrowings and capital spending. The covenants under the amended revolving credit facility are more restrictive than those in the indenture. Such covenants include, without limitation, restrictions and limitations on (i) sales of assets, consolidation, merger, dissolution and the issuance of our capital stock, each subsidiary guarantor and any domestic subsidiary thereof, (ii) permitted encumbrances on our property, each subsidiary guarantor and any domestic subsidiary thereof, (iii) the incurrence of indebtedness by the Company, any subsidiary guarantor or any domestic subsidiary thereof, (iv) the making of loans or investments by the Company, any subsidiary guarantor or any domestic subsidiary thereof, (v) the declaration of dividends and redemptions by the Company or any subsidiary guarantor and (vi) transactions with affiliates by the Company or any subsidiary guarantor.

Under the amended revolving credit facility, if borrowing capacity is less than $25 million at any time during the quarter, covenants will include a required minimum fixed charge coverage ratio of 1.1 to 1.0. In addition, the maximum capital expenditures are limited to $30 million per fiscal year (subject to pro forma availability greater than $25 million) with a 75% one-year unused carry forward. The amended revolving credit facility permits the Company to make distributions, subject to standard criteria, as long as pro forma excess availability is greater than $25 million both before and after giving effect to such distributions, subject to certain exceptions. Under the amended revolving credit facility, acquisitions by the Company are subject to pro forma covenant compliance. In addition, the amended revolving credit facility receivables are subject to cash dominion if excess availability is below $25 million.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

On September 30, 2004, the Company completed its acquisition of the polyester filament manufacturing assets located in Kinston, North Carolina from INVISTA S.a.r.l. ("INVISTA"), a subsidiary of Koch Industries, Inc. ("Koch"). As part of the acquisition of the Kinston facility from INVISTA and upon finalizing the quantities and value of the acquired inventory, the Company entered into a $24.4 million five-year Loan Agreement. The note, which called for interest only payments for the first two years, bore interest at 10% per annum. The note was secured by all of the business assets held by Unifi Kinston, LLC. On July 25, 2005 the Company paid off the $24.4 million note payable and the related accrued interest.

Unifi do Brasil, receives loans from the government of the State of Minas Gerais to finance 70% of the value added taxes due by Unifi do Brasil to the State of Minas Gerais. These loans were granted as part of a 24 month tax incentive to build a manufacturing facility in the State of Minas Gerais. The loans have a 2.5% origination fee and bear an effective interest rate equal to 50% of the Brazilian inflation rate, which currently is significantly lower than the Brazilian prime interest rate. The loans are collateralized by a performance bond letter issued by a Brazilian bank, which secures the performance by Unifi do Brasil of its obligations under the loans. In return for this performance bond letter, Unifi do Brasil makes certain cash deposits with the Brazilian bank. The deposits made by Unifi do Brasil earn interest at a rate equal to approximately 100% of the Brazilian prime interest rate. These tax incentives will end in September 2008.

The following summarizes the maturities of the Company's long-term debt on a fiscal year basis:

		Aggregate Debt Maturities			
Description of Commitment	Total	2007	2008	2009-2011	Thereafter
			(Amounts in thousands)		
Long-term debt	$201,772	$4,335	$7,437	$—	$190,000

Other Obligations

On May 20, 1997, the Company entered into a sale-leaseback agreement with a financial institution whereby land, buildings and associated real and personal property improvements of certain manufacturing facilities were sold to the financial institution and will be leased by the Company over a sixteen-year period. This transaction has been recorded as a direct financing arrangement. As of June 25, 2006 the balance of the note was $2.3 million and the net book value of the related assets was $6.6 million. Payments for the remaining balance of the sale-leaseback agreement are due semi-annually and are in varying amounts, in accordance with the agreement. Average annual principal payments over the next six years are approximately $0.3 million. The interest rate implicit in the agreement is 7.84%.

Other obligations also includes operating lease accruals associated with the Altamahaw, North Carolina plant closure in the amount of $2.7 million and $1.7 million of liquidation accruals associated with the closure of a dye operation in England in June 2004.

3. Income Taxes

Income from continuing operations before income taxes is as follows:

	June 25, 2006	June 26, 2005	June 27, 2004
		(Amounts in thousands)	
Income (loss) from continuing operations before income taxes:			
United States	$ (15,256)	$ (40,838)	$ (80,399)
Foreign	(640)	7,617	11,137
	$ (15,896)	$ (33,221)	$ (69,262)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The provision for (benefit from) income taxes applicable to continuing operations for fiscal years 2006, 2005, and 2004 consists of the following:

	June 25, 2006	June 26, 2005	June 27, 2004
	(Amounts in thousands)		
Currently payable (recoverable):			
Federal	$ (29)	$ 2,729	$ 669
Repatriation of foreign earnings	2,125	—	—
State	21	203	(675)
Foreign	2,221	2,073	2,734
Total current	4,338	5,005	2,728
Deferred:			
Federal	(4,956)	(18,096)	(28,637)
Repatriation of foreign earnings	(1,122)	1,122	—
State	290	(908)	433
Foreign	280	(606)	363
Total deferred	(5,508)	(18,488)	(27,841)
Income tax benefits	$ (1,170)	$ (13,483)	$ (25,113)

Income tax benefits were 7.4%, 40.6%, and 36.3% of pre-tax losses in fiscal 2006, 2005, and 2004, respectively. A reconciliation of the provision for income tax benefits with the amounts obtained by applying the federal statutory tax rate is as follows:

	June 25, 2006	June 26, 2005	June 27, 2004
Federal statutory tax rate	(35.0)%	(35.0)%	(35.0)%
State income taxes net of federal tax benefit	(10.4)	(4.2)	(4.4)
Foreign taxes less than domestic rate	17.3	(0.7)	(1.1)
Foreign tax adjustment	—	(3.0)	—
Repatriation of foreign earnings	6.3	3.4	—
Change in valuation allowance	11.9	2.5	5.7
Change in tax status of subsidiary	—	(3.9)	—
Nondeductible expenses and other	2.5	0.3	(1.5)
Effective tax rate	(7.4)%	(40.6)%	(36.3)%

During fiscal year 2006, the Company repatriated approximately $31.0 million of dividends from foreign subsidiaries which qualified for the temporary dividends-received-deduction available under the American Jobs Creation Act. The associated net tax cost of approximately $1.1 million was not fully provided for in fiscal year 2005 due to management's decision during fiscal year 2006 to increase the original repatriation plan from $15.0 million to $40.0 million.

During fiscal year 2005, the Company determined that it had not properly recorded deferred tax assets of a foreign subsidiary that should have been previously recognized. The Company recorded a deferred tax asset of $1.2 million in the fourth quarter of fiscal year 2005. The Company evaluated the effect of the adjustment and determined that the differences were not material for any of the periods presented in the Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The deferred income taxes reflect the net tax effects of temporary differences between the basis of assets and liabilities for financial reporting purposes and their basis for income tax purposes. Significant components of the Company's deferred tax liabilities and assets as of June 25, 2006 and June 26, 2005 were as follows:

	June 25, 2006	June 26, 2005
	(Amounts in thousands)	
Deferred tax liabilities:		
Property, plant and equipment	$ 50,044	$ 60,859
Investments in equity affiliates	11,251	14,821
Unremitted foreign earnings	—	1,122
Other	42	2
Total deferred tax liabilities	61,337	76,804
Deferred tax assets:		
State tax credits	10,597	13,085
Accrued liabilities and valuation reserves	11,783	15,748
Net operating loss carryforwards	7,799	10,529
Intangible assets	4,278	4,914
Charitable contributions	876	1,022
Other items	1,114	1,101
Total gross deferred tax assets	36,447	46,399
Valuation allowance	(9,232)	(10,930)
Net deferred tax assets	27,215	35,469
Net deferred tax liability	$ 34,122	$ 41,335

As of June 25, 2006, the Company has available for income tax purposes approximately $21.0 million in federal net operating loss carryforwards that may be used to offset future taxable income. The carryforwards expire as set forth in the table below:

	2023	2024	2025
		(Amounts in thousands)	
Expiration amount	$1,373	$11,989	$7,618

The Company also has available for state income tax purposes approximately $16.3 million in North Carolina investment tax credits, for which the Company has established a valuation allowance in the amount of $9.2 million. The credits expire as set forth in the table below:

	2007	2008	2009	2010	2011	Thereafter
			(Amounts in thousands)			
Expiration amount	$3,861	$3,760	$3,689	$3,204	$1,229	$562

The Company also has charitable contribution carryforwards of $2.5 million expiring in fiscal year 2007 through fiscal year 2010 that also may be used to offset future taxable income.

For the years ended June 25, 2006 and June 26, 2005, the valuation allowance decreased $1.7 million and $2.2 million, respectively. In assessing the realization of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, available taxes in the carryback periods, projected future taxable income and tax planning strategies in making this assessment.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

4. Common Stock, Stock Option Plans and Restricted Stock Plan

Common shares authorized were 500 million in 2006 and 2005. Common shares outstanding at June 25, 2006 and June 26, 2005 were 52,208,467 and 52,145,434, respectively.

At its meeting on April 24, 2003, the Company's Board of Directors reinstituted the Company's previously authorized stock repurchase plan. During fiscal year 2004, the Company repurchased approximately 1.3 million shares. At June 25, 2006, there was remaining authority for the Company to repurchase approximately 6.8 million shares of its common stock under the repurchase plan. The repurchase program was suspended in November 2003 and the Company has no immediate plans to reinstitute the program.

In December 2004, the FASB issued SFAS No. 123R as a replacement to SFAS No. 123 "Accounting for Stock-Based Compensation". SFAS No. 123R supersedes APB No. 25 which allowed companies to use the intrinsic method of valuing share-based payment transactions. SFAS No. 123R requires all share-based payments to employees, including grants of employee stock options, to be recognized in the financial statements based on the fair-value method as defined in SFAS No. 123. On March 29, 2005, the SEC issued SAB No. 107 to provide guidance regarding the adoption of SFAS No. 123R and disclosures in Management's Discussion and Analysis. The effective date of SFAS No. 123R was modified by SAB No. 107 to begin with the first annual reporting period of the registrant's first fiscal year beginning on or after June 15, 2005. Accordingly, the Company implemented SFAS No. 123R effective June 27, 2005.

Previously the Company measured compensation expense for its stock-based employee compensation plans using the intrinsic value method prescribed by APB Opinion No. 25, "Accounting for Stock Issued to Employees" as permitted by SFAS No. 123 and SFAS No. 148 "Accounting for Stock-Based Compensation — Transition and Disclosure". Had the fair value-based method under SFAS No. 123 been applied, compensation expense would have been recorded for the options outstanding based on their respective vesting schedules.

The Company currently has only one share-based compensation plan which had unvested stock options as of June 25, 2006. The compensation cost that was charged against income for this plan was $0.7 million and $0 for the fiscal years ended June 25, 2006 and June 26, 2005, respectively. The total income tax benefit recognized for share-based compensation in the Consolidated Statements of Operations was not material for the fiscal years 2006, 2005 and 2004.

During the fourth quarter of fiscal year 2006, the Board authorized the issuance of 150 thousand options from the 1999 Long-Term Incentive Plan to two newly promoted officers of the Company. During the first half of fiscal year 2005, the Board authorized the issuance of approximately 2.1 million stock options from the 1999 Long-Term Incentive Plan to certain key employees. The stock options granted in fiscal years 2006 and 2005 vest in three equal installments: the first one-third at the time of grant, the next one-third on the first anniversary of the grant and the final one-third on the second anniversary of the grant.

On April 20, 2005, the Board of Director's approved a resolution to vest all stock options, in which the exercise price exceeded the closing price of the Company's common stock on April 20, 2005, granted prior to June 26, 2005. The Board decided to fully vest these specific underwater options, as there was no perceived value in these options to the employee, little retention ramifications, and to minimize the expense to the Company's consolidated financial statements upon adoption of SFAS No. 123R. No other modifications were made to the stock option plan except for the accelerated vesting. This acceleration of the original vesting schedules affected 0.3 million unvested stock options.

SFAS No. 123R requires the Company to record compensation expense for stock options using the fair value method. The Company decided to adopt SFAS No. 123R using the Modified — Prospective Transition Method in which compensation cost is recognized for share-based payments based on the grant date fair value from the beginning of the fiscal period in which the recognition provisions are first applied. The effect of the change from applying the intrinsic method of accounting for stock options under APB 25, previously permitted by SFAS No. 123 as an alternative to the fair value recognition method, to the fair value recognition provisions of SFAS No. 123 on income from continuing operations before income taxes, income from continuing operations and net income for the

fiscal year 2006 was $0.7 million, $0.7 million and $0.7 million, respectively. There was no material change from applying the original provisions of SFAS No. 123 on cash flow from continuing operations, cash flow from financing activities, and basic and diluted earnings per share.

The fair value of each option award is estimated on the date of grant using the Black-Scholes model. The Company uses historical data to estimate the expected life, volatility, and estimated forfeitures of an option. The risk-free interest rate is based on the U.S. Treasury yield curve in effect at the time of grant.

On October 21, 1999, the shareholders of the Company approved the 1999 Unifi, Inc. Long-Term Incentive Plan ("1999 Long-Term Incentive Plan"). The plan authorized the issuance of up to 6,000,000 shares of Common Stock pursuant to the grant or exercise of stock options, including Incentive Stock Options ("ISO"), Non-Qualified Stock Options ("NQSO") and restricted stock, but not more than 3,000,000 shares may be issued as restricted stock. Option awards are granted with an exercise price equal to the market price of the Company's stock at the date of grant.

Stock options granted under the plan have vesting periods of three to five years based on continuous service by the employee. All stock options have a 10 year contractual term. In addition to the 3,672,174 common shares reserved for the options that remain outstanding under grants from the 1999 Long-Term Incentive Plan, the Company has previous ISO plans with 57,500 common shares reserved and previous NQSO plans with 216,667 common shares reserved at June 25, 2006. No additional options will be issued under any previous ISO or NQSO plan. The stock option activity for fiscal years 2006, 2005 and 2004 of all three plans was as follows:

	ISO		NQSO	
	Options Outstanding	Weighted Avg. $/Share	Options Outstanding	Weighted Avg. $/Share
Fiscal year 2004:				
Shares under option — beginning of year	3,880,772	$ 10.81	583,175	$ 24.67
Granted	20,000	6.85	—	—
Expired	(294,252)	12.89	(50,000)	26.66
Forfeited	(71,693)	8.79	—	—
Shares under option — end of year	3,534,827	10.66	533,175	24.48
Fiscal year 2005:				
Granted	2,101,788	2.84	—	—
Exercised	(33,330)	2.76	—	—
Expired	(1,227,591)	12.76	(191,508)	25.82
Forfeited	(102,691)	4.91	—	—
Shares under option — end of year	4,273,003	6.41	341,667	23.72
Fiscal year 2006:				
Granted	150,000	3.40	—	—
Exercised	(63,333)	2.76	—	—
Expired	(581,667)	9.32	(125,000)	26.00
Forfeited	(48,329)	2.76	—	—
Shares under option — end of year	3,729,674	5.94	216,667	22.41

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The following table sets forth the exercise prices, the number of options outstanding and exercisable and the remaining contractual lives of the Company's stock options as of June 25, 2006:

	Options Outstanding			Options Exercisable	
Exercise Price	Number of Options Outstanding	Weighted Average Exercise Price	Weighted Average Contractual Life Remaining (Years)	Number of Options Exercisable	Weighted Average Exercise Price
$2.76 - $3.78	1,910,001	$ 2.82	8.2	1,226,735	$ 2.79
5.29 - 7.64	959,949	7.28	5.5	959,949	7.28
8.10 - 11.99	604,626	10.54	3.9	604,626	10.54
12.53 - 16.31	340,098	14.16	2.9	340,098	14.16
18.75 - 31.00	131,667	26.35	1.5	131,667	26.35

The total intrinsic value of options exercised was $22 thousand in fiscal year 2006 and $2 thousand in fiscal year 2005. The amount of cash received from exercise of options was $174 thousand in fiscal year 2006 and $92 thousand in fiscal year 2005.

The following table sets forth certain required stock option information for the ISO and NQSO plans as of and for the year ended June 25, 2006:

	ISO	NQSO
Number of options expected to vest	3,720,674	216,667
Weighted-average price of options expected to vest	$ 5.95	$ 22.41
Intrinsic value of options expected to vest	$ 332,500	$ —
Weighted-average remaining contractual term of options expected to vest	6.50	1.82
Number of options exercisable as of June 25, 2006	3,046,408	216,667
Option price range	$ 2.76-$16.31	$ 16.31-$31.00
Weighted-average exercise price for options currently exercisable	$ 6.64	$ 22.41
Intrinsic value of options currently exercisable	$ 332,500	$ —
Weighted-average remaining contractual term of options currently exercisable	6.44	1.82
Weighted-average fair value of options granted	$ 1.98	N/A

The Company has a policy of issuing new shares to satisfy share option exercises. The Company has elected an accounting policy of accelerated attribution for graded vesting.

As of June 25, 2006, unrecognized compensation costs related to unvested share based compensation arrangements granted under the 1999 Long-Term Incentive Plan was $0.2 million. The costs are estimated to be recognized over a period of 2.0 years.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The restricted stock activity for fiscal years 2006, 2005 and 2004 was as follows:

	Shares	Weighted Average Grant-Date Fair Value
Fiscal year 2004:		
Unvested shares — beginning of year	20,900	$ 8.90
Granted	21,500	6.36
Vested	(9,100)	7.80
Forfeited	(2,100)	9.03
Unvested shares — end of year	31,200	7.46
Fiscal year 2005:		
Vested	(10,400)	7.98
Forfeited	(1,500)	7.89
Unvested shares — end of year	19,300	7.15
Fiscal year 2006:		
Vested	(8,600)	7.67
Forfeited	(300)	9.95
Unvested shares — end of year	10,400	6.63

5. Retirement Plans

Defined Contribution Plan. The Company matches employee contributions made to the Unifi, Inc. Retirement Savings Plan (the "DC Plan"), an existing 401(k) defined contribution plan, which covers eligible salaried and hourly employees. Under the terms of the Plan, the Company matches 100% of the first three percent of eligible employee contributions and 50% of the next two percent of eligible contributions. For fiscal years ended June 25, 2006, June 26, 2005 and June 27, 2004, the Company incurred $2.4 million, $2.5 million and $2.5 million, respectively, of expense for its obligations under the matching provisions of the DC Plan.

Defined Benefit Plan. The Company's subsidiary in Ireland maintained a defined benefit plan ("DB Plan") that covered substantially all of its employees and was funded by both employer and employee contributions. The plan provided defined retirement benefits based on years of service and the highest three year average of earnings over the ten year period preceding retirement. During the first quarter of fiscal year 2005, the Company announced plans to close its European Division, and as a result, recognized the previously unrecognized net actuarial loss of $9.4 million. As of June 26, 2005, the subsidiary had terminated substantially all of its employees.

During fiscal year 2006 the Company's Irish subsidiary made its final contribution of $6.1 million and the remaining accumulated benefit obligation of $32.5 million was paid in full through the purchase of annuity contracts for all participants in the DB Plan. In fiscal years 2005 and 2004, the Company recorded pension (income) expense of $11.1 million and $(2.4) million, respectively, which was recorded on the "Loss from discontinued operations, net of tax" line item of the Consolidated Statements of Operations.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Obligations and funded status related to the DB Plan is presented below:

	June 25, 2006	June 26, 2005
	(Amounts in thousands)	
Change in benefit obligation:		
Benefit obligation at beginning of year	$ 32,511	$ 30,937
Service cost	—	255
Interest cost	852	1,783
Plan participants' contributions	—	127
Actuarial gain	—	(891)
Benefits paid	(33,736)	(509)
Curtailments	—	509
Translation adjustment	373	300
Benefit obligation at end of year	$ —	$ 32,511
Change in plan assets:		
Fair value of plan assets at beginning of year	$ 26,370	$ 25,620
Actual return on plan assets	852	1,019
Employer contributions	6,212	255
Plan participants' contributions	—	127
Benefits paid	(33,736)	(509)
Translation adjustment	302	(142)
Fair value of plan assets at end of year	—	26,370
Funded status		(6,141)
Unrecognized net actuarial loss	—	—
Net amount recognized	$ —	$ (6,141)

The accumulated benefit obligation was $0 million at June 25, 2006 and $32.5 million at June 26, 2005.

Amount recognized in the Consolidated Balance Sheet consists of:

	June 25, 2006	June 26, 2005
	(Amount in thousands)	
Accrued benefit cost	$ —	$ 6,141

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Components of Net Periodic Benefit Cost/(Income):

	June 25, 2006	June 26, 2005	June 27, 2004
		(Amounts in thousands)	
Service cost	$ —	$ 382	$ 1,074
Interest cost	853	1,783	1,789
Expected return on plan assets	(853)	(1,910)	(1,670)
Amortization of net loss	—	9,935	477
Cost of termination events	—	1,019	477
Net periodic benefit cost	—	11,209	2,147
Less plan participants' contributions	—	(127)	(477)
Sub-total	—	11,082	1,670
Correction of error	—	—	(4,109)
Company's net periodic benefit cost (income)	$ —	$ 11,082	$ (2,439)

During the fourth quarter of fiscal year 2004, the Company determined that it had not properly recorded or disclosed the DB Plan and a pension asset should have been previously recognized. The Company corrected the error in the fourth quarter of fiscal year 2004 by recording a pension asset of $4.1 million.

Assumptions:

Weighted-average assumption used to determine benefit obligations as of:

	June 25, 2006	June 26, 2005	June 27, 2004
Discount rate...	N/A	N/A	5.60%
Rate of compensation increase	N/A	N/A	3.75%

Weighted-average assumption used to determine net periodic benefit cost for fiscal years ended:

	June 25, 2006	June 26, 2005	June 27, 2004
Discount rate	N/A	N/A	5.60%
Expected long-term return on plan assets	N/A	N/A	6.93%
Rate of compensation increase	N/A	N/A	3.75%

Plan Assets:

The DB Plan's weighted-average asset allocations at June 26, 2005, by asset category was as follows:

	June 26, 2005
Equity securities	—
Debt securities	100.0%
Real estate	—
Total	100.0%

6. Leases and Commitments

In addition to the direct financing sale-leaseback obligation described in Note 2, "Long-Term Debt and Other Liabilities," the Company is obligated under operating leases relating primarily to real estate and equipment. Future obligations for minimum rentals under the leases during fiscal years after June 25, 2006 are $3.6 million in 2007, $4.9 million in 2008, $1.3 million in 2009, $0.4 million in 2010, and $0.0 million in aggregate thereafter. Rental

expense was $3.6 million, $6.8 million, and $7.8 million for the fiscal years 2006, 2005, and 2004, respectively. The Company had no significant binding commitments for capital expenditures at June 25, 2006.

The Company's nylon segment has a supply agreement with UNF which expires in April 2008. The Company is obligated to purchase certain to be agreed upon quantities of yarn production from UNF. The actual purchases under this agreement for fiscal years 2006, 2005, and 2004 were $24.3 million, $30.2 million and $29.3 million. The agreement does not provide for a fixed or minimum amount of yarn purchases, therefore there is a degree of uncertainty associated with the obligation.

7. Business Segments, Foreign Operations and Concentrations of Credit Risk

The Company and its subsidiaries are engaged predominantly in the processing of yarns by texturing of synthetic filament polyester and nylon fiber with sales domestically and internationally, mostly to knitters and weavers for the apparel, industrial, hosiery, home furnishing, automotive upholstery and other end-use markets. The Company also maintains investments in several minority-owned and jointly owned affiliates.

In accordance with Statement of Financial Accounting Standards No. 131, "Disclosures about Segments of an Enterprise and Related Information," segmented financial information of the polyester, nylon and sourcing operating segments, as regularly reported to management for the purpose of assessing performance and allocating resources, is detailed below.

	Polyester	Nylon	Total
	(Amounts in thousands)		
Fiscal year 2006:			
Net sales to external customers	$ 566,367	$ 172,458	$ 738,825
Inter-segment net sales	5,525	6,022	11,547
Depreciation and amortization	30,412	14,576	44,988
Restructuring charges (recovery)	533	(787)	(254)
Write down of long-lived assets	51	2,315	2,366
Segment operating profit (loss)	5,658	(6,534)	(876)
Total assets	361,206	128,165	489,371
Fiscal year 2005:			
Net sales to external customers	$ 587,008	$ 206,788	$ 793,796
Inter-segment net sales	5,858	5,758	11,616
Depreciation and amortization	32,714	14,870	47,584
Restructuring charges (recoveries)	(212)	(129)	(341)
Write down of long-lived assets	—	603	603
Segment operating loss	(1,569)	(9,825)	(11,394)
Total assets	432,231	156,936	589,167
Fiscal year 2004:			
Net sales to external customers	$ 481,847	$ 184,536	$ 666,383
Inter-segment net sales	4,567	6,721	11,288
Depreciation and amortization	35,768	15,654	51,422
Restructuring charges	7,591	638	8,229
Arbitration costs and expenses	182	—	182
Alliance plant closure costs (recovery)	(206)	—	(206)
Write downs of long-lived assets	25,241	—	25,241
Goodwill impairment	13,461	—	13,461
Segment operating loss	(48,378)	(4,092)	(52,470)
Total assets	459,724	182,108	641,832

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

For purposes of internal management reporting, segment operating income (loss) represents net sales less cost of sales and allocated selling, general and administrative expenses. Certain indirect manufacturing and selling, general and administrative costs are allocated to the operating segments on activity drivers relevant to the respective costs. Intersegment sales of the Company's polyester POY business are recorded at market whereas all other intersegment sales are recorded at cost.

Domestic operating divisions' fiber costs are valued on a standard cost basis, which approximates first-in, first-out accounting. For those components of inventory valued utilizing the last-in, first-out method (see Note 1, "Significant Accounting Polices and Financial Statement Information"), an adjustment is made at the segment level to record the difference between standard cost and LIFO. Segment operating income (loss) excludes the provision for bad debts of $1.3 million, $13.2 million, and $2.4 million for fiscal years 2006, 2005, and 2004, respectively. For significant capital projects, capitalization is delayed for management segment reporting until the facility is substantially complete. However, for consolidated financial reporting, assets are capitalized into construction in progress as costs are incurred or carried as unallocated corporate fixed assets if they have been placed in service but have not as yet been moved for management segment reporting.

The net decrease of $71.0 million in the polyester segment total assets between fiscal year end 2005 and 2006 primarily reflects decreases in cash of $34.3 million, fixed assets of $21.0 million, assets held for sale of $14.3 million, accounts receivable of $13.2 million, other current assets of $3.4 million, and deferred taxes of $0.9 million offset by an increase in inventory of $13.2 million and other assets of $2.9 million. The fixed asset reduction is primarily associated with current year depreciation. The net decrease of $28.8 million in the nylon segment total assets between fiscal year end 2005 and 2006 is primarily a result of a decrease in fixed assets of $16.2 million, inventories of $5.6 million, accounts receivable of $4.3 million, assets held for sale of $2.9 million, cash of $2.0 million and other assets of $0.2 million, offset by an increase in deferred taxes of $2.4 million. The reduction in property and equipment is primarily associated with current year depreciation and an impairment charge of $2.3 million.

The following tables present reconciliations from segment data to consolidated reporting data:

	June 25, 2006	June 26, 2005	June 27, 2004
	(Amounts in thousands)		
Depreciation and amortization:			
Depreciation and amortization of specific reportable segment assets	$ 44,988	$ 47,584	$ 51,422
Depreciation of allocated assets	3,682	3,958	4,804
Amortization of allocated assets	1,275	1,350	1,377
Consolidated depreciation and amortization	$ 49,945	$ 52,892	$ 57,603
Operating income (loss):			
Reportable segments loss	$ (876)	$ (11,394)	$ (52,470)
Provision for bad debts	1,256	13,172	2,389
Interest expense	19,247	20,575	18,698
Interest income	(4,489)	(2,152)	(2,152)
Other (income) expense, net	(3,118)	(2,300)	(2,590)
Equity in losses (earnings) of unconsolidated affiliates	(825)	(6,938)	6,877
Loss on early extinguishment of debt	2,949	—	—
Minority interests (income) expense	—	(530)	(6,430)
Loss from continuing operations before income taxes and extraordinary item	$ (15,896)	$ (33,221)	$ (69,262)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

	June 25, 2006	June 26, 2005	June 27, 2004
	(Amounts in thousands)		
Total assets:			
Reportable segments total assets	$ 489,371	$ 589,167	$ 641,832
Sourcing segment total assets	21	4,365	1,369
Corporate current assets	24,828	60,764	34,092
Unallocated corporate fixed assets	15,976	18,931	22,586
Other non-current corporate assets	13,616	12,797	9,609
Investments in unconsolidated affiliates	190,217	160,675	164,286
Intersegment eliminations	(1,392)	(1,324)	(1,239)
Consolidated assets	$ 732,637	$ 845,375	$ 872,535

Capital expenditures for long-lived assets totaled $12.0 million of which $8.4 million related to the Company's polyester segment and $2.8 million related to the Company's nylon segment.

The Company's domestic operations serve customers principally located in the United States as well as international customers located primarily in Canada, Mexico and Israel and various countries in Europe, Central America, South America and South Africa. Export sales from its U.S. operations aggregated $78.9 million in 2006, $94.7 million in 2005, and $112.4 million in 2004. In fiscal year 2006, the Company had nylon segment net sales to one customer of $76.4 million which is in excess of 10% of consolidated net sales, whereas in fiscal years 2005 and 2004, the Company did not have sales to any one customer in excess of 10% of consolidated revenues. The concentration of credit risk for the Company with respect to trade receivables is mitigated due to the large number of customers and dispersion across different end-uses and geographic regions.

The Company's foreign operations primarily consist of manufacturing operations in Brazil and Colombia. On March 2, 2004, the Company announced its plan to close its dyed facility in Manchester, England. The facility ceased all operations in early June 2004. During the first quarter of fiscal year 2005, the Company announced a plan to close its entire European Division which included a manufacturing facility in Letterkenny, Ireland and the associated European sales offices. The facility's manufacturing operations ceased in October 2004. On July 28, 2005, the Company announced that management had decided to discontinue the operations of the Company's external sourcing business, Unimatrix Americas. Management's exit plan was completed as of the end of the third quarter fiscal 2006, and accordingly, the segment's results of operations have been accounted for as a discontinued operation in accordance with SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." Net sales and total assets of the Company's continuing foreign and domestic operations are as follows:

	June 25, 2006	June 26, 2005	June 27, 2004
	(Amounts in thousands)		
Foreign operations:			
Net sales	$ 105,311	$ 93,420	$ 82,977
Total assets	123,179	151,447	150,013
Domestic operations:			
Net sales	$ 633,514	$ 700,376	$ 583,406
Total assets	609,458	693,928	722,522

8. Derivative Financial Instruments and Fair Value of Financial Instruments

The Company accounts for derivative contracts and hedging activities under Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" which requires all derivatives to be recorded on the balance sheet at fair value. If the derivative is a hedge, depending on the nature

of the hedge, changes in the fair value of derivatives are either offset against the change in fair value of the hedged assets, liabilities, or firm commitments through earnings or are recorded in other comprehensive income until the hedged item is recognized in earnings. The ineffective portion of a derivative's change in fair value is immediately recognized in earnings. The Company does not enter into derivative financial instruments for trading purposes nor is it a party to any leveraged financial instruments.

The Company conducts its business in various foreign currencies. As a result, it is subject to the transaction exposure that arises from foreign exchange rate movements between the dates that foreign currency transactions are recorded (export sales and purchases commitments) and the dates they are consummated (cash receipts and cash disbursements in foreign currencies). The Company utilizes some natural hedging to mitigate these transaction exposures. The Company also enters into foreign currency forward contracts for the purchase and sale of European and North American currencies to hedge balance sheet and income statement currency exposures. These contracts are principally entered into for the purchase of inventory and equipment and the sale of Company products into export markets. Counter-parties for these instruments are major financial institutions.

Currency forward contracts are used to hedge exposure for sales in foreign currencies based on specific sales orders with customers or for anticipated sales activity for a future time period. Generally, 60-80% of the sales value of these orders is covered by forward contracts. Maturity dates of the forward contracts are intended to match anticipated receivable collections. The Company marks the outstanding accounts receivable and forward contracts to market at month end and any realized and unrealized gains or losses are recorded as other income and expense. The Company also enters currency forward contracts for committed or anticipated equipment and inventory purchases. Generally 50-75% of the asset cost is covered by forward contracts although 100% of the asset cost may be covered by contracts in certain instances. Effective February 14, 2005, the Company entered into a contract to sell the European facility in Ireland and received a $2.8 million non-refundable deposit from the purchaser. In addition to the deposit, the contract called for a partial payment of 16.0 million Euros on June 30, 2005 and a final payment of 2.1 million Euros on September 30, 2005. On February 22, 2005, the Company entered into a forward exchange contract for 15.0 million Euros. The Company was required by the financial institution to deposit $2.8 million in an interest bearing collateral account to secure the financial institution's exposure on the hedge contract. This cash deposit is classified as "Restricted cash" and is included in current assets on the fiscal year 2005 balance sheet. On July 15, 2005, the Company settled the forward exchange contract for 15.0 million Euros. Forward contracts are matched with the anticipated date of delivery of the assets and gains and losses are recorded as a component of the asset cost for purchase transactions when the Company is firmly committed. The latest maturity for all outstanding purchase and sales foreign currency forward contracts are July 2006 and October 2006, respectively.

The dollar equivalent of these forward currency contracts and their related fair values are detailed below:

	June 25, 2006	June 26, 2005	June 27, 2004
		(Amounts in thousands)	
Foreign currency purchase contracts:			
Notional amount	$ 526	$ 168	$ 3,660
Fair value	535	159	3,642
Net (gain) loss	$ (9)	$ 9	$ 18
Foreign currency sales contracts:			
Notional amount	$ 833	$ 24,414	$ 18,833
Fair value	878	22,687	19,389
Net (gain) loss	$ 45	$ (1,727)	$ 556

The fair values of the foreign exchange forward contracts at the respective year-end dates are based on discounted year-end forward currency rates. The total impact of foreign currency related items that are reported on

the line item other (income) expense, net in the Consolidated Statements of Operations, including transactions that were hedged and those that were not hedged, was a pre-tax loss of $0.7 million for the fiscal year ended June 25, 2006, a pre-tax loss of $0.5 million for the fiscal year ended June 27, 2004, and a pre-tax gain of $1.1 million for the fiscal year ended June 26, 2005.

The Company uses the following methods in estimating its fair value disclosures for financial instruments:

Cash and cash equivalents, trade receivables and trade payables. The carrying amounts approximate fair value because of the short maturity of these instruments.

Long-term debt. The fair value of the Company's borrowings is estimated based on the quoted market prices for the same or similar issues or on the current rates offered to the Company for debt of the same remaining maturities (see Note 2, "Long-Term Debt and Other Liabilities").

Foreign currency contracts. The fair value is based on quotes obtained from brokers or reference to publicly available market information.

9. Investments in Unconsolidated Affiliates

The Company and SANS Fibres of South Africa formed a 50/50 joint venture (UNIFI-SANS Technical Fibers, LLC or "USTF") to produce low-shrinkage high tenacity nylon 6.6 light denier industrial (LDI) yarns in North Carolina. The business is operated in a plant in Stoneville, North Carolina which is owned by the Company. The Company receives annual rental income of $0.3 million from USTF for the use of the facility. The Company also received from USTF during fiscal 2006 payments totaling $1.7 million which consisted of reimbursements for rendering general and administrative services and purchasing various manufacturing related items for the operations. Unifi manages the day-to-day production and shipping of the LDI produced in North Carolina and SANS Fibres handles technical support and sales. Sales from this entity are primarily to customers in the Americas.

Unifi and Nilit Ltd., located in Israel, formed a 50/50 joint venture named U.N.F. Industries Ltd. ("UNF"). The joint venture produces nylon POY at Nilit's manufacturing facility in Migdal Ha — Emek, Israel. The nylon POY is utilized in the Company's nylon texturing and covering operations. The nylon segment has a supply agreement with UNF which expires in April 2008. Unifi is obligated to purchase certain to be agreed upon quantities of yarn production from UNF. The agreement does not provide for a fixed or minimum amount of yarn purchases, therefore there is a degree of uncertainty associated with the obligation. Accordingly, the Company has estimated its obligation under the agreement based on past history and internal projections.

The Company and Parkdale Mills, Inc. entered into a contribution agreement whereby both companies contributed all of the assets of their spun cotton yarn operations utilizing open-end and air jet spinning technologies to create Parkdale America, LLC ("PAL"). In exchange for its contributions, the Company received a 34% ownership interest in the joint venture. PAL is a producer of cotton and synthetic yarns for sale to the textile and apparel industries primarily within North America. PAL has 14 manufacturing facilities primarily located in central and western North Carolina.

The Company's investment in PAL at June 25, 2006 was $140.9 million and the underlying equity in the net assets of PAL at June 25, 2006 is $130.3 million or a difference of $10.6 million, which is accounted for as goodwill and is included in the Company's investment in PAL disclosures. The Company's view is that the entire carrying value of the investment in PAL is recoverable from its share of future cash distributions from the venture plus a terminal exit value.

On October 21, 2004, the Company announced that Unifi and Sinopec Yizheng Chemical Fiber Co., Ltd. ("YCFC") signed a non-binding letter of intent to form a joint venture to manufacture, process and market polyester filament yarn in YCFC's facilities in Yizheng, Jiangsu Province, Peoples Republic of China. On June 10, 2005, Unifi and YCFC entered into an Equity Joint Venture Contract (the "JV Contract"), to form Yihua Unifi Fibre Company Limited ("YUFI"). Under the terms of the JV Contract, each company owns a 50% equity interest in the joint venture. The joint venture transaction closed on August 3, 2005, and accordingly, the Company contributed to

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

YUFI its initial capital contribution of $15.0 million in cash on August 4, 2005. YCFC's facilities were already producing product at a steady state. On October 12, 2005, the Company transferred an additional $15.0 million to YUFI to complete the capitalization of the joint venture. The Company records revenues from the joint venture under a licensing agreement for certain proprietary information including technical knowledge, manufacturing processes, trade secrets, commercial information and other information relating to the design, manufacture, application testing, maintenance and sale of products. During fiscal year 2006, payments received under this agreement were $2.0 million.

Condensed balance sheet information as of June 25, 2006 and June 26, 2005, and income statement information for fiscal years 2006, 2005 and 2004, of combined unconsolidated equity affiliates were as follows (in thousands):

	June 25, 2006	June 26, 2005
	(Amounts in thousands)	
Current assets	$ 149,278	$ 127,188
Noncurrent assets	217,955	176,265
Current liabilities	48,334	28,235
Noncurrent liabilities	44,460	18,840
Shareholders' equity and capital accounts	274,439	256,378

	Fiscal Years Ended		
	June 25, 2006	June 26, 2005	June 27, 2004
	(Amounts in thousands)		
Net sales	$ 567,223	$ 471,786	$ 469,512
Gross profit	31,853	40,312	7,880
Income (loss) from operations	8,435	16,991	(15,928)
Net income (loss)	6,279	14,003	(20,183)

USTF and PAL are organized as partnerships for U.S. tax purposes. Taxable income and losses are passed through USTF and PAL to the members in accordance with the Operating Agreements of USTF and PAL. For the fiscal years ended June 25, 2006, June 26, 2005, and June 27, 2004, distributions received by the Company from its equity affiliates amounted to $2.8 million, $11.1 million, and $3.1 million, respectively. The total undistributed earnings of unconsolidated equity affiliates were $1.8 million as of June 26, 2006. Included in the above net sales amounts for the 2006, 2005, and 2004 fiscal years are sales to Unifi of approximately $24.0 million, $29.6 million, and $27.5 million, respectively. These amounts represent sales of nylon POY from UNF for use in the production of textured nylon yarn in the ordinary course of business.

10. Supplemental Cash Flow Information

Supplemental cash flow information is summarized below:

	Fiscal Years Ended		
	June 25, 2006	June 26, 2005	June 27, 2004
		(Amounts in thousands)	
Cash payments for:			
Interest	$ 18,153	$ 16,536	$ 16,842
Income taxes, net of refunds	3,164	5,012	2,437

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

11. Minority Interest

Effective May 29, 1998, the Company formed Unifi Textured Polyester, LLC ("UTP") with Burlington Industries, LLC, now known as International Textile Group, LLC ("ITG"), to manufacture and market natural textured polyester yarns. The Company had an 85.42% interest in UTP and ITG had 14.58%. For the first five years, ITG was entitled to the first $9.4 million of annual net earnings and the first $12.0 million of UTP's cash flows on an annual basis, less the amount of UTP net earnings. Subsequent to this five-year period, earnings and cash flows were allocated based on ownership percentages. UTP's assets, liabilities and earnings are consolidated with those of the Company and ITG's interest in the UTP is included in the Company's financial statements as minority interest (income) expense. In April 2005, the Company purchased ITG's ownership interest of 14.58% for $0.9 million in cash which resulted in a net write-down of UTP's assets of $2.9 million, as a result of applying purchase accounting to the acquisition of minority interest. Minority interest (income) expense for ITG's share of UTP in fiscal years 2006, 2005, and 2004 was $0.0 million, $(0.5) million, and $(6.5) million, respectively.

12. Fiscal Year 1999 Early Retirement and Termination Charge

During the third quarter of fiscal 1999, the Company recognized a $14.8 million charge associated with the early retirement and termination of 114 salaried employees. As of June 25, 2006, the remaining financial obligation is to provide health and dental coverage to each early retiree until they reach 65 years of age. An adjustment to the reserve was recorded in fiscal years 2006, 2005 and 2004 to replenish the reserve for the difference between the actual cash payments and the present value of the liability originally recorded, which represented interest expense. At June 25, 2006, a reserve of $2.0 million remained on the Consolidated Balance Sheet that is expected to equal the present value of future cash payments for remaining medical and dental expenses associated with these terminated employees. The table below summarizes the activity associated with this charge for fiscal years 2006, 2005, and 2004:

	June 25, 2006	June 26, 2005	June 27, 2004
	(Amounts in thousands)		
Balance at beginning of fiscal year	$ 2,931	$ 3,418	$ 3,860
Change in estimate for original charges	(673)	(308)	314
Present value adjustment	217	243	327
Cash payments	(444)	(422)	(1,083)
Balance at end of fiscal year	$ 2,031	$ 2,931	$ 3,418

13. Severance and Restructuring Charges

In fiscal year 2004, the Company recorded restructuring charges of $27.7 million, which consisted of $12.1 million of fixed asset write-downs associated with the closure of a dye facility in Manchester, England and the consolidation of the Company's polyester operations in Ireland, $7.8 million of employee severance for approximately 280 management and production level employees, $5.7 million in lease related costs associated with the closure of the facility in Altamahaw, NC and other restructuring costs of $2.1 million primarily related to the various plant closures. Of the $27.7 million recorded in fiscal year 2004 as a restructuring charge to continuing operations, $19.6 million has been reclassified to the line item "Loss from discontinued operations, net of tax" in the Consolidated Statements of Operations. Severance payments were made in accordance with various plan terms and were completed by July 2005. The lease obligation consists of rental payments of $1.0 million in fiscal year 2007 and $3.0 million in fiscal year 2008.

On October 19, 2004, the Company announced that it planned to curtail two production lines and downsize its recently acquired facility in Kinston, North Carolina. During the second quarter of fiscal year 2005, the Company recorded a severance reserve of $10.7 million for approximately 500 production level employees and a restructuring reserve of $0.4 million for the cancellation of certain warehouse leases. The entire restructuring reserve was recorded as assumed liabilities in purchase accounting; and accordingly, was not recorded as a restructuring

expense in the Consolidated Statements of Operations. During the third quarter of fiscal year 2005, management completed the curtailment of both production lines as scheduled which resulted in an actual reduction of 388 production level employees and a reduction to the initial restructuring reserve. Since no long-term assets or intangible assets were recorded in purchase accounting, the net reduction of $1.2 million was recorded as an extraordinary gain in the accompanying Consolidated Statements of Operations in fiscal year 2005.

On April 20, 2006, the Company re-organized its domestic business operations, and as a result, recorded a restructuring charge for severance of approximately $0.8 million in the fourth quarter of fiscal year 2006. Approximately 45 management level salaried employees were affected by the plan of reorganization.

The table below summarizes changes to the accrued severance and accrued restructuring accounts for the fiscal years ended June 26, 2005 and June 25, 2006:

	Balance at June 26, 2005	Additional Charges	Adjustments	Amount Used	Balance at June 25, 2006
			(Amounts in thousands)		
Accrued severance	$ 5,252	$ 812	$ 44	$ (5,532)	$ 576
Accrued restructuring	5,053	—	(195)	(1,308)	3,550

	Balance at June 27, 2004	Additional Charges	Adjustments	Amount Used	Balance at June 26, 2005
			(Amounts in thousands)		
Accrued severance	$ 2,949	$ 10,701	$ (834)	$ (7,564)	$ 5,252
Accrued restructuring	6,654	391	(695)	(1,297)	5,053

14. Impairment Charges

During the third quarter of fiscal year 2004, management performed impairment testing for the domestic textured polyester business due to the continued challenging business conditions and reduction in volume and gross profit in the preceding quarter. As a result, management determined the fair value of the plant, property and equipment at $73.7 million using market prices of the assets. Management determined that the assets were in fact impaired because the carrying value was $98.9 million. This resulted in a $25.2 million write down of the assets, which is included in the “Write down of long-lived assets” line item in the Consolidated Statements of Operations. Subsequent to performing the impairment test for the property, plant and equipment, the entire domestic polyester segment was tested for impairment as of February 29, 2004. As a result of the testing, the Company recorded a goodwill impairment charge of $13.5 million in the third quarter of fiscal year 2004 to reduce the segment’s goodwill to $0. The Company used the income approach and market approach to determine the fair value.

In June 2005 the Company entered into a contract to sell 166 machines held by the nylon division. As a result, a $0.6 million charge was recorded to write the assets down from a net book value of $1.5 million to their fair value less cost to sell. This charge is recorded on the “Write down of long-lived assets” line item in the Consolidated Statements of Operations.

On August 29, 2005, the Company announced an initiative to improve the efficiency of its nylon business unit which included the closing of Plant one in Mayodan, North Carolina and moving its operations and offices to Plant three in nearby Madison, North Carolina which is the Nylon division’s largest facility with over one million square feet of production space. In connection with this initiative, the Company decided to offer for sale a plant, a warehouse and a central distribution center (“CDC”), all of which are located in Mayodan, North Carolina. Based on appraisals received in September 2005, the Company determined that the warehouse was impaired and recorded an impairment charge of $1.5 million, which included $0.2 million in estimated selling costs. On March 13, 2006, the Company entered into a contract to sell the CDC and related land located in Mayodan, North Carolina. The terms of the contract call for a sale price of $2.7 million, which was approximately $0.7 million below the property’s carrying value. In accordance with SFAS No. 144, “Accounting for the Impairment or Disposal of Long-Lived

Assets," ("SFAS No. 144") the Company recorded an impairment charge of approximately $0.8 million during the third quarter of fiscal year 2006 which included selling costs of $0.1 million. The sale of the CDC closed in the fourth quarter of fiscal year 2006 with no further expense to the Company.

15. Assets Held for Sale

On July 28, 2004, the Company announced its decision to close its European Division and associated sales offices throughout Europe. The manufacturing facilities in Ireland ceased operations on October 31, 2004. On February 24, 2005, the Company announced that it had entered into three separate contracts to sell the property, plant and equipment of the European Division for approximately $38.0 million. The European Division's assets held for sale were separately stated in the June 26, 2005 Consolidated Balance Sheet and were reported in the Company's polyester segment.

The Company announced in the first quarter of fiscal year 2006 that the nylon division decided to consolidate its operating facilities in Mayodan and Madison, North Carolina. As a result, Plant 1, Plant 5, Plant 7, and the CDC were completely vacated as of March 2006 and listed for sale. In addition, unrelated to the Nylon restructuring plan, the Company decided to market other properties in Yadkinville, North Carolina and Staunton, Virginia as well as related idle machinery and equipment. The listing contract for real property was signed in December 2005. The sale of the CDC and the Staunton, Virginia properties were closed in the fourth quarter of fiscal year 2006.

The following table summarizes by category assets held for sale:

	June 25, 2006	June 26, 2005
	(Amounts in thousands)	
Land	$ 612	$ 1,588
Building	10,052	24,831
Machinery and equipment	4,238	5,985
Leasehold improvements	517	132
	$ 15,419	$ 32,536

16. Alliance

Effective June 1, 2000, the Company and E.I. DuPont De Nemours and Company ("DuPont") initiated a manufacturing alliance (the "Alliance"). The intent of the Alliance was to optimize the Company's and DuPont's POY manufacturing facilities by increasing manufacturing efficiency and improving product quality. Under the terms of the Alliance, DuPont and the Company ran their polyester POY manufacturing facilities as a single operating unit. The companies split equally the costs to complete the necessary plant consolidation and the benefits gained through asset optimization.

DuPont's subsidiary, Invista, Inc., held DuPont's textiles and interiors assets and businesses which included the Alliance assets. Such assets and businesses were subsequently sold to subsidiaries of Koch. INVISTA continued to operate the DuPont site through September 29, 2004.

Effective September 30, 2004, the Company completed the acquisition of the INVISTA polyester POY manufacturing assets from INVISTA. See Note 17, "Asset Acquisition".

The Company recognized, as a reduction of cost of sales, cost savings and other benefits from the Alliance of $0, $8.4 million and $38.2 million for fiscal years 2006, 2005 and 2004, respectively.

17. Asset Acquisition

As discussed in Note 16, "Alliance", the Company completed its acquisition of the INVISTA polyester POY manufacturing assets located in Kinston, North Carolina, including inventories, valued at $24.4 million which was

seller financed. See Note 2, "Long-Term Debt and Other Liabilities" for details of the financing agreement. On October 19, 2004, the Company announced its plans to curtail two production lines and downsize the workforce at its newly acquired manufacturing facility in Kinston, North Carolina. At that time the Company recorded a reserve of $10.7 million in related severance costs and $0.4 million in restructuring costs which were recorded as assumed liabilities in purchase accounting; and therefore, had no impact on the Consolidated Statements of Operations. As of March 27, 2005, both lines were successfully shut down which resulted in a reduction in the original restructuring estimate for severance. As a result of the reduction to the restructuring reserve, a $1.2 million extraordinary gain, net of tax, was recorded in fiscal year 2005.

18. Discontinued Operations

On July 28, 2005, the Company announced that it would discontinue the operations of the Company's external sourcing business, Unimatrix Americas. As of March 26, 2006, management's plan to exit the business was successfully completed resulting in the reclassification of the segment's losses as discontinued operations for all periods presented. See Note 20, "Quarterly Results (Unaudited)" for restatements of the fiscal 2006 first and second quarters and fiscal 2005 quarters.

On July 28, 2004, the Company announced its decision to close its European manufacturing operations and associated sales offices throughout Europe (the "European Division"). The manufacturing facilities in Ireland ceased operations on October 31, 2004. On February 24, 2005, the Company announced that it had entered into three separate contracts to sell the property, plant and equipment of the European Division for approximately $37.0 million. As of June 26, 2005, the Company has received approximately $9.9 million in proceeds from the sales contracts and recognized a gain of $10.4 million on the sales of capital assets. The Company received the remaining proceeds of $28.1 million during the first quarter fiscal year 2006 which resulted in a net gain of $4.6 million. The gains on the sales of capital assets are included in the line item "Income (loss) from discontinued operations — net of tax" in the Consolidated Statements of Operations.

The Company's dyed facility in Manchester, England was closed in June 2004 and the physical assets were abandoned in June 2005. In accordance with SFAS No. 144, the complete abandonment of the business which occurred in June 2005 required the Company to include the operating results for this facility as discontinued operations for all periods presented.

Beginning with the third quarter of fiscal year 2006, the Company separately disclosed the operating, investing and financing portions of the cash flows attributable to all discontinued operations in the Consolidated Statements of Cash Flows. All prior periods have been restated to conform with the current presentation.

Results of operations for the sourcing segment, European Division and the dyed facility in England for fiscal years 2006, 2005, and 2004 are as follows:

	Fiscal Years Ended		
	June 25, 2006	June 26, 2005	June 27, 2004
	(Amounts in thousands)		
Net sales	$ 3,967	$ 30,261	$ 80,087
Restructuring charges	—	14,873	19,487
Loss from discontinued operations before income taxes	$ (784)	$ (22,073)	$ (25,867)
Income tax (benefit) expense	(1,144)	571	(223)
Net (income) loss from discontinued operations — net of taxes	$ 360	$ (22,644)	$ (25,644)

19. Contingencies

The land with the Kinston Site is leased pursuant to a 99 year ground lease ("Ground Lease") with Dupont. Since 1993, Dupont has been investigating and cleaning up the Kinston Site under the supervision of the United

States Environmental Protection Agency ("EPA") and the North Carolina Department of Environment and Natural Resources pursuant to the Resource Conservation and Recovery Act Corrective Action program. The Corrective Action Program requires Dupont to identify all potential areas of environmental concern ("AOCs"), assess the extent of contamination at the identified AOCs and clean them up to applicable regulatory standards. Under the terms of the Ground Lease, upon completion by DuPont of required remedial action, ownership of the Kinston Site will pass to the Company. Thereafter, the Company will have responsibility for future remediation requirements, if any, at the AOCs previously addressed by DuPont. At this time the Company has no basis to determine if and when it will have any responsibility or obligation with respect to the AOCs or the extent of any potential liability for the same.

20. Quarterly Results (Unaudited)

Quarterly financial data for the fiscal years ended June 26, 2005 and June 25, 2006 is presented below:

	First Quarter (13 Weeks)	Second Quarter (13 Weeks)	Third Quarter (13 Weeks)	Fourth Quarter (13 Weeks)
	(Amounts in thousands, except per share data)			
2006:				
Net sales(a)	$ 183,102	$ 191,117	$ 181,398	$ 183,208
Gross profit(a)(b)	8,403	9,370	13,137	11,860
Income (loss) from discontinued operations, net of tax	1,929	(583)	(790)	(196)
Loss before extraordinary item	(2,878)	(3,976)	(2,117)	(5,395)
Extraordinary gain (loss) — net of tax of $0(c)	(208)	208	—	—
Net loss	(3,086)	(3,768)	(2,117)	(5,395)
Per Share of Common Stock (basic and diluted):				
Net loss before extraordinary item	$ (.06)	$ (.07)	$ (.04)	$ (.10)
Extraordinary gain — net of taxes of $0	—	—	—	—
Net loss	$ (.06)	$ (.07)	$ (.04)	$ (.10)
2005:				
Net sales(a)	$ 178,993	$ 206,687	$ 207,688	$ 200,428
Gross profit(a)(b)	10,840	9,817	9,332	1,090
Income (loss) from discontinued operations, net of tax	(21,650)	(2,941)	(1,659)	3,606
Loss before extraordinary item	(22,555)	(7,746)	(3,272)	(8,809)
Extraordinary gain (loss) — net of tax of $0(c)	—	—	1,342	(185)
Net loss	(22,555)	(7,746)	(1,930)	(8,994)
Per Share of Common Stock (basic and diluted):				
Net loss before extraordinary item	$ (.43)	$ (.15)	$ (.06)	$ (.17)
Extraordinary gain — net of taxes of $0	—	—	.02	—
Net loss	$ (.43)	$ (.15)	$ (.04)	$ (.17)

(a) As discussed further in Note 18, "Discontinued Operations" the Company decided to close its dye operation in England in June 2004 and the closure was substantially completed in June 2005, which required the Company to include the operating results for this facility as discontinued operations. As a result, net sales, gross profit

and income (loss) from discontinued operations for the first three quarters of fiscal year 2005 have been restated. In July 2005, the Company announced its decision to exit the sourcing business and management's plan to exit the business was successfully completed on March 26, 2006, resulting in the reclassification of the segment's losses as discontinued operations. As a result, net sales, gross profit and income (loss) from discontinued operations for the first and second quarters of the fiscal year 2006 and in each of the quarters in fiscal year 2005 have been restated. There was no effect on previously reported net income. Below is a reconciliation of the net sales, gross profit and income (loss) from discontinued operations amounts as previously reported in the Company's quarterly reports on Form 10-Q to the restated amounts reported above:

	Fiscal 2006		Fiscal 2005			
	First Quarter (13 Weeks)	Second Quarter (13 Weeks)	First Quarter (13 Weeks)	Second Quarter (13 Weeks)	Third Quarter (13 Weeks)	Fourth Quarter (13 Weeks)
	(Amounts in thousands)					
Net sales as previously reported	$ 185,441	$ 192,300	$ 180,155	$ 208,473	$ 208,318	$ 203,151
Less sales of discontinued operations	2,339	1,183	1,162	1,786	630	2,723
Net sales as restated	$ 183,102	$ 191,117	$ 178,993	$ 206,687	$ 207,688	$ 200,428
Gross profit as previously reported	$ 7,522	$ 9,093	$ 10,560	$ 9,686	$ 9,107	$ 1,189
Less gross profit (loss) of discontinued operations	(881)	(277)	(280)	(131)	(225)	99
Gross profit as restated	$ 8,403	$ 9,370	$ 10,840	$ 9,817	$ 9,332	$ 1,090
Income (loss) from discontinued operations as previously reported	$ 2,781	$ (270)	$ (21,299)	$ (3,051)	$ (1,429)	$ 3,681
Plus income (loss) of discontinued operations	(852)	(313)	(351)	110	(230)	(75)
Income (loss) from discontinued operations as restated	$ 1,929	$ (583)	$ (21,650)	$ (2,941)	$ (1,659)	$ 3,606

(b) The lower gross profit amount for the fourth quarter of fiscal year 2005 is primarily attributable to the Company selling off aged inventory in order to improve its working capital position.

(c) As discussed further in Note 17, "Asset Acquisition" the Company acquired a manufacturing facility at the beginning of its fiscal year 2005 second quarter and, as a result of purchase accounting, was required to record an extraordinary gain.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

21. Condensed Consolidating Financial Statements

The guarantor subsidiaries presented below represent the Company's subsidiaries that are subject to the terms and conditions outlined in the indenture governing the Company's issuance of senior secured notes and guarantees the notes, jointly and severally, on a senior unsecured basis. The non-guarantor subsidiaries presented below represent the foreign subsidiaries which do not guarantee the notes. Each subsidiary guarantor is 100% owned by Unifi, Inc. and all guarantees are full and unconditional.

Supplemental financial information for the Company and its guarantor subsidiaries and non-guarantor subsidiaries for the notes is presented below.

Balance Sheet Information as of June 25, 2006 (in thousands):

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
ASSETS					
Current assets:					
Cash and cash equivalents	$ 22,992	$ 1,392	$ 10,933	$ —	$ 35,317
Receivables, net	1	72,332	20,903	—	93,236
Inventories	—	91,840	24,178	—	116,018
Deferred income taxes	—	10,473	1,266	—	11,739
Assets held for sale	—	15,419	—	—	15,419
Other current assets	—	2,558	6,671	—	9,229
Total current assets	22,993	194,014	63,951	—	280,958
Property, plant and equipment	11,806	848,068	56,463	—	916,337
Less accumulated depreciation	(1,553)	(637,487)	(37,601)	—	(676,641)
	10,253	210,581	18,862	—	239,696
Investments in unconsolidated affiliates	—	157,741	32,476	—	190,217
Investments in consolidated subsidiaries	450,655	—	—	(450,655)	—
Other noncurrent assets	65,713	8,116	8,223	(60,286)	21,766
	$ 549,614	$ 570,452	$ 123,512	$ (510,941)	$ 732,637
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities:					
Accounts payable and other	$ 1,698	$ 57,315	$ 9,903	$ —	$ 68,916
Accrued expenses	2,202	18,011	3,656	—	23,869
Income taxes payable (receivable)	(10,046)	11,004	1,345	—	2,303
Current maturities of long-term debt and other current liabilities	—	290	6,040	—	6,330
Total current liabilities	(6,146)	86,620	20,944	—	101,418
Long-term debt and other liabilities	191,273	57,557	13,861	(60,286)	202,405
Deferred income taxes	(18,466)	63,380	947	—	45,861
Shareholders'/invested equity	382,953	362,895	87,760	(450,655)	382,953
	$ 549,614	$ 570,452	$ 123,512	$ (510,941)	$ 732,637

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Balance Sheet Information as of June 26, 2005 (in thousands):

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
ASSETS					
Current assets:					
Cash and cash equivalents	$ 35,868	$ 25,272	$ 44,481	$ —	$ 105,621
Receivables, net	—	85,073	21,364	—	106,437
Inventories	—	86,039	24,788	—	110,827
Deferred income taxes	(1,122)	14,527	1,173	—	14,578
Assets held for sale	—	21,843	10,693	—	32,536
Restricted cash	—	—	2,766	—	2,766
Other current assets	—	3,344	12,246	—	15,590
Total current assets	34,746	236,098	117,511	—	388,355
Property, plant and equipment	11,805	890,488	53,166	—	955,459
Less accumulated depreciation	(1,265)	(642,538)	(31,924)	—	(675,727)
	10,540	247,950	21,242	—	279,732
Investments in unconsolidated affiliates	—	152,918	7,757	—	160,675
Investments in consolidated subsidiaries	481,888	—	—	(481,888)	—
Other noncurrent assets	86,441	13,456	5,163	(88,447)	16,613
	$ 613,615	$ 650,422	$ 151,673	$ (570,335)	$ 845,375
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities:					
Accounts payable	$ 1,417	$ 49,719	$ 11,530	$ —	$ 62,666
Accrued expenses	7,201	27,592	10,825	—	45,618
Income taxes payable (receivable)	(7,481)	8,715	1,058	—	2,292
Current maturities of long-term debt and other current Liabilities	—	30,950	15,573	(11,184)	35,339
Total current liabilities	1,137	116,976	38,986	(11,184)	145,915
Long-term debt and other liabilities	249,473	5,884	4,685	(252)	259,790
Deferred income taxes	(20,570)	75,348	1,135	—	55,913
Other non-current liabilities	—	77,011	—	(77,011)	—
Minority interests	—	—	182	—	182
Shareholders'/invested equity	383,575	375,203	106,685	(481,888)	383,575
	$ 613,615	$ 650,422	$ 151,673	$ (570,335)	$ 845,375

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Statement of Operations Information for the Fiscal Year Ended June 25, 2006 (in thousands):

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Summary of Operations:					
Net sales	$ —	$ 633,514	$ 108,584	$ (3,273)	$ 738,825
Cost of sales	—	597,807	101,267	(3,019)	696,055
Selling, general and administrative expenses	146	35,654	6,138	(404)	41,534
Provision for bad debts	—	1,004	252	—	1,256
Interest expense	18,558	558	131	—	19,247
Interest income	(1,888)	(129)	(2,472)	—	(4,489)
Other (income) expense, net	(17,413)	14,650	(355)	—	(3,118)
Equity in (earnings) losses of unconsolidated affiliates	—	(5,216)	4,643	(252)	(825)
Equity in subsidiaries	12,969	—	(402)	(12,567)	—
Restructuring charges (recovery)	—	(226)	(28)	—	(254)
Write down of long-lived assets	—	2,315	51	—	2,366
Loss from early extinguishment of debt	2,949	—	—	—	2,949
Income (loss) from continuing operations before income taxes	(15,321)	(12,903)	(641)	12,969	(15,896)
Provision (benefit) for income taxes	(955)	(2,717)	2,502	—	(1,170)
Income (loss) from continuing operations	(14,366)	(10,186)	(3,143)	12,969	(14,726)
Income (loss) from discontinued operations, net of tax	—	(2,123)	2,483	—	360
Net income (loss)	$ (14,366)	$ (12,309)	$ (660)	$ 12,969	$ (14,366)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Statement of Operations Information for the Fiscal Year Ended June 26, 2005 (in thousands):

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Summary of Operations:					
Net sales	$ —	$ 700,374	$ 98,462	$ (5,040)	$ 793,796
Cost of sales	—	678,808	88,298	(4,389)	762,717
Selling, general and administrative expenses	201	36,964	5,982	(936)	42,211
Provision for bad debts	—	12,886	467	(181)	13,172
Interest expense	18,167	2,408	—	—	20,575
Interest income	(518)	(116)	(1,518)	—	(2,152)
Other (income) expense, net	(17,802)	16,934	(1,581)	149	(2,300)
Equity in (earnings) losses of unconsolidated affiliates	—	(6,410)	(749)	221	(6,938)
Equity in subsidiaries	43,847	—	—	(43,847)	—
Minority interest (income) expense	—	(539)	9	—	(530)
Restructuring charges (recovery)	—	(374)	33	—	(341)
Write down of long-lived assets	—	603	—	—	603
Income (loss) from continuing operations before income taxes and extraordinary item	(43,895)	(40,790)	7,521	43,943	(33,221)
Provision (benefit) for income taxes	(2,670)	(12,225)	1,412	—	(13,483)
Income (loss) from continuing operations before extraordinary item	(41,225)	(28,565)	6,109	43,943	(19,738)
Loss from discontinued operations, net of tax	—	(1,012)	(20,364)	(1,268)	(22,644)
Net income (loss) before extraordinary item	(41,225)	(29,577)	(14,255)	42,675	(42,382)
Extraordinary gain — net of taxes of $0	—	1,157	—	—	1,157
Net income (loss)	$ (41,225)	$ (28,420)	$ (14,255)	$ 42,675	$ (41,225)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Statement of Operations Information for the Fiscal Year Ended June 27, 2004 (in thousands):

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Summary of Operations:					
Net sales	$ —	$ 583,405	$ 89,381	$ (6,403)	$ 666,383
Cost of sales	—	555,500	75,266	(4,783)	625,983
Selling, general and administrative expenses	—	42,223	5,382	(1,642)	45,963
Provision for bad debts	—	2,399	(10)	—	2,389
Interest expense	18,141	520	37	—	18,698
Interest income	(294)	(219)	(1,639)	—	(2,152)
Other (income) expense, net	(20,161)	17,352	(171)	390	(2,590)
Equity in (earnings) losses of unconsolidated affiliates	—	7,956	(1,079)	—	6,877
Equity in subsidiaries	71,392	—	—	(71,392)	—
Minority interest (income) expense	—	(6,521)	91	—	(6,430)
Restructuring charges	—	8,229	—	—	8,229
Arbitration costs and expenses	—	182	—	—	182
Alliance plant closure costs(recovery)	—	(206)	—	—	(206)
Write down of long-lived assets	—	25,241	—	—	25,241
Goodwill impairment	13,461	—	—	—	13,461
Income (loss) from continuing operations before income taxes	(82,539)	(69,251)	11,504	71,024	(69,262)
Provision (benefit) for income taxes	(12,746)	(15,466)	3,099	—	(25,113)
Income (loss) from continuing operations	(69,793)	(53,785)	8,405	71,024	(44,149)
Loss from discontinued operations, net of tax	—	(512)	(25,116)	(16)	(25,644)
Net income (loss)	$ (69,793)	$ (54,297)	$ (16,711)	$ 71,008	$ (69,793)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Statements of Cash Flows Information for the Fiscal Year Ended June 25, 2006 (in thousands):

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Operating activities:					
Net cash provided by continuing operating activities	$ 22,061	$ (1,740)	$ 9,622	$ 150	$ 30,093
Investing activities:					
Capital expenditures	—	(10,400)	(1,588)	—	(11,988)
Acquisition	—	(634)	(30,000)	—	(30,634)
Investment of foreign restricted assets	—	—	171	—	171
Collection of notes receivable	564	(160)	—	—	404
Proceeds from sale of capital assets	—	10,026	67	—	10,093
Increase in restricted cash	—	—	2,766	—	2,766
Other	—	32	(74)	—	(42)
Net cash provided by (used in) investing activities	564	(1,136)	(28,658)	—	(29,230)
Financing activities:					
Payment of long term debt	(248,727)	(24,407)	—	—	(273,134)
Borrowing of long term debt	190,000	—	—	—	190,000
Debt issuance costs	(8,041)	—	—	—	(8,041)
Issuance of Company stock	176	—	—	—	176
Cash dividend paid	31,091	—	(31,091)	—	—
Purchase and retirement of Company stock	—	358	467	—	825
Other	—	(10)	10	—	—
Net cash used in financing activities	(35,501)	(24,059)	(30,614)	—	(90,174)
Cash flows of discontinued operations:					
Operating cash flow	—	4,025	(7,367)	—	(3,342)
Investing cash flow	—	(970)	22,998	—	22,028
Net cash provided by (used in) discontinued operations	—	3,055	15,631	—	18,686
Effect of exchange rate changes on cash and cash equivalents	—	—	471	(150)	321
Net decrease in cash and cash equivalents	(12,876)	(23,880)	(33,548)	—	(70,304)
Cash and cash equivalents at beginning of year	35,868	25,272	44,481	—	105,621
Cash and cash equivalents at end of year	$ 22,992	$ 1,392	$ 10,933	$ —	$ 35,317

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Statements of Cash Flows Information for the Fiscal Year Ended June 26, 2005 (in thousands):

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Operating activities:					
Net cash provided by (used in) continuing operating activities	$ 4,222	$ 23,518	$ (3,827)	$ 4,872	$ 28,785
Investing activities:					
Capital expenditures	—	(5,548)	(4,498)	624	(9,422)
Acquisition	—	(1,358)	—	—	(1,358)
Return of capital from equity affiliates	—	6,138	—	—	6,138
Investment of foreign restricted assets	—	—	388	—	388
Collection of notes receivable	543	(206)	252	(69)	520
Increase in notes receivable	—	(139)	—	—	(139)
Proceeds from sale of capital assets	—	2,259	492	(461)	2,290
Increase in restricted cash	—	(2,766)	—	—	(2,766)
Other	—	(884)	(206)	748	(342)
Net cash provided by (used in) investing activities	543	(2,504)	(3,572)	842	(4,691)
Financing activities:					
Issuance of Company stock	104	—	—	—	104
Purchase and retirement of Company stock	(2)	—	—	—	(2)
Other	—	(530)	510	—	(20)
Net cash provided by (used in) financing activities	102	(530)	510	—	82
Cash flows of discontinued operations:					
Operating cash flow	—	12	(3,045)	(3,240)	(6,273)
Investing cash flow	—	—	13,902	—	13,902
Net cash provided by (used in) discontinued operations	—	12	10,857	(3,240)	7,629
Effect of exchange rate changes on cash and cash equivalents	—	—	11,069	(2,474)	8,595
Net increase in cash and cash equivalents	4,867	20,496	15,037	—	40,400
Cash and cash equivalents at beginning of year	31,001	4,776	29,444	—	65,221
Cash and cash equivalents at end of year	$ 35,868	$ 25,272	$ 44,481	$ —	$ 105,621

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Statements of Cash Flows Information for the Fiscal Year Ended June 27, 2004 (in thousands):

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Operating activities:					
Net cash provided by (used in) continuing operating activities	$ (8,361)	$ 6,106	$ 11,589	$ 2,046	$ 11,380
Investing activities:					
Capital expenditures	(378)	(10,310)	(821)	385	(11,124)
Acquisition	—	(83)	—	—	(83)
Return of capital from equity affiliates	—	1,665	—	—	1,665
Investment of foreign restricted assets	—	(202)	(323)	202	(323)
Change in notes receivable	1,905	(702)	(1,333)	—	(130)
Proceeds from sale of capital assets	4,048	194	—	—	4,242
Other	—	(24)	—	—	(24)
Net cash provided by (used in) investing activities	5,575	(9,462)	(2,477)	587	(5,777)
Financing activities:					
Issuance of Company stock					
Purchase and retirement of Company stock	(8,390)	—	—	—	(8,390)
Other	—	(186)	109	—	(77)
Net cash provided by (used in) financing activities	(8,390)	(186)	109	—	(8,467)
Cash flows of discontinued operations:					
Operating cash flow	—	(10)	(6,765)	(1,583)	(8,358)
Investing cash flow	—	—	(427)	—	(427)
Financing cash flow	—	10	—	—	10
Net cash used in discontinued operations	—	—	(7,192)	(1,583)	(8,775)
Effect of exchange rate changes on cash and cash equivalents	—	—	1,109	(1,050)	59
Net increase (decrease) in cash and cash equivalents	(11,176)	(3,542)	3,138	—	(11,580)
Cash and cash equivalents at beginning of year	42,177	8,318	26,306	—	76,801
Cash and cash equivalents at end of year	$ 31,001	$ 4,776	$ 29,444	$ —	$ 65,221

Item 9. ***Changes in and Disagreements with Accountants on Accounting and Financial Disclosure***

The Company has not changed accountants nor are there any disagreements with its accountants, Ernst & Young LLP, on accounting and financial disclosure that are required to be reported pursuant to Item 304 of Regulation S-K.

Item 9A. ***Controls and Procedures***

Evaluation of Disclosure Controls and Procedures

The Company maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in the Company's reports filed or submitted pursuant to the Securities Exchange Act of 1934, as amended (the "Exchange Act") is recorded, processed, summarized and reported in a timely manner, and that such information is accumulated and communicated to the Company's management, specifically including its Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.

The Company carries out a variety of on-going procedures, under the supervision and with the participation of the Company's management, including the Chief Executive Officer and the Chief Financial Officer, to evaluate the effectiveness of the Company's disclosure controls and procedures. Based on the foregoing, the Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective as of June 25, 2006.

Assessment of Internal Control over Financial Reporting

Management's Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). Under the supervision and with the participation of its Chief Executive Officer and Chief Financial Officer, management conducted an evaluation of the effectiveness of its internal control over financial reporting based upon the criteria set forth in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Based on that evaluation, management believes that the Company's internal control over financial reporting was effective as of June 25, 2006.

Internal control over financial reporting cannot provide absolute assurance of achieving financial reporting objectives because of its inherent limitations. Internal control over financial reporting is a process that involves human diligence and compliance and is subject to lapses in judgment and breakdowns resulting from human failures. Internal control over financial reporting also can be circumvented by collusion or improper management override. Because of such limitations, there is a risk that material misstatements may not be prevented or detected on a timely basis by internal controls over financial reporting. However, these inherent limitations are known features of the financial reporting process. Therefore, it is possible to design into the process safeguards to reduce, though not eliminate, this risk.

Ernst and Young LLP, the Company's independent registered public accounting firm, has issued an attestation report on the assessment performed by the Company's management with respect to the Company's internal control over financial reporting, which begins on page 94 of this Annual Report on Form 10-K.

Attestation Report of Ernst & Young LLP

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders of Unifi, Inc.,

We have audited management's assessment, included in the accompanying Management's Report on Internal Control over Financial Reporting, that Unifi, Inc. maintained effective internal control over financial reporting as of June 25, 2006, based on criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the "COSO Criteria"). Unifi, Inc.'s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, management's assessment that Unifi, Inc. maintained effective internal control over financial reporting as of June 25, 2006, is fairly stated, in all material respects, based on the COSO Criteria. Also, in our opinion, Unifi, Inc. maintained, in all material respects, effective internal control over financial reporting as of June 25, 2006, based on the COSO Criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Unifi, Inc. as of June 25, 2006 and June 26, 2005, and the related consolidated statements of operations, shareholders' equity and comprehensive income (loss), and cash flows for each of the three years in the period ended June 25, 2006 of Unifi, Inc. and our report dated August 30, 2006, expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Greensboro, North Carolina
August 30, 2006

Changes in Internal Control over Financial Reporting

There has been no change in the Company's internal control over financial reporting during the Company's most recent fiscal quarter that has materially affected, or is reasonable likely to materially affect, the Company's internal control over financial reporting.

Item 9B. ***Other Information***

None.

PART III

Item 10. ***Directors and Executive Officers of Registrant***

The information required by this item with respect to executive officers is set forth above in Part I. The information required by this item with respect to directors will be set forth in the Company's definitive proxy statement for its 2006 Annual Meeting of Shareholders to be filed within 120 days after June 25, 2006 (the "Proxy Statement") under the headings "Election of Directors," "Nominees for Election as Directors," and "Section 16(a) Beneficial Ownership Reporting and Compliance" and is incorporated herein by reference.

Code of Business Conduct and Ethics; Ethical Business Conduct Policy Statement

The Company has adopted a written Code of Business Conduct and Ethics applicable to members of the Board of Directors and Executive Officers (the "Code of Business Conduct and Ethics"). The Company has also adopted the Ethical Business Conduct Policy Statement (the "Policy Statement") that applies to all employees. The Code of Business Conduct and Ethics and the Policy Statement are available on the Company's website at www.unifi.com, under the "Investor Relations" section and print copies are available without charge to any shareholder that requests a copy. Any amendments to or waiver of the Code of Business Conduct and Ethics applicable to the Company's chief executive officer and chief financial officer will be disclosed on the Company's website promptly following the date of such amendment or waiver.

NYSE Certification

The Annual Certification of the Company's Chief Executive Officer required to be furnished to the New York Stock Exchange pursuant to section 303A.12(a) of the NYSE Listed Company Manual was previously filed at the New York Stock Exchange on November 14, 2005.

Item 11. ***Executive Compensation***

The information required by this item will be set forth in the Proxy Statement under the headings "Executive Officers and their Compensation," "Directors' Compensation," "Employment and Termination Agreements," "Compensation Committee InterLocks and Insider Participation in Compensation Decisions," "Insider Transactions," "Report of the Compensation Committee on Executive Compensation" and "Performance Graph — Shareholder Return on Common Stock," and is incorporated herein by reference.

Item 12. ***Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters***

The information required by this item with respect to security ownership of certain beneficial owners and management will be set forth in the Proxy Statement under the headings "Information Relating to Principal Security Holders" and "Beneficial Ownership of Common Stock By Directors and Executive Officers" and is incorporated herein by reference.

Item 13. ***Certain Relationships and Related Transactions***

The information required by this item will be set forth in the Proxy Statement under the headings "Compensation Committee InterLocks and Insider Participation in Compensation Decisions" and "Insider Transactions" and is incorporated herein by reference.

Item 14. ***Principal Accountant Fees and Services***

The information required by this item will be set forth in the Proxy Statement under the heading "Audit Committee Report" and is incorporated herein by reference.

PART IV

Item 15. ***Exhibits and Financial Statement Schedules***

(a) 1. *Financial Statements*

The following financial statements of the Registrant and reports of independent registered public accounting firm are filed as a part of this Report.

2. *Financial Statement Schedules*

Schedules other than those above are omitted because they are not required, are not applicable, or the required information is given in the consolidated financial statements or notes thereto.

With the exception of the information herein expressly incorporated by reference, the Proxy Statement is not deemed filed as a part of this Annual Report on Form 10-K.

3. *Exhibits*

Exhibit Number	Description
3.1(i) (a)	Restated Certificate of Incorporation of Unifi, Inc., as amended (incorporated by reference from Exhibit 3a to the Company's Annual Report on Form 10-K for the fiscal year ended June 27, 2004 (Reg. No. 001-10542) filed on September 17, 2004).
3.1(i) (b)	Certificate of Change to the Certificate of Incorporation of Unifi, Inc. (incorporated by reference from Exhibit 3.1 to the Company's Current Report on Form 8-K (Reg. No. 001-10542) dated July 25, 2006).
3.1(ii)	Restated By-laws of Unifi, Inc., effective October 22, 2003 (incorporated by reference from Exhibit 3b to the Company's Annual Report on Form 10-K for the fiscal year ended June 27, 2004 (Reg. No. 001-10542) filed on September 17, 2004).
4.1	Indenture dated May 26, 2006, among Unifi, Inc., the guarantors party thereto and U.S. Bank National Association, as trustee.
4.2	Form of Exchange Note (included as Exhibit A of Exhibit 4.1 of this Registration Statement).
4.3	Registration Rights Agreement, dated May 26, 2006, among Unifi, Inc., the guarantors party thereto and Lehman Brothers Inc. and Banc of America Securities LLC, as the initial purchasers.
4.4	Security Agreement, dated as of May 26, 2006, among Unifi, Inc., the guarantors party thereto and U.S. Bank National Association.
4.5	Pledge Agreement, dated as of May 26, 2006, among Unifi, Inc., the guarantors party thereto and U.S. Bank National Association.
4.6	Grant of Security Interest in Patent Rights, dated as of May 26, 2006, by Unifi, Inc. in favor of U.S. Bank National Association.
4.7	Grant of Security Interest in Trademark Rights, dated as of May 26, 2006, by Unifi, Inc. in favor of U.S. Bank National Association.
4.8	Intercreditor Agreement, dated as of May 26, 2006, among Unifi, Inc., the subsidiaries party thereto, Bank of America N.A. and U.S. Bank National Association.
4.9	Amended and Restated Credit Agreement, dated as of May 26, 2006, among Unifi, Inc., the subsidiaries party thereto and Bank of America N.A.
4.10	Amended and Restated Security Agreement, dated May 26, 2006, among Unifi, Inc., the subsidiaries party thereto and Bank of America N.A.
4.11	Pledge Agreement, dated May 26, 2006, among Unifi, Inc., the subsidiaries party thereto and Bank of America N.A.
4.12	Grant of Security Interest in Patent Rights, dated as of May 26, 2006, by Unifi, Inc. in favor of Bank of America N.A.
4.13	Grant of Security Interest in Trademark Rights, dated as of May 26, 2006, by Unifi, Inc. in favor of Bank of America N.A.
10.1	Deposit Account Control Agreement, dated as of May 26, 2006, between Unifi Manufacturing, Inc. and Bank of America, N.A.
10.2	Deposit Account Control Agreement, dated as of May 26, 2006, between Unifi Kinston, LLC and Bank of America, N.A.
10.3	*Unifi, Inc. 1992 Incentive Stock Option Plan, effective July 16, 1992 (incorporated by reference from Exhibit 10c to the Company's Annual Report on Form 10-K for the fiscal year ended June 27, 1993 (Reg. No. 001-10542) filed on September 21, 1993, and included as Exhibit 99.2 to the Company's Registration Statement on Form S-8 (Reg. No. 033-53799) filed on May 25, 1994).
10.4	*Unifi, Inc.'s 1996 Incentive Stock Option Plan (incorporated by reference from Exhibit 10f to the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 1996 (Reg. No. 001-10542) filed on September 27, 1996).
10.5	*Unifi, Inc.'s 1996 Non-Qualified Stock Option Plan (incorporated by reference from Exhibit 10g to the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 1996 (Reg. No. 001-10542) filed on September 27, 1996).

Exhibit Number	Description
10.6	*1999 Unifi, Inc. Long-Term Incentive Plan (incorporated by reference from Exhibit 99.1 to the Company's Registration Statement on Form S-8 (Reg. No. 333-43158) filed on August 7, 2000).
10.7	*Form of Option Agreement for Incentive Stock Options granted under the 1999 Unifi, Inc. Long-Term Incentive Plan (incorporated by reference from Exhibit 10.4 to the Company's Current Report on Form 8-K (Reg. No. 001-10542) dated July 25, 2006).
10.8	*Unifi, Inc. Supplemental Key Employee Retirement Plan, effective July 26, 2006 (incorporated by reference from Exhibit 10.4 to the Company's Current Report on Form 8-K (Reg. No. 001-10542) dated July 25, 2006).
10.9	*Employment Agreement between Unifi, Inc. and Brian R. Parke, dated January 23, 2002 (incorporated by reference from Exhibit 10g to the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2002 (Reg. No. 001-10542) filed on September 23, 2002).
10.10	*Employment Agreement between Unifi, Inc. and William M. Lowe, Jr., effective July 25, 2006 (incorporated by reference from Exhibit 10.3 to the Company's Current Report on Form 8-K (Reg. No. 001-10542) dated July 25, 2006).
10.11	*Change of Control Agreement between Unifi, Inc. and Thomas H. Caudle, Jr., effective November 1, 2005 (incorporated by reference from Exhibit 10.1 to the Company's Current Report on Form 8-K (Reg. No. 001-10542) dated November 1, 2005).
10.12	*Change of Control Agreement between Unifi, Inc. and Benny Holder, effective November 1, 2005 (incorporated by reference from Exhibit 10.2 to the Company's Current Report on Form 8-K (Reg. No. 001-10542) dated November 1, 2005).
10.13	*Change of Control Agreement between Unifi, Inc. and Charles F, McCoy, effective November 1, 2005 (incorporated by reference from Exhibit 10.2 to the Company's Current Report on Form 8-K (Reg. No. 001-10542) dated November 1, 2005).
10.14	*Change of Control Agreement between Unifi, Inc. and William M. Lowe, Jr., effective November 1, 2005 (incorporated by reference from Exhibit 10.2 to the Company's Current Report on Form 8-K (Reg. No. 001-10542) dated November 1, 2005).
10.15	*Change of Control Agreement between Unifi, Inc. and R. Roger Berrier, Jr., effective July 25, 2006 (incorporated by reference from Exhibit 10.1 to the Company's Current Report on Form 8-K (Reg. No. 001-10542) dated July 25, 2006).
10.16	*Change of Control Agreement between Unifi, Inc. and William L. Jasper, effective July 25, 2006 (incorporated by reference from Exhibit 10.2 to the Company's Current Report on Form 8-K (Reg. No. 001-10542) dated July 25, 2006).
10.17	Chip Supply Agreement, dated March 18, 2005, by and between Unifi Manufacturing, Inc. and Nan Ya Plastics Corp., America (incorporated by reference from Exhibit 10.1 to the Company's Current Report on Form 8-K (Reg. No. 001-10542) dated March 18, 2005) (portions of this exhibit have been redacted and filed separately with the Securities and Exchange Commission pursuant to a request for confidential treatment).
10.18	Equity Joint Venture Contract, dated June 10, 2005, between Sinopec Yizheng Chemical Fibre Company Limited and Unifi Asia Holdings, SRL for the establishment of Yihua Unifi Fibre Industry Company Limited (incorporated by reference from Exhibit 10.1 to the Company's Current Report on Form 8-K (Reg. No. 001-10542) dated June 10, 2005).
14.1	Unifi, Inc. Ethical Business Conduct Policy Statement as amended July 22, 2004, filed as Exhibit (14a) with the Company's Form 10-K for the fiscal year ended June 27, 2004, which is incorporated herein by reference.
14.2	Unifi, Inc. Code of Business Conduct & Ethics adopted on July 22, 2004, filed as Exhibit (14b) with the Company's Form 10-K for the fiscal year ended June 27, 2004, which is incorporated herein by reference.

Exhibit Number	Description
21.1	List of Subsidiaries.
23.1	Consent of Ernst & Young LLP, Independent Registered Public Accounting Firm
23.2	Consent of Ernst & Young Hua Ming, Independent Registered Public Accounting Firm
23.3	Consent of Grant Thornton LLP, Independent Certified Public Accounting Firm
31.1	Chief Executive Officer's certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Chief Financial Officer's certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Chief Executive Officer's certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Chief Financial Officer's certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

* NOTE: These Exhibits are management contracts or compensatory plans or arrangements required to be filed as an exhibit to this Form 10-K pursuant to Item 15(b) of this report.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on September 8, 2006.

UNIFI, Inc.

By: /s/ BRIAN R. PARKE
Brian R. Parke
Chairman of the Board, President and Chief Executive Officer

By: /s/ WILLIAM M. LOWE, JR.
William M. Lowe, Jr.
Vice President, Chief Operating Officer and Chief Financial Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated:

/s/ BRIAN R. PARKE Brian R. Parke	Chairman of the Board, President and Chief Executive Officer	September 8, 2006
/s/ WILLIAM J. ARMFIELD, IV William J. Armfield, IV	Director	September 8, 2006
/s/ R. WILEY BOURNE, JR. R. Wiley Bourne, Jr.	Director	September 8, 2006
/s/ CHARLES R. CARTER Charles R. Carter	Director	September 8, 2006
/s/ SUE W. COLE Sue W. Cole	Director	September 8, 2006
/s/ J.B. DAVIS J.B. Davis	Director	September 8, 2006
/s/ KENNETH G. LANGONE Kenneth G. Langone	Director	September 8, 2006
/s/ DONALD F. ORR Donald F. Orr	Director	September 8, 2006

(27) Schedule II — Valuation and Qualifying Accounts

Column A Description	Column B Balance at Beginning of Period	Column C Additions Charged to Costs and Expenses	Column C Additions Charged to Other Accounts Describe (b)	Column D Deductions Describe (c)	Column E Balance at End of Period
			(Amounts in thousands)		
Allowance for uncollectible accounts(a):					
Year ended June 25, 2006	$ 13,967	$ 1,256	$ (1,107)	$ (8,987)	$ 5,129
Year ended June 26, 2005	10,721	14,028	(324)	(10,458)	13,967
Year ended June 27, 2004	12,268	2,297	447	(4,291)	10,721
Valuation allowance for deferred tax assets:					
Year ended June 25, 2006	$ 10,930	$ 1,886	$ —	$ (3,584)	$ 9,232
Year ended June 26, 2005	13,137	830	—	(3,037)	10,930
Year ended June 27, 2004	10,500	3,927	—	(1,290)	13,137

Notes

(a) The allowance for doubtful accounts includes amounts estimated not to be collectible for product quality claims, specific customer credit issues and a general provision for bad debts.

(b) The allowance for doubtful accounts includes acquisition related adjustments and/or effects of currency translation from restating activity of its foreign affiliates from their respective local currencies to the U.S. dollar.

(c) Deductions from the allowance for doubtful accounts represent accounts written off which were deemed not to be collectible and the customer claims paid, net of certain recoveries.

In fiscal year 2005, deductions from the valuation allowance for deferred tax assets include state tax credit write-offs due to the expiration of the credits and capital loss carryforwards. In fiscal year 2006, deductions from the valuation allowance for deferred tax assets include state tax credit write-offs due to the expiration of the credits.

Financial Statements and Report of
Independent Certified Public Accountants

Parkdale America, LLC

(a limited liability company)

As of December 31, 2005, January 1, 2005, and
January 3, 2004

Parkdale America, LLC

Table of Contents

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Members of
Parkdale America, LLC:

We have audited the accompanying balance sheet of **Parkdale America, LLC** as of December 31, 2005, and the related statements of operations, members' equity and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of Parkdale America, LLC as of and for the years ended January 1, 2005, and January 3, 2004, were audited by other auditors. Those auditors expressed an unqualified opinion on those financial statements in their report dated March 4, 2005.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America as established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the 2005 financial statements referred to above present fairly, in all material respects, the financial position of Parkdale America, LLC as of December 31, 2005, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

/s/ Grant Thornton LLP

Charlotte, North Carolina
March 17, 2006

Parkdale America, LLC

Balance Sheets
December 31, 2005, January 1, 2005, and January 3, 2004

	2005	2004	2003
ASSETS			
Current assets:			
Cash and cash equivalents	$ 11,610,000	$ 59,116,000	$ 73,567,000
Available-for-sale securities	10,000,000	0	0
Accounts receivable, less allowance of $2,000,000, $3,000,000 and $3,740,000, respectively	57,255,000	57,714,000	61,529,000
Inventories	36,665,000	36,287,000	61,149,000
Prepaid expenses and other assets	2,300,000	1,129,000	1,039,000
Notes receivable	84,000	87,000	90,000
Notes receivable from joint venture, current	1,023,000	0	0
Total current assets	118,937,000	154,333,000	197,374,000
Property, plant and equipment, net	117,267,000	111,229,000	108,826,000
Assets held for sale	6,805,000	1,339,000	1,167,000
Investment in joint venture	10,888,000	9,754,000	8,755,000
Intangible assets, net	625,000	1,250,000	1,875,000
Derivative instruments, net	837,000	3,800,000	10,876,000
Notes receivable from joint venture	0	3,609,000	4,777,000
Deferred financing costs	532,000	155,000	511,000
	$ 255,891,000	$ 285,469,000	$ 334,161,000
LIABILITIES AND MEMBERS' EQUITY			
Current liabilities:			
Cash overdraft	$ 2,410,000	$ 0	$ 0
Trade accounts payable	11,498,000	13,660,000	13,748,000
Accrued expenses	5,623,000	6,147,000	7,380,000
Deferred revenue	347,000	0	0
Due to affiliates, net	2,304,000	1,991,000	461,000
Current portion of capital lease obligations	1,775,000	1,754,000	1,640,000
Current portion of long-term debt	0	32,000,000	8,000,000
Total current liabilities	23,957,000	55,552,000	31,229,000
Capital lease obligations	12,587,000	15,198,000	16,952,000
Long-term debt	0	0	32,000,000
Total liabilities	36,544,000	70,750,000	80,181,000
Commitments and contingencies			
Members' equity	219,347,000	214,719,000	253,980,000
	$ 255,891,000	$ 285,469,000	$ 334,161,000

The accompanying notes are an integral part of these financial statements.

Parkdale America, LLC

Statements of Operations
For the Years Ended December 31, 2005,
January 1, 2005, and January 3, 2004

	2005	2004	2003
Net sales	$ 409,136,000	$ 436,874,000	$ 403,600,000
Cost of goods sold	(370,631,000)	(411,998,000)	(380,722,000)
Gross margin	38,505,000	24,876,000	22,878,000
General and administrative expenses	(16,582,000)	(19,037,000)	(19,439,000)
Income from operations	21,923,000	5,839,000	3,439,000
Interest expense	(1,840,000)	(3,670,000)	(4,384,000)
Interest income	857,000	1,214,000	1,276,000
(Loss) gain on derivative instruments	(1,118,000)	(15,904,000)	11,251,000
Earnings from income of joint venture	1,134,000	1,000,000	607,000
(Loss) gain on foreign currency translation	(624,000)	1,010,000	0
Loss on settlement of anti-competitive practices litigation	(7,800,000)	0	0
Loss on extinguishment of debt	(2,111,000)	0	0
Other (expense) income, net	(2,209,000)	(830,000)	843,000
Income (loss) before cumulative effect of change in accounting principle	8,212,000	(11,341,000)	13,032,000
Cumulative effect on prior years (to January 3, 2004) of changing to different method of valuing certain inventories	0	1,562,000	0
Net income (loss)	$ 8,212,000	$ (9,779,000)	$ 13,032,000

The accompanying notes are an integral part of these financial statements.

Parkdale America, LLC

Statements of Members' Equity
For the Years Ended December 31, 2005,
January 1, 2005, and January 3, 2004

Balance, December 28, 2002	$ 271,990,000
Net income	13,032,000
Dividends paid	(31,510,000)
Capital contribution by Parkdale	468,000
Balance, January 3, 2004	253,980,000
Net loss	(9,779,000)
Dividends paid	(29,489,000)
Capital contributions	7,000
Balance, January 1, 2005	214,719,000
Comprehensive income:	
Net income	8,212,000
Changes in other comprehensive income	3,051,000
Total comprehensive income	11,263,000
Dividends paid	(6,635,000)
Balance, December 31, 2005	$ 219,347,000

The accompanying notes are an integral part of these financial statements.

Parkdale America, LLC

Statements of Cash Flows
For the Years Ended December 31, 2005,
January 1, 2005, and January 3, 2004

	2005	2004	2003
Cash flows from operating activities:			
Net income (loss)	$ 8,212,000	$ (9,779,000)	$ 13,032,000
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	26,454,000	22,066,000	29,671,000
Loss (gain) on disposals of property, plant and equipment	647,000	221,000	(38,000)
Loss on write down of property, plant and equipment	7,127,000	0	0
Loss (gain) on derivative instruments	6,014,000	7,076,000	(9,142,000)
Earnings from income of joint venture	(1,134,000)	(1,000,000)	(607,000)
Losses on write-downs of inventories	0	293,000	5,107,000
Changes in operating assets and liabilities:			
Accounts receivable, net	459,000	3,815,000	(11,353,000)
Notes receivable	0	1,171,000	(6,000)
Due to affiliates, net	313,000	1,536,000	1,557,000
Inventories	910,000	24,569,000	(23,463,000)
Prepaid expenses and other assets	(1,171,000)	(90,000)	421,000
Trade accounts payable	(2,162,000)	(564,000)	3,241,000
Accrued expenses	(524,000)	(1,233,000)	23,000
Deferred revenue	347,000	0	(75,000)
Cash overdraft	2,410,000	0	0
Net cash provided by operating activities	47,902,000	48,081,000	8,368,000
Cash flows from investing activities:			
Purchases of property, plant and equipment	(40,180,000)	(24,955,000)	(2,663,000)
Purchases of available-for-sale securities	(10,000,000)	0	0
Acquisition of certain assets of Delta Apparel, Inc.	(11,288,000)	0	0
Proceeds from disposals of property, plant and equipment	5,462,000	1,552,000	375,000
Proceeds from notes receivable from affiliates	2,586,000	0	450,000
Proceeds from notes receivable	3,000	0	0
Net cash used in investing activities	(53,417,000)	(23,403,000)	(1,838,000)
Cash flows from financing activities:			
Payments on long-term debt	(32,000,000)	(8,000,000)	0
Payments of deferred financing costs	(766,000)	0	0
Dividends paid	(6,635,000)	(29,489,000)	(31,510,000)
Principal payments on capital lease obligations	(2,590,000)	(1,640,000)	(1,426,000)
Net cash used in financing activities	(41,991,000)	(39,129,000)	(32,936,000)
Net decrease in cash and cash equivalents	(47,506,000)	(14,451,000)	(26,406,000)
Cash and cash equivalents, beginning of year	59,116,000	73,567,000	99,973,000
Cash and cash equivalents, end of year	$ 11,610,000	$ 59,116,000	$ 73,567,000
Supplemental disclosure of cash flow information — Cash paid during the year for interest	$ 3,971,000	$ 3,488,000	$ 4,398,000
Supplemental disclosures of noncash activities:			
Capitalized items included in accounts payable	$ 220,000	$ 476,000	$ 187,000
Capital contribution	0	7,000	468,000
Fixed asset transfers to affiliate, net	0	0	59,000

The accompanying notes are an integral part of these financial statements.

Parkdale America, LLC

Notes to Financial Statements
December 31, 2005, January 1, 2005, and January 3, 2004

Note A — Nature of Business and Summary of Significant Accounting Policies

Organization

On June 30, 1997, Parkdale Mills, Inc. (Parkdale) and Unifi, Inc. (Unifi) entered into a Contribution Agreement (the Agreement) that set forth the terms and conditions by which the two companies contributed all of the assets of their spun cotton yarn operations utilizing open-end and airjet spinning technologies to create Parkdale America, LLC (the Company). In exchange for their respective contributions, Parkdale and Unifi received a 66% and 34% ownership interest in the Company, respectively.

Operations

The Company is a producer of cotton and synthetic yarns for sale to the textile and apparel industries, both foreign and domestic. The Company has 15 manufacturing facilities primarily located in central and western North Carolina.

Fiscal Year

The Company's fiscal year ends the Saturday nearest to December 31. The Company's fiscal years ended December 31, 2005, January 1, 2005, and January 3, 2004, contained 52 weeks, 52 weeks and 53 weeks, respectively.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue Recognition

The Company recognizes revenue when goods are shipped and the title and risk of loss is transferred to the customer.

Cash and Cash Equivalents

The Company considers all highly-liquid investments with a maturity of three months or less to be cash and cash equivalents. The Company maintains cash deposits with major banks which may exceed federally insured limits. The Company periodically assesses the financial condition of the institutions and believes the risk of loss to be remote.

Available-for-sale Securities

In fiscal 2005, the Company purchased available-for-sale securities, which consist of auction-rate bonds with variable interest rates. The securities have 35-day auction periods and were designed to maintain a price of 100% of par. Therefore, current carrying values approximate fair value at December 31, 2005. Interest earned on the bonds was $72,000 for the year ended December 31, 2005.

Concentration of Credit Risk

Substantially all of the Company's accounts receivable are due from companies in the textile and apparel markets located primarily throughout North America. The Company generally does not require collateral for its

accounts receivable. The Company performs ongoing credit evaluations of its customers' financial condition and establishes an allowance for doubtful accounts based upon factors surrounding the credit risk of specific customers, historical trends and other information. In the event of cash recoveries, the Company replaces the previously reserved amounts in the allowance for doubtful accounts. Total write-offs of accounts receivable, net of recoveries, totaled $231,000, $2,451,000 and $1,703,000 for the years ended December 31, 2005, January 1, 2005, and January 3, 2004, respectively. Sales to one customer accounted for approximately 12% of total sales in fiscal 2005 and sales to two customers accounted for approximately 27% and 20% of total sales in fiscal 2004 and fiscal 2003, respectively. As of December 31, 2005, accounts receivable for one customer comprises 13% of total gross accounts receivable outstanding. As of January 1, 2005, and January 3, 2004, accounts receivable for two customers comprised 30% and 24%, respectively, of total gross accounts receivable outstanding.

Fair Value of Financial Instruments

The book values of cash and cash equivalents, available-for-sale securities, accounts receivable, accounts payable and other financial instruments approximate their fair values principally because of the short-term maturities of these instruments.

Property, Plant and Equipment

Assets contributed from Parkdale were transferred to the Company at Parkdale's historical net book value. Assets contributed from Unifi were recorded at fair value which company management has represented approximated net book value at June 30, 1997. All subsequent additions to property, plant and equipment are recorded at cost. Provisions for repairs and maintenance, which do not extend the life of the applicable assets, are expensed. Provisions for depreciation are determined principally by an accelerated method over the estimated useful lives of the assets or the remaining capital lease term, whichever is shorter. The following is a summary:

	Useful Lives in Years	2005	2004	2003
Land and land improvements	15	$ 5,157,000	$ 4,630,000	$ 4,630,000
Buildings	15 to 39	89,994,000	104,698,000	105,033,000
Machinery and equipment	5 to 9	462,317,000	445,698,000	458,887,000
Office furniture and fixtures	5 to 7	7,110,000	7,268,000	8,160,000
Construction-in-progress		6,523,000	17,606,000	666,000
		571,101,000	579,900,000	577,376,000
Less — Accumulated depreciation		(453,834,000)	(468,671,000)	(468,550,000)
Property, plant and equipment, net		$ 117,267,000	$ 111,229,000	$ 108,826,000

Depreciation expense for the years ended December 31, 2005, January 1, 2005, and January 3, 2004, was $25,440,000, $21,084,000 and $28,623,000, respectively.

Impairment of Long-lived Assets

The Company evaluates long-lived assets to determine impairment based on estimated future undiscounted cash flows attributable to the assets. In the event such cash flows are not expected to be sufficient to recover the carrying value of the assets, the assets are written down to their estimated fair values.

In fiscal 2005, the Company made the decision to terminate the portion of its capital lease (Note K) related to its Eden, North Carolina, manufacturing facility. The leased assets and associated leasehold improvements had a total net book value of $8,093,000 before impairment charges. As a result of this decision, the Company evaluated the related assets for impairment. For the year ended December 31, 2005, the Company recognized a net impairment

loss of $5,823,000 on the disposal of the leased assets and leasehold improvements. In fiscal 2006, the Company completed the transaction and effectively transferred the lease and the associated leasehold improvements to a third-party. For purposes of the impairment write-down, the fair value of the facilities and equipment was based on the total proceeds from the transaction, which included $2,000,000 in cash and a one year rent-free period granted by the new lessee of the facility (valued at $1,155,000), net of losses on the early termination of the lease of $885,000. The impairment loss is reported in other (expense) income in the statements of operations. These assets are included in assets held for sale on the balance sheet.

Cotton Rebate Program

The Company receives a rebate from the U.S. Government for consuming cotton grown in the United States. The rebate is based on the pounds of cotton consumed and the difference between U.S. and foreign cotton prices. Rebate income, included as a reduction to cost of goods sold in the accompanying statements of operations, amounted to $18,720,000, $10,357,000 and $17,654,000, respectively, for the years ended December 31, 2005, January 1, 2005, and January 3, 2004. The receivable associated with this rebate amounted to $1,553,000, $1,380,000 and $241,000 as of December 31, 2005, January 1, 2005, and January 3, 2004, respectively, and was included in accounts receivable in the accompanying balance sheets.

Intangible Assets

The Company reviews intangible assets for impairment annually, unless specific circumstances indicate that a more timely review is warranted. Intangible assets subject to amortization consisted primarily of customer lists acquired and are being amortized over the useful life of the asset, principally five years.

Shipping Costs

The costs to ship products to customers of approximately $3,656,000, $3,078,000 and $2,905,000 during the years ended December 31, 2005, January 1, 2005, and January 3, 2004, respectively, are included as a component of cost of goods sold in the accompanying consolidated statements of operations.

Deferred Revenue

The Company has recorded deferred revenue related to advance deposit payments from a foreign customer. The Company records revenue related to these deposits upon shipment of goods to the customer. As of December 1, 2005, the balance of the customer deposits is $347,000. There were no customer deposits as of January 1, 2005, and January 3, 2004.

Recent Accounting Pronouncements

In December 2003, the Financial Accounting Standards Board (FASB) issued FASB Interpretation No. 46(R) (FIN 46(R)), “Consolidation of Variable Interest Entities,” an interpretation of Accounting Research Bulletin (ARB) No. 51. FIN 46(R) provides criteria for determining whether the financial statement issuer must consolidate other entities in its financial statements. The provisions of FIN 46(R) are effective for entities created before December 31, 2003, and for financial statements for fiscal years beginning after December 15, 2004. For entities created after December 31, 2003, the provisions of FIN 46(R) will be effective as of the date they first become involved with the certain entity. The Company adopted FIN 46(R) in 2005, and there was no significant impact on the Company’s financial position, results of operations or cash flows upon the adoption of FIN 46(R).

In November 2004, FASB issued SFAS No. 151, “Inventory Costs,” which clarifies the accounting for abnormal amounts of idle facility expense, freight, handling costs and wasted material. SFAS No. 151 will be effective for inventory costs incurred during fiscal years beginning after June 15, 2005. The Company is in the

Parkdale America, LLC

Notes to Financial Statements — (Continued)

process of evaluating the effect, if any, that the adoption of SFAS No. 151 will have on its financial position and results of operations.

Note B — Business Combinations

On January 5, 2005, the Company purchased certain assets of the Edgefield plant of Delta Apparel, Inc. for $11,288,000. The transaction was accounted for under the provisions of SFAS No. 141, "Business Combinations." Accordingly, the Company recorded the acquired assets at their estimated fair values.

A summary of the purchase price allocation to the acquired assets of the Edgefield plant of Delta Apparel, Inc. is as follows:

Land and buildings	$ 6,000,000
Machinery and equipment	4,000,000
Inventories	1,288,000
	$ 11,288,000

Note C — Inventories

Inventories are stated at lower of cost or market. During fiscal 2005 and fiscal 2004, cost was determined using the specific identification method for raw materials, yarn-in-process and finished yarn inventories. During fiscal 2003, cost was determined using the specific identification method for raw material inventories and the moving-average method for yarn-in-process and finished yarn inventories. The new method of valuing inventory results from the Company's ability to specifically track labor and overhead for finished yarn products. The effect of the change resulted in an increase to net income in fiscal 2004 of approximately $1,562,000. The Company performs periodic assessments to determine the existence of obsolete, slow-moving and nonsalable inventories and records necessary provisions to reduce such inventories to net realizable value. Inventories consist of the following as of December 31, 2005, January 1, 2005, and January 3, 2004:

	2005	2004	2003
Cotton and synthetics	$ 10,507,000	$ 18,120,000	$ 41,582,000
Yarn in process	4,717,000	3,773,000	5,015,000
Finished yarn	20,101,000	13,226,000	13,749,000
Supplies	1,340,000	1,168,000	803,000
	$ 36,665,000	$ 36,287,000	$ 61,149,000

Inventory at January 3, 2004, has been reduced by a reserve of $5,100,000 related to a reduction in the value of cotton on hand. There was no such reduction in the cotton value at December 31, 2005, and January 1, 2005.

Note D — Income Taxes

The Company is a Limited Liability Company treated as a partnership for federal and state income tax reporting purposes. As a result, the Company's results of operations are included in the income tax returns of its individual members. Accordingly, no provision for federal or state income taxes has been recorded in the accompanying financial statements.

Note E — Deferred Financing Costs

On February 1, 2005, the Company entered into a new revolving credit facility, which replaced the revolving credit facility in place at January 1, 2005 (Note F). Financing costs consist primarily of commitment fees, legal fees and other direct costs incurred to obtain the Company's revolving line of credit. These costs are amortized over the

term of the debt agreement, which matures on February 1, 2008. Total deferred financing costs capitalized were approximately $766,000. Amortization expense and accumulated amortization approximate $234,000 for the year ended December 31, 2005. The Company also wrote off approximately $155,000 related to the original revolving line of credit. Expected future amortization of these deferred financing costs at December 31, 2005, is as follows:

2006	$ 255,000
2007	255,000
2008	22,000
	$ 532,000

Note F — Debt

On October 31, 2001, the Company authorized the issuance and sale of $40,000,000 Senior Secured Notes (the Notes) due October 31, 2008, at a fixed interest rate of 6.82% to four insurance and finance companies. Interest payments were due on a semi-annual basis, beginning April 30, 2002. Beginning October 31, 2004, the Company was required to pay principal amounts of $8,000,000 annually until the maturity date for the Notes. The Note Purchase Agreement contained certain penalties for prepayment of the Notes. On January 26, 2005, the Company extinguished the Notes through utilization of working capital and recognized a loss on extinguishment of debt of $2,111,000. Associated with the Notes extinguishment, the Company terminated all outstanding interest rate swaps throughout the course of fiscal 2005 (Note G). The principal amount of the Notes at December 31, 2005, January 1, 2005, and January 3, 2004, totals $0, $32,000,000 and $40,000,000, respectively.

The Notes had an estimated fair value of $33,146,000 at January 1, 2005. The carrying value of the Notes approximated their fair value as of January 3, 2004. The Company's debt agreements contained restrictive covenants which, among other things, required the maintenance of minimum levels of cash flow coverage and net worth, restricted payments of dividends and limited unsecured borrowings. For the year ended January 1, 2005, the Company was not in compliance with certain of the debt covenants. The Notes totaling $32,000,000 were classified as short-term liabilities at January 1, 2005.

Lines of Credit

In connection with the issuance of the Notes on October 31, 2001, the Company entered into an agreement for a line of credit with a group of banks, which provided for borrowings up to $90,000,000. Borrowings under this agreement bore interest at either the prime rate, plus an applicable margin, or a LIBOR rate, plus an applicable margin, as chosen by the Company. The line of credit was originally scheduled to terminate October 31, 2004; however, it was amended during fiscal 2004 to reduce the line to $50,000,000 and to change the termination date to February 15, 2005. The line of credit was terminated on February 1, 2005.

On February 1, 2005, the Company entered into a new revolving credit facility with maximum borrowings of $90,000,000, subject to a $20,000,000 sub-limit for letters of credit. The revolving credit facility was subsequently amended to reduce the maximum borrowings to $75,000,000. The new debt facility matures on February 1, 2008, and bears interest at either the LIBOR rate or the base rate plus the applicable margin. If liquidity falls below agreed-upon requirements, the most restrictive covenants will require the Company to maintain minimum fixed charge coverage ratio and maximum funded debt-to-EBITDA ratio. As of December 31, 2005, there are no outstanding borrowings under the revolving credit facility.

Note G — Derivative Instruments

The Company accounts for derivative instruments and hedging activities according to the provisions of SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." SFAS No. 133, as amended, establishes accounting and reporting standards for derivative instruments and for hedging activities. All derivatives,

whether designated in hedging relationships or not, are required to be recorded on the balance sheet at fair value. If the derivative is designated as a fair-value hedge, the changes in the fair value of the derivative and the hedged item are recognized in earnings. If the derivative is designated as a cash flow hedge, the effective portions of changes in the fair value of the derivative are recorded in other comprehensive income or loss and are recognized in earnings when the hedged item affects earnings. Any material ineffective portions of changes in the fair value of cash flow hedges are recognized in earnings as they occur.

The Company is subject to price risk related to anticipated, fixed-price yarn sales. In the normal course of business, under procedures and controls established by the Company's financial risk management framework, the Company enters into cotton futures to manage changes in raw materials prices in order to protect the gross margin of fixed-price yarn sales. As of December 31, 2005, January 1, 2005, and January 3, 2004, the Company has recorded these instruments at fair value of $837,000, $3,462,000 and $10,230,000 in the accompanying balance sheets.

The Company designates certain futures contracts as cash flow hedges. As of December 31, 2005, the Company had unrealized gains on futures contracts designated as cash flow hedges of $3,051,000, recorded in other comprehensive income. For contracts which were not designated as hedges, or for the ineffective portions of contracts designated as hedges, the Company recorded a charge to earnings of approximately $1,168,000 for the year ended December 31, 2005.

In 2004 and 2003, the Company did not apply hedge accounting for these contracts and recorded a charge to earnings of approximately $15,595,000 for the year ended January 1, 2005. The Company recorded a credit to earnings of approximately $10,989,000 for the year ended January 3, 2004.

In addition, the Company enters into forward contracts for cotton purchases, which qualify as derivative instruments under SFAS No. 133. However, these contracts meet the applicable criteria to qualify for the "normal purchases or normal sales" exemption. Therefore, the provisions of SFAS No. 133 are not applicable to these contracts.

The Company uses interest rate swap agreements to manage the risk that changes in interest rates will affect the amount of future interest payments. The differential paid or received under these agreements is recognized as an adjustment to interest expense. These agreements are required to be recognized at their fair value in the accompanying balance sheets. In fiscal 2005, in conjunction with the payoff of the Notes (Note F), the Company terminated the interest rate swap agreements. At termination, the Company received cash of $388,000.

As of January 1, 2005, and January 3, 2004, the Company was a party to the following interest rate swap agreements with a bank:

Fixed rate amount	$18,000,000	$30,000,000	$40,000,000
Payment rate	4.9%	5% fixed	4.24%
Receipt rate	1-month LIBOR	1-month LIBOR	1-month LIBOR
Inception date	January 1, 2005	March 7, 2001	November 21, 2001
Expiration date	January 2, 2008	March 12, 2004	October 12, 2008
Estimated fair value as of January 3, 2004 — asset (liability)	0	(293,000)	939,000
Estimated fair value as of January 1, 2005 — asset (liability)	101,000	0	237,000

The fair values of the agreements are the estimated amounts that the Company would pay or receive to terminate these agreements at the reporting date, taking into account current interest rates. The estimated fair values do not necessarily reflect the potential income or loss that would be realized on an actual settlement of the agreements. The Company did not apply hedge accounting treatment and has recorded the unrealized gains and losses in the accompanying statements of operations. As of December 31, 2005, January 1, 2005, and January 3,

Parkdale America, LLC

Notes to Financial Statements — (Continued)

2004, the Company reported a gain (loss) on interest rate swap derivative instruments of $50,000, ($307,000) and $262,000, respectively.

Note H — Investment in Summit Yarn Joint Venture

On June 4, 1998, Parkdale and Burlington Industries, Inc. (Burlington) entered into a Joint Venture and Contribution Agreement (the Agreement) whereby Parkdale and Burlington agreed to contribute certain assets and cash for the purpose of constructing, operating and managing a yarn manufacturing facility (the Joint Venture), which qualifies under the Maquiladora program in accordance with applicable Mexican law, and for the marketing and sale of yarn manufactured by the Joint Venture, Summit Yarn, LLC (Summit). In exchange for their respective contributions, Parkdale and Burlington each received a 50% ownership interest in Summit. Concurrent with the formation of Summit, Parkdale and Burlington formed Summit Yarn Holding I, which serves as the holding company for Parkdale's and Burlington's investment in various Mexican corporations, related to the Joint Venture. Parkdale and Burlington each received a 50% ownership interest in Summit Yarn Holding I. Effective January 15, 2002, Parkdale transferred its ownership in Summit to the Company. The investment was transferred at Parkdale's historical basis of $14,257,000, which included notes receivable from Summit totaling $5,227,000. The Agreement expires in 2018 and has stated renewal options. The Company accounts for its investment in Summit and Summit Yarn Holding I based on the equity method of accounting.

On November 15, 2001, Burlington declared Chapter 11 bankruptcy. On November 9, 2003, the purchase of Burlington by W.L. Ross & Co. was completed and Burlington emerged from bankruptcy. During March 2004, W.L. Ross & Co. completed the integration of Burlington and Cone Mills into the newly formed International Textile Group. As part of the new structure, Cone Mills assumed responsibility of Burlington's Burlmex denim plant in Mexico. Cone Mills and Burlington operate under separate business units of the International Textile Group.

Effective August 2, 2004, Burlington transferred its ownership in Summit to Cone Denim LLC.

Summarized financial information of Summit as of and for the years ended October 1, 2005, October 2, 2004, and September 27, 2003, is as follows:

	2005	2004	2003
Current assets	$ 13,271,000	$ 12,870,000	$ 10,817,000
Total assets	30,022,000	31,662,000	32,141,000
Current liabilities	4,675,000	4,266,000	2,968,000
Total liabilities	8,290,000	12,850,000	14,251,000
Equity	21,732,000	18,772,000	17,890,000
Total liabilities and equity	30,022,000	31,622,000	32,141,000
Revenue	40,274,000	55,496,000	40,791,000
Expenses	37,314,000	54,614,000	39,667,000
Net income	2,960,000	882,000	1,124,000

Note I — Defined Contribution Plan

The Company maintains a defined contribution retirement plan available to substantially all employees. The Company's contributions are based on a formula for matching employee contributions. The Company incurred costs for this plan of $391,000, $427,000 and $486,000 and during the years ended December 31, 2005, January 1, 2005, and January 3, 2004, respectively.

Parkdale America, LLC

Notes to Financial Statements — (Continued)

Note J — Related-party Transactions

Cotton Purchases and Commitments

During fiscal years 2005, 2004 and 2003, the Company sold cotton at cost to Parkdale amounting to $713,000, $9,952,000 and $1,204,000, respectively. During fiscal years 2005, 2004 and 2003, Parkdale sold cotton at cost to the Company amounting to $301,000, $1,073,000 and $1,908,000, respectively.

The cost of cotton transferred between the Company and Parkdale is determined on a specific identification basis for each cotton bale sold or purchased.

The Company purchased cotton through a related entity of which Parkdale owns 50% totaling $22,288,000, $44,806,000 and $65,051,000 for the years ended December 31, 2005, January 1, 2005, and January 3, 2004, respectively. The accounts payable due the related entity was $619,000, $1,404,000 and $3,563,000 as of December 31, 2005, January 1, 2005, and January 3, 2004, respectively, and was included in trade accounts payable in the accompanying balance sheets.

Shared Expenses Allocation

The Company and Parkdale share certain accounting and administrative expenses. Parkdale and Unifi have agreed to allocate these accounting and administrative expenses based upon a weighted average of certain key indicators, including, but not limited to, pounds of yarn sold and net sales. Amounts charged to the Company were approximately $16,022,000, $13,925,000 and $16,759,000 for the fiscal years ended December 31, 2005, January 1, 2005, and January 3, 2004, respectively.

Due To and From Affiliates

Due to and from affiliates consists of the following as of December 31, 2005, January 1, 2005, and January 3, 2004:

	2005	2004	2003
Due from Summit	$ 46,000	$ 50,000	$ 579,000
Due to Parkdale	(2,343,000)	(2,033,000)	(1,097,000)
Due to Alliance Real Estate III	(7,000)	(8,000)	57,000
	$ (2,304,000)	$ (1,991,000)	$ (461,000)

The due to and from amounts result from intercompany charges related to inventory purchases, accounts receivable collections and the administrative expense allocation.

Notes Receivable from Joint Venture

In connection with the transfer of Parkdale's interest in Summit to the Company, the Company assumed notes receivable from Summit in the amount of $3,550,000 and $1,677,000, which bear interest at 5.5% and 5.7%, respectively. During 2005, the note receivable of $1,677,000 was paid in full by Summit. At December 31, 2005, January 1, 2005, and January 3, 2004, there was $1,023,000, $3,609,000 and $4,777,000 outstanding on the notes receivable, respectively.

The maturity date of the notes is December 1, 2006. Interest income earned on balances due from Summit amounted to $128,000, $254,000 and $283,000 for the years ended December 31, 2005, January 1, 2005, and January 3, 2004, respectively.

Parkdale America, LLC

Notes to Financial Statements — (Continued)

Intangible Assets

In September 1998, the Company purchased certain assets of the air jet operations of a related party. The total net book value of intangible assets associated with the Air Jet Acquisition was $625,000, $1,250,000 and $1,875,000 at December 31, 2005, January 1, 2005, and January 3, 2004, respectively. Amortization expense for the years ended December 31, 2005, January 1, 2005, and January 3, 2004, was $625,000, $625,000 and $641,000, respectively. Expected amortization during 2006 totals $625,000.

Fixed Asset Transfers and Sales

During the years ended January 1, 2005, and January 3, 2004, Parkdale transferred, at net book value, fixed assets of $54,000 and $67,000, respectively, to the Company, which was settled by cash payment during the year. No such transfers occurred during the year ended December 31, 2005. During the years ended December 31, 2005, January 1, 2005, and January 3, 2004, the Company transferred, at net book value, fixed assets of $1,438,000, $154,000 and $8,000, respectively, to Parkdale. No gain or loss was recognized on these transfers.

During the year ended January 1, 2005, the Company sold fixed assets having a net book value of $33,500 to Parkdale for $40,000. As this transaction occurred between entities under common control, the difference between net book value and selling price was considered a capital contribution by Parkdale of $7,000.

Other

The Company sells waste fibers to Henry Fibers, a company owned by a stockholder of Parkdale. Total sales amounted to $250,000, $357,000 and $215,000 for the years ended December 31, 2005, January 1, 2005, and January 3, 2004, respectively.

Note K — Commitments and Contingencies

Capital Leases

The Company maintains a lease agreement with a bank. The lease agreement, covering certain real property of the Company assigned from Unifi, is accounted for as a financing lease in accordance with SFAS No. 98, “Accounting for Leases.” The lease term ends in January 2013, with an option to purchase the assets in fiscal 2006 for 69.55% of the aggregate acquisition cost.

Future minimum lease payments under this financing lease at December 31, 2005, are as follows:

2006	$	2,730,000
2007		2,730,000
2008		2,730,000
2009		2,730,000
2010		2,730,000
Thereafter		4,541,000
Total minimum lease payments		18,191,000
Less — Amounts representing interest		3,829,000
Present value of net minimum lease payments		14,362,000
Less — Current portion		1,775,000
	$	12,587,000

Lease interest expense for the years ended December 31, 2005, January 1, 2005, and January 3, 2004, was $1,016,000, $1,188,000 and $1,296,000, respectively. The net book value of the assets covered under this capital

lease amounted to $9,928,000, $12,895,000 and $14,507,000 as of December 31, 2005, January 1, 2005, and January 3, 2004, respectively. The fair value of the Company's capital lease obligations approximates carrying value because the interest rate for the obligations is comparable to the Company's estimated long-term borrowing rate.

Operating Leases

The Company has entered into operating leases for various vehicles and office equipment. At December 31, 2005, future minimum lease payments during the remaining noncancelable lease terms are as follows:

2006	$ 487,000
2007	388,000
2008	170,000
2009	1,000
2010	0
	$ 1,046,000

Rent expense for the years ended December 31, 2005, January 1, 2005, and January 3, 2004, was $694,000, $650,000 and $569,000, respectively.

Purchase and Sales Commitments

The Company had unfulfilled cotton purchase commitments at December 31, 2005, for approximately 224,287,000 pounds of cotton to be used in the production process at varying prices. The Company had unfulfilled yarn sales contracts with various customers at varying prices at December 31, 2005, January 1, 2005, and January 3, 2004.

Contingencies

During fiscal 2003, the Company disclosed to the U.S. Department of Justice (DOJ) that it participated in certain anticompetitive activities that may have resulted in violation of antitrust laws. Subject to the Company's cooperation, the DOJ agreed to provide protection for the Company and the Company's officers, directors and employees from criminal prosecution related to the reported anticompetitive activities. As a result of the Company's disclosure to the DOJ, several class action claims were filed against the Company, alleging that it attempted to fix and stabilize prices of open-end and airjet poly/cotton yarn in the United States.

In mid-2005, the Company proposed a cash settlement in the amount of $7.8 million. On November 1, 2005, the Court granted preliminary approval of the Company's proposed settlement. Final approval of the settlement was granted on February 14, 2006. The expense related to this settlement was distributed entirely to Parkdale, in accordance with the first amendment to the Agreement.

One member of the settlement class requested and was granted exclusion from the settlement. The Company is currently unable to determine or estimate the potential liability or range of liability that may be incurred upon resolution of this matter.

The Company is also involved in various legal actions and claims arising in the normal course of business. Management believes that the resolution of such matters will not have a material effect on the financial condition or the results of operations of the Company.

Parkdale America, LLC

Notes to Financial Statements — (Continued)

Note L — Other (Expense) Income, Net

The components of other (expense) income, net for the years ended December 31, 2005, January 1, 2005, and January 3, 2004, are as follows:

	2005	2004	2003
Impairment of leasehold improvements	$ (5,823,000)	$ 0	$ 0
Gain on settlement of price fixing matters	4,356,000	0	0
(Loss) gain on disposals of property, plant and equipment	(647,000)	(221,000)	38,000
Amortization of intangible asset	(625,000)	(625,000)	(641,000)
Other income	530,000	16,000	1,446,000
	$ (2,209,000)	$ (830,000)	$ 843,000

During 2005, the Company was party to a suit alleging price fixing against certain of its polyester vendors. The lawsuit was settled in 2005, and the Company received net proceeds of $4,356,000, which is included in other (expense) income, net in the 2005 statement of operations.

YIHUA UNIFI FIBRE INDUSTRY COMPANY LIMITED

(a limited liability company under the Laws of the People's Republic of China)

Financial Statements

For the Period From the Date of Inception August 4, 2005 to May 30, 2006

YIHUA UNIFI FIBRE INDUSTRY COMPANY LIMITED

Financial Statements
For the Period From the Date of Inception August 4, 2005 to May 30, 2006

Table of Contents

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders of Yihua Unifi Fibre Industry Company Limited,

We have audited the accompanying balance sheet of Yihua Unifi Fibre Industry Company Limited (the "Company") as of May 30, 2006, and the related statements of operations, changes in shareholders' equity and comprehensive income (loss), and cash flows for the period from the date of inception August 4, 2005 to May 30, 2006. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal controls over financial reporting. Our audit included consideration of internal controls over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal controls over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Yihua Unifi Fibre Industry Company Limited as at May 30, 2006, and the results of its operations and its cash flows for the period from the date of inception August 4, 2005 to May 30, 2006, in conformity with U.S. generally accepted accounting principles.

/s/ Ernst & Young Hua Ming

Ernst & Young Hua Ming, Shanghai Branch
Shanghai, The People's Republic of China
July 31, 2006

YIHUA UNIFI FIBRE INDUSTRY COMPANY LIMITED

Balance Sheet

	As of May 30, 2006 (In thousands, USD)
ASSETS	
Current assets:	
Cash and cash equivalents	$ 1,308
Accounts receivable	323
Related party accounts receivable	810
Notes receivable	1,380
Inventories	9,155
Related-party prepaid technology fee	750
Other current assets	798
Total current assets	14,524
Property, plant and equipment:	
Buildings and improvements	18,419
Machinery and equipment	43,538
Other	689
	62,646
Less accumulated depreciation	(4,029)
	58,617
Intangible asset, net	525
Total assets	$ 73,666
LIABILITIES AND SHAREHOLDERS' EQUITY	
Current liabilities:	
Accounts payable	$ 637
Related party accounts payable	25,777
Accrued expenses	1,729
Related-party debt	15,000
Bank debt	6,228
Other current liabilities	1,600
Total current liabilities	50,971
Registered capital	30,000
Additional paid-in capital	389
Accumulated loss	(8,073)
Accumulated comprehensive loss	379
Shareholders' equity	22,695
Total liabilities and shareholders' equity	$ 73,666

The accompanying notes are an integral part of the financial statements.

YIHUA UNIFI FIBRE INDUSTRY COMPANY LIMITED

Statement of Operations

	Period Ended May 30, 2006 (In thousands, USD)
Net sales	
Related-party net sales	$ 21,116
Other	80,692
	101,808
Cost of sales	
Related-party raw material purchases	85,641
Related-party utility purchases	8,114
Other purchases	12,184
	105,939
Related-party technology license fee	1,250
Selling, general and administrative expenses	2,305
Other (income) expense, net	96
Loss from operations	(7,782)
Interest expense	316
Interest income	(25)
Net loss	$ (8,073)

The accompanying notes are an integral part of the financial statements.

YIHUA UNIFI FIBRE INDUSTRY COMPANY LIMITED

Statement of Changes In Shareholders' Equity and Comprehensive Income (Loss)

	Registered Capital	Additional Paid-in Capital	Accumulated Loss	Total Shareholders' Equity	Comprehensive Loss
			(In thousands, USD)		
Balance, August 4, 2005	$ —	$ —	$ —	$ —	$ —
Capital contributions	30,000	—	—	30,000	—
Capital contributions (non-cash)	—	389	—	389	—
Net loss	—	—	(8,073)	(8,073)	(8,073)
Currency translation adjustment	—	—	379	379	379
Comprehensive loss					$ (7,694)
Balance, May 30, 2006	$ 30,000	$ 389	$ (7,694)	$ 22,695	

The accompanying notes are an integral part of the financial statements.

YIHUA UNIFI FIBRE INDUSTRY COMPANY LIMITED

Statement of Cash Flows

	Period Ended May 30, 2006 (In thousands, USD)
Operating activities:	
Net loss	$ (8,073)
Depreciation	4,018
Amortization	105
Senior management costs paid by shareholders	389
Other	7
Changes in assets and liabilities:	
Accounts receivable	(323)
Related — party accounts receivable	(810)
Notes receivable	(1,380)
Inventories	(9,155)
Other current assets	(1,548)
Related-party accounts payable	10,915
Accounts payable and accrued expenses	2,366
Other current liabilities	1,600
Net cash used in operating activities	(1,889)
Investing activities:	
Capital expenditures	(32,986)
Net cash used in investing activities	(32,986)
Financing activities:	
Issuance of equity interest	15,000
Net borrowings under line of credit	6,228
Related-party borrowings	15,000
Net cash provided by financing activities	36,228
Effect of exchange rate changes on cash and cash equivalents	(45)
Net increase in cash and cash equivalents	1,308
Cash and cash equivalents at end of period	$ 1,308

Supplemental disclosure of cash flow information — Cash paid during the period for interest was $0.3 million.

The accompanying notes are an integral part of the financial statements.

YIHUA UNIFI FIBRE INDUSTRY COMPANY LIMITED

NOTES TO FINANCIAL STATEMENTS

1. Organization and Activities

On June 10, 2005, Sinopec Yizheng Chemical Fibre Company Limited ("YCFC"), a company limited by shares and incorporated in the People's Republic of China ("PRC") and Unifi Asia Holding, SRL ("Unifi Asia"), a limited liability company incorporated in Barbados, entered into an Equity Joint Venture Contract (the "JV Contract") for the formation and operation of Yihua Unifi Fibre Industry Company Limited (the "Company"), a PRC limited liability company to manufacture, process and market high value-added differentiated polyester textile filament products in Yizheng, China. On July 28, 2005, the Company obtained a business license to operate for forty years.

In accordance with the JV Contract and the Asset Contribution and Purchase Contract (the "Contribution Agreement"), on August 4, 2005, Unifi Asia made a $15.0 million cash capital contribution to the Company and YCFC made a $15.0 million capital contribution of property, plant and equipment to the Company. In exchange for their contributions, each member received a 50% ownership interest in the Company. The Contribution Agreement also provided for the purchase of $45.5 million of property, plant and equipment from YCFC.

2. Summary of Significant Accounting Policies

Basis of Presentation: The financial statements have been prepared in accordance with generally accepted accounting principles in the United States ("US GAAP") and are presented in U.S. Dollars. The Company's functional currency is the Chinese Renminbi ("RMB"). Monetary assets and liabilities denominated in currencies other than the RMB are translated at year-end rates of exchange, and revenues and expenses are translated at the average rates of exchange for the period into RMB. Non-monetary assets and liabilities denominated in foreign currencies are translated into Renminbi at the foreign exchange rates at the date of measurement. Foreign exchange (gain/loss) is included in Other (income) expense, net in the Statement of Operations. On translation to U.S. dollars for presentation purposes, gains and losses resulting from translation are accumulated in a separate component of shareholders' equity.

The Company is a joint venture between YCFC and Unifi Asia and the Company's operations are dependent on the continued financial support of YCFC and Unifi Asia. YCFC and Unifi Asia have committed to providing enough working capital, either by advancing funds themselves or postponing the due dates of debt due to them from the Company, to allow the Company to operate for, at a minimum, one year.

Year End: The Company has elected to present US GAAP financial statements for the fiscal years ending May 30. These financial statements represent the first fiscal period which included ten months of operations from August 4, 2005 to May 30, 2006.

Use of Estimates: The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Revenue Recognition: Revenues from sales are recognized when title passes and the risks and rewards of ownership are transferred to the customer. Freight charges invoiced to customers are included in net sales in the Statement of Operations.

Sales Rebate Program: The Company has entered into sales incentive agreements with certain distributors and customers. Rebates are paid upon achieving specified sales targets by the end of the calendar year. The rebates are paid out in the first quarter of the succeeding year. Sales rebates are accrued monthly and included in net sales.

Cash and Cash Equivalents: Cash equivalents are defined as highly-liquid investments with original maturities of three months or less. As of May 30, 2006, cash and cash equivalents consisted of RMB 10.5 million which are subject to local foreign exchange controls.

YIHUA UNIFI FIBRE INDUSTRY COMPANY LIMITED

NOTES TO FINANCIAL STATEMENTS — (Continued)

2. Summary of Significant Accounting Policies (continued)

Notes Receivable: Notes receivable are short-term bank promissory notes paid by customers with a maturity of six months or less.

Receivables and Credit Risk: Except for credit granted to a related company (see Note 6 for further discussion), the Company primarily receives cash in advance or bank promissory notes from its customers and distributors.

The Company's operations serve customers and distributors principally located in China as well as international customers located primarily in Hong Kong and Pakistan. During the period ended May 30, 2006, export sales aggregated to $1.1 million. Approximately 21% of the Company's revenue was generated from a related party who is the largest distributor of the Company. As of May 30, 2006, the net receivable from the related party was $0.8 million.

Inventories: The Company values its inventories at the lower of cost or market using the moving weighted average method. In addition to the purchase cost of raw materials, work in progress and finished goods include direct labor costs and allocated manufacturing related costs. The Company periodically performs assessments to determine the existence of obsolete or slow-moving inventories and records any necessary provisions to reduce those inventories to net realizable value. The total inventory reserve at May 30, 2006 was $0.2 million. The following table reflects the composition of the Company's inventories as of May 30, 2006:

	As of May 30, 2006 (Amounts in thousands, USD)
Raw materials and supplies	$ 2,858
Work in process	688
Finished goods	5,781
Gross inventories	9,327
Lower of cost or market reserves	(172)
	$ 9,155

Other Current Assets: Other current assets consists of the following:

	As of May 30, 2006 (Amounts in thousands, USD)
Prepayment on purchases	$ 414
Value added tax receivable	295
Other	89
	$ 798

Effective August 3, 2005, the Company entered into a Technology License and Support Contract (the "Technology Agreement") with Unifi Manufacturing, Inc. which is a related entity of Unifi Asia. The Technology Agreement calls for Unifi Manufacturing, Inc. to provide qualified technical personnel to render technical support to the manufacture and sale of certain products for up to four years. The Company, as the licensee, has agreed to pay Unifi Manufacturing, Inc. for the transfer of this technical knowledge. The total fees payable over the four year term are $6.0 million and are expensed on a straight line basis over forty-eight months. The license fee paid during the period ended May 30, 2006 was $2.0 million of which $1.3 million was expensed during the period. See Note 7 for further discussion.

Property, Plant and Equipment: On August 3, 2005, YCFC, through the Contribution Agreement executed between YCFC, Unifi Asia and the Company, contributed fixed assets of $15.0 million for a 50% equity interest in

YIHUA UNIFI FIBRE INDUSTRY COMPANY LIMITED

NOTES TO FINANCIAL STATEMENTS — (Continued)

2. Summary of Significant Accounting Policies (continued)

the Company. Pursuant to the same agreement, the Company purchased fixed assets for $45.5 million from YCFC. The purchase price of the fixed assets acquired by the Company was based upon their fair market value, as determined by an independent valuation firm in its certified appraisal report. All subsequent additions to property, plant and equipment are recorded at cost. Repair and maintenance costs, which do not extend the life of the applicable assets, are expensed as incurred. The Company elected the straight line method of depreciation for all fixed asset categories. Building and improvements are depreciated using no residual value, machinery, equipment and other fixed assets have a residual value of three percent of the acquisition cost. Depreciation expense for the period ended May 30, 2006 was $4.0 million. The following table summarizes the estimated useful lives by asset category:

	Useful Lives
Building and improvements	8 - 40 years
Machinery and equipment	5 - 14 years
Other	4 - 10 years

Customer-related Intangible: The Company accounts for other intangibles under the provisions of Statements of Financial Accounting Standard No. 142, "Goodwill and Other Intangible Assets" ("SFAS 142"). In accordance with the JV Contract and the related Contribution Agreement, the Company acquired a customer list from YCFC which was valued at $0.7 million. The customer-related intangible was subject to straight-line amortization over the useful life of the asset, which is estimated to be five years. Accumulated amortization as of May 30, 2006 was $0.1 million. The estimated annual aggregate amortization expense is $126 thousand for fiscal years ending May 2007 through May 2010 and $21 thousand in the fiscal year ending May 2011. The Company reviews intangible assets for impairment annually, unless specific circumstances indicate that an earlier review is necessary.

Impairment of Long-lived Assets: In accordance with Statement of Financial Accounting Standard ("SFAS") No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," the Company continually evaluates whether events and circumstances have occurred that indicate the remaining estimated useful lives of its intangible assets, excluding goodwill, and other long-lived assets may warrant revision or that the remaining balance of such assets may not be recoverable. The Company uses an estimate of the related undiscounted cash flows from use in operation and subsequent disposal over the remaining life of the asset in measuring whether the asset is recoverable. During the period ended May 30, 2006, the Company tested its property, plant and equipment and intangible asset balances for impairment and no adjustments were recorded as a result of those reviews.

Income Taxes: Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of the previous years. Deferred taxes are provided for temporary differences between the carrying amount of assets and liabilities for financial reporting and income tax purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. A deferred tax asset is recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. The Company records a valuation allowance to reduce its deferred tax assets to the amount that is more likely than not to be realized.

Comprehensive Income: Comprehensive income includes net income and other changes in net assets of a business during a period from non-owner sources, which are not included in net income. Such non-owner changes may include, for example, available-for-sale securities and foreign currency translation adjustments. Other than net income, foreign currency translation adjustments presently represent the only component of comprehensive income for the Company. The Company does not provide income taxes on the impact of currency translations.

YIHUA UNIFI FIBRE INDUSTRY COMPANY LIMITED

NOTES TO FINANCIAL STATEMENTS — (Continued)

2. Summary of Significant Accounting Policies (continued)

Recent Accounting Pronouncements: In November 2004, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 151, "Inventory Costs, an amendment of Accounting Research Bulletin No. 43, Chapter 4". SFAS No. 151 clarifies that abnormal inventory costs such as costs of idle facilities, excess freight and handling costs, and wasted materials (spoilage) are required to be recognized as current period charges. The provisions of SFAS No. 151 are effective for inventory costs incurred during fiscal years beginning after June 15, 2005. At inception, the Company has accounted for its inventories in accordance with this provision.

In December 2004, the FASB issued SFAS No. 153, "Exchange of Nonmonetary Assets" which eliminates the exception for nonmonetary exchanges of similar productive assets and replaces it with a general exception for exchanges of nonmonetary assets that do not have commercial substance. SFAS No. 153 will be effective for nonmonetary asset exchanges occurring in fiscal periods beginning after June 15, 2005. The Company did not enter into any transactions that would be accounted for in accordance with SFAS No. 153.

In June 2006, the FASB issued Interpretation No. 48, "Accounting for Uncertainty in Income Taxes" ("FIN 48") which is an interpretation of SFAS No. 109. The pronouncement clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements. The Interpretation prescribes a recognition threshold and measurement attribute for the recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 is effective for fiscal years beginning after December 15, 2006. The Company does not expect that the adoption of this interpretation will have a material impact on its financial position and results of operations.

3. Income Taxes

The Company is a manufacturing concern that would generally be subject to a 33% combined tax rate (30% state enterprise income tax and 3% local income tax). However, the Company qualifies as a foreign investment enterprise that is subject to a 27% combined corporate income tax rate (24% state enterprise income tax and 3% local income tax). In addition to this reduced tax rate, the Company is eligible for a five-year tax holiday, commencing in the year the Company has cumulative taxable income, (that is, after the Company utilizes any net operating loss carry forwards generated before the tax holiday period begins). Under the terms of the tax holiday, the Company has an income tax exemption for the first two years of the holiday period and a combined rate of 15% for the following three years of the holiday period.

There was no income tax benefit recorded for the fiscal period. A reconciliation of the provision for income tax benefits with the amounts obtained by applying the federal statutory tax rate is as follows:

	Period Ended May 30, 2006
Statutory tax rate	33.0%
Preferential tax rate reduction	(6.0)
Tax holiday rate reduction	(27.0)
Change in valuation allowance	4.8
Future tax in excess of book depreciation after tax holiday	(4.8)
Effective tax rate	—%

YIHUA UNIFI FIBRE INDUSTRY COMPANY LIMITED

NOTES TO FINANCIAL STATEMENTS — (Continued)

3. Income Taxes (continued)

The deferred income taxes reflect the net tax effects of temporary differences between the basis of assets and liabilities for financial reporting purposes and their basis for income tax purposes. Significant components of the Company's deferred tax liabilities and assets as of May 30, 2006 are as follows:

	As of May 30, 2006 (Amounts in thousands, USD)
Deferred tax assets:	
Property, plant and equipment	$ 263
License fees	115
Customer list	8
Total deferred tax assets	386
Valuation allowance	(386)
Total deferred tax assets	$ —

As of May 30, 2006, the Company had available for income tax purposes approximately $4.3 million in net operating loss carryforwards that may be used to offset future taxable income. The net operating loss may be carried forward for five years under applicable current tax law. The net operating loss must be utilized to offset future taxable income, prior to the commencement of the Company's tax holiday. As such, no deferred tax asset is recorded for these net operating losses.

In assessing the realization of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies in making this assessment. For the period ended May 30, 2006, management recorded a $0.4 million valuation allowance which reduced the gross deferred tax asset to $0.

4. Employee Retirement Plan

The Company elected to participate in a defined contribution retirement plan for the benefit of its employees. The retirement plan is administered by a local government organization. The Company makes contributions to the plan based on employee compensation. Contributions made by the Company under the plan were $1.0 million for the period ended May 30, 2006.

5. Bank Debt

The Company maintains unsecured lines of credit up to $31.0 million with various financial institutions. As of May 30, 2006, the total amount of outstanding loans was $6.2 million, maturing on November 14, 2006 and bearing interest rate of 5.4% per annum. There are no covenant calculations or other financial reporting requirements associated with this debt. The loan availability is reviewed and renewed on an annual basis.

6. Fair Value of Financial Instruments

The Company's financial instruments consist primarily of cash and cash equivalents, accounts receivable, accounts payable, and debt instruments. The book values of these financial instruments (except for debt) are considered to be representative of their respective fair values. None of the Company's debt instruments that are outstanding at May 30, 2006, have readily ascertainable market values; however, the carrying values are considered to approximate their respective fair values. See Notes 5 and 7 for the terms and carrying values of the Company's various debt instruments.

YIHUA UNIFI FIBRE INDUSTRY COMPANY LIMITED

NOTES TO FINANCIAL STATEMENTS — (Continued)

7. Related Party Transactions

In accordance with the JV Contract, the Company and YCFC entered into a Comprehensive Services Contract ("Services Contract"), a Utilities Contract, a Land Use Right Lease Contract (the "Land Lease Contract"), and Raw Materials Supply Contract (the "RMS Contract"). All of the contracts, except the Land Lease Contract, have payment schedules that are variable in nature. The Services Contract states that YCFC will provide the Company with the following types of services: communication to and security for employees, information technology licenses and related support, public services for the manufacturing facility and employee residential site. The initial term of the contract is forty years and may be extended if mutually agreed by both parties. The Utilities Contract calls for YCFC to provide the Company with all of its utility requirements. Both parties are to jointly review the pricing on an annual basis. The Land Lease Contract has an initial lease term of twenty years and is renewable for an additional twenty years. The lease payment is approximately $65.0 thousand and due semi-annually. The RMS Contract calls for YCFC to supply to the Company and for the Company to purchase from YCFC all raw materials. If YCFC is unable to fulfill the Company's raw material requirements, the Company has the right to obtain additional quantities of such raw material as necessary from any other source within or outside China. The initial term of the contract is for forty years.

Unifi Manufacturing, Inc. ("UMI"), an affiliate of Unifi Asia, entered into the Technology Agreement with the Company which calls for payments over a four year period totaling $6.0 million. The Technology Agreement calls for UMI to provide the services of approximately six qualified technical employees to provide technical support relating to the manufacture and sale of certain value-added products and to support the operation and production of the manufacturing facility. This agreement also grants the Company an exclusive and non-transferable license to use the licensed technology for the manufacture and sale of the Company's products.

All of the payments associated with the aforementioned contracts with the Company, excluding the RMS Contract, are expensed as incurred or as services are rendered. Upon the inception of the Company, Unifi Asia entered into a Loan Contract (the "Loan Contract") to assist the Company in purchasing a portion of the property, plant and equipment from YCFC. The $15.0 million loan was interest-free and was due in full one year after the closing date. Prior to the maturity date of the loan, Unifi Asia was granted the option of electing to convert the loan amount into the registered capital of the Company. The required related-party disclosures for the first fiscal period are as follows:

(a) Related parties with controlling relationships:

	Relationship with the Company
YCFC	Investor (50% ownership interest)
Unifi Asia	Investor (50% ownership interest)

(b) Relationship between the Company and related parties without controlling relationships:

	Relationship with the Company
Unifi Manufacturing, Inc.	Affiliate of Unifi Asia
Shaoxing Yihua Kangqi Chemical Fibre Co., Ltd. (''Shaoxing")	Affiliate of YCFC

YIHUA UNIFI FIBRE INDUSTRY COMPANY LIMITED

NOTES TO FINANCIAL STATEMENTS — (Continued)

7. Related Party Transactions (continued)

(c) The amount of the Company's related party transactions during the period and its balances with related parties at the end of period are summarized as follows:

(i) The material related party transactions of the Company are summarized as follows:

	Period Ended May 30, 2006 (Amounts in thousands, USD)
YCFC	
Purchases of raw materials	$ 94,796
Purchase of property, plant and equipment	45,785
Utility fees paid	8,114
Comprehensive services fees expensed	341
Land lease expensed	110
	$ 149,146
Sales of goods	$ 386
Unifi Asia	
Cash loan to the Company	$ 15,000
Unifi Manufacturing, Inc.	
Technology license and support contract fees expensed	$ 1,250
Purchases of goods	34
	$ 1,284
Shaoxing	
Sales of goods	$ 20,730
Purchases of goods	$ 1,500

(ii) The balances of related party receivables and payables are summarized as follows:

	As of May 30, 2006 (Amounts in thousands, USD)
YCFC	
Related-party accounts payable	$ 25,777
Related-party accounts receivable	(128)
	$ 25,649
Unifi Asia	
Current maturity of long-term debt	$ 15,000
Unifi Manufacturing, Inc.	
Advance to related-party	$ 750
Shaoxing	
Related-party account receivable	$ (682)

YIHUA UNIFI FIBRE INDUSTRY COMPANY LIMITED

NOTES TO FINANCIAL STATEMENTS — (Continued)

8. Shareholders' Equity

YCFC and Unifi Asia are not permitted to sell, give, assign or transfer or otherwise dispose of their equity interest in the Company without written consent by the other shareholder. However, in accordance with the JV Contract, YCFC granted Unifi Asia an irrevocable option to sell all of its equity interest in the Company directly to YCFC or YCFC shall cause another party to acquire Unifi Asia's entire equity interest. The put option is exercisable between August 2009 and January 2010.

Both shareholders directed certain of their respective employees to work for the Company for a substantial period of time with the intention of maintaining or enhancing the value of their investment in the Company. The associated costs and expenses of these employees were included as an expense on the Statement of Operations of the Company and recorded as a capital contribution.

9. Commitments and Contingencies

The Company is obligated under the Land Lease Contract with YCFC to lease for a minimum of twenty years the land on which the Company's plant is located. After the initial term, the lease may be renewed for an additional twenty years. Future obligations for minimum rentals under the initial lease term during fiscal years ending after May 30, 2006 are $132 thousand for each year. Rental expense was $110 thousand for the fiscal year ended May 30, 2006. The aggregate lease obligation is $2.6 million over the initial term of twenty years. The Company had no significant binding commitments for capital expenditures at May 30, 2006.

As of May 30, 2006, the Company is not aware of any pending claims, lawsuits or proceedings that will materially affect the financial position of the Company.

10. Subsequent Events

Effective June 7, 2006, the Company's Board of Directors approved the conversion of a $15.0 million loan owed to Unifi Asia into registered capital and $15.0 million of accounts payable owed to YCFC into registered capital. Effective July 25, 2006, both of the previously described liabilities were converted to registered capital thereby increasing the registered capital by $30.0 million.

Exhibit 4.1

EXECUTION COPY

UNIFI, INC.,

THE GUARANTORS PARTY HERETO

and

U.S. BANK NATIONAL ASSOCIATION

as Trustee

INDENTURE

Dated as of May 26, 2006

11 1/2% SENIOR SECURED NOTES DUE 2014

CROSS-REFERENCE TABLE*

Trust Indenture Act Section	Indenture Section
310(a)(1)	7.10
(a)(2)	7.10
(a)(3)	N.A.
(a)(4)	N.A.
(a)(5)	7.10
(b)	7.10
(c)	N.A.
311(a)	7.11
(b)	7.11
(c)	N.A.
312(a)	2.06
(b)	13.03
(c)	13.03
313(a)	7.06
(b)(1)	7.06
(b)(2)	7.06
(c)	7.06
(d)	7.06
314(a)	4.03
(b)	12.02
(c)(1)	13.04
(c)(2)	13.04
(c)(3)	N.A.
(d)	12.07
(e)	13.05
(f)	N.A.
315(a)	7.01
(b)	7.05
(c)	7.01
(d)	7.01
(e)	6.11
316(a)(last sentence)	2.09
(a)(1)(A)	6.05
(a)(1)(B)	6.04
(a)(2)	N.A.
(b)	6.07
(c)	2.13
317(a)(1)	6.08
(a)(2)	6.09
(b)	2.05
318(a)	13.01
(b)	N.A.
(c)	13.01

N.A. means Not Applicable

* This Cross-Reference Table is not part of this Indenture

TABLE OF CONTENTS

EXHIBITS

Exhibit A	FORM OF NOTE
Exhibit B	FORM OF CERTIFICATE OF TRANSFER
Exhibit C	FORM OF CERTIFICATE OF EXCHANGE
Exhibit D	FORM OF CERTIFICATE OF INSTITUTIONAL ACCREDITED INVESTORS
Exhibit E	FORM OF SUPPLEMENTAL INDENTURE TO BE DELIVERED BY SUBSEQUENT GUARANTORS

SCHEDULES

Schedule 1	Assets Held For Sale

INDENTURE dated as of May 26, 2006 among UNIFI, INC., a New York corporation (the "Company"), the guarantor entities listed on the signature pages hereto (the "Guarantors") and U.S. BANK NATIONAL ASSOCIATION, a national banking association organized under the laws of the United States, as trustee (the "Trustee").

The Company, the Guarantors and the Trustee agree as follows for the benefit of each other and for the equal and ratable benefit of the Holders of the Initial Notes, any Additional Notes and the Exchange Notes (in each case as defined herein):

ARTICLE 1

DEFINITIONS AND INCORPORATION BY REFERENCE

SECTION 1.01. Definitions

"Acquired Debt" means, with respect to any specified Person:

(1) Indebtedness of any other Person existing at the time such other Person is merged with or into or became a Subsidiary of such specified Person, whether or not such Indebtedness is incurred in connection with, or in contemplation of, such other Person merging with or into, or becoming a Subsidiary of, such specified Person; and

(2) Indebtedness secured by a Lien encumbering any asset acquired by such specified Person.

"Additional Assets" means:

(1) all or substantially all of the assets of another Permitted Business;

(2) Capital Stock of a Person engaged in a Permitted Business if such Person is or, after giving effect to such acquisition, becomes a Restricted Subsidiary of the Company;

(3) capital expenditures relating to an asset used or useful in a Permitted Business; or

(4) other assets that are not classified as current assets under GAAP and that are used or useful in a Permitted Business.

"Additional Interest" means all additional interest then owing pursuant to the Registration Rights Agreement.

"Additional Notes" means 11 1/2% Senior Secured Notes due 2014 of the Company (other than the Exchange Notes) issued in compliance with and under this Indenture after the Issue Date and having identical terms to the Initial Notes or the Exchange Notes, other than with respect to the date of issuance and issue price, first payment of interest and rights under a related Registration Rights Agreement, if any.

"Affiliate" of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For purposes of this definition, "control," as used with respect to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such Person, whether through the ownership of voting securities, by agreement or otherwise. For purposes of this

definition, the terms "controlling," "controlled by" and "under common control with" have correlative meanings.

"Agent" means any Registrar, co-registrar, Paying Agent or additional Paying Agent.

"Applicable Procedures" means, with respect to any transfer or exchange of or for beneficial interests in any Global Note, the rules and procedures of the Depositary, Euroclear or Clearstream, as the case may be, that apply to such transfer or exchange.

"Assets Held for Sale" means the machinery and equipment held for sale by the Company and its Restricted Subsidiaries as of the Issue Date, and identified on Schedule 1 to this Indenture, with an estimated appraisal value on the Issue Date not to exceed $17.0 million.

"Asset Sale" means:

(1) the sale, lease, conveyance or other disposition of any assets or rights; *provided* that the sale, lease, conveyance or other disposition of all or substantially all of the assets of the Company and its Restricted Subsidiaries taken as a whole shall be governed by the provisions of Section 4.15 and/or the provisions of Section 5.01 and not by the provisions of Section 4.10; and

(2) the issuance of Equity Interests in any of the Company's Restricted Subsidiaries or the sale of Equity Interests in any of its Restricted Subsidiaries.

Notwithstanding the preceding, none of the following items shall be deemed to be an Asset Sale:

(1) any single transaction or series of related transactions that involves assets having a fair market value of less than $2.0 million;

(2) a transfer of assets between or among the Company and the Guarantors; *provided* that in the case of a sale of Collateral, the transferee shall cause such amendments, supplements or other instruments to be executed, filed, and recorded in such jurisdictions as may be required by applicable law to preserve and protect the Lien on the Collateral owned by or transferred to the transferee, together with such financing statements or comparable documents as may be required to perfect any security interests in such Collateral which may be perfected by the filing of a financing statement or a similar document under the Uniform Commercial Code or other similar statute or regulation of the relevant states or jurisdictions;

(3) a transfer of assets between or among Restricted Subsidiaries that are not Guarantors or from a Restricted Subsidiary that is not a Guarantor to the Company or a Guarantor;

(4) an issuance of Equity Interests by a Restricted Subsidiary of the Company to the Company or to another Restricted Subsidiary of the Company;

(5) the sale, lease or other transfer or disposition of equipment, inventory, raw materials or products in the ordinary course of business and any sale or other disposition of damaged, worn-out or obsolete assets in the ordinary course of business;

(6) the creation of Permitted Liens and dispositions in connection with Permitted Liens;

(7) the licensing or sublicensing of intellectual property or other general intangibles and licenses, leases or subleases of other property;

(8) foreclosure on assets;

(9) the sale or other disposition of cash or Cash Equivalents;

(10) a Restricted Payment that is permitted by Section 4.07 or a Permitted Investment;

(11) any Recovery Event;

(12) any transfer of property or assets that is a surrender or waiver of contract rights or the settlement, release or surrender of contract, tort or other claims of any kind;

(13) a transfer or other disposition of Assets Held for Sale by the Company and its Restricted Subsidiaries so long as such Assets Held for Sale or the proceeds therefrom are transferred to a Permitted Joint Venture or an Unrestricted Subsidiary engaged in a Permitted Business;

(14) the sale, conveyance, disposition or other transfer of Equity Interests in any Permitted Joint Venture in existence on the Issue Date, which sale, conveyance, disposition or other transfer shall comply with Section 4.10(a)(1) and 4.10(a)(2); and

(15) any transfer or disposition of property or assets pursuant to Hedging Obligations permitted to be incurred under this Indenture.

"Attributable Debt" in respect of a Sale/Leaseback Transaction means, at the time of determination, the present value of the obligation of the lessee for net rental payments during the remaining term of the lease included in such Sale/Leaseback Transaction including any period for which such lease has been extended or may, at the option of the lessor, be extended. Such present value shall be calculated using a discount rate equal to the rate of interest implicit in such transaction, determined in accordance with GAAP; *provided*, *however*, that if such Sale/Leaseback Transaction results in a Capital Lease Obligation, the amount of Indebtedness represented thereby shall be determined in accordance with the definition of "Capital Lease Obligation."

"Bankruptcy Law" means Title 11, U.S. Code or any similar federal or state law for the relief of debtors.

"Beneficial Owner" has the meaning assigned to such term in Rule 13d-3 and Rule 13d-5 under the Exchange Act, except that in calculating the beneficial ownership of any particular "person" (as that term is used in Section 13(d)(3) of the Exchange Act), such "person" shall be deemed to have beneficial ownership of all securities that such "person" has the right to acquire by conversion or exercise of other securities, whether such right is currently exercisable or is exercisable only upon the occurrence of a subsequent condition. The term "Beneficially Own" has a corresponding meaning.

"Board of Directors" means:

(1) with respect to a corporation, the board of directors of the corporation or any committee thereof duly authorized to act on behalf of such board;

(2) with respect to a partnership, the board of directors of the general partner of the partnership;

(3) with respect to a limited liability company, the managing member or members or any controlling committee of managing members thereof or, if managed by managers, the board of managers or any committee thereof duly authorized to act on behalf of such board; and

(4) with respect to any other Person, the board of directors or governing body of such Person serving a similar function.

"Board Resolution" means a copy of a resolution certified by the Secretary or an Assistant Secretary of a company to have been duly adopted by the Board of Directors of such company and to be in full force and effect on the date of such certification, and delivered to the Trustee.

"Borrowing Base" means, as of any date, an amount equal to the "Borrowing Base" as defined in the Credit Agreement as of such date.

"Business Day" means each day that is not a Saturday, Sunday or other day on which banking institutions in New York, New York are authorized or required by law to close.

"Capital Lease Obligation" means, at the time any determination is to be made, the amount of the liability in respect of a capital lease that would at that time be required to be capitalized on a balance sheet prepared in accordance with GAAP, and the Stated Maturity thereof shall be the date of the last payment of rent or any other amount due under such lease prior to the first date upon which such lease may be prepaid by the lessee without payment of a penalty.

"Capital Stock" means:

(1) in the case of a corporation, common stock, preferred stock or other corporate stock;

(2) in the case of an association or business entity, any and all shares, interests, participations, rights or other equivalents (however designated) of corporate stock;

(3) in the case of a partnership or limited liability company, partnership or membership interests (whether general or limited); and

(4) any other interest or participation that confers on a Person the right to receive a share of the profits and losses of, or distributions of assets of, the issuing Person,

but excluding from all of the foregoing any debt securities convertible into Capital Stock, whether or not such debt securities include any right of vote or participation with Capital Stock.

"Cash Equivalents" means:

(1) United States dollars and in the case of any Foreign Subsidiary, such local currencies held by them from time to time in the ordinary course of business;

(2) securities issued or directly and fully guaranteed or insured by the United States government or any agency or instrumentality of the United States government (*provided* that the full faith and credit of the United States is pledged in support of those securities) having maturities of not more than twelve months from the date of acquisition;

(3) marketable general obligations issued by any state of the United States or any political subdivision of any such state or any public instrumentality thereof maturing within one

year from the date of acquisition (*provided* that the full faith and credit of the United States is pledged in support thereof) and, at the time of acquisition, having a credit rating of "A" or better from either S&P or Moody's;

(4) deposits, certificates of deposit and eurodollar time deposits with maturities of twelve months or less from the date of acquisition, money market deposits, bankers' acceptances with maturities not exceeding twelve months and overnight bank deposits with any lender party to the Credit Agreement as of the Issue Date or any domestic commercial bank having capital and surplus in excess of $500.0 million and a Thomson Bank Watch Rating of "B" or better;

(5) repurchase obligations with a term of not more than seven days for underlying securities of the types described in clauses (2), (3) and (4) above entered into with any financial institution meeting the qualifications specified in clause (4) above;

(6) commercial paper having a rating of at least A-3 from Moody's or P-3 from S&P and in each case maturing within six months after the date of acquisition; and

(7) money market funds at least 95% of the assets of which constitute Cash Equivalents of the kinds described in clauses (1) through (6) of this definition.

"Change of Control" means the occurrence of any of the following:

(1) the direct or indirect sale, lease, transfer, conveyance or other disposition (other than by way of merger or consolidation), in one or a series of related transactions, of all or substantially all of the properties or assets of the Company and its Restricted Subsidiaries taken as a whole to any "person" (as that term is used in Section 13(d)(3) of the Exchange Act);

(2) the adoption of a plan relating to the liquidation or dissolution of the Company;

(3) any "person" (as that term is used in Section 13(d)(3) of the Exchange Act) becomes the Beneficial Owner, directly or indirectly, of more than 50% of the Voting Stock of the Company, measured by voting power rather than number of shares; or

(4) the first day on which a majority of the members of the Board of Directors of the Company are not Continuing Directors.

Notwithstanding the foregoing, (A) a "person" shall not be deemed to have beneficial ownership of securities subject to a stock purchase agreement, merger agreement or similar agreement (or voting or option agreement related thereto) until the consummation of the transactions contemplated by such agreement and (B) any holding company whose only material asset is Equity Interests of the Company or any of its direct or indirect parent companies shall not itself be considered a "person" for purposes of clause (3) above so long as the owners of the Voting Stock of the Company or any of its direct or indirect parent companies immediately before giving effect to such transaction and the owners of the Voting Stock of such holding company immediately after giving effect to such transaction are substantially similar.

"Clearstream" means Clearstream Banking, société anonyme.

"Code" means the Internal Revenue Code of 1986, as amended.

"Collateral" means all property and assets, whether now owned or hereafter acquired, in which Liens are, from time to time, purported to be granted to secure the Notes pursuant to the Collateral Documents.

"Collateral Account" means the First Priority Collateral Account or the Second Priority Collateral Account, as applicable.

"Collateral Agent" means U.S. Bank National Association, acting as the Collateral Agent under the Collateral Documents.

"Collateral Documents" means the mortgages, deeds of trust, deeds to secure debt, security agreements, pledge agreements, agency agreements and other instruments and documents executed and delivered pursuant to this Indenture or any of the foregoing, as the same may be amended, restated, supplemented or otherwise modified from time to time and pursuant to which Collateral is pledged, assigned or granted to or on behalf of the Collateral Agent for the ratable benefit of the Holders of the Notes and the Trustee or notice of such pledge, assignment or grant is given.

"Commission" means the United States Securities and Exchange Commission.

"Company" means Unifi, Inc., until a successor shall have become such pursuant to the applicable provisions of this Indenture , whereupon "Company" shall mean such successor.

"Company Order" means a written order of the Company signed by an Officer of the Company.

"Consolidated Cash Flow" means, with respect to any specified Person for any period, the Consolidated Net Income of such Person for such period, *plus* without duplication:

(1) provision for taxes based on income or profits of such Person and its Restricted Subsidiaries for such period, to the extent that such provision for taxes was deducted in computing such Consolidated Net Income; *plus*

(2) the Fixed Charges of such Person and its Restricted Subsidiaries for such period, to the extent that such Fixed Charges were deducted in computing such Consolidated Net Income; *plus*

(3) depreciation, amortization (including amortization of goodwill and other intangibles but excluding amortization of prepaid cash expenses that were paid in a prior period) and other non-cash charges (excluding any such non-cash charges to the extent that it represents an accrual of or reserve for cash charges in any future period or amortization of a prepaid cash charge that was paid in a prior period) of such Person and its Restricted Subsidiaries for such period to the extent that such depreciation, amortization and other non-cash charges were deducted in computing such Consolidated Net Income; *plus*

(4) restructuring and acquisition integration costs and fees, including cash severance payments made in connection with restructurings and acquisitions; *plus*

(5) without duplication, for periods prior to the Issue Date, all items added back to "EBITDA" for purposes of calculating "Adjusted EBITDA" in footnote (1) under "Offering Memorandum Summary—Summary Historical Financial Data" in the Offering Memorandum; *minus*

(6) non-cash items increasing such Consolidated Net Income for such period, other than the accrual of revenue in the ordinary course of business, *minus*

(7) the net loss of any Person that is not a Restricted Subsidiary to the extent that such loss has been funded by an investment of cash from the Company or a Restricted Subsidiary made for the purpose of funding such loss,

in each case, on a consolidated basis and determined in accordance with GAAP.

Notwithstanding the foregoing, the provision for taxes and the depreciation, amortization and other non-cash expenses of a Restricted Subsidiary shall be added to Consolidated Net Income to compute Consolidated Cash Flow only to the extent (and in the same proportion) that the net income of such Restricted Subsidiary was included in calculating Consolidated Net Income and only if a corresponding amount would be permitted at the date of determination to be dividended to such Person by such Restricted Subsidiary without prior approval (that has not been obtained), pursuant to the terms of its charter and all agreements, instruments, judgments, decrees, orders, statutes, rules and governmental regulations applicable to such Restricted Subsidiary or its shareholders or members.

"Consolidated Net Income" means, with respect to any Person for any period, the aggregate of the Net Income of such Person and its Restricted Subsidiaries for such period, on a consolidated basis, determined in accordance with GAAP; *provided* that:

(1) the Net Income (but not loss) of any specified Person that is not a Restricted Subsidiary or that is accounted for by the equity method of accounting shall be included only to the extent of the amount of dividends or similar distributions paid in cash to the specified Person or a Restricted Subsidiary of such Person;

(2) the amount of Net Income of any non-Guarantor Restricted Subsidiary shall be excluded to the extent that the declaration or payment of dividends or similar distributions by that Restricted Subsidiary of that amount of Net Income is not at the date of determination permitted without any prior governmental approval (other than an approval that has already been obtained or, in the case of a Foreign Subsidiary, is reasonably likely to be obtained, in the good-faith judgment of the Company) or, directly or indirectly, by operation of the terms of its charter or any agreement, instrument, judgment, decree, order, statute, rule or governmental regulation applicable to that Restricted Subsidiary or its shareholders or members;

(3) the cumulative effect of a change in accounting principles shall be excluded;

(4) any non-cash gains, losses, income and expenses resulting from fair value accounting with respect to Hedging Obligations required by Statements of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities";

(5) the net loss of any Person that is not a Restricted Subsidiary shall be excluded; and

(6) any charges resulting from the application of Statement of Financial Accounting Standards No. 150, "Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity" to dividends paid on Equity Interests (other than Disqualified Stock) shall be excluded.

Notwithstanding the foregoing, for the purpose of Section 4.07 only (other than clause (3)(c) thereof), there shall be excluded from Consolidated Net Income any income arising from any sale

or other disposition of Restricted Investments made by the Company and its Restricted Subsidiaries, any repurchases and redemptions of Restricted Investments from the Company and its Restricted Subsidiaries, any repayments of loans and advances which constitute Restricted Investments by the Company or any of its Restricted Subsidiaries, any sale of the stock of an Unrestricted Subsidiary or any distribution or dividend from an Unrestricted Subsidiary, in each case only to the extent such amounts increase the amount of Restricted Payments permitted under such covenant pursuant to clause (3)(c) thereof.

"Consolidated Net Tangible Assets" means, as of any date of determination, the consolidated total assets of the Company and its Subsidiaries determined in accordance with GAAP as of the end of the Company's most recent fiscal quarter for which internal financial statements are available, less the sum of (1) all current liabilities and current liability items (other than liabilities under a Credit Agreement that has a Stated Maturity later than one year after such date of determination), and (2) all goodwill, trade names, trademarks, patents, organization expense, unamortized debt discount and expense and other similar intangibles properly classified as intangibles in accordance with GAAP.

"Continuing Directors" means, as of any date of determination, any member of the Board of Directors of the Company who:

(1) was a member of such Board of Directors on the Issue Date; or

(2) was nominated for election or elected to such Board of Directors with the approval of a majority of the Continuing Directors who were members of such Board of Directors at the time of such nomination or election.

"Corporate Trust Office of the Trustee" means the office of the Trustee located at 60 Livingston Avenue, St. Paul, Minnesota 55107 or such other office as it shall notify the Company in writing.

"Credit Agreement" means that certain Amended and Restated Credit Agreement, dated as of May 26, 2006, among the Company, certain of its Subsidiaries, Bank of America, N.A., as agent, and the lenders parties thereto, including any related notes, guarantees, collateral documents, instruments and agreements executed in connection therewith, and in each case as amended, restated, modified, extended, renewed, refunded, replaced (whether upon or after termination or otherwise) or refinanced (including by means of sales of debt securities to institutional investors) in whole or in part from time to time and, with respect to the Company or any Guarantor, one or more debt facilities, commercial paper facilities, in each case, with banks or other institutional lenders providing for revolving credit loans, term loans, receivables financing (including through the sale of receivables to such lenders or to special purpose entities formed to borrow from (or sell such receivables to) such lenders against such receivables), letters of credit, bankers' acceptances, or other borrowings, in each case, as amended, restated, modified, extended, renewed, refunded, replaced (whether upon or after termination or otherwise) or refinanced in whole or in part from time to time, in each case, whether or not such amendment, restatement, modification, extension, renewal, refunding, replacement or refinancing occurs (i) with the original parties thereto, (ii) on one or more separate occasions or (iii) simultaneously or not with the termination or repayment of a prior Credit Agreement.

"Default" means any event that is, or with the passage of time or the giving of notice or both would be, an Event of Default.

"Definitive Note" means a certificated Note registered in the name of the Holder thereof and issued in accordance with Section 2.01 , in the form of Exhibit A hereto, except that such Note shall not bear the Global Note Legend and shall not have the "Schedule of Exchanges of Interests in the Global Note" attached thereto.

"Depositary" means, with respect to the Notes issuable or issued in whole or in part in global form, the Person specified in Section 2.01 as the Depositary with respect to the Notes, and any and all successors thereto appointed as depositary hereunder and having become such pursuant to the applicable provision of this Indenture.

"Disqualified Stock" means any Capital Stock that, by its terms (or by the terms of any security into which it is convertible, or for which it is exchangeable, in each case at the option of the holder of the Capital Stock), or upon the happening of any event, matures or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, or redeemable at the option of the holder of the Capital Stock, in whole or in part, on or prior to the date that is 91 days after the date on which the Notes are scheduled to mature. Notwithstanding the preceding sentence, any Capital Stock that would constitute Disqualified Stock solely because the holders of the Capital Stock have the right to require the Company to repurchase such Capital Stock upon the occurrence of a change of control or an asset sale shall not constitute Disqualified Stock if the terms of such Capital Stock provide that the Company may not repurchase or redeem any such Capital Stock pursuant to such provisions unless such repurchase or redemption complies with Section 4.07. Any class of Capital Stock of the Company that, by its terms, authorizes the Company to satisfy in full its obligations with respect to the payment of dividends or upon maturity, redemption (pursuant to a sinking fund or otherwise) or repurchase thereof or otherwise by the delivery of Capital Stock (other than Disqualified Stock) and that is not convertible into, puttable or exchangeable for Disqualified Stock, shall not be deemed to be Disqualified Stock so long as the Company satisfies its obligations with respect thereto solely by the delivery of Capital Stock (other than Disqualified Stock).

"Domestic Subsidiary" means any Restricted Subsidiary of the Company that was formed under the laws of the United States or any state of the United States or the District of Columbia.

"Equity Interests" means Capital Stock and all warrants, options or other rights to acquire Capital Stock (but excluding any debt security that is convertible into, or exchangeable for, Capital Stock).

"Equity Offering" means any offer and sale for cash by the Company (or any direct or indirect parent of the Company to the extent the net proceeds therefrom are contributed to the equity capital of the Company) of Capital Stock (other than Disqualified Stock) after the Issue Date, other than (a) any issuance pursuant to employee benefit plans or otherwise in compensation to officers, directors or employees or (b) any offering of Capital Stock issued in connection with a transaction that constitutes a Change of Control.

"Euroclear" means Euroclear Bank S.A./N.V., as operator of the Euroclear system, or any successor securities electing agency.

"Exchange Act" means the Securities Exchange Act of 1934.

"Exchange Notes" means the 11 1/2% Senior Secured Notes due 2014 issued by the Company under this Indenture in the Exchange Offer.

"Exchange Offer" has the meaning set forth for such term in the Registration Rights Agreement.

"Exchange Offer Registration Statement" has the meaning set forth for such term in the Registration Rights Agreement.

"Excluded Assets" means:

(1) any property or assets owned by any Subsidiary of the Company which is not a Guarantor,

(2) any rights or interest of the Company or any Guarantor in, to or under any agreement, contract, license, instrument, document or other general intangible (referred to solely for purposes of this definition as a "Contract") (i) to the extent that such Contract by the express terms of a valid and enforceable restriction in favor of a Person who is not the Company or any Restricted Subsidiary, or any requirement of law, prohibits, or requires any consent or establishes any other condition for, an assignment thereof or a grant of a security interest therein by the Company or a Guarantor and (ii) which, if in existence or the subject of rights in favor of the Company or any Guarantor as of the Issue Date and with respect to which a contravention or other violation caused or arising by its inclusion as Collateral has occurred, is listed and designated as such on a schedule to any such party's perfection certificate required by the Collateral Documents or individually or collectively is not material to the conduct of the business of the Company or such Guarantor; provided that: (i) rights to payment under any such Contract otherwise excluded from the Collateral by virtue of this definition shall be included in the Collateral to the extent permitted thereby or by Section 9-406 or Section 9-408 of the Uniform Commercial Code and (ii) all proceeds paid or payable to the Company or any Guarantor from any sale, transfer or assignment of such Contract and all rights to receive such proceeds shall be included in the Collateral;

(3) any equipment of the Company or any Guarantor which is subject to, or secured by, a Capital Lease Obligation or Purchase Money Indebtedness if and to the extent that (i) the express terms of a valid and enforceable restriction in favor of a Person who is not the Company or a Restricted Subsidiary contained in the agreements or documents granting or governing such Capital Lease Obligation or Purchase Money Indebtedness prohibits, or requires any consent or establishes any other conditions for, an assignment thereof, or a grant of a security interest therein, by the Company or any Guarantor and (ii) such restriction relates only to the asset or assets acquired by the Company or any Guarantor with the proceeds of such Capital Lease Obligation or Purchase Money Indebtedness and attachments thereto or substitutions therefor; provided that all proceeds paid or payable to any of the Company or any Guarantor from any sale, transfer or assignment or other voluntary or involuntary disposition of such equipment and all rights to receive such proceeds shall be included in the Collateral to the extent not otherwise required to be paid to the Holder of the Capital Lease Obligation or Purchase Money Indebtedness secured by such equipment;

(4) any Voting Stock that is issued by any Person not organized under the laws of the United States or any state of the United States or the District of Columbia and owned by the Company or any Guarantor, if and to the extent that the inclusion of such Voting Stock in the Collateral would cause the Collateral pledged by the Company or such Guarantor, as the case may be, to include in the aggregate more than 65% of the total combined voting power of all classes of Voting Stock of such Person;

(5) any Capital Stock and other securities of a Subsidiary to the extent that the pledge of such Capital Stock or other securities results in the Company being required to file separate financial statements of such Subsidiary with the SEC, but only to the extent necessary to not be subject to such requirement. In addition, in the event that Rule 3-16 or Rule 3-10 of Regulation S-X under the Securities Act is amended, modified or interpreted by the SEC to require (or is replaced with another rule or regulation, or any other law, rule or regulation is adopted, which would require) the filing with the SEC (or any other governmental or other

regulatory agency or stock exchange) of separate financial statements of any Subsidiary of the Company due to the fact that such Subsidiary's Capital Stock or other securities secure the Notes, then the Capital Stock and other securities of such Subsidiary shall automatically be deemed not to be part of the Collateral but only to the extent necessary to not be subject to such requirement. In such event, the Collateral Documents may be amended or modified, without the consent of any Holder of Notes, to the extent necessary to release the security interests in favor of the Collateral Agent on the shares of Capital Stock or other securities that are so deemed to no longer constitute part of the Collateral. In the event that Rule 3-16 and Rule 3-10 of Regulation S-X under the Securities Act are amended, modified or interpreted by the SEC to permit (or are replaced with another rule or regulation, or any other law, rule or regulation is adopted, which would permit) such Subsidiary's Capital Stock or other securities to secure the Notes in excess of the amount then pledged without the filing with the SEC (or any other governmental or other regulatory agency or stock exchange) of separate financial statements of such Subsidiary, then the Capital Stock or other securities of such Subsidiary shall automatically be deemed to be a part of the Collateral but only to the extent permissible such that such subsidiary would not be subject to any such financial statement requirement; and

(6) proceeds and products from any and all of the foregoing excluded collateral described in clauses (1) through (5), unless such proceeds or products would otherwise constitute Collateral securing the Notes.

"Existing Indebtedness" means Indebtedness of the Company and its Restricted Subsidiaries (other than Indebtedness under the Credit Agreement) in existence on the Issue Date.

"First Priority Collateral" means substantially all of the assets (other than the Second Priority Collateral and other than Excluded Assets) of the Company and the Guarantors, including, but not limited to, the real property, fixtures, equipment, general intangibles with respect to any uncertificated securities representing the Capital Stock of any Subsidiary of the Company or the Guarantors and any Person in which the Company or a Guarantor has a direct interest, and investment property consisting of the Capital Stock of each Subsidiary of the Company or the Guarantors and each other Person in which the Company or a Guarantor has a direct interest, now owned or hereafter acquired by the Company and the Guarantors, as to which the Notes have a first-priority Lien.

"First Priority Collateral Account" means any segregated account under the sole control of the Collateral Agent that is free from all other Liens (other than Liens securing obligations under the Credit Agreement) and includes all cash and Cash Equivalents received by the Collateral Agent from Asset Sales of First Priority Collateral, Recovery Events of First Priority Collateral, foreclosures on or sales of First Priority Collateral, any issuance of Additional Notes or any other awards or proceeds related to First Priority Collateral pursuant to the Collateral Documents.

"Fixed Charge Coverage Ratio" means with respect to any specified Person, the ratio of the Consolidated Cash Flow of such Person for the most recently ended four full fiscal quarters for which financial statements are available to the Fixed Charges of such Person for such period. In the event that the specified Person or any of its Restricted Subsidiaries incurs, assumes, Guarantees, repays, repurchases, redeems, defeases or otherwise discharges any Indebtedness (other than ordinary working capital borrowings) or issues, repurchases or redeems preferred stock subsequent to the commencement of the period for which the Fixed Charge Coverage Ratio is being calculated and on or prior to the date on which the event for which the calculation of the Fixed Charge Coverage Ratio is made (the "Calculation Date"), then the Fixed Charge Coverage Ratio shall be calculated giving pro forma effect to such incurrence, assumption, Guarantee, repayment, repurchase, redemption, defeasance or other discharge of Indebtedness, or such issuance, repurchase or redemption of preferred stock, and the use of the proceeds therefrom as if the same had occurred at the beginning of the applicable four-quarter reference period.

In addition, for purposes of calculating the Fixed Charge Coverage Ratio:

(1) acquisitions that have been made by the specified Person or any of its Restricted Subsidiaries, including through mergers or consolidations, or any Person or any of its Restricted Subsidiaries acquired by the specified Person or any of its Restricted Subsidiaries, and including any related financing transactions and including increases in ownership of Restricted Subsidiaries, Investments by the specified Person or any of its Restricted Subsidiaries in any Person if as a result of such Investment such Person becomes a Restricted Subsidiary of the specified Person and any redesignation of an Unrestricted Subsidiary to a Restricted Subsidiary or a designation of a Restricted Subsidiary to an Unrestricted Subsidiary, during the four-quarter reference period or subsequent to such reference period and on or prior to the Calculation Date shall be given pro forma effect as if they had occurred on the first day of the four-quarter reference period; *provided* that such pro forma calculations shall be determined in good faith by the Chief Financial Officer of the Company and shall be set forth in an Officer's Certificate signed by the Company's Chief Financial Officer which states (i) the amount of such adjustment or adjustments, (ii) that such adjustment or adjustments are based on the reasonable good faith belief of the Company at the time of such execution, and (iii) that the steps necessary for the realization of such adjustments have been taken or are reasonably expected to be taken within 12 months following such transaction;

(2) the Consolidated Cash Flow attributable to discontinued operations, as determined in accordance with GAAP, and operations or businesses (and ownership interests therein) disposed of prior to the Calculation Date, shall be excluded;

(3) the Fixed Charges attributable to discontinued operations, as determined in accordance with GAAP, and operations or businesses (and ownership interests therein) disposed of prior to the Calculation Date, shall be excluded, but only to the extent that the obligations giving rise to such Fixed Charges will not be obligations of the specified Person or any of its Restricted Subsidiaries following the Calculation Date;

(4) if any Indebtedness bears a floating rate of interest, the interest expense on such Indebtedness shall be calculated as if the rate in effect on the Calculation Date had been the applicable rate for the entire four-quarter reference period (taking into account any Hedging Obligation applicable to such Indebtedness if such Hedging Obligation has a remaining term as at the Calculation Date in excess of 12 months); and

(5) if any arrangement, instrument or agreement that does not constitute Indebtedness yet results in the incurrence of Fixed Charges is repaid, eliminated, reversed or discharged during such four-quarter reference period, such arrangement, instrument or agreement shall be deemed to have been repaid, eliminated, reversed or discharged as of the first day of such four-quarter reference period.

"Fixed Charges" means, with respect to any specified Person for any period, the sum, without duplication, of:

(1) the consolidated interest expense (net of interest income) of such Person and its Restricted Subsidiaries for such period, whether paid or accrued (including, without limitation, amortization of debt issuance costs and original issue discount, non-cash interest payments, the interest component of any deferred payment obligations, the interest component of all payments associated with Capital Lease Obligations, imputed interest with respect to Attributable Debt, commissions, discounts and other fees and charges incurred in respect of letter of credit or

bankers' acceptance financings, and net of the effect of all payments made or received pursuant to Hedging Obligations) in respect of interest rates; *plus*

(2) the consolidated interest expense of such Person and its Restricted Subsidiaries that was capitalized during such period; *plus*

(3) any interest expense on Indebtedness of another Person that is guaranteed by such Person or one of its Restricted Subsidiaries or secured by a Lien on assets of such Person or one of its Restricted Subsidiaries (whether or not such Guarantee or Lien is called upon); *plus*

(4) the product of (a) all dividends, whether paid or accrued and (whether or not in cash) on any series of preferred stock or Disqualified Stock of such Person or any of its Restricted Subsidiaries, other than dividends on Equity Interests payable solely in Equity Interests of such Person (other than Disqualified Stock) or to such Person or a Restricted Subsidiary of such Person, times (b) a fraction, the numerator of which is one and the denominator of which is one minus the then current combined federal, state and local statutory tax rate of such Person, expressed as a decimal, in each case, determined on a consolidated basis and in accordance with GAAP.

For purposes of the foregoing, total Fixed Charges shall be determined by excluding any charges resulting from the application of Statement of Financial Accounting Standards No. 150, "Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity" with respect to payments made on Equity Interests other than Disqualified Stock.

"Foreign Subsidiary" means any Restricted Subsidiary of the Company that is not a Domestic Subsidiary.

"GAAP" means generally accepted accounting principles set forth in the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board or the Public Company Accounting Oversight Board or in such other statements by such other entity as have been approved by a significant segment of the accounting profession, which are in effect on the Issue Date.

"Global Note Legend" means the legend set forth in Section 2.01(c)(ii), which is required to be placed on all Global Notes issued under this Indenture.

"Global Notes" means one or more global notes deposited with or on behalf of, and registered in the name of, the Depositary or its nominee, bearing the Global Note Legend and having the "Schedule of Exchange of Interests in the Global Note" attached thereto and issued in accordance with Sections 2.01 and 2.07 .

"Government Securities" means securities that are (i) direct obligations of the United States of America for the timely payment of which its full faith and credit is pledged or (ii) obligations of a Person controlled or supervised by and acting as an agency or instrumentality of the United States of America, the timely payment of which is unconditionally guaranteed as a full faith and credit obligation by the United States of America which, in either case, are not callable or redeemable at the option of the issuer thereof, and shall also include a depository receipt issued by a bank (as defined in Section 3(a)(2) of the Securities Act), as custodian, with respect to any such Governmental Securities or a specific payment of principal of or interest on any such Government Securities held by such custodian for the account of the holder of such depository receipt; provided that (except as required by law) such custodian is not authorized to make any deduction from the amount payable to the holder of such depository receipt

from any amount received by the custodian in respect of the Government Securities or the specific payment of principal of or interest on the U.S. Government Obligation evidenced by such depository receipt.

"Guarantee" means a guarantee other than by endorsement of negotiable instruments for collection in the ordinary course of business, direct or indirect, in any manner including, without limitation, by way of a pledge of assets or through letters of credit or reimbursement agreements in respect thereof, of all or any part of any Indebtedness (whether arising by virtue of partnership arrangements, or by agreements to keep-well, to purchase assets, goods, securities or services, to take or pay or to maintain financial statement conditions or otherwise).

"Guarantor" means any Person that guarantees the Notes; provided that upon the release or discharge of such Person from its Subsidiary Guarantee in accordance with the provisions of this Indenture, such Person shall cease to be a Guarantor.

"Hedging Obligations" means, with respect to any specified Person, the obligations of such Person incurred in connection with the ordinary course of business not for speculative purposes under:

(1) interest rate swap agreements (whether from fixed to floating or from floating to fixed), interest rate cap agreements and interest rate collar agreements;

(2) foreign exchange contracts and currency protection agreements entered into with one of more financial institutions and designed to protect the person or entity entering into the agreement against fluctuations in currency exchange rates; and

(3) other agreements or arrangements designed to manage fluctuations in interest rates, currency exchange rates or commodity prices.

"Holder" means any Person (which may include the Depositary or its nominee) in whose name the Notes are registered in the Registrar's register.

"IAI Global Note" means one or more Restricted Global Notes that shall represent the aggregate principal amount of Notes sold to Institutional Accredited Investors.

"Indebtedness" means (without duplication), with respect to any specified Person, any indebtedness of such Person (excluding accrued expenses and trade payables), whether or not contingent:

(1) in respect of borrowed money;

(2) evidenced by bonds, notes, debentures or similar instruments or letters of credit (or reimbursement agreements in respect thereof);

(3) in respect of letters of credit, banker's acceptances or other similar instruments;

(4) representing the portion of Capital Lease Obligations (that does not constitute interest expense) and Attributable Debt;

(5) representing the balance deferred and unpaid of the purchase price of any property or services due more than six months after such property is acquired or such services are completed;

(6) all obligations of such Person with respect to the redemption, repayment or other repurchase of any Disqualified Stock or, with respect to any Subsidiary that is not a Guarantor, any preferred stock (but excluding, in each case, any accrued dividends); or

(7) representing any Hedging Obligations;

if and to the extent any of the preceding items (other than letters of credit and Hedging Obligations) would appear as a liability on a balance sheet prepared in accordance with GAAP. For the avoidance of doubt, trade payables, accrued liabilities arising in the ordinary course of business, obligations of a Person other than principal and any liability for federal, state or local taxes or other taxes shall not be deemed to be Indebtedness.

In addition, the term "Indebtedness" includes all Indebtedness of others secured by a Lien on any asset of the specified Person (whether or not such Indebtedness is assumed by the specified Person) and, to the extent not otherwise included, the Guarantee by the specified Person of any Indebtedness of any other Person.

The amount of any Indebtedness outstanding as of any date shall be:

(1) the accreted value of the Indebtedness, in the case of any Indebtedness issued with original issue discount;

(2) in the case of any Disqualified Stock of the specified Person or any Guarantor or preferred stock of a Restricted Subsidiary that is not a Guarantor, the repurchase price calculated in accordance with the terms of such Disqualified Stock or preferred stock as if such Disqualified Stock or preferred stock were repurchased on the date on which Indebtedness is required to be determined pursuant to this Indenture; *provided* that if such Disqualified Stock or preferred stock is not then permitted to be repurchased, the greater of the liquidation preference and the book value of such Disqualified Stock or preferred stock;

(3) in the case of Indebtedness of others secured by a Lien on any asset of the specified Person, the lesser of (A) the fair market value of such asset on the date on which Indebtedness is required to be determined pursuant to this Indenture and (B) the amount of the Indebtedness so secured;

(4) in the case of the Guarantee by the specified Person of any Indebtedness of any other Person, the maximum liability to which the specified Person may be subject upon the occurrence of the contingency giving rise to the obligation;

(5) in the case of any Hedging Obligations, the net amount payable if such Hedging Obligations were terminated at that time by such Person (after giving effect to any contractually permitted set-off); and

(6) the principal amount of the Indebtedness, together with any interest on the Indebtedness that is more than 30 days past due, in the case of any other Indebtedness.

"Indenture" means this Indenture, as amended or supplemented from time to time, and provisions of the TIA that are deemed by the TIA to be a part hereof.

"Indirect Participant" means a Person who holds a beneficial interest in a Global Note through a Participant.

"Initial Notes" means the $190,000,000 aggregate principal amount of 11 1/2% Senior Secured Notes due 2014 issued by the Company under this Indenture on the Issue Date.

"Initial Purchasers" means (i) with respect to the Initial Notes issued on the Issue Date, Lehman Brothers Inc. and Banc of America Securities LLC and (2) with respect to each issuance of Additional Notes, the Persons purchasing such Additional Notes under the related purchase agreement.

"Institutional Accredited Investor" means an institution that is an "accredited investor" pursuant to Rule 501(a)(1), (2), (3) or (7) under the Securities Act, that is not also a QIB.

"Intercreditor Agreement" means the Intercreditor Agreement to be entered into on the Issue Date among the Company, the Guarantors, the Collateral Agent, on behalf of itself, the Trustee and the Holders of the Notes, and the agent under the Credit Agreement, on behalf of itself and the lenders, as the same may be amended, restated, supplemented or otherwise modified from time to time,

"Investments" means, with respect to any Person, all direct or indirect investments by such Person in other Persons (including Affiliates) in the forms of loans (including Guarantees or other obligations), advances or capital contributions (excluding commission, travel and similar advances to officers and employees made in the ordinary course of business), purchases or other acquisitions, including purchases or acquisitions of Equity Interests, for consideration of cash, Cash Equivalents, Indebtedness, Equity Interests or other securities, together with all items that are or would be classified as investments on a balance sheet prepared in accordance with GAAP. If the Company or any Restricted Subsidiary of the Company sells or otherwise disposes of any Equity Interests of any direct or indirect Restricted Subsidiary of the Company such that, after giving effect to any such sale or disposition, such Person is no longer a Restricted Subsidiary of the Company, the Company shall be deemed, without duplication, to have made an Investment on the date of any such sale or disposition in an amount equal to the fair market value of the Equity Interests of such Subsidiary not sold or disposed of in an amount determined as provided in the final paragraph of Section 4.07. The acquisition by the Company or any Restricted Subsidiary of the Company of a Person that holds an Investment in a third Person shall be deemed, without duplication, to be an Investment made by the Company or such Restricted Subsidiary in such third Person in an amount equal to the fair market value of the Investment held by the acquired Person in such third Person on the date of any such acquisition in an amount determined as provided in the final paragraph of Section 4.07. Except as otherwise provided in this Indenture, the amount of an Investment shall be determined at the time the Investment is made and without giving effect to subsequent changes in value.

"Issue Date" means May 26, 2006.

"Letter of Transmittal" means the letter of transmittal, if any, to be prepared by the Company and sent to all Holders of Notes for use by such Holders in connection with the Exchange Offer.

"Lien" means, with respect to any asset, any mortgage, lien, pledge, charge, security interest or encumbrance of any kind in respect of such asset, whether or not filed, recorded or otherwise perfected under applicable law, including any conditional sale or other title retention agreement, any lease in the nature thereof, any option or other agreement to sell or give a security interest in and any filing of or agreement to give any financing statement under the Uniform Commercial Code (or equivalent statutes) of any jurisdiction.

"Moody's" means Moody's Investors Service, Inc. or any successor to the rating agency business thereof.

"Mortgages" means the mortgages, deeds of trust, deeds to secure debt or other similar documents securing Liens on the Premises, as well as the other Collateral secured by and described in the mortgages, deeds of trust, deeds to secure debt or other similar documents securing Liens.

"Net Award" means any awards or proceeds in respect of any condemnation or other eminent domain proceeding relating to any Collateral, net of any cash amounts expended by the Company or its Restricted Subsidiaries to obtain such awards or proceeds or defend against such condemnation or eminent domain proceedings.

"Net Insurance Proceeds" means any awards or proceeds in respect of any casualty insurance or title insurance claim relating to any Collateral, net of any cash amounts expended by the Company or its Restricted Subsidiaries to obtain such awards or proceeds.

"Net Income" means, with respect to any specified Person and its Restricted Subsidiaries, the net income (loss) of such Person, determined in accordance with GAAP and before any reduction in respect of preferred stock dividends, excluding, however:

(1) any gain (or loss), together with any related provision for taxes on such gain (or loss), realized in connection with (a) any Asset Sale (including, without limitation, dispositions pursuant to Sale/Leaseback Transactions) or (b) the disposition of any securities by such Person or any of its Restricted Subsidiaries or the extinguishment of any Indebtedness of such Person or any of its Restricted Subsidiaries;

(2) any extraordinary gain (or loss), together with any related provision for taxes on such extraordinary gain (or loss);

(3) any after-tax effect of income (or loss) from the early extinguishment of Indebtedness or from Hedging Obligations or other derivative instruments;

(4) any impairment charge or asset write-off, in each case, pursuant to GAAP and the amortization of intangibles arising pursuant to GAAP; and

(5) any non-cash compensation expense recorded from grants of stock appreciation or similar rights, stock options, restricted stock, equity-based awards or other rights shall be excluded.

"Net Proceeds" means the aggregate cash proceeds received by the Company or any of its Restricted Subsidiaries in respect of any Asset Sale (including, without limitation, any cash received upon the sale or other disposition of any non-cash consideration received in any Asset Sale), net of (i) the direct costs relating to such Asset Sale, including, without limitation, legal, accounting, consulting and investment banking fees, and sales commissions, and any relocation expenses incurred as a result of the Asset Sale, (ii) taxes paid or payable as a result of the Asset Sale, in each case, after taking into account any available tax credits or deductions and any tax sharing arrangements, (iii) amounts required to be applied to the repayment of Indebtedness plus any accrued interest, fees, expenses, premiums, consent payments or liquidated damages in connection therewith, (iv) any reserve for adjustment in respect of the sale price of such asset or assets established in accordance with GAAP, (v) payments of unassumed liabilities (not constituting Indebtedness) relating to the assets and (vi) amounts required to be paid to any Person (other than the Company or any Restricted Subsidiary) owning a beneficial interest in the assets subject to the Asset Sale or having a Lien thereon. With respect to a Recovery Event, "Net Proceeds" shall mean the Net Award or Net Insurance Proceeds, as applicable, in respect of such Recovery Event, net of (i) taxes paid or payable as a result of the Recovery Event, in each case, after taking into account any available tax credits or deductions and any tax sharing arrangements, (ii) amounts required to be

applied to the repayment of Indebtedness plus any accrued interest, fees, expenses, premiums, consent payments or liquidated damages in connection therewith, (iii) any reserve for adjustment in respect of the recovery amounts in respect of such asset or assets established in accordance with GAAP, and (iv) amounts required to be paid to any Person (other than the Company or any Restricted Subsidiary) owning a beneficial interest in the assets subject to the Recovery Event or having a Lien thereon.

"Non-Recourse Debt" means Indebtedness:

(1) as to which neither the Company nor any of its Restricted Subsidiaries (a) provides credit support of any kind (including any undertaking, agreement or instrument that would constitute Indebtedness), (b) is directly or indirectly liable as a guarantor or otherwise, or (c) is the lender (other than by a pledge of the Capital Stock or other securities of the Person incurring such Non-Recourse Debt);

(2) no default with respect to which (including any rights that the holders of the Indebtedness may have to take enforcement action against an Unrestricted Subsidiary) would permit upon notice, lapse of time or both any holder of any other Indebtedness of the Company or any of its Restricted Subsidiaries to declare a default on such other Indebtedness or cause the payment of such other Indebtedness to be accelerated or payable prior to its Stated Maturity; and

(3) as to which the lenders have been notified in writing that they shall not have any recourse to the stock or assets of the Company or any stock or assets of its Restricted Subsidiaries or the assets of the Company (other than a pledge of the Capital Stock or other securities of the entity incurring the Non-Recourse Debt).

"Non-U.S. Person" means a Person who is not a U.S. Person.

"Note Custodian" means U.S. Bank National Association, as custodian for the Depositary with respect to the Notes in global form, or any successor entity thereto.

"Notes" means the Initial Notes, the Exchange Notes and any Additional Notes issued under this Indenture.

"Obligations" means any principal, premium, if any, interest (including interest accruing on or after the filing of any petition in bankruptcy or for reorganization, whether or not a claim for post-filing interest is allowed in such proceeding), penalties, fees, charges, expenses, indemnifications, reimbursement obligations, damages, guarantees, and other liabilities or amounts payable under the documentation governing any Indebtedness or in respect thereto.

"Offer Amount" means (a) with respect to an Asset Sale Offer, the aggregate amount proposed to be used by the Company to purchase Notes and other *pari passu* Indebtedness or (b) with respect to a Collateral Sale Offer, the amount proposed to be used by the Company to purchase Notes.

"Offering Memorandum" means the final offering memorandum of the Company, dated May 17, 2006, in connection with the offering of the Initial Notes.

"Officer" means, with respect to any Person, the Chairman of the Board, the Chief Executive Officer, the President, the Chief Operating Officer, the Chief Financial Officer, the Treasurer or any Assistant Treasurer, the Controller, the General Counsel, the Secretary or any Assistant Secretary or any Vice President of such Person.

"Officer's Certificate" means a certificate signed by an Officer which complies with the provisions of Section 13.05 .

"Opinion of Counsel" means an opinion from legal counsel, who is reasonably acceptable to the Trustee, which meets the requirements of Section 13.04 . The counsel may be an employee of or counsel to the Company or any Subsidiary. Such opinion may be subject to customary assumptions, exceptions and qualifications.

"Participant" means, with respect to the Depositary, Euroclear or Clearstream, a Person who has an account with the Depositary, Euroclear or Clearstream, respectively (and, with respect to The Depository Trust Company, shall include Euroclear and Clearstream).

"Participating Broker-Dealer" has the meaning set forth in the Registration Rights Agreement.

"Permitted Business" means the lines of business conducted by the Company and its Restricted Subsidiaries on the Issue Date and any business incidental or reasonably related thereto or which is a reasonable extension thereof as determined in good faith by the Company's Board of Directors (including, without limitation, the design, development, production, distribution and sale of yarns, fibers, textiles, fabrics and other related goods).

"Permitted Investments" means:

(1) any Investment in the Company or in a Restricted Subsidiary of the Company;

(2) any Investment in cash and Cash Equivalents;

(3) any Investment by the Company or any Restricted Subsidiary of the Company in a Person, if as a result of such Investment:

(a) such Person becomes a Restricted Subsidiary of the Company; or

(b) such Person is merged, consolidated or amalgamated with or into, or transfers or conveys substantially all of its assets to, or is liquidated into, the Company or a Restricted Subsidiary of the Company;

(4) any Investment made as a result of the receipt of non-cash consideration from an Asset Sale that was made pursuant to and in compliance with Section 4.10 or any non-cash consideration received in connection with a disposition of assets excluded from the definition of "Asset Sales;"

(5) workers' compensation, utility, performance, lease and similar deposits and prepaid expenses in the ordinary course of business and endorsements of negotiable instruments and documents in the ordinary course of business;

(6) loans or advances to employees (other than executive officers) made in the ordinary course of business of the Company or such Restricted Subsidiary in an aggregate amount not to exceed $1.0 million at any one time outstanding; *provided*, *however*, that the Company and its Subsidiaries shall comply in all material respects with the provisions of the Sarbanes Oxley Act of 2002 and the rules and regulations promulgated in connection therewith relating to such loans and advances;

(7) any Investments received in compromise or resolution of (A) obligations of trade creditors or customers that were incurred in the ordinary course of business of the Company or any of its Restricted Subsidiaries, including pursuant to any plan of reorganization or similar arrangement upon the bankruptcy or insolvency of any trade creditor or customer, or (B) litigation, arbitration or other disputes with Persons who are not Affiliates;

(8) Hedging Obligations;

(9) repurchase of the Notes and related Subsidiary Guarantees;

(10) advances or extensions of credit on terms customary in the industry in the form of accounts or other receivables incurred (provided that such terms may include such concessionary trade terms as the Company or its Restricted Subsidiary deems reasonable under the circumstances), and loans and advances made in settlement of such accounts receivable, all in the ordinary course of business;

(11) (a) Investments existing on the Issue Date and (b) Investments consisting of Equity Interests of Yihua Unifi Fibre Industry Company Limited received in exchange for the Indebtedness of Yihua Unifi Fibre Industry Company Limited owing to the Company or any subsidiary in an amount not to exceed the aggregate principal amount outstanding on the Issue Date;

(12) Guarantees issued in accordance with Section 4.09;

(13) advances, loans or extensions of credit to suppliers and vendors in the ordinary course of business;

(14) Investments in Permitted Joint Ventures in an aggregate amount, together with all other Investments made pursuant to this clause (14), not to exceed 5.0% of Consolidated Net Tangible Assets (with the fair market value of such Investment being measured at the time made and without giving effect to subsequent changes in value); provided, however, that if any Investment pursuant to this clause (14) is made in a Person that is not a Restricted Subsidiary of the Company at the date of the making of such Investment and such Person becomes a Restricted Subsidiary of the Company after such date, such Investment shall thereafter be deemed to have been made pursuant to clause (1) above (to the extent the Investment is permitted under such clause) and shall cease to have been made pursuant to this clause (14).

(15) payroll, travel and similar advances to cover matters that are expected at the time of such advances ultimately to be treated as expenses for accounting purposes and that are made in the ordinary course of business;

(16) Investments consisting of the licensing or sublicensing of intellectual property;

(17) Investments in Permitted Joint Ventures or Unrestricted Subsidiaries engaged in a Permitted Business made with the net proceeds from the sale or other disposition of Equity Interests in any Permitted Joint Venture in existence on the Issue Date, less the amount of any Investment made in such Permitted Joint Venture after the Issue Date; *provided*, *however*, that, in the case of sales of Equity Interests in a Permitted Joint Venture directly held on the Issue Date by Unifi or a Guarantor, (i) up to $15.0 million of the proceeds from such sales in the aggregate since the Issue Date may be used to make Investments pursuant to this clause (17) in any Permitted Joint Venture or Unrestricted Subsidiary engaged in a Permitted Business, and (ii) otherwise, the proceeds from such sales used to make Investments pursuant to this clause (17)

shall be used to make Investments in a Permitted Joint Venture or Unrestricted Subsidiary that is engaged in a Permitted Business and is directly held by Unifi or a Guarantor (and such Equity Interests in such Permitted Joint Venture or Unrestricted Subsidiary shall be included in the First Priority Collateral in accordance with the terms, provisions and exclusions of the Collateral Documents);

(18) transfers of Assets Held for Sale or Investments made with the proceeds from the sale of such Assets Held for Sale by the Company and its Restricted Subsidiaries to Permitted Joint Ventures or Unrestricted Subsidiaries engaged in a Permitted Business;

(19) contributions of assets or other property to a Permitted Joint Venture or an Unrestricted Subsidiary consisting of assets or other property received by the Company in connection with a contribution to the Company's common equity capital or a purchase or issuance of the Company's Equity Interests (other than Disqualified Stock of the Company); provided that such real property or other property is specifically identified in an Officer's Certificate delivered to the Trustee; and

(20) other Investments in any Person having an aggregate fair market value (measured on the date each such Investment was made and without giving effect to subsequent changes in value), when taken together with all other Investments made pursuant to this clause (20) that are at the time outstanding, not to exceed $12.5 million; provided, however, that if any Investment pursuant to this clause (20) is made in a Person that is not a Restricted Subsidiary of the Company at the date of the making of such Investment and such Person becomes a Restricted Subsidiary of the Company after such date, such Investment shall thereafter be deemed to have been made pursuant to clause (1) above (to the extent the Investment is permitted under such clause) and shall cease to have been made pursuant to this clause (20).

"Permitted Joint Venture" means any Person which is, directly or indirectly, through its Subsidiaries or otherwise, engaged principally in a Permitted Business, and the Capital Stock (or securities convertible into Capital Stock) of which is owned, directly or indirectly, by the Company or one or more of its Restricted Subsidiaries and one or more other Person other than the Company or any of its Subsidiaries or Affiliates; provided that such other Person or Persons shall own Capital Stock constituting (1) at least 25% of the Capital Stock and (2) at least 25% of the Voting Stock of such Permitted Joint Venture.

"Permitted Liens" means:

(1) Liens to secure Indebtedness and other Obligations under any Credit Agreement permitted by Section 4.09(b)(1) (and related Hedging Obligations); provided that any such Liens on First Priority Collateral shall be subject to the terms of the Intercreditor Agreement;

(2) Liens in favor of the Company or any Guarantor;

(3) Liens on property of a Person existing at the time such Person is merged with or into or consolidated with the Company or any Restricted Subsidiary of the Company or becomes a Restricted Subsidiary of the Company; *provided* that such Liens were in existence prior to and not incurred in connection with the contemplation of such merger or consolidation and do not extend to any assets other than those of the Person merged into or consolidated with the Company or the Restricted Subsidiary;

(4) Liens on property (including Capital Stock) existing at the time of acquisition of the property by the Company or any Restricted Subsidiary of the Company, *provided* that such

Liens were in existence prior to such acquisition and not incurred in contemplation of such acquisition;

(5) Liens to secure the performance of statutory obligations, surety or appeal bonds, performance bonds or other obligations of a like nature incurred in the ordinary course of business;

(6) Liens existing on the Issue Date;

(7) Liens securing Hedging Obligations so long as the related Indebtedness is, and is permitted to be under this Indenture, secured by a Lien on the same property securing such Hedging Obligation;

(8) Liens to secure Indebtedness and other obligations (including Capital Lease Obligations) permitted by Section 4.09(b)(4) covering only the assets acquired with or financed by such Indebtedness;

(9) statutory Liens or landlords and carriers', warehouseman's, mechanics', suppliers', materialmen's, repairmen's or other like Liens arising in the ordinary course of business;

(10) Liens for taxes, assessments or governmental charges or claims that are not yet delinquent or that are being contested in good faith by appropriate proceedings promptly instituted and diligently conducted and if a reserve or other appropriate provision, if any, as shall be required in conformity with GAAP shall have been made therefor;

(11) Liens incurred or deposits made in the ordinary course of business in connection with workers' compensation, unemployment insurance and other types of social security;

(12) survey exceptions, easements or reservations of, or rights of others for, licenses, rights-of-way, sewers, electric lines, telegraph and telephone lines and other similar purposes, or zoning or other restrictions as to the use of real property that were not incurred in connection with Indebtedness and that do not in the aggregate materially adversely affect the value of said properties or materially impair their use in the operation of the business of such Person and minor defects in title or Liens or other exception to title that appear on a policy of title insurance, or a commitment to issue such a policy, with respect to any Collateral in favor of the Trustee on the Issue Date;

(13) Liens created for the benefit of (or to secure) the Notes or the related Subsidiary Guarantees or any Obligations owing to the Trustee or the Collateral Agent under this Indenture, the Collateral Documents or the Intercreditor Agreement;

(14) rights of banks to set off deposits against debts owed to said bank;

(15) Liens upon specific items of inventory or other goods and proceeds of the Company or its Subsidiaries securing the Company's or any Restricted Subsidiary's Obligations in respect of bankers' acceptances issued or created for the account of any such Person to facilitate the purchase, shipment or storage of such inventory or other goods;

(16) Liens securing reimbursement obligations with respect to letters of credit which encumber documents and other property relating to such letters of credit and the products and proceeds thereof;

(17) Liens in favor of customs, revenue or other similar authorities arising as a matter of law to secure payment of customs duties in connection with the importation of goods;

(18) Liens to secure any Permitted Refinancing Indebtedness permitted to be incurred under this Indenture; *provided*, *however*, that:

(a) the new Lien shall be limited to all or part of the same property and assets that secured or, under the written agreements pursuant to which the original Lien arose, could secure the original Lien (plus improvements and accessions to, such property or proceeds or distributions thereof); and

(b) the Indebtedness secured by the new Lien is not increased to any amount greater than the sum of (x) the outstanding principal amount, or, if greater, committed amount, of the Permitted Refinancing Indebtedness, (y) accrued interest and (z) an amount necessary to pay any fees and expenses, including premiums, consent payments or liquidated damages, related to such renewal, refunding, refinancing, replacement, defeasance or discharge; and

(19) Liens with respect to obligations that do not exceed $5.0 million at any one time outstanding;

(20) Liens under licensing or sublicensing agreements for use of intellectual property;

(21) Leases or subleases to third parties;

(22) Liens securing Indebtedness permitted by clauses (9), (10), (11), (13), (14) or (15) of Section 4.09(b);

(23) Liens encumbering deposits made to secure obligations arising from statutory, regulatory or contractual requirements of the Company or a Restricted Subsidiary, including rights of offset and set-off;

(24) Liens on materials, inventory or consumables and the proceeds therefrom securing trade payables relating to such materials, inventory or consumables;

(25) Factoring Liens relating to Indebtedness permitted to be incurred pursuant to this Indenture; and

(26) any extension, renewal or replacement, in whole or in part, of any Lien described in the foregoing clauses (1) through (25) provided that the Lien so extended, renewed or replaced does not extend to any additional property or assets.

"Permitted Refinancing Indebtedness" means any Indebtedness of the Company or any of its Restricted Subsidiaries issued in exchange for, or the net proceeds of which are used to extend, refinance, renew, replace, defease, refund or discharge other Indebtedness of the Company or any of its Subsidiaries (other than intercompany Indebtedness); *provided* that:

(1) the principal amount (or accreted value, if applicable) of such Permitted Refinancing Indebtedness does not exceed the principal amount (or accreted value, if applicable) of the Indebtedness extended, refinanced, renewed, replaced, defeased, refunded or discharged (plus all accrued interest on the Indebtedness and the amount of all fees, expenses, premiums, consent payments or liquidated damages incurred in connection therewith);

(2) (a) if the Stated Maturity of the Indebtedness being refinanced is the same as or earlier than the Stated Maturity of the Notes, such Permitted Refinancing Indebtedness has a Stated Maturity no earlier than the Stated Maturity of the Indebtedness being refinanced or (b) if the Stated Maturity of the Indebtedness being refinanced is later than the Stated Maturity of the Notes, such Permitted Refinancing Indebtedness has a Stated Maturity at least 91 days later than the Stated Maturity of the Notes;

(3) such Permitted Refinancing Indebtedness has a Weighted Average Life to Maturity equal to or greater than the Weighted Average Life to Maturity of, the Indebtedness being extended, refinanced, renewed, replaced, defeased, refunded or discharged;

(4) if the Indebtedness being extended, refinanced, renewed, replaced, defeased, refunded or discharged is subordinated in right of payment to the Notes or any Subsidiary Guarantee, such Permitted Refinancing Indebtedness is subordinated in right of payment to the Notes or the Subsidiary Guarantees, as the case may be, on terms at least as favorable to the Holders of the Notes as those contained in the documentation governing the Indebtedness being extended, refinanced, renewed, replaced, defeased, refunded or discharged; and

(5) if the obligor on the Indebtedness being extended, refinanced, renewed, replaced, defeased, refunded or discharged is the Company or any Guarantor, such refinancing Indebtedness is incurred either by the Company or by another Guarantor.

"Person" means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization, limited liability company or government or other entity.

"Predecessor Note" of any particular Note means every previous Note evidencing all or a portion of the same Indebtedness as that evidenced by such particular Note; and any Note authenticated and delivered under Section 2.08 in lieu of a mutilated, lost, destroyed or stolen Note shall be deemed to evidence the same Indebtedness as the mutilated, lost, destroyed or stolen Note.

"Private Placement Legend" means the legend set forth in Section 2.01(c)(i)(A) to be placed on all Notes issued under this Indenture except where permitted to be omitted or removed by the provisions of this Indenture.

"Purchase Date" means, with respect to an Asset Sale Offer or a Collateral Sale Offer, the purchase date of the Notes tendered pursuant to such Asset Sale Offer or Collateral Sale Offer, as applicable.

"QIB" means a "qualified institutional buyer" as defined in Rule 144A.

"Recovery Event" means any event, occurrence, claim or proceeding that results in any Net Award or Net Insurance Proceeds.

"Registration Rights Agreement" means (a) with respect to the Initial Notes issued on the Issue Date, the Registration Rights Agreement dated as of the Issue Date among the Company, the Guarantors and the Initial Purchasers, as such agreement may be amended, restated, modified or supplemented from time to time and (b) with respect to each issuance of Additional Notes issued in a transaction exempt from the registration requirements of the Securities Act, the registration rights agreement, if any, among the Company, the Guarantors and the Persons initially purchasing such Additional Notes under the related purchase agreement, as such agreement may be amended, restated, modified or supplemented from time to time.

"Registration Statement" means any registration statement filed under the Securities Act by the Company pursuant to the provisions of the Registration Rights Agreement relating to (a) an offering of Exchange Notes pursuant to an Exchange Offer or (b) the registration for resale of Notes issued in a transaction exempt from the registration requirements of the Securities Act pursuant to the Shelf Registration Statement.

"Regulation S" means Regulation S promulgated under the Securities Act.

"Regulation S Global Note" means one or more Restricted Global Notes that shall represent the aggregate principal amount of Notes sold in reliance on Regulation S.

"Responsible Officer" means when used with respect to the Trustee, an officer within the Corporate Trust Division of the Trustee (or any successor unit, department or division of the Trustee), who has direct responsibility for the administration of this Indenture and, shall also include any officer of the Trustee to whom any corporate trust matter is referred because of such person's knowledge of and familiarity with the particular subject.

"Restoration" has the meaning ascribed to it in the applicable Collateral Document.

"Restricted Definitive Note" means a Definitive Note bearing the Private Placement Legend.

"Restricted Global Note" means a Global Note bearing the Private Placement Legend.

"Restricted Investment" means an Investment other than a Permitted Investment.

"Restricted Note" means a Restricted Definitive Note or a Restricted Global Note, as the case may be.

"Restricted Subsidiary" of a Person means any Subsidiary of the referent Person that is not an Unrestricted Subsidiary.

"Rule 144" means Rule 144 promulgated under the Securities Act.

"Rule 144A" means Rule 144A promulgated under the Securities Act.

"Rule 144A Global Note" means one or more Restricted Global Notes that shall represent the aggregate principal amount of Notes sold in reliance on Rule 144A.

"Rule 903" means Rule 903 promulgated under the Securities Act.

"Rule 904" means Rule 904 promulgated under the Securities Act.

"S&P" means Standard & Poor's Ratings Group, Inc., or any successor to the rating agency business thereof.

"Sale/Leaseback Transaction" means an arrangement relating to property or assets owned by the Company or a Subsidiary on the Issue Date or thereafter acquired by the Company or a Subsidiary whereby the Company or a Subsidiary transfers such property or assets to a Person (other than the Company or a Restricted Subsidiary of the Company) and the Company or a Subsidiary leases such property or assets from such Person.

"Second Priority Collateral" means the inventory, accounts receivable, general intangibles (other than any uncertificated securities representing Capital Stock of any Subsidiary of the Company or the Guarantors and each Person in which the Company or a Guarantor has a direct interest), investment property (other than Capital Stock of any Subsidiary of the Company or the Guarantors and each Person in which the Company or a Guarantor has a direct interest), chattel paper, documents, instruments, supporting obligations, letter of credit rights, deposit accounts and other personal property, and all proceeds relating to any of the above, which secure the Credit Agreement on a first-priority basis, now owned or hereafter acquired by the Company and the Guarantors and other than Excluded Assets, as to which the Notes have a second-priority Lien.

"Second Priority Collateral Account" means any segregated account under the sole control of the Collateral Agent that is free from all other Liens (other than Liens securing the Notes) and includes all cash and Cash Equivalents received by the Collateral Agent from Asset Sales of Second Priority Collateral, Recovery Events of Second Priority Collateral, foreclosures on or sales of Second Priority Collateral or any other awards or proceeds related to Second Priority Collateral pursuant to the Collateral Documents.

"Securities Act" means the Securities Act of 1933.

"Shelf Registration Statement" has the meaning set forth for such term in the Registration Rights Agreement.

"Significant Subsidiary" means any Restricted Subsidiary that would be a "significant subsidiary" of the Company as defined in Article 1, Rule 1-02 of Regulation S-X, promulgated pursuant to the Securities Act, as such Regulation is in effect on the Issue Date.

"Stated Maturity" means, with respect to any installment of interest or principal on any series of Indebtedness, the date on which the payment of interest or principal was scheduled to be paid in the documentation governing such Indebtedness as of the Issue Date, and shall not include any contingent obligations to repay, redeem or repurchase any such interest or principal prior to the date originally scheduled for the payment thereof.

"Subordinated Indebtedness" of a Person means any Indebtedness of such Person (whether outstanding on the Issue Date or thereafter incurred) which is subordinate or junior in right of payment to the Notes pursuant to a written agreement. For purposes of the foregoing, for the avoidance of doubt, no Indebtedness shall be deemed to be subordinated in right of payment to any other Indebtedness solely by virtue of being unsecured or secured by a lower priority Lien or by virtue of the fact that the Holders of such Indebtedness have entered into intercreditor agreements or other arrangements giving one or more of such Holders priority over the other Holders in the collateral held by them.

"Subsidiary" means, with respect to any specified Person:

(1) any corporation, association or other business entity of which more than 50% of the total voting power of shares of Capital Stock entitled (without regard to the occurrence of any contingency and after giving effect to any voting agreement or stockholders' agreement that effectively transfers voting power) to vote in the election of the Board of Directors thereof is at the time owned or controlled, directly or indirectly, by that Person or one or more of the other Subsidiaries of that Person (or a combination thereof); and

(2) any partnership (or any comparable foreign entity) (a) the sole general partner (or functional equivalent thereof) or the managing general partner of which is such Person or a

Subsidiary of such Person or (b) the only general partners (or functional equivalents thereof) of which are that Person or one or more Subsidiaries of that Person (or any combination thereof).

"Subsidiary Guarantee" means any guarantee by a Guarantor of the Company's payment Obligations pursuant to the terms of this Indenture and on the Notes.

"TIA" means the Trust Indenture Act of 1939 (15 U.S.C. §§ 77aaa-77bbbb).

"Trustee" means the party named as such above until a successor replaces it in accordance with the applicable provisions of this Indenture and thereafter means the successor serving hereunder.

"Unrestricted Definitive Note" means a Definitive Note that does not and is not required to bear the Private Placement Legend.

"Unrestricted Global Note" means a Global Note that does not and is not required to bear the Private Placement Legend.

"Unrestricted Note" means an Unrestricted Definitive Note or an Unrestricted Global Note, as the case may be.

"Unrestricted Subsidiary" means any Subsidiary of the Company that is designated by the Board of Directors of the Company as an Unrestricted Subsidiary pursuant to a resolution of the Board of Directors, but only to the extent that such Subsidiary:

(1) has no Indebtedness other than Non-Recourse Debt;

(2) except as permitted by Section 4.11, is not party to any agreement, contract, arrangement or understanding with the Company or any Restricted Subsidiary of the Company unless the terms of any such agreement, contract, arrangement or understanding are no less favorable to the Company or such Restricted Subsidiary than those that might be obtained at the time from Persons who are not Affiliates of the Company;

(3) is a Person with respect to which neither the Company nor any of its Restricted Subsidiaries has any direct or indirect obligation (a) to subscribe for additional Equity Interests or (b) to maintain or preserve such Person's financial condition or to cause such Person to achieve any specified levels of operating results; and

(4) has not guaranteed or otherwise directly or indirectly provided credit support for any Indebtedness of the Company or any of its Restricted Subsidiaries (other than in the form of a pledge of its Capital Stock or other securities or a Guarantee of the Notes, the Subsidiary Guarantees or Obligations thereunder).

"U.S. Person" means a U.S. person as defined in Rule 902(k) under the Securities Act.

"Voting Stock" of any specified Person as of any date means (i) in the case of a corporation (or other similar entity), the Capital Stock of such Person that is at the time entitled to vote in the election of the Board of Directors of such Person, (ii) in the case of a partnership, partnership interests entitled to elect or replace the general partner (or equivalent person) thereof, (iii) in the case of a limited liability company, membership interests entitled, by contract or otherwise, to manage, or to elect to appoint the Persons that shall manage the operations or business of the limited liability company.

"Weighted Average Life to Maturity" means, when applied to any Indebtedness at any date, the number of years obtained by dividing:

(1) the sum of the products obtained by multiplying (a) the amount of each then remaining installment, sinking fund, serial maturity or other required payments of principal, including payment at final maturity, in respect of the Indebtedness, by (b) the number of years (calculated to the nearest one-twelfth) that shall elapse between such date and the making of such payment; by

(2) the then outstanding principal amount of such Indebtedness.

SECTION 1.02. Other Definitions

Term	Defined in Section
"Affiliate Transaction"	4.11
"Asset Sale Offer"	4.10
"Authenticating Agent"	2.03
"Authentication Order"	2.03
"Change of Control Offer"	4.15
"Change of Control Payment"	4.15
"Change of Control Payment Date"	4.15
"Collateral Sale Offer"	4.10
"Covenant Defeasance"	8.03
"Custodian"	6.01
"DTC"	2.01
"Event of Default"	6.01
"Excess Collateral Proceeds"	4.10
"Excess Proceeds"	4.10
"incur"	4.09
"Legal Defeasance"	8.02
"New York Corporate Trust Office"	4.02
"Paying Agent"	2.04
"Payment Default"	6.01
"Registrar"	2.04
"Restricted Payments"	4.07

SECTION 1.03. Incorporation by Reference of TIA

Whenever this Indenture refers to a provision of the TIA, the provision is incorporated by reference in and made a part of this Indenture. All terms used in this Indenture that are defined by the TIA, defined by TIA reference to another statute or defined by Commission rule under the TIA have the meanings so assigned to them.

SECTION 1.04. Rules of Construction

Unless the context otherwise requires or as otherwise specified:

(i) a term has the meaning assigned to it;

(ii) an accounting term not otherwise defined has the meaning assigned to it in accordance with GAAP;

(iii) "or" is not exclusive;

(iv) words in the singular include the plural, and in the plural include the singular;

(v) provisions apply to successive events and transactions;

(vi) "herein," "hereof," "hereunder" and other words of similar import refer to this Indenture (as amended or supplemented from time to time) and not to any particular Article, Section or other subdivision;

(vii) references to sections of or rules under any statute shall be deemed to include amended, substitute, replacement of successor sections or rules adopted by the relevant authority from time to time; and

(viii) references to Sections or Articles shall be deemed to be references to Sections or Articles, respectively, of this Indenture, except where otherwise specified.

ARTICLE 2

THE NOTES

SECTION 2.01. Form and Dating

(a) General. The Notes and the Trustee's certificate of authentication shall be substantially in the form of Exhibit A hereto; provided that only Global Notes shall have the "Schedule of Exchanges of Interests in the Global Note" attached thereto. The Notes may have notations, legends or endorsements required by law, stock exchange rule or usage. The Company, the Guarantors and the Trustee shall approve the forms of the Notes and any notation, legend or endorsement on them.

Each Note shall be dated the date of its authentication.

The terms and provisions contained in the Notes shall constitute, and are hereby expressly made, a part of this Indenture and the Company, the Guarantors and the Trustee, by their execution and delivery of this Indenture, expressly agree to such terms and provisions and to be bound thereby. To the extent any provision of any Note conflicts with the express provisions of this Indenture, the provisions of this Indenture shall govern and be controlling.

(b) Global Notes. Each Global Note shall be deposited with the Note Custodian and registered in the name of the Depositary or the nominee of the Depositary and shall provide that it shall represent the aggregate principal amount of outstanding Notes from time to time endorsed thereon and that the aggregate principal amount of outstanding Notes represented thereby may from time to time be reduced or increased, as appropriate, to reflect exchanges and redemptions. Any endorsement of a Global Note to reflect the amount of any increase or decrease in the aggregate principal amount of outstanding Notes represented thereby shall be made by the Trustee, the Depositary or the Note Custodian, at the direction of the Trustee, in accordance with instructions given by the Holder thereof as required by Section 2.07 . The Company initially appoints The Depository Trust Company ("DTC") to act as Depositary with respect to the Global Notes. The Trustee shall act as Note Custodian with respect to the Global Notes in accordance with its agreement with DTC.

Notes initially offered and sold to QIBs in reliance on Rule 144A shall be issued in the form of one or more Rule 144A Global Notes.

Notes initially offered and sold outside the United States in reliance on Regulation S shall be issued in the form of one or more Regulation S Global Notes, which shall be deposited with the Note Custodian and registered in the name of the Depositary or the nominee of the Depositary for the accounts of designated agents holding on behalf of Euroclear or Clearstream.

(c) Legends.

(i) Private Placement Legend.

(A) Except as permitted by subparagraph (B) below, each Global Note and each Definitive Note (and all Notes issued in exchange therefor or substitution thereof, other than Unrestricted Global Notes and Unrestricted Definitive Notes) shall bear the legend in substantially the following form:

"THE NOTES AND GUARANTEES EVIDENCED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR OTHER SECURITIES LAWS. NEITHER THIS NOTE NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE REOFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS THE TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT. EACH PURCHASER OF THE SECURITY EVIDENCED HEREBY IS NOTIFIED THAT THE SELLER MAY BE RELYING ON THE EXEMPTION FROM SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A THEREUNDER. THE HOLDER OF THIS SECURITY BY ITS ACCEPTANCE HEREOF (1) REPRESENTS THAT (A) IT IS A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) OR (B) IT IS NOT A U.S. PERSON AND IS ACQUIRING ITS NOTE IN AN "OFFSHORE TRANSACTION" PURSUANT TO RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, (2) AGREES THAT IT WILL NOT PRIOR TO (X) THE DATE WHICH IS TWO YEARS (OR SUCH SHORTER PERIOD OF TIME AS PERMITTED BY RULE 144(K) UNDER THE SECURITIES ACT OR ANY SUCCESSOR PROVISION THEREUNDER) AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF (OR OF ANY PREDECESSOR OF THIS NOTE) OR THE LAST DAY ON WHICH THE COMPANY OR ANY AFFILIATE OF THE COMPANY WAS THE OWNER OF THIS NOTE (OR ANY PREDECESSOR OF THIS NOTE) AND (Y) SUCH LATER DATE, IF ANY, AS MAY BE REQUIRED BY APPLICABLE LAW (THE "RESALE RESTRICTION TERMINATION DATE"), OFFER, SELL OR OTHERWISE TRANSFER THIS NOTE EXCEPT (A) TO THE COMPANY, (B) PURSUANT TO A REGISTRATION STATEMENT WHICH HAS BEEN DECLARED EFFECTIVE UNDER THE SECURITIES ACT, (C) FOR SO LONG AS THE NOTES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A, TO A PERSON IT REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A INSIDE THE UNITED STATES; (D) PURSUANT TO OFFERS AND SALES TO NON-U.S. PERSONS THAT OCCUR OUTSIDE THE UNITED STATES WITHIN THE MEANING OF REGULATION S UNDER THE SECURITIES ACT OR (E) PURSUANT TO ANY OTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND (3) AGREES THAT IT WILL

GIVE TO EACH PERSON TO WHOM THIS NOTE IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND; PROVIDED THAT THE COMPANY, THE TRUSTEE AND THE REGISTRAR SHALL HAVE THE RIGHT PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER (I) PURSUANT TO CLAUSE (D) OR (E) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/ OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM, AND (II) IN EACH OF THE FOREGOING CASES, TO REQUIRE THAT A CERTIFICATION OF TRANSFER IN THE FORM APPEARING ON THE OTHER SIDE OF THIS NOTE IS COMPLETED AND DELIVERED BY THIS TRANSFEROR TO THE TRUSTEE. THIS LEGEND WILL BE REMOVED UPON THE REQUEST OF THE HOLDER AFTER THE RESALE RESTRICTION TERMINATION DATE. AS USED HEREIN, THE TERMS "OFFSHORE TRANSACTION", "UNITED STATES" AND "U.S. PERSON" HAVE THE MEANINGS GIVEN TO THEM BY REGULATION S UNDER THE SECURITIES ACT."

(B) Notwithstanding the foregoing, any Global Note or Definitive Note issued in compliance with subparagraphs (b)(iv), (c)(ii), (c)(iii), (d)(ii), (d)(iii), (e)(ii), (e)(iii) or (f) of Section 2.07 (and all Notes issued in exchange therefor or substitution thereof), and any Exchange Notes or Additional Notes issued pursuant to a registration statement that has been declared effective under the Securities Act, shall not bear the Private Placement Legend.

(ii) Global Note Legend. Each Global Note shall bear a legend in substantially the following form:

"UNLESS AND UNTIL IT IS EXCHANGED IN WHOLE OR IN PART FOR SECURITIES IN DEFINITIVE FORM, THIS NOTE MAY NOT BE TRANSFERRED EXCEPT AS A WHOLE BY THE DEPOSITARY TO A NOMINEE OF THE DEPOSITARY, OR BY ANY SUCH NOMINEE OF THE DEPOSITARY, OR BY THE DEPOSITARY OR NOMINEE OF A SUCCESSOR DEPOSITARY, OR ANY NOMINEE TO A SUCCESSOR DEPOSITARY OR A NOMINEE OF SUCH SUCCESSOR DEPOSITARY. TRANSFERS OF THE GLOBAL NOTE SHALL BE LIMITED TO TRANSFERS IN WHOLE, BUT NOT IN PART, TO NOMINEES OF CEDE & CO., OR TO A SUCCESSOR THEREOF OR SUCH SUCCESSOR'S NOMINEE, AND TRANSFERS OF PORTIONS OF THE GLOBAL NOTE SHALL BE LIMITED TO TRANSFERS MADE IN ACCORDANCE WITH THE RESTRICTIONS SET FORTH IN THE INDENTURE."

"UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC"), TO THE ISSUER OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT HEREON IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN."

(iii) *OID Legend.* To the extent required by Sections 1272, 1273 and 1275 of the Code, and any regulations issued regarding such sections, each Note issued at a discount to its stated redemption price at maturity shall bear a legend in substantially the following form:

"FOR THE PURPOSES OF SECTIONS 1272, 1273 AND 1275 OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED, THIS NOTE IS BEING ISSUED WITH ORIGINAL ISSUE DISCOUNT. YOU MAY CONTACT THE ISSUER AT 7201 WEST FRIENDLY AVENUE, GREENSBORO, NORTH CAROLINA 27410, ATTN: CHIEF FINANCIAL OFFICER, AND THE ISSUER WILL PROVIDE YOU WITH THE ISSUE PRICE, THE AMOUNT OF ORIGINAL ISSUE DISCOUNT, THE ISSUE DATE AND THE YIELD TO MATURITY OF THIS NOTE."

SECTION 2.02. Denominations

The Notes shall be in minimum denominations of $2,000 aggregate principal amount and integral multiples of $1,000 in excess thereof.

SECTION 2.03. Execution and Authentication

The aggregate principal amount of Notes that may be authenticated and delivered under this Indenture is unlimited. The Trustee shall, upon a written order of the Company signed by an Officer of the Company (an "Authentication Order"), authenticate and deliver (i) on the Issue Date, the Initial Notes in aggregate principal amount of $190,000,000, (ii) subject to the provisions of Section 2.15, at any time and from time to time thereafter, Additional Notes in an aggregate principal amount specified in such authentication order and (iii) subject to the provisions of Section 2.07(f), Exchange Notes issued in exchange for a like principal amount of Initial Notes or Additional Notes tendered pursuant to an Exchange Offer. Such authentication order shall specify (i) the registered holder of each Note, (ii) the amount and maturity date of each Note to be authenticated, (iii) the date on which the Notes are to be authenticated, (iv) whether the Notes are to be Initial Notes, Exchange Notes or Additional Notes, (v) whether such Notes shall bear the Global Note Legend and/or the Private Placement Legend and (vi) delivery instructions for the Notes. Furthermore, Notes may be authenticated and delivered upon registration or transfer, or in lieu of, other Notes pursuant to Section 2.07, 2.08, 2.11 or 9.05 or in connection with a Change of Control Offer pursuant to Section 4.15, an Asset Sale Offer or a Collateral Sale Offer pursuant to Section 4.10 or a redemption pursuant to Article 3.

An Officer of the Company shall sign the Notes for the Company by manual or facsimile signature. If an Officer whose signature is on a Note or a facsimile copy of such signature, no longer holds that office at the time a Note is authenticated, the Note shall nevertheless be valid.

A Note shall not be valid until an authorized signatory of the Trustee manually authenticates the Note. The signature of the Trustee on a Note, or a facsimile copy of such signature, shall be conclusive evidence that the Note has been duly and validly authenticated and issued under this Indenture.

The Trustee may appoint an authenticating agent (the "Authenticating Agent") acceptable to the Company to authenticate Notes. An Authenticating Agent may authenticate Notes whenever the Trustee may do so. Each reference in this Indenture to authentication by the Trustee includes authentication by such Authenticating Agent. An Authenticating Agent has the same rights as an Agent to deal with Holders or an Affiliate of the Company.

SECTION 2.04. Registrar and Paying Agent

The Company shall maintain an office or agency where Notes may be presented for registration of transfer or for exchange ("Registrar") and an office or agency where Notes may be presented for payment ("Paying Agent"). The Company shall use commercially reasonable efforts to cause each of the Registrar and the Paying Agent to maintain an office or agency in the Borough of Manhattan, The City of New York. The Registrar shall keep a register of the Notes and of their transfer and exchange. The Company may appoint one or more co-registrars and one or more additional Paying Agents. The term "Registrar" includes any co-registrar and the term "Paying Agent" includes any additional Paying Agent.

The Company may enter into an appropriate agency agreement with any Registrar or Paying Agent not a party to this Indenture, which shall incorporate the terms of the TIA. The agreement shall implement the provisions of this Indenture that relate to such agent. The Company may change any Paying Agent or Registrar without notice to any Holder. The Company shall notify the Trustee in writing of the name and address of any Agent not a party to this Indenture. If the Company fails to appoint or maintain another entity as Registrar or Paying Agent, the Trustee shall act as such. The Company or any of its Subsidiaries may act as Paying Agent or Registrar. The Company initially appoints the Trustee to act as the Registrar and Paying Agent.

SECTION 2.05. Paying Agent to Hold Money in Trust

By no later than 11:00 a.m. (New York City time) on the date on which any principal of, premium or Additional Interest, if any, or interest on any Notes is due and payable, the Company shall deposit with the Paying Agent a sum sufficient in immediately available funds to pay such amount when due. The Company shall require each Paying Agent other than the Trustee to agree in writing that the Paying Agent shall hold in trust for the benefit of Holders or the Trustee all money held by the Paying Agent for the payment of principal of, premium or Additional Interest, if any, or interest on the Notes, and shall notify the Trustee in writing of any default by the Company in making any such payment. While any such default continues, the Trustee may require a Paying Agent to pay all money held by it to the Trustee. The Company at any time may require a Paying Agent to pay all money held by it to the Trustee and to account for any funds disbursed by such Paying Agent. Upon payment over to the Trustee, the Paying Agent (if other than the Company or a Subsidiary) shall have no further liability for the money. If the Company or a Subsidiary acts as Paying Agent, it shall segregate and hold in a separate trust fund for the benefit of the Holders all money held by it as Paying Agent. Upon any bankruptcy or reorganization proceedings relating to the Company, the Trustee shall serve as Paying Agent for the Notes.

SECTION 2.06. Holder Lists

The Trustee shall preserve in as current a form as is reasonably practicable the most recent list available to it of the names and addresses of all Holders and shall otherwise comply with TIA § 312(a). If the Trustee is not the Registrar, the Company shall furnish to the Trustee, at least five Business Days before each interest payment date and at such other times as the Trustee may request in writing, a list in such form and as of such date as the Trustee may reasonably require of the names and addresses of the Holders of Notes and the Company shall otherwise comply with TIA § 312(a).

SECTION 2.07. Transfer and Exchange

(a) Transfer and Exchange of Global Notes. A Global Note may not be transferred as a whole except by the Depositary to a nominee of the Depositary, by a nominee of the Depositary to the Depositary or to another nominee of the Depositary, or by the Depositary or any such nominee to a successor Depositary or a nominee of such successor Depositary. All Global Notes shall be exchanged by the Company for Definitive Notes if (i) the Depositary notifies the Company that it is unwilling or unable to continue to act as Depositary or that it is no longer a clearing agency registered under the Exchange

Act and, in either case, a successor Depositary is not appointed by the Company within 120 days after the date of such notice from the Depositary, (ii) the Company in its sole discretion determines that the Global Notes (in whole but not in part) should be exchanged for Definitive Notes and delivers a written notice to such effect to the Trustee; or (iii) there shall have occurred and be continuing a Default or Event of Default with respect to the Notes. Upon the occurrence of any of the preceding events in (i), (ii) or (iii) above, Definitive Notes shall be issued in such names as the Depositary shall instruct the Trustee. Global Notes also may be exchanged or replaced, in whole or in part, as provided in Sections 2.08, 2.11 and 9.05 . Every Note authenticated and delivered in exchange for, or in lieu of, a Global Note or any portion thereof, pursuant to this Section 2.07 or Section 2.08 or 2.11 or 9.05 , shall be authenticated and delivered in the form of, and shall be, a Global Note. A Global Note may not be exchanged for another Note other than as provided in this Section 2.07(a); however, beneficial interests in a Global Note may be transferred and exchanged as provided in Section 2.07(b), (c), (d) or (f) .

(b) Transfer and Exchange of Beneficial Interests in the Global Notes. The transfer and exchange of beneficial interests in the Global Notes shall be effected through the Depositary, in accordance with the provisions of this Indenture and the Applicable Procedures. Beneficial interests in the Restricted Global Notes shall be subject to restrictions on transfer comparable to those set forth herein to the extent required by the Securities Act. Transfers of beneficial interests in the Global Notes also shall require compliance with either subparagraph (i) or (ii) below, as applicable, as well as one or more of the other following subparagraphs, as applicable:

(i) Transfer of Beneficial Interests in the Same Global Note. Beneficial interests in any Restricted Global Note may be transferred to Persons who take delivery thereof in the form of a beneficial interest in the same Restricted Global Note in accordance with the transfer restrictions set forth in the Private Placement Legend and any Applicable Procedures. Beneficial interests in any Unrestricted Global Note may be transferred to Persons who take delivery thereof in the form of a beneficial interest in an Unrestricted Global Note. Except as may be required by Applicable Procedures, no written orders or instructions shall be required to be delivered to the Registrar to effect the transfers described in this Section 2.07(b)(i).

(ii) All Other Transfers and Exchanges of Beneficial Interests in Global Notes. In connection with all transfers and exchanges of beneficial interests that are not subject to Section 2.07(b)(i) above, the transferor of such beneficial interest must deliver to the Registrar either (A) both (1) a written order from a Participant or an Indirect Participant given to the Depositary in accordance with the Applicable Procedures directing the Depositary to credit or cause to be credited a beneficial interest in another Global Note in an amount equal to the beneficial interest to be transferred or exchanged and (2) instructions given in accordance with the Applicable Procedures containing information regarding the Participant account to be credited with such increase or (B) if permitted under Section 2.07(a) , both (1) a written order from a Participant or an Indirect Participant given to the Depositary in accordance with the Applicable Procedures directing the Depositary to cause to be issued a Definitive Note in an amount equal to the beneficial interest to be transferred or exchanged and (2) instructions given by the Depositary to the Registrar containing information regarding the Person in whose name such Definitive Note shall be registered to effect the transfer or exchange referred to in subparagraph (B)(1) above. Upon consummation of an Exchange Offer by the Company in accordance with Section 2.07(f) , the requirements of this Section 2.07(b)(ii) shall be deemed to have been satisfied upon receipt by the Registrar of the instructions contained in the Letter of Transmittal delivered by the holder of such beneficial interests in the Restricted Global Notes. Upon notification from the Registrar that all of the requirements for transfer or exchange of beneficial interests in Global Notes contained in this Indenture

and the Notes or otherwise applicable under the Securities Act have been satisfied, the Trustee shall adjust the principal amount of the relevant Global Note(s) pursuant to Section 2.07(g) .

(iii) Transfer of Beneficial Interests in a Restricted Global Note to Another Restricted Global Note. A beneficial interest in any Restricted Global Note may be transferred to a Person who takes delivery thereof in the form of a beneficial interest in another Restricted Global Note if the transfer complies with the requirements of Section 2.07(b)(ii) above and the Registrar and the Company receive the following:

(A) if the transferee shall take delivery in the form of a beneficial interest in the Rule 144A Global Note, then the transferor must deliver a certificate in the form of Exhibit B hereto, including the certifications in item (1) thereof;

(B) if the transferee shall take delivery in the form of a beneficial interest in the Regulation S Global Note, then the transferor must deliver a certificate in the form of Exhibit B hereto, including the certifications in item (2) thereof; and

(C) if the transferee shall take delivery in the form of a beneficial interest in the IAI Global Note, then the transferor must deliver a certificate in the form of Exhibit B hereto, including the certifications and certificates and Opinion of Counsel required by item (3) thereof, if applicable.

(iv) Transfer and Exchange of Beneficial Interests in a Restricted Global Note for Beneficial Interests in an Unrestricted Global Note. A beneficial interest in any Restricted Global Note may be exchanged by any holder thereof for a beneficial interest in an Unrestricted Global Note or transferred to a Person who takes delivery thereof in the form of a beneficial interest in an Unrestricted Global Note only if the exchange or transfer complies with the requirements of Section 2.07(b)(ii) above and:

(A) such exchange or transfer is effected pursuant to an Exchange Offer in accordance with the Registration Rights Agreement and the holder of the beneficial interest to be transferred, in the case of an exchange, or the transferee, in the case of a transfer, makes any and all certifications in the applicable Letter of Transmittal, if any, or is deemed to have made such certifications if delivery is made through the Applicable Procedures as may be required by the Registration Rights Agreement;

(B) such transfer is effected pursuant to a Shelf Registration Statement in accordance with the Registration Rights Agreement;

(C) such exchange or transfer is effected by a Participating Broker-Dealer pursuant to an Exchange Offer Registration Statement in accordance with the Registration Rights Agreement; or

(D) the Registrar and the Company receive the following:

(1) if the holder of such beneficial interest in a Restricted Global Note proposes to exchange such beneficial interest for a beneficial interest in an Unrestricted Global Note, a certificate from such

holder in the form of Exhibit C hereto, including the certifications in item (1)(a) thereof; or

(2) if the holder of such beneficial interest in a Restricted Global Note proposes to transfer such beneficial interest to a Person who shall take delivery thereof in the form of a beneficial interest in an Unrestricted Global Note, a certificate from such holder in the form of Exhibit B hereto, including the certifications in item (4) thereof;

and, in such case set forth in this subparagraph (D), if the Registrar or the Company so requests or the Applicable Procedures so require, an Opinion of Counsel in form reasonably acceptable to the Registrar to the effect that such exchange or transfer is in compliance with the Securities Act and that the restrictions on transfer contained herein and in the Private Placement Legend are no longer required in order to maintain compliance with the Securities Act.

If any such transfer is effected pursuant to subparagraph (B) or (D) above at a time when an Unrestricted Global Note has not yet been issued, the Company shall issue and, upon receipt of an Authentication Order in accordance with Section 2.03 or in accordance with a previously delivered Authentication Order, the Trustee shall authenticate one or more Unrestricted Global Notes in an aggregate principal amount equal to the aggregate principal amount of beneficial interests transferred pursuant to subparagraph (B) or (D) above.

(v) Transfer or Exchange of Beneficial Interests in Unrestricted Global Notes for Beneficial Interests in Restricted Global Notes Prohibited. Beneficial interests in an Unrestricted Global Note cannot be exchanged for, or transferred to Persons who take delivery thereof in the form of, beneficial interests in a Restricted Global Note.

(c) Transfer or Exchange of Beneficial Interests in Global Notes for Definitive Notes.

(i) Beneficial Interests in Restricted Global Notes to Restricted Definitive Notes. Subject to Section 2.07(a) , if any holder of a beneficial interest in a Restricted Global Note proposes to exchange such beneficial interest for a Restricted Definitive Note or to transfer such beneficial interest to a Person who takes delivery thereof in the form of a Restricted Definitive Note, then, upon receipt by the Registrar and the Company of the following documentation:

(A) if the holder of such beneficial interest in a Restricted Global Note proposes to exchange such beneficial interest for a Restricted Definitive Note, a certificate from such holder in the form of Exhibit C hereto, including the certifications in item (2)(a) thereof;

(B) if such beneficial interest is being transferred to a QIB in accordance with Rule 144A under the Securities Act, a certificate to the effect set forth in Exhibit B hereto, including the certifications in item (1) thereof;

(C) if such beneficial interest is being transferred to a Non-U.S. Person in an offshore transaction in accordance with Regulation S under the Securities Act, a certificate to the effect set forth in Exhibit B hereto, including the certifications in item (2) thereof;

(D) if such beneficial interest is being transferred pursuant to an exemption from the registration requirements of the Securities Act in accordance with Rule 144 under the Securities Act, a certificate to the effect set forth in Exhibit B hereto, including the certifications in item (3)(a) thereof;

(E) if such beneficial interest is being transferred to an Institutional Accredited Investor in reliance on an exemption from the registration requirements of the Securities Act other than those listed in subparagraphs (B) through (D) above, a certificate to the effect set forth in Exhibit B hereto, including the certifications, certificates and Opinion of Counsel required by item (3)(d) thereof, if applicable;

(F) if such beneficial interest is being transferred to the Company or any of its Subsidiaries, a certificate to the effect set forth in Exhibit B hereto, including the certifications in item (3)(b) thereof; or

(G) if such beneficial interest is being transferred pursuant to an effective registration statement under the Securities Act, a certificate to the effect set forth in Exhibit B hereto, including the certifications in item (3)(c) thereof,

the Trustee shall cause the aggregate principal amount of the applicable Global Note to be reduced accordingly pursuant to Section 2.07(g), and the Company shall execute, and, upon receipt of an Authentication Order in accordance with Section 2.03 or in accordance with a previously delivered Authentication Order, the Trustee shall authenticate and deliver to the Person designated in the instructions a Definitive Note in the appropriate principal amount. Any Restricted Definitive Note issued in exchange for a beneficial interest in a Restricted Global Note pursuant to this Section 2.07(c) shall be registered in such name or names and in such authorized denomination or denominations as the holder of such beneficial interest shall instruct the Registrar through instructions from the Depositary and the Participant or Indirect Participant. The Trustee shall deliver such Restricted Definitive Notes to the Persons in whose names such Notes are so registered. Any Restricted Definitive Note issued in exchange for a beneficial interest in a Restricted Global Note pursuant to this Section 2.07(c)(i) shall bear the Private Placement Legend and shall be subject to all restrictions on transfer contained therein.

(ii) Beneficial Interests in Restricted Global Notes to Unrestricted Definitive Notes. Subject to Section 2.07(a) , a holder of a beneficial interest in a Restricted Global Note may exchange such beneficial interest for an Unrestricted Definitive Note or may transfer such beneficial interest to a Person who takes delivery thereof in the form of an Unrestricted Definitive Note only if:

(A) such exchange or transfer is effected pursuant to an Exchange Offer in accordance with the Registration Rights Agreement and the holder of such beneficial interest, in the case of an exchange, or the transferee, in the case of a transfer, makes any and all certifications in the applicable Letter of Transmittal, if any, or is deemed to have made such certifications if delivery is made through the Applicable Procedures as may be required by the Registration Rights Agreement;

(B) such transfer is effected pursuant to a Shelf Registration Statement in accordance with the Registration Rights Agreement;

(C) such exchange or transfer is effected by a Participating Broker-Dealer pursuant to an Exchange Offer Registration Statement in accordance with the Registration Rights Agreement; or

(D) the Registrar and the Company receive the following:

(1) if the holder of such beneficial interest in a Restricted Global Note proposes to exchange such beneficial interest for an Unrestricted Definitive Note, a certificate from such holder in the form of Exhibit C hereto, including the certifications in item (1)(b) thereof; or

(2) if the holder of such beneficial interest in a Restricted Global Note proposes to transfer such beneficial interest to a Person who shall take delivery thereof in the form of an Unrestricted Definitive Note, a certificate from such holder in the form of Exhibit B hereto, including the certifications in item (4) thereof;

and, in each such case set forth in this subparagraph (D), if the Registrar or the Company so requests or if the Applicable Procedures so require, an Opinion of Counsel, in form reasonably acceptable to the Registrar and/or the Company, as applicable, to the effect that such exchange or transfer is in compliance with the Securities Act and that the restrictions on transfer contained herein and in the Private Placement Legend are no longer required in order to maintain compliance with the Securities Act.

Upon satisfaction of the conditions of any of the clauses of this Section 2.07(c)(ii), the Company shall execute, and, upon receipt of an Authentication Order in accordance with Section 2.03 or in accordance with a previously delivered Authentication Order, the Trustee shall authenticate and deliver to the Person designated in the instructions an Unrestricted Definitive Note in the appropriate principal amount, and the Trustee shall cause the aggregate principal amount at maturity of the applicable Restricted Global Note to be reduced in a corresponding amount pursuant to Section 2.07(g) .

(iii) Beneficial Interests in Unrestricted Global Notes to Unrestricted Definitive Notes. Subject to Section 2.07(a) , if any holder of a beneficial interest in an Unrestricted Global Note proposes to exchange such beneficial interest for an Unrestricted Definitive Note or to transfer such beneficial interest to a Person who takes delivery thereof in the form of an Unrestricted Definitive Note, then, upon satisfaction of the applicable conditions set forth in Section 2.07(b)(ii) , the Trustee shall cause the aggregate principal amount of the applicable Unrestricted Global Note to be reduced accordingly pursuant to Section 2.07(g) , and the Company shall execute, and, upon receipt of an Authentication Order in accordance with Section 2.03 or in accordance with a previously delivered Authentication Order, the Trustee shall authenticate and deliver to the Person designated in the instructions an Unrestricted Definitive Note in the appropriate principal amount. Any Unrestricted Definitive Note issued in exchange for a beneficial interest pursuant to this Section 2.07(c)(iii) shall be registered in such name or names and in such authorized denomination or denominations as the holder of such beneficial interest shall instruct the Registrar through instructions from the Depositary and the Participant or Indirect Participant. The Trustee shall deliver such Unrestricted Definitive Notes to the Persons in whose names such Notes are so registered. Any

Unrestricted Definitive Note issued in exchange for a beneficial interest pursuant to this Section 2.07(c)(iii) shall not bear the Private Placement Legend.

(d) Transfer and Exchange of Definitive Notes for Beneficial Interests in Global Notes.

(i) Restricted Definitive Notes to Beneficial Interests in Restricted Global Notes. If any holder of a Restricted Definitive Note proposes to exchange such Note for a beneficial interest in a Restricted Global Note or to transfer such Restricted Definitive Notes to a Person who takes delivery thereof in the form of a beneficial interest in a Restricted Global Note, then, upon receipt by the Registrar and the Company of the following documentation:

(A) if the holder of such Restricted Definitive Note proposes to exchange such Note for a beneficial interest in a Restricted Global Note, a certificate from such holder in the form of Exhibit C hereto, including the certifications in item (2)(b) thereof;

(B) if such Restricted Definitive Note is being transferred to a QIB in accordance with Rule 144A, a certificate to the effect set forth in Exhibit B hereto, including the certifications in item (1) thereof;

(C) if such Restricted Definitive Note is being transferred to a Non-U.S. Person in an offshore transaction in accordance with Rule 903 or Rule 904 under the Securities Act, a certificate to the effect set forth in Exhibit B hereto, including the certifications in item (2) thereof;

(D) if such Restricted Definitive Note is being transferred pursuant to an exemption from the registration requirements of the Securities Act in accordance with Rule 144, a certificate to the effect set forth in Exhibit B hereto, including the certifications in item (3)(a) thereof;

(E) if such Restricted Definitive Note is being transferred to an Institutional Accredited Investor in reliance on an exemption from the registration requirements of the Securities Act other than those listed in subparagraphs (B) through (D) above, a certificate to the effect set forth in Exhibit B hereto, including the certifications, certificates and Opinion of Counsel required by item (3) thereof, if applicable;

(F) if such Restricted Definitive Note is being transferred to either of the Company or any of its Subsidiaries, a certificate to the effect set forth in Exhibit B hereto, including the certifications in item (3)(b) thereof; or

(G) if such Restricted Definitive Note is being transferred pursuant to an effective registration statement under the Securities Act, a certificate to the effect set forth in Exhibit B hereto, including the certifications in item (3)(c) thereof,

the Trustee shall cancel such Restricted Definitive Note and increase or cause to be increased the aggregate principal amount of the applicable Restricted Global Note.

(ii) Restricted Definitive Notes to Beneficial Interests in Unrestricted Global Notes. A holder of a Restricted Definitive Note may exchange such Note for a beneficial

interest in an Unrestricted Global Note or transfer such Restricted Definitive Note to a Person who takes delivery thereof in the form of a beneficial interest in an Unrestricted Global Note only if:

(A) such exchange or transfer is effected pursuant to an Exchange Offer in accordance with the Registration Rights Agreement and the holder, in the case of an exchange, or the transferee, in the case of a transfer, makes any and all certifications in the applicable Letter of Transmittal, if any, or is deemed to have made such certifications if delivery is made through the Applicable Procedures as may be required by the Registration Rights Agreement;

(B) such transfer is effected pursuant to a Shelf Registration Statement in accordance with the Registration Rights Agreement;

(C) such exchange or transfer is effected by a Participating Broker-Dealer pursuant to an Exchange Offer Registration Statement in accordance with the Registration Rights Agreement; or

(D) the Registrar and the Company receives the following:

(1) if the holder of such Restricted Definitive Note proposes to exchange such Note for a beneficial interest in an Unrestricted Global Note, a certificate from such holder in the form of Exhibit C hereto, including the certifications in item (1)(c) thereof; or

(2) if the holder of such Restricted Definitive Note proposes to transfer such Note to a Person who shall take delivery thereof in the form of a beneficial interest in an Unrestricted Global Note, a certificate from such holder in the form of Exhibit B hereto, including the certifications in item (4) thereof;

and, in each such case set forth in this subparagraph (D), if the Registrar and the Company request or if the Applicable Procedures so require, an Opinion of Counsel, in form reasonably acceptable to the Registrar and/or the Company, as applicable, to the effect that such exchange or transfer is in compliance with the Securities Act and that the restrictions on transfer contained herein and in the Private Placement Legend are no longer required in order to maintain compliance with the Securities Act.

Upon satisfaction of the conditions of any of the subparagraphs in this Section 2.07(d)(ii), the Trustee shall cancel such Restricted Definitive Note and increase or cause to be increased the aggregate principal amount of the applicable Unrestricted Global Note.

(iii) Unrestricted Definitive Notes to Beneficial Interests in Unrestricted Global Notes. A holder of an Unrestricted Definitive Note may exchange such Note for a beneficial interest in an Unrestricted Global Note or transfer such Unrestricted Definitive Note to a Person who takes delivery thereof in the form of a beneficial interest in an Unrestricted Global Note at any time. Upon receipt of a request for such an exchange or transfer, the Trustee shall cancel the applicable Unrestricted Definitive Note and increase or cause to be

increased the aggregate principal amount of the applicable Unrestricted Global Note.

(iv) Transfer or Exchange of Unrestricted Definitive Notes to Beneficial Interests in Restricted Global Notes Prohibited. An Unrestricted Definitive Note may not be exchanged for, or transferred to Persons who take delivery thereof in the form of, beneficial interests in a Restricted Global Note.

(v) Issuance of Unrestricted Global Notes. If any such exchange or transfer from a Definitive Note to a beneficial interest in an Unrestricted Global Note is effected pursuant to subparagraphs (ii)(B), (ii)(D) or (iii) above at a time when an applicable Unrestricted Global Note has not yet been issued, the Company shall issue, and, upon receipt of an Authentication Order in accordance with Section 2.03 or in accordance with a previously delivered Authentication Order, the Trustee shall authenticate one or more applicable Unrestricted Global Notes in an aggregate principal amount equal to the principal amount of Definitive Notes so transferred.

(e) Transfer and Exchange of Definitive Notes for Definitive Notes. Upon request by a holder of Definitive Notes and such holder's compliance with the provisions of this Section 2.07(e), the Registrar shall register the transfer or exchange of Definitive Notes. Prior to such registration of transfer or exchange, the requesting holder shall present or surrender to the Registrar the Definitive Notes duly endorsed or accompanied by a written instruction of transfer in form satisfactory to the Registrar duly executed by such holder or by such holder's attorney, duly authorized in writing. In addition, the requesting holder shall provide any additional certifications, documents and information, as applicable, required pursuant to the following provisions of this Section 2.07(e).

(i) Restricted Definitive Notes to Restricted Definitive Notes. Any Restricted Definitive Note may be transferred to and registered in the name of Persons who take delivery thereof in the form of a Restricted Definitive Note if the Registrar receives the following:

(A) if the transfer shall be made pursuant to Rule 144A, then the transferor must deliver a certificate in the form of Exhibit B hereto, including the certifications in item (1) thereof;

(B) if the transfer shall be made pursuant to Rule 903 or Rule 904, then the transferor must deliver a certificate in the form of Exhibit B hereto, including the certifications in item (2) thereof; and

(C) if the transfer shall be made pursuant to any other exemption from the registration requirements of the Securities Act, then the transferor must deliver a certificate in the form of Exhibit B hereto, including the certifications in item (3)(c) thereof.

(ii) Restricted Definitive Notes to Unrestricted Definitive Notes. Any Restricted Definitive Note may be exchanged by the holder thereof for an Unrestricted Definitive Note or transferred to a Person or Persons who take delivery thereof in the form of an Unrestricted Definitive Note only if:

(A) such exchange or transfer is effected pursuant to an Exchange Offer in accordance with the Registration Rights Agreement and the holder, in

the case of an exchange, or the transferee, in the case of a transfer, makes any and all certifications in the applicable Letter of Transmittal, if any, or is deemed to have made such certifications if delivery is made through the Applicable Procedures as may be required by the Registration Rights Agreement;

(B) any such transfer is effected pursuant to a Shelf Registration Statement in accordance with the Registration Rights Agreement;

(C) any such exchange or transfer is effected by a Participating Broker-Dealer pursuant to the Exchange Offer Registration Statement in accordance with the Registration Rights Agreement; or

(D) the Registrar and the Company receive the following:

(1) if the holder of such Restricted Definitive Notes proposes to exchange such Notes for an Unrestricted Definitive Note, a certificate from such holder in the form of Exhibit C hereto, including the certifications in item (1)(d) thereof; or

(2) if the holder of such Restricted Definitive Notes proposes to transfer such Notes to a Person who shall take delivery thereof in the form of an Unrestricted Definitive Note, a certificate from such holder in the form of Exhibit B hereto, including the certifications in item (4) thereof;

and, in each such case set forth in this subparagraph (D), an Opinion of Counsel in form reasonably acceptable to the Company to the effect that such exchange or transfer is in compliance with the Securities Act and that the restrictions on transfer contained herein and in the Private Placement Legend are no longer required in order to maintain compliance with the Securities Act.

Upon satisfaction of the conditions of any of the clauses of Section 2.07(e)(ii), the Trustee shall cancel such Restricted Definitive Note and the Company shall execute, and, upon receipt of an Authentication Order in accordance with Section 2.03 or in accordance with a previously delivered Authentication Order, the Trustee shall authenticate and deliver to the Person designated in the instructions an Unrestricted Definitive Note in the appropriate principal amount.

(iii) Unrestricted Definitive Notes to Unrestricted Definitive Notes. A holder of Unrestricted Definitive Notes may transfer such Notes to a Person who takes delivery thereof in the form of an Unrestricted Definitive Note. Upon receipt of a request to register such a transfer, the Registrar shall register the Unrestricted Definitive Notes pursuant to the instructions from the holder thereof.

(f) Exchange Offer. Upon the occurrence of an Exchange Offer in accordance with the Registration Rights Agreement, the Company shall issue, and, upon receipt of an Authentication Order in accordance with Section 2.03, the Trustee shall authenticate (i) one or more Unrestricted Global Notes in an aggregate principal amount at maturity equal to the principal amount at maturity of the beneficial interests in the applicable Restricted Global Notes tendered for acceptance by Persons that make any and all certifications in the applicable Letter of Transmittal, if any, or are deemed to have made such certifications if delivery is made through the Applicable Procedures as may be required by such Registration Rights Agreement and accepted for exchange in the Exchange Offer and (ii) Unrestricted Definitive Notes in an aggregate principal amount at maturity equal to the principal amount at maturity of

the Restricted Definitive Notes tendered for acceptance by Persons who made the foregoing certifications and accepted for exchange in the Exchange Offer. Concurrently with the issuance of such Notes, the Trustee shall cause the aggregate principal amount at maturity of the applicable Restricted Global Notes to be reduced accordingly, and the Company shall execute and the Trustee shall authenticate and deliver to the Persons designated by the holders of Restricted Definitive Notes so accepted Unrestricted Definitive Notes in the appropriate principal amount.

(g) Cancellation and/or Adjustment of Global Notes.

At such time as all beneficial interests in a particular Global Note have been exchanged for Definitive Notes or a particular Global Note has been redeemed, repurchased or canceled in whole and not in part, each such Global Note shall be returned to or retained and canceled by the Trustee in accordance with Section 2.12 . At any time prior to such cancellation, if any beneficial interest in a Global Note is exchanged for or transferred to a Person who shall take delivery thereof in the form of a beneficial interest in another Global Note or for Definitive Notes, the principal amount at maturity of Notes represented by such Global Note shall be reduced accordingly and an endorsement shall be made on such Global Note by the Trustee or by the Depositary at the direction of the Trustee to reflect such reduction; and if the beneficial interest is being exchanged for or transferred to a Person who shall take delivery thereof in the form of a beneficial interest in another Global Note, such other Global Note shall be increased accordingly and an endorsement shall be made on such Global Note by the Trustee or by the Depositary at the direction of the Trustee to reflect such increase.

(h) General Provisions Relating to Transfers and Exchanges.

(i) To permit registrations of transfers and exchanges, the Company shall execute and the Trustee shall authenticate Global Notes and Definitive Notes upon the Company's order.

(ii) No service charge shall be made to a holder of a beneficial interest in a Global Note or to a Holder of a Definitive Note for any registration of transfer or exchange, but the Company may require payment of a sum sufficient to cover any transfer tax or similar governmental charge payable in connection therewith (other than any such transfer taxes or similar governmental charge payable upon exchange or transfer pursuant to Sections 2.11, 3.06, 4.10, 4.15 and 9.05).

(iii) The Registrar shall not be required to register the transfer of or to exchange any Note selected for redemption in whole or in part, except the unredeemed portion of any Note being redeemed in part.

(iv) All Global Notes and Definitive Notes issued upon any registration of transfer or exchange of Global Notes or Definitive Notes shall be the valid obligations of the Company, evidencing the same debt, and entitled to the same benefits under this Indenture, as the Global Notes or Definitive Notes surrendered upon such registration of transfer or exchange.

(v) Neither the Company nor the Registrar shall be required (A) to issue, to register the transfer of or to exchange any Notes during a period beginning at the opening of business 15 Business Days before the day of any selection of Notes for redemption under Section 3.02 and ending at the close of business on the day of selection or (B) to register the transfer of or to exchange any Note so selected for redemption in whole or in part, except the unredeemed portion of any Note being redeemed in part.

(vi) The Trustee, any Agent and the Company may deem and treat the Person in whose name any Note is registered as the absolute owner of such Note for the purpose of

receiving payment of principal of and interest on such Notes and for all other purposes, and none of the Trustee, any Agent or the Company shall be affected by notice to the contrary.

(vii) The Trustee shall authenticate Global Notes and Definitive Notes in accordance with the provisions of Section 2.03 .

(viii) All certifications, certificates and Opinions of Counsel required to be submitted to the Registrar pursuant to this Section 2.07 to effect a registration of transfer or exchange may be submitted by facsimile.

(ix) The Trustee is hereby authorized and directed to enter into a letter of representations with the Depositary in the form provided by the Company and to act in accordance with such letter.

(x) Subject to compliance with any applicable additional requirements contained in this Article, when a Note is presented to the Registrar with a request to register a transfer thereof or to exchange such Note for an equal principal amount of Notes of other authorized denominations, the Registrar shall register the transfer or make the exchange as requested; provided, however, that every Note presented or surrendered for registration of transfer or exchange shall be duly endorsed or accompanied by an assignment form and, if applicable, a transfer certificate, each in the form included in Exhibits A, B and C attached hereto, as applicable, and in form satisfactory to the Registrar and each duly executed by the Holder thereof or its attorney duly authorized in writing. To permit registration of transfers and exchanges, upon surrender of any Note for registration of transfer or exchange at an office or agency maintained for such purpose pursuant to Section 2.04, the Company shall execute, and the Trustee shall authenticate, Notes of a like aggregate principal amount at maturity at the Registrar's request.

(xi) Any Registrar appointed pursuant to Section 2.04 shall provide to the Trustee such information as the Trustee may reasonably require in connection with the delivery by such Registrar of Notes upon transfer or exchange of Notes.

(xii) The Trustee shall have no obligation or duty to monitor, determine or inquire as to compliance with any restrictions on transfer imposed under this Indenture or under applicable law with respect to any transfer of any interest in any Note (including any transfers between or among Participants or other beneficial owners of interests in any Global Note) other than to require delivery of such certificates and other documentation or evidence as are expressly required by, and to do so if and when expressly required by the terms of, this Indenture, and to examine the same to determine substantial compliance as to form with the express requirements hereof.

(xiii) None of the Company, the Trustee or any Paying Agent shall have any responsibility or liability for any aspect of the records relating to, or payments made on account of or transfers of, beneficial ownership interests in a Global Note or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

(xiv) None of the Company, the Trustee or the Registrar shall have any liability for any acts or omissions of the Depositary, for any Depositary records of beneficial interests, for any transaction between the Depositary or any Participant and/or beneficial owners, for any transfers of beneficial interests in the Notes, or in respect of any transfers effected by the Depositary or by any Participant or any beneficial owner of any interest in any Notes held through any such Participant.

SECTION 2.08. Mutilated, Destroyed, Lost or Stolen Notes

If any mutilated Note is surrendered to the Trustee, or the Company and the Trustee receives evidence to its satisfaction of the destruction, loss or theft of any Note, the Company shall issue, and the Trustee, upon receipt of an Authentication Order or in accordance with a previously delivered Authentication Order, shall authenticate a replacement Note if the Trustee's requirements are met. If required by the Trustee or the Company, an indemnity bond must be supplied by the Holder that is sufficient in the judgment of the Trustee and the Company to protect the Company, the Trustee, any Agent and any Authenticating Agent from any loss, claim or expense that any of them may suffer if a lost or stolen Note is replaced and/or presented for payment. The Company and the Trustee may charge for their expenses in replacing a Note.

Every replacement Note issued in accordance with this Section 2.08 is an additional obligation of the Company and any other obligor upon the Notes and shall be entitled to all of the benefits of this Indenture equally and proportionately with all other Notes duly issued hereunder.

The Company and the Trustee may charge the Holder for their expenses in replacing a Note. In the event any such mutilated, lost, destroyed or wrongfully taken Note has become or is about to become due and payable, the Company in its sole discretion may pay such Note instead of issuing a new Note in replacement thereof.

The provisions of this Section 2.08 are exclusive and shall preclude (to the extent lawful) all other rights and remedies with respect to the replacement or payment of mutilated, lost, destroyed or wrongfully taken Notes.

SECTION 2.09. Outstanding Notes

The Notes outstanding at any time are all the Notes authenticated by the Trustee except for those canceled by it, those delivered to it for cancellation, those reductions in the interest in a Global Note effected by the Trustee in accordance with the provisions hereof, and those described in this Section 2.09 as not outstanding. Except as set forth in Section 2.10 , a Note does not cease to be outstanding because the Company or an Affiliate of the Company holds the Note.

If a Note is replaced pursuant to Section 2.08 , it ceases to be outstanding unless the Company and the Trustee receive proof satisfactory to it that the replaced Note is held by a bona fide purchaser.

If the principal amount of any Note is considered paid under Section 4.01, it ceases to be outstanding, and interest on it ceases to accrue.

If the Paying Agent segregates and holds in trust, in accordance with this Indenture, by 11:00 a.m. New York City time, on a redemption date or other maturity date money sufficient to pay all principal, premium and Additional Interest, if any, and interest payable on that date with respect to the Notes (or portions thereof) to be redeemed or maturing, as the case may be, then on and after that date such Notes (or portions thereof) cease to be outstanding and interest on them ceases to accrue.

SECTION 2.10. Treasury Notes

In determining whether the Holders of the required principal amount of Notes have concurred in any direction, waiver or consent, Notes owned by the Company or by any Affiliate of the Company shall be deemed not to be outstanding, except that for the purposes of determining whether the

Trustee shall be protected in relying on any such direction, waiver or consent, only Notes that a Responsible Officer of the Trustee actually knows are so owned shall be so disregarded.

SECTION 2.11. Temporary Notes

In the event that Definitive Notes are to be issued under the terms of this Indenture, until such Definitive Notes are ready for delivery, the Company may prepare and the Trustee shall authenticate temporary Notes. Temporary Notes shall be substantially in the form, and shall carry all rights, of Definitive Notes but may have variations that the Company considers appropriate for temporary Notes. Without unreasonable delay, the Company shall prepare and the Trustee shall authenticate Definitive Notes. After the preparation of Definitive Notes, the temporary Notes shall be exchangeable for Definitive Notes upon surrender of the temporary Notes at any office or agency maintained by the Company for that purpose and such exchange shall be without charge to the Holder. Upon surrender for cancellation of any one or more temporary Notes, the Company shall execute, and the Trustee shall authenticate and make available for delivery in exchange therefor, one or more Definitive Notes representing an equal principal amount of Notes. Until so exchanged, the Holder of temporary Notes shall in all respects be entitled to the same benefits under this Indenture as a Holder of Definitive Notes.

SECTION 2.12. Cancellation

The Company at any time may deliver Notes to the Trustee for cancellation. The Registrar and Paying Agent shall forward to the Trustee any Notes surrendered to them for registration of transfer, exchange or payment. The Trustee and no one else shall cancel and destroy all Notes surrendered for registration of transfer, exchange, payment, replacement or cancellation in accordance with customary practices (subject to the record retention requirement of the Exchange Act) and, upon request, deliver a certificate of such destruction to the Company unless the Company directs the Trustee to deliver canceled Notes to the Company. The Company may not issue new Notes to replace Notes that it has paid or that have been delivered to the Trustee for cancellation.

SECTION 2.13. Defaulted Interest

If the Company defaults in a payment of interest on the Notes, it shall pay the defaulted interest in any lawful manner plus, to the extent lawful, interest payable on the defaulted interest, to the Persons who are Holders on a subsequent special record date, in each case at the rate provided in the Notes and in Section 4.01 . The Company shall notify the Trustee in writing of the amount of defaulted interest proposed to be paid on each Note and the date of the proposed payment. The Company shall fix or cause to be fixed each such special record date and payment date; provided that no such special record date shall be less than 10 days prior to the related payment date for such defaulted interest. At least 15 days before the special record date, the Company (or, upon the written request of the Company, the Trustee in the name and at the expense of the Company) shall mail or cause to be mailed to Holders a notice that states the special record date, the related payment date and the amount of such interest to be paid.

SECTION 2.14. Computation of Interest

Interest on the Notes shall be computed on the basis of a 360-day year of twelve 30-day months.

SECTION 2.15. Issuance of Additional Notes

The Company shall be entitled, subject to its compliance with Section 4.09, to issue Additional Notes under this Indenture which shall have identical terms as the Initial Notes issued on the

Issue Date or the Exchange Notes, other than with respect to the date of issuance and issue price, first payment of interest and rights under a related Registration Rights Agreement, if any; provided, however, that the net cash proceeds from any such issuance of Additional Notes shall be deposited into the First Priority Collateral Account and invested by the Company in Additional Assets; provided, further, that at least 95% of such net cash proceeds shall be used to acquire or invest in Additional Assets which are assets of the type that would constitute First Priority Collateral and which upon their acquisition shall constitute First Priority Collateral in accordance with the provisions of the Intercreditor Agreement.

With respect to any Additional Notes, the Company shall set forth in a resolution of the Board of Directors and an Officer's Certificate, a copy of each which shall be delivered to the Trustee, the following information:

(a) the aggregate principal amount at maturity of such Additional Notes to be authenticated and delivered pursuant to this Indenture;

(b) the issue price, the issue date and the CUSIP number and corresponding ISIN of such Additional Notes; and

(c) whether such Additional Notes shall be Transfer Restricted Securities and issued in the form of Initial Notes as set forth in Exhibit A to this Indenture or shall be issued in the form of Exchange Notes as set forth in Exhibit A to this Indenture.

SECTION 2.16. One Class of Notes

The Initial Notes issued on the Issue Date, any Additional Notes and all Exchange Notes issued in exchange therefor shall be treated as a single class for all purposes under this Indenture; provided, however, that to the extent that any Notes are issued at a discount to their stated redemption price at maturity and bear the legend required by Section 2.01(c)(iii), each group of Notes bearing a given amount of original issue discount shall be treated as a separate class only for purposes of the transfer and exchange provisions of this Section 2.06.

SECTION 2.17. CUSIP, ISIN or Other Similar Numbers

The Company in issuing the Notes may use "CUSIP," "ISIN" or other similar numbers (if then generally in use), and, if so, the Trustee shall use "CUSIP," "ISIN" or other similar numbers in notices of redemption or offers to purchase as a convenience to Holders; provided that any such notice may state that no representation is made as to the correctness of such numbers either as printed on the Notes or as contained in any notice of a redemption or offer to purchase and that reliance may be placed only on the other identification numbers printed on the Notes, and any such redemption or offer to purchase shall not be affected by any defect in or omission of such numbers. The Company shall promptly notify the Trustee of any change in the "CUSIP," "ISIN" or other similar numbers.

ARTICLE 3

REDEMPTION AND PREPAYMENT

SECTION 3.01. Notices to Trustee

If the Company elects to redeem Notes pursuant to the optional redemption provisions of Section 3.07 , the Company shall furnish to the Trustee, at least 30 days but not more than 60 days (unless a shorter period is acceptable to the Trustee and except that such Officer's Certificate may be provided more than 60 days prior to the redemption date if it is furnished in connection with a defeasance of Notes

or a satisfaction and discharge of the Indenture) before a redemption date, an Officer's Certificate setting forth (i) the clause of this Indenture pursuant to which the redemption shall occur, (ii) the redemption date, (iii) the principal amount of Notes to be redeemed and (iv) the redemption price (expressed as a percentage or principal amount).

SECTION 3.02. Selection of Notes to Be Redeemed

If less than all of the Notes are to be redeemed or purchased in an offer to purchase at any time, the Trustee shall select the Notes to be redeemed or purchased among the Holders of the Notes in compliance with the requirements of the principal national securities exchange, if any, on which the Notes are listed or, if the Notes are not so listed, on a pro rata basis, by lot or in accordance with any other method the Trustee shall deem fair and appropriate; provided that no Notes of $2,000 or less shall be redeemed in part. In the event of partial redemption by lot, the particular Notes to be redeemed shall be selected, unless otherwise provided herein, not less than 30 nor more than 60 days prior to the redemption date by the Trustee from the outstanding Notes not previously called for redemption.

The Trustee shall promptly notify the Company in writing of the Notes selected for redemption and, in the case of any Note selected for partial redemption, the principal amount thereof to be redeemed. Notes and portions of Notes selected shall be in amounts of $1,000 or whole multiples of $1,000; except that if all of the Notes of a Holder are to be redeemed, the entire outstanding amount of Notes held by such Holder, even if not a multiple of $1,000, shall be redeemed. Except as provided in the preceding sentence, provisions of this Indenture that apply to Notes called for redemption also apply to portions of Notes called for redemption.

SECTION 3.03. Notice of Redemption

At least 30 days but not more than 60 days before a redemption date, the Company shall mail or cause to be mailed, by first class mail, a notice of redemption to each Holder whose Notes are to be redeemed at its registered address, except that redemption notices may be mailed more than 60 days prior to a redemption date if the notice is issued in connection with a defeasance of the Notes or a satisfaction and discharge of this Indenture.

The notice shall identify the Notes to be redeemed and shall state:

(a) the redemption date;

(b) the redemption price;

(c) if any Note is being redeemed in part, the portion of the principal amount of such Note to be redeemed and that, after the redemption date upon surrender of such Note, a new Note or Notes in principal amount equal to the unredeemed portion shall be issued upon cancellation of the original Note;

(d) the name and address of the Paying Agent;

(e) that Notes called for redemption must be surrendered to the Paying Agent to collect the redemption price;

(f) that, unless the Company defaults in making such redemption payment, interest on Notes called for redemption ceases to accrue on and after the redemption date;

(g) the paragraph of the Notes and/or Section of this Indenture pursuant to which the Notes called for redemption are being redeemed; and

(h) that no representation is made as to the correctness or accuracy of the CUSIP numbers, if any, listed in such notice or printed on the Notes.

At the Company's request, the Trustee shall give the notice of redemption in the Company's name and at its expense; provided that the Company shall have delivered to the Trustee, at least 35 days prior to the redemption date (unless a shorter period is acceptable to the Trustee), an Officer's Certificate requesting that the Trustee give such notice and a form of notice setting forth the information to be stated in such notice as provided in the preceding paragraph.

SECTION 3.04. Effect of Notice of Redemption

Once notice of redemption is mailed in accordance with Section 3.03 , Notes called for redemption shall become irrevocably due and payable on the redemption date at the redemption price. A notice of redemption may not be conditional.

SECTION 3.05. Deposit of Redemption Price

On or prior to the redemption date (or such later time to which the Trustee may reasonably agree), the Company shall deposit with the Trustee or with the Paying Agent money sufficient to pay the redemption price of and accrued interest and Additional Interest, if any, on all Notes to be redeemed on that date. Subject to applicable abandoned property laws, the Trustee or the Paying Agent shall promptly, upon request, return to the Company any money deposited with the Trustee or the Paying Agent by the Company in excess of the amounts necessary to pay the redemption price of, and accrued interest and Additional Interest, if any, on, all Notes to be redeemed.

If the Company complies with the provisions of the preceding paragraph, on and after the redemption date, interest shall cease to accrue on the Notes or the portions of Notes called for redemption. If a Note is redeemed on or after an interest record date but on or prior to the related interest payment date, then any accrued and unpaid interest shall be paid to the Person in whose name such Note was registered at the close of business on such record date. If any Note called for redemption shall not be so paid upon surrender for redemption because of the failure of the Company to comply with the preceding paragraph, interest shall be paid on the unpaid principal, from the redemption date until such principal is paid, and to the extent lawful on any interest not paid on such unpaid principal, in each case at the rate provided in the Notes and in Section 4.01.

SECTION 3.06. Notes Redeemed in Part

Upon surrender of a Note that is redeemed in part, the Company shall issue and, upon receipt of an Authentication Order, the Trustee shall authenticate for the Holder at the expense of the Company a new Note equal in principal amount to the unredeemed portion of the Note surrendered.

SECTION 3.07. Optional Redemption

(a) Except as set forth in clause (b) of this Section 3.07, the Company shall not have the option to redeem the Notes pursuant to this Section 3.07 prior to May 15, 2010. On and after such date, the Company shall have the option to redeem the Notes, in whole or in part, at the redemption prices (expressed as percentages of principal amount) set forth below, plus accrued and unpaid interest and Additional Interest thereon, if any, on the Notes redeemed, to, but excluding, the applicable redemption date, if redeemed during the twelve-month period beginning on May 15 of the years indicated below:

Year	Percentage
2010	105.750%
2011	102.875%
2012 and thereafter	100.000%

If the redemption date is on or after an interest payment record date and on or before the related interest payment date, the accrued and unpaid interest and Additional Interest, if any, will be paid to the Holder in whose name the Note is registered at the close of business on such record date, and no additional interest or Additional Interest, if any, will be payable to Holders whose Notes will be subject to redemption by the Company.

(b) Notwithstanding the provisions of clause (a) of this Section 3.07, at any time prior to May 15, 2009, the Company may, on any one or more occasions, redeem up to 35% of the aggregate principal amount of Notes (without duplication for Exchange Notes issued in exchange for Notes issued under this Indenture) issued under this Indenture (including Additional Notes) on any Business Day, at a redemption price equal to 111.50% of the principal amount thereof, plus accrued and unpaid interest and Additional Interest, if any, to, but excluding, the redemption date, with the net cash proceeds of one or more Equity Offerings, provided that (1) at least 65% of the aggregate principal amount of Notes (without duplication for Exchange Notes issued in exchange for Notes issued under this Indenture) issued under this Indenture (excluding Notes held by the Company and its Subsidiaries but including Additional Notes) remains outstanding immediately after the occurrence of such redemption; and (2) the redemption occurs within 90 days of the date of the closing of such Equity Offering.

(c) Any redemption pursuant to this Section 3.07 shall be made pursuant to the provisions of Section 3.01 through 3.06.

SECTION 3.08. Mandatory Redemption

The Company is not required to make mandatory redemption or sinking fund payments with respect to the Notes.

ARTICLE 4

COVENANTS

SECTION 4.01. Payment of Notes

The Company shall pay or cause to be paid the principal of or premium, if any, Additional Interest, if any, or interest on the Notes on the dates and in the manner provided in the Notes. Principal, premium, if any, interest and Additional Interest, if any, shall be considered paid on the date due if the Paying Agent, if other than the Company or a Subsidiary thereof, holds as of 11:00 a.m. (New York City time) on the due date money deposited by the Company in immediately available funds and designated for and sufficient to pay all principal of or premium, if any, Additional Interest, if any, or interest on the Notes then due. The Company shall pay all Additional Interest, if any, in the same manner on the dates and in the amounts set forth in the Registration Rights Agreement.

The Company shall pay interest (including post-petition interest in any proceeding under any Bankruptcy Law) on overdue principal at the rate equal to the then applicable interest rate on the Notes to the extent lawful; it shall pay interest (including post-petition interest in any proceeding under any Bankruptcy Law) on overdue installments of interest and Additional Interest (without regard to any applicable grace period) at the same rate to the extent lawful.

The Company shall make all interest, premium, if any, Additional Interest, if any, and principal payments by wire transfer of immediately available funds to any Holder who shall have given written directions to the Company or the Paying Agent to make such payments by wire transfer pursuant to the wire transfer instructions supplied to the Company or the Paying Agent by such Holder on or prior to the applicable record date. All other payments on Notes shall be made at the office or agency of the Paying Agent and Registrar within the City and State of New York unless the Company elects to make interest payments by check mailed to the Holders at their address set forth in the register of Holders.

Payments in respect of Notes represented by a Global Note (including interest, premium, if any, Additional Interest, if any, and principal payments) shall be made by wire transfer of immediately available funds to the accounts specified by DTC.

SECTION 4.02. Maintenance of Office or Agency

The Company shall maintain in the Borough of Manhattan, The City of New York, an office or agency (which may be an office of the Trustee or an affiliate of the Trustee, Registrar or co-registrar) where Notes may be surrendered for registration of transfer or for exchange and where notices and demands to or upon the Company in respect of the Notes and this Indenture may be served. The Company shall give prompt written notice to the Trustee of the location, and any change in the location, of such office or agency. If at any time the Company shall fail to maintain any such required office or agency or shall fail to furnish the Trustee with the address thereof, such presentations, surrenders, notices and demands may be made or served at the office of the Trustee, 100 Wall Street, 16th Floor, New York, New York (the "New York Corporate Trust Office").

The Company may also from time to time designate one or more other offices or agencies where the Notes may be presented or surrendered for any or all such purposes and may from time to time rescind such designations; provided that no such designation or rescission shall in any manner relieve the Company of its obligation to maintain an office or agency in the Borough of Manhattan, the City of New York for such purposes. The Company shall give prompt written notice to the Trustee of any such designation or rescission and of any change in the location of any such other office or agency.

The Company hereby designates the New York Corporate Trust Office as one such office or agency of the Company in accordance with Section 2.04.

SECTION 4.03. Reports

Whether or not required by the rules and regulations of the Commission, so long as any Notes are outstanding, the Company shall furnish to the Holders of Notes or cause the Trustee to furnish to the Holders of Notes, within the time periods specified in the Commission's rules and regulations:

(1) all quarterly and annual reports that would be required to be filed with the Commission on Forms 10-Q and 10-K if the Company were required to file such reports, including a "Management's Discussion and Analysis of Financial Condition and Results of Operations" and, with respect to the annual information only, a report on the annual financial statements by the Company's certified independent accountants; and

(2) all current reports that would be required to be filed with the Commission on Form 8-K if the Company were required to file such reports.

All such reports shall be prepared in all material respects in accordance with the rules and regulations of the Commission applicable to such reports. Each annual report on Form 10-K shall include a report on the Company's consolidated financial statements by the Company's registered independent accountants.

If the Company has designated any of its Subsidiaries as Unrestricted Subsidiaries, then the quarterly and annual financial information required by the preceding paragraph shall include a reasonably detailed presentation, either on the face of the financial statements or in the footnotes thereto, or in "Management's Discussion and Analysis of Financial Condition and Results of Operations," of the financial condition and results of operations of the Company and its Restricted Subsidiaries separate from the financial condition and results of operations of the Unrestricted Subsidiaries of the Company.

Whether or not required by the Commission, the Company shall file a copy of each of the reports referred to in clauses (1) and (2) above with the Commission for public availability within the time periods specified in the Commission's rules and regulations applicable to such reports (unless the Commission will not accept such a filing) and make such information available to securities analysts and prospective investors upon request. The Company's reporting obligations with respect to clauses (1) and (2) above shall be deemed satisfied in the event the Company files such reports with the Commission on EDGAR (or any successor system) and delivers a copy of such reports to the Trustee.

If, at any time after consummation of the Exchange Offer contemplated by the Registration Rights Agreement, the Company is no longer subject to the periodic reporting requirements of the Exchange Act for any reason, the Company shall nevertheless continue filing the reports specified in the preceding paragraphs with the Commission within the time periods specified above unless the Commission will not accept such a filing. The Company shall not take any action for the sole purpose of causing the Commission not to accept any such filings. If, notwithstanding the foregoing, the Commission will not accept the Company's filings for any reason, the Company shall post such reports on its website within the time periods that would apply if the Company was required to file those reports with the Commission.

In addition, for so long as any Notes remain outstanding, if at any time the Company is not required to file with the Commission the reports required by the preceding paragraphs, it shall furnish to the Holders of Notes and to securities analysts and prospective investors, upon their request, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act.

If at any time the Notes are Guaranteed by a direct or indirect parent of the Company, and such company is subject to and has complied with the reporting requirements of Section 13 or 15(d) of the Exchange Act, if applicable, and has furnished the Holders of Notes, or filed electronically with the Commission on EDGAR (or any successor system), the reports described herein with respect to such company, as applicable (including any financial information required by Regulation S-X under the Securities Act), the Company shall be deemed to be in compliance with the provisions of this covenant. Any information filed or furnished to the Commission via EDGAR (or any successor system) shall be deemed to have been made available to the registered Holders of the Notes. The subsequent filing or making available of any report required by this covenant shall be deemed automatically to cure any Default or Event of Default resulting from the failure to file or make available such report within the required time frame.

SECTION 4.04. Compliance Certificate

(a) The Company and each Guarantor (to the extent that such Guarantor is so required under the TIA) shall, so long as any of the Notes are outstanding, deliver to the Trustee, within 90 days after the end of each fiscal year of the Company, an Officer's Certificate stating that a review of the activities of the Company and its Subsidiaries during the preceding fiscal year has been made under the supervision of the signing Officer with a view to determining whether the Company has kept, observed, performed and fulfilled its obligations under this Indenture, and further stating, as to the Officer signing such certificate, that to his or her knowledge the Company has kept, observed, performed and fulfilled each and every covenant contained in this Indenture and is not in default in the performance or

observance of any of the terms, provisions and conditions of this Indenture (or, if a Default or Event of Default shall have occurred, describing all such Defaults or Events of Default of which he or she may have knowledge and what action the Company is taking or proposes to take with respect thereto).

(b) The Company shall, so long as any of the Notes are outstanding, deliver to the Trustee, as soon as possible and in any event within 10 Business Days after any Officer becoming aware of any Event of Default, an Officer's Certificate specifying such Event of Default, its status and what action the Company is taking or proposes to take with respect thereto, unless such Event of Default shall have been previously cured or waived.

SECTION 4.05. Taxes

The Company shall pay or discharge or cause to be paid or discharged, before the same shall become delinquent all material taxes, assessments, and governmental charges levied or imposed upon the Company or any Restricted Subsidiary, except such as are contested and by appropriate proceedings or where the failure to pay or discharge the same would not have a material adverse effect on the ability of the Company to perform its obligations under the Notes or this Indenture.

SECTION 4.06. Stay, Extension and Usury Laws

The Company and each of the Guarantors covenants (to the extent that it may lawfully do so) that it shall not at any time insist upon, plead, or in any manner whatsoever claim or take the benefit or advantage of, any stay, extension or usury law wherever enacted, now or at any time hereafter in force, that may affect the covenants or the performance of this Indenture; and the Company and each of the Guarantors covenants (to the extent that it may lawfully do so) hereby expressly waives all benefit or advantage of any such law, and covenants that it shall not, by resort to any such law, hinder, delay or impede the execution of any power herein granted to the Trustee, but shall suffer and permit the execution of every such power as though no such law has been enacted.

SECTION 4.07. Restricted Payments

(a) The Company shall not, and shall not permit any of its Restricted Subsidiaries to, directly or indirectly:

(1) declare or pay any dividend or make any other payment or distribution on or in respect of the Company's or any of its Restricted Subsidiaries' Equity Interests (including, without limitation, any payment in connection with any merger or consolidation involving the Company or any of its Restricted Subsidiaries) or to the direct or indirect holders of the Company's or any of its Restricted Subsidiaries' Equity Interests in their capacity as such (other than dividends or distributions payable in Equity Interests (other than Disqualified Stock) of the Company and other than dividends or distributions payable to the Company or a Restricted Subsidiary of the Company);

(2) purchase, redeem or otherwise acquire or retire for value (including, without limitation, in connection with any merger or consolidation involving the Company) any Equity Interests of the Company or any direct or indirect parent of the Company;

(3) make any payment on or with respect to, or purchase, redeem, defease or otherwise acquire or retire for value any Indebtedness of the Company or any Guarantor that is contractually subordinated to the Notes or to any Subsidiary Guarantee, except a payment of interest or principal at the Stated Maturity thereof or a payment of principal within 90 days of Stated Maturity thereof; or

(4) make any Restricted Investment (all such payments and other actions set forth in these clauses (1) through (4) above being collectively referred to as "Restricted Payments"),

unless, at the time of and after giving effect to such Restricted Payment:

(1) no Default or Event of Default has occurred and is continuing or would occur as a consequence of such Restricted Payment;

(2) the Company would, at the time of such Restricted Payment and after giving pro forma effect thereto as if such Restricted Payment had been made at the beginning of the applicable four-quarter period, have been permitted to incur at least $1.00 of additional Indebtedness pursuant to the Fixed Charge Coverage Ratio test set forth in Section 4.09(a); and

(3) such Restricted Payment, together with the aggregate amount, without duplication, of all other Restricted Payments declared or made by the Company and its Restricted Subsidiaries after the Issue Date (excluding Restricted Payments permitted by clauses (2), (3), (4), (6), (7), (9), (11) and (12) of Section 4.07(b) below), is less than the sum, without duplication, of:

(a) 50% of the Consolidated Net Income of the Company for the period (taken as one accounting period) from the first fiscal quarter beginning after the Issue Date to the end of the Company's most recently ended fiscal quarter for which internal financial statements are available at the time of such Restricted Payment (or, if such Consolidated Net Income for such period is a deficit, less 100% of such deficit), *plus*

(b) 100% of the aggregate net cash proceeds received by the Company since the Issue Date as a contribution to its common equity capital or from the issue or sale of Equity Interests (other than Disqualified Stock) of the Company or from the issue or sale of convertible or exchangeable Disqualified Stock or convertible or exchangeable debt securities of the Company that have been converted into or exchanged for such Equity Interests (other than Equity Interests (or Disqualified Stock or debt securities) sold to a Subsidiary of the Company or an employee stock ownership plan, option plan or similar trust to the extent such sale to an employee stock ownership plan or similar trust is financed by loans from or guaranteed by the Company or any Restricted Subsidiary unless such loans have been repaid with cash on or prior to the date of determination), *plus*

(c) to the extent that any Restricted Investment that was made after the Issue Date is sold for cash or otherwise liquidated or repaid for cash, the lesser of (i) the cash return of capital with respect to such Restricted Investment (less the cost of disposition, if any) and (ii) the initial amount of such Restricted Investment; *provided* that no amount shall be included under this clause (c) to the extent it is already included in Consolidated Net Income, *plus*

(d) to the extent that any Unrestricted Subsidiary of the Company designated as such after the Issue Date is redesignated as a Restricted Subsidiary after the Issue Date, the lesser of (i) the fair market value of the Company's Investment in such Subsidiary as of the date of such redesignation and (ii) such fair market value as of the date on which such Subsidiary was originally designated as an Unrestricted Subsidiary after the Issue Date; *plus*

(e) 50% of any dividends or other distributions received by the Company or a Restricted Subsidiary of the Company that is a Guarantor after the Issue Date from an Unrestricted Subsidiary of the Company, to the extent that such dividends or other distributions were not otherwise included in the Consolidated Net Income of the Company for such period.

(b) The preceding provisions shall not prohibit:

(1) the payment of any dividend or the consummation of any irrevocable redemption within 60 days after the date of declaration of the dividend or giving of the redemption notice, as the case may be, if at the date of declaration or notice the dividend or redemption payment would have been permitted by the provisions of this Indenture;

(2) the making of any Restricted Payment in exchange for, or out of the net cash proceeds of the sale within 60 days of such Restricted Payment (other than to a Subsidiary of the Company) of, Equity Interests of the Company (other than Disqualified Stock and other than Equity Interests issued or sold to an employee stock ownership plan or similar trust to the extent such sale to an employee stock ownership plan or similar trust is financed by loans from or guaranteed by the Company or any Restricted Subsidiary unless such loans have been repaid with cash on or prior to the date of determination) or from the contribution of common equity capital to the Company within 60 days of such Restricted Payment; *provided* that the amount of any such net cash proceeds that are utilized for any such Restricted Payment shall be excluded from clause (3)(b) of the preceding paragraph;

(3) the defeasance, satisfaction and discharge, redemption, repurchase or other acquisition or retirement for value of Indebtedness of the Company or any Guarantor that is Subordinated Indebtedness in exchange for, or out of the net cash proceeds of the incurrence within 60 days of such defeasance, satisfaction and discharge, redemption, repurchase or other acquisition or retirement of, Permitted Refinancing Indebtedness;

(4) the payment of any dividend or distribution by a Restricted Subsidiary of the Company to the holders of its Equity Interests on a pro rata basis;

(5) so long as no Default or Event of Default has occurred and is continuing, the repurchase, redemption or other acquisition or retirement for value of any Equity Interests of the Company or any Restricted Subsidiary of the Company or any direct or indirect parent of the Company held by any current or former officer, director or employee of the Company or any of its Restricted Subsidiaries or their estates or heirs pursuant to any equity subscription agreement, stock option agreement, shareholders' agreement or similar agreement; *provided* that the aggregate price paid for all such Equity Interests repurchased, redeemed, acquired or retired pursuant to this clause may not exceed $1.0 million in the aggregate in any twelve month period; *provided, however*, that amounts available pursuant to this clause (5) to be utilized for any Restricted Payments described in this clause (5) during any twelve month period may be carried forward and utilized in any subsequent twelve month period, up to a maximum of $2.0 million in any twelve month period;

(6) repurchases of Equity Interests deemed to occur upon the exercise of stock options, warrants or other convertible securities to the extent such Equity Interests represent a portion of the exercise price thereof;

(7) the declaration and payment of regularly scheduled or accrued dividends to Holders of any class or series of Disqualified Stock of the Company or any Restricted Subsidiary

of the Company issued on or after the Issue Date in accordance with the Fixed Charge Coverage Ratio test described in Section 4.09(a);

(8) the declaration and payment of dividends by the Company to, or the making of loans to, any direct or indirect parent in amounts required for any direct or indirect parent to pay:

(a) franchise taxes and other fees, taxes and expenses required to maintain their corporate existence,

(b) federal, state and local income taxes, to the extent such income taxes are attributable to the income of the Company and its Restricted Subsidiaries and, to the extent of the amount actually received from its Unrestricted Subsidiaries, in amounts required to pay such taxes to the extent attributable to the income of such Unrestricted Subsidiaries,

(c) reasonable salary, bonus and other benefits payable to directors, officers and employees of any direct or indirect parent company of the Company to the extent such salaries, bonuses and other benefits are attributable to the ownership or operation of the Company and its Restricted Subsidiaries, and

(d) general corporate overhead expenses of any direct or indirect parent company of the Company to the extent such expenses are attributable to the ownership or operation of the Company and its Restricted Subsidiaries;

(9) the purchase of fractional shares by the Company upon conversion of any securities of the Company into Equity Interests of the Company;

(10) the purchase, repurchase, redemption, defeasance or other acquisition or retirement for value of any Indebtedness subordinated to the Notes (i) at a purchase price not greater than 101% of the principal amount of such Indebtedness in the event of a change of control as defined under such Indebtedness in accordance with provisions similar to those contained in Section 4.15 or (ii) at a purchase price not greater than 100% of the principal amount thereof in accordance with provisions similar to those contained in Section 4.10 ; *provided* that, prior to or simultaneously with such purchase, repurchase, redemption, defeasance or acquisition or retirement, the Company has made the Change of Control Offer, Collateral Sale Offer or Asset Sale Offer, as applicable, as provided in such covenant with respect to the Sale and has completed, if applicable, the repurchase or redemption of all Notes validly tendered for payment in connection with such Change of Control Offer, Collateral Sale Offer or Asset Sale Offer;

(11) payments of intercompany Subordinated Indebtedness the incurrence of which was permitted under Section 4.09; and

(12) other Restricted Payments in an aggregate amount since the Issue Date not to exceed $10.0 million.

The amount of all Restricted Payments (other than cash) will be the fair market value on the date of the Restricted Payment of the asset(s) or securities proposed to be transferred or issued by the Company or such Restricted Subsidiary, as the case may be, pursuant to the Restricted Payment. The fair market value of any non-cash Restricted Payment that is required to be valued by this covenant shall be determined by the Board of Directors of the Company acting in good faith, whose resolution with respect thereto shall be delivered to the Trustee. The Board of Directors' determination must be based upon an

opinion or appraisal issued by an accounting, appraisal or investment banking firm of national standing if the fair market value exceeds $25.0 million.

For purposes of determining compliance with this covenant, in the event that a proposed Restricted Payment (or portion thereof) meets the criteria of more than one of the categories of Restricted Payments described in clauses (1) through (12) above, or is entitled to be incurred pursuant to the first paragraph of this covenant, the Company shall be entitled to classify such Restricted Payment (or portion thereof) on the date of its payment in any manner that complies with this covenant, and such Restricted Payment shall be treated as having been made pursuant to only such clause or clauses or the first paragraph of this covenant.

SECTION 4.08. Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries

(a) The Company shall not, and shall not permit any of its Restricted Subsidiaries to, directly or indirectly, create or permit to exist or become effective any consensual encumbrance or restriction on the ability of any Restricted Subsidiary to:

(1) pay dividends or make any other distributions on its Capital Stock to the Company or any of its Restricted Subsidiaries (it being understood that the priority of any preferred stock in receiving dividends or liquidating distributions prior to dividends or liquidating distributions being paid on common stock shall not be deemed a restriction on the ability to make distributions on Capital Stock) or pay any Indebtedness owed to the Company or any of its Restricted Subsidiaries;

(2) make loans or advances to the Company or any of its Restricted Subsidiaries (it being understood that the subordination of loans or advances made to the Company or any of its Restricted Subsidiaries to other Indebtedness incurred by the Company or any of its Restricted Subsidiaries shall not be deemed a restriction on the ability to make loans or advances); or

(3) sell, lease or transfer any of its properties or assets to the Company or any of its Restricted Subsidiaries.

(b) However, Section 4.08(a) above shall not apply to encumbrances or restrictions existing under or by reason of:

(1) agreements governing Existing Indebtedness and the Credit Agreement as in effect on the Issue Date and any amendments, modifications, restatements, renewals, increases, supplements, refundings, replacements or refinancings of those agreements; *provided* that the amendments, modifications, restatements, renewals, increases, supplements, refundings, replacements or refinancings are no more restrictive in any material respect, taken as a whole, with respect to such dividend and other payment restrictions than those contained in those agreements on the Issue Date as reasonably determined by the Company;

(2) this Indenture, the Notes, the related Subsidiary Guarantees, the Collateral Documents and the Intercreditor Agreement;

(3) applicable law or any applicable rule, regulation or order;

(4) any instrument governing Indebtedness or Capital Stock of a Person acquired by the Company or any of its Restricted Subsidiaries as in effect at the time of such acquisition (except to the extent such Indebtedness or Capital Stock was incurred in connection with or in contemplation of such acquisition), which encumbrance or restriction is not applicable to any

Person, or the properties or assets of any Person, other than the Person, or the property or assets of the Person, so acquired, including any amendments, modifications, restatements, renewals, increases, supplements, refundings, replacements or refinancings of any such agreements or instruments; *provided* that the amendments, modifications, restatements, renewals, increases, supplements, refundings, replacements or refinancings are no more restrictive in any material respect, taken as a whole, than those contained in the agreements governing such original agreement or instrument, as reasonably determined by the Company; *provided, further*, that, in the case of Indebtedness, such Indebtedness was permitted by the terms of this Indenture to be incurred;

(5) in the case of Section 4.08(a)(3) above:

(a) a lease, license or similar contract that restricts in a customary manner the subletting, assignment or transfer of any subject property or asset, or the assignment or transfer of any such lease, license or other contract;

(b) mortgages, pledges or other agreements or instruments permitted under this Indenture securing Indebtedness of the Company or any of its Restricted Subsidiaries to the extent such encumbrances or restrictions restrict the transfer of the property subject to such mortgages, pledges or other agreements or instruments; or

(c) reciprocal easement agreements of the Company or any of its Restricted Subsidiaries containing customary provisions restricting dispositions of the subject real property interests;

(6) leases and other agreements containing net worth provisions entered into by the Company or any Restricted Subsidiary in the ordinary course of business;

(7) purchase money obligations, mortgage financings, Capital Lease Obligations and other similar obligations permitted under this Indenture that, in each case, impose restrictions on the property purchased or leased of the nature described in Section 4.08(a)(3) above;

(8) any agreement for the sale or other disposition of assets or Capital Stock of a Restricted Subsidiary permitted under this Indenture that restricts the sale of assets, distributions, loans or other activities by that Restricted Subsidiary pending the consummation of such sale or other disposition;

(9) Permitted Refinancing Indebtedness, *provided* that the dividend and other payment restrictions contained in the agreements governing such Permitted Refinancing Indebtedness are no more restrictive in any material respect, taken as a whole, than those contained in the agreements governing the Indebtedness being refinanced as reasonably determined by the Company;

(10) agreements and other instruments evidencing Liens securing Indebtedness otherwise permitted to be incurred under Section 4.12 that limit the right of the debtor to dispose of the assets subject to such Liens, including Permitted Liens;

(11) provisions with respect to the disposition or distribution of assets or property in joint venture agreements and other similar agreements permitted by this Indenture; *provided* that such restrictions apply only to the assets or property subject to such agreements;

(12) Indebtedness of Foreign Subsidiaries permitted to be incurred subsequent to the Issue Date pursuant to Section 4.09;

(13) restrictions on cash or other deposits or net worth under contracts or leases entered into in the ordinary course of business;

(14) any instrument governing any Indebtedness or Capital Stock of a Person that is an Unrestricted Subsidiary as in effect on the date that such Person becomes a Restricted Subsidiary, which encumbrance or restriction is not applicable to any Person, or the properties or assets of any Person, other than the Person who became a Restricted Subsidiary, or the property or assets of the Person who became a Restricted Subsidiary, including any amendments, modifications, restatements, renewals, increases, supplements, refundings, replacements or refinancings of any such agreements or instruments; *provided* that the amendments, modifications, restatements, renewals, increases, supplements, refundings, replacements or refinancings are no more restrictive in any material respect, taken as a whole, than those contained in the agreements governing such original agreement or instrument, as reasonably determined by the Company; *provided, further*, that, in the case of Indebtedness, such Indebtedness was permitted by the terms of this Indenture to be incurred;

(15) encumbrances or restrictions existing pursuant to the subordination provisions of any Indebtedness that is permitted to be incurred under this Indenture; and

(16) Indebtedness permitted to be incurred under Section 4.09(b)(15).

SECTION 4.09. Incurrence of Indebtedness

(a) The Company shall not, and shall not permit any of its Restricted Subsidiaries to, directly or indirectly, create, incur, issue, assume, guarantee or otherwise become directly or indirectly liable, contingently or otherwise, with respect to (collectively, "incur") any Indebtedness (including Acquired Debt); *provided, however*, that the Company and any Guarantor may incur Indebtedness (including Acquired Debt) if the Fixed Charge Coverage Ratio for the Company's most recently ended four full fiscal quarters for which internal financial statements are available immediately preceding the date on which such additional Indebtedness is incurred would have been at least 2.0 to 1.0, determined on a pro forma basis (including a pro forma application of the net proceeds therefrom), as if the additional Indebtedness had been incurred at the beginning of such four-quarter period.

(b) Section 4.09(a) above shall not prohibit:

(1) the incurrence by the Company and any Guarantor of additional Indebtedness and letters of credit under one or more Credit Agreements in an aggregate principal amount at any one time outstanding under this clause (1) (with letters of credit being deemed to have a principal amount equal to the maximum potential liability of the Company and its Restricted Subsidiaries thereunder) not to exceed the greater of (x) $100.0 million and (y) the Borrowing Base, less the aggregate amount of all Net Proceeds of Asset Sales applied by the Company or any of its Restricted Subsidiaries since the Issue Date to repay any term Indebtedness under a Credit Agreement or to repay any revolving credit Indebtedness under a Credit Agreement and effect a corresponding commitment reduction thereunder pursuant to Section 4.10 ;

(2) the incurrence by the Company and its Restricted Subsidiaries of the Existing Indebtedness;

(3) the incurrence by the Company and the Guarantors of Indebtedness represented by the Initial Notes and the related Subsidiary Guarantees to be issued on the Issue Date and the Exchange Notes and the related Subsidiary Guarantees to be issued under this Indenture in exchange therefor pursuant to the Registration Rights Agreement;

(4) the incurrence by the Company or any of its Restricted Subsidiaries of Indebtedness represented by Capital Lease Obligations, mortgage financings, purchase money or other similar obligations with respect to assets other than Capital Stock or other Investments, in each case, incurred for the purpose of financing all or any part of the purchase price or cost of design, construction, use, installation or improvement of property, plant or equipment used in a Permitted Business, and Attributable Debt, in an aggregate principal amount not to exceed the greater of (x) $7.5 million and (y) 1.0% of the Company's Consolidated Net Tangible Assets;

(5) the incurrence by the Company or any of its Restricted Subsidiaries of Permitted Refinancing Indebtedness in exchange for, or the net proceeds of which are used to renew, refund, refinance, discharge, defease or replace Indebtedness (other than intercompany Indebtedness) that was permitted by this Indenture to be incurred under Section 4.09(a) or clauses (2), (3), (4), (5) or (12) of this Section 4.09(b);

(6) the incurrence by the Company or any of its Restricted Subsidiaries of intercompany Indebtedness between or among the Company and any of its Restricted Subsidiaries; *provided*, *however*, that:

(a) if the Company or any Guarantor is the obligor on such Indebtedness and the payee is not the Company or a Guarantor, such Indebtedness must be expressly subordinated to the prior payment in full in cash of all Obligations with respect to the Notes, in the case of the Company, or such Subsidiary Guarantee, in the case of a Guarantor; and

(b) any subsequent issuance or transfer of Equity Interests or any other event that results in any such Indebtedness being beneficially held by a Person other than the Company or a Restricted Subsidiary of the Company, (ii) any sale or other transfer of any such Indebtedness to a Person that is neither the Company or a Restricted Subsidiary of the Company or (iii) the designation of a Restricted Subsidiary which holds Indebtedness as an Unrestricted Subsidiary, will be deemed, in each case, to constitute an incurrence of such Indebtedness by the Company or such Restricted Subsidiary, as the case may be, that was not permitted by this clause (6);

(7) the incurrence by the Company or any of its Restricted Subsidiaries of Hedging Obligations;

(8) the Guarantee by the Company or any of the Guarantors of Indebtedness of the Company or a Restricted Subsidiary of the Company that was permitted to be incurred by another provision of this covenant; *provided* that if the Indebtedness being guaranteed is (a) *pari passu* in right of payment to the Notes or any Subsidiary Guarantee, then the related Guarantee shall rank equally in right of payment to the Notes or such Subsidiary Guarantee, as the case may be, or (b) subordinated in right of payment to the Notes or any Subsidiary Guarantee, then the related Guarantee shall be subordinated in right of payment to the same extent to the Notes or such Subsidiary Guarantee, as the case may be;

(9) the incurrence of Indebtedness by the Company or any of its Restricted Subsidiaries arising from the honoring by a bank or other financial institution of a check, draft or

similar instrument (except in the case of daylight overdrafts) in the ordinary course of business inadvertently drawn against insufficient funds, *provided*, *however*, that such Indebtedness is extinguished within five Business Days after incurrence;

(10) the incurrence of Indebtedness by the Company or any of its Restricted Subsidiaries incurred in respect of workers' compensation claims, self-insurance obligations, bankers' acceptances, performance, standby letters of credit, statutory clauses of lessors, licensees, contractors, franchisees or customers, surety and similar bonds and completion guarantees provided by the Company or any of its Restricted Subsidiaries, in each case, in the ordinary course of business;

(11) the incurrence of Indebtedness by the Company or any of its Restricted Subsidiaries arising from any agreement of the Company or any Restricted Subsidiary providing for indemnities, guarantees, purchase price adjustments, earn-outs, letters of credit, surety bonds, performance bonds, holdbacks, contingency payment obligations based on the performance of the acquired or disposed assets or similar obligations (other than guarantees of Indebtedness) incurred by any Person in connection with the disposition of assets of the Company or any Restricted Subsidiary, including, without limitation, any Capital Stock of any Restricted Subsidiary of the Company;

(12) the incurrence by the Company or any of its Restricted Subsidiaries of Acquired Debt related to the acquisition of a Permitted Business or an asset used in a Permitted Business if the Fixed Charge Coverage Ratio for the Company's most recently ended four full fiscal quarters for which internal financial statements are available immediately preceding the date of such incurrence of Acquired Debt determined immediately after giving effect to such incurrence and the related acquisition (including through a merger, consolidation or otherwise) is equal to or greater than the Fixed Charge Coverage Ratio of the Company determined immediately before giving effect to such incurrence and the related acquisition;

(13) Indebtedness of (i) Foreign Subsidiaries of the Company incurred not to exceed at any one time outstanding and together with any other Indebtedness incurred under this clause (13) the greater of (x) $5.0 million and (y) 1.0% of the Consolidated Net Tangible Assets of the Company and (ii) Indebtedness of Unifi do Brasil, Ltda in an aggregate principal amount at any time outstanding not to exceed $12.0 million, which Indebtedness is secured by certain cash deposits of Unifi do Brasil, Ltda with a Brazilian bank;

(14) the incurrence by the Company or any of its Restricted Subsidiaries of Indebtedness arising in connection with endorsement of instruments for deposit in the ordinary course of business;

(15) the incurrence by the Company or any of its Restricted Subsidiaries of Indebtedness to the extent the net proceeds thereof are promptly deposited to defease the Notes or satisfy the satisfaction and discharge of this Indenture as described in Article 8 and Section 11.01; and

(16) the incurrence by the Company or any Guarantor of additional Indebtedness, together with all other Indebtedness incurred pursuant to this clause (16) that is at the time outstanding, in an aggregate principal amount (or accreted value, as applicable) at any time outstanding not to exceed $15.0 million.

(c) The Company shall not permit any of its Unrestricted Subsidiaries to incur any Indebtedness other than Non-Recourse Debt. If any Non-Recourse Debt of an Unrestricted Subsidiary

shall at any time cease to constitute Non-Recourse Debt or such Unrestricted Subsidiary shall be redesignated a Restricted Subsidiary, such event will be deemed to constitute an incurrence of Indebtedness by a Restricted Subsidiary.

(d) For purposes of determining compliance with this Section 4.09:

(1) in the event that any Indebtedness meets the criteria of more than one of the categories described in clauses (1) through (16) of Section 4.09(b) or is entitled to be incurred pursuant to Section 4.09(a), the Company, in its sole discretion, will be permitted to classify (or later reclassify in whole or in part) such item of Indebtedness in any manner that complies with this covenant; *provided* that Indebtedness under the Credit Agreement outstanding on the Issue Date will initially be deemed to have been incurred on such date in reliance on the exception provided by Section 4.09(b)(1);

(2) the accrual of interest, the accretion or amortization of original issue discount, the payment of interest on any Indebtedness in the form of additional Indebtedness with the same, or less onerous, terms, the reclassification of preferred stock of the Company or any Guarantor as Indebtedness due to a change in accounting principles, and the payment of dividends on Disqualified Stock or preferred stock in the form of additional shares of the same class of Disqualified Stock or preferred stock, the accrual of dividends on Disqualified Stock or preferred stock and the accretion of the liquidation preference of Disqualified Stock or preferred stock will not be deemed to be an incurrence of Indebtedness for purposes of this covenant; *provided*, in each such case, that the amount thereof shall be included in the Fixed Charges of the Company;

(3) if obligations in respect of letters of credit are incurred pursuant to a Credit Agreement and are being treated as incurred pursuant to Section 4.09(b)(1) and the letters of credit relate to other Indebtedness, then such other Indebtedness shall not be included;

(4) Indebtedness permitted by this covenant need not be permitted solely by reference to one provision permitting such Indebtedness, but may be permitted in part by one such provision and in part by one or more other provisions of this covenant permitting such Indebtedness; and

(5) for the purposes of determining compliance with any U.S. dollar-denominated restriction on the incurrence of Indebtedness denominated in a foreign currency, the dollar-equivalent principal amount of such Indebtedness incurred pursuant thereto shall be calculated based on the relevant currency exchange rate in effect on the earlier of the date that such Indebtedness was incurred, in the case of term Indebtedness, or first committed, in the case of revolving credit Indebtedness; *provided* that if such Indebtedness is incurred to refinance other Indebtedness denominated in a foreign currency, and such refinancing would cause the applicable U.S. dollar-dominated restriction to be exceeded if calculated at the relevant currency exchange rate in effect on the date of such refinancing, such U.S. dollar-dominated restriction shall be deemed not to have been exceeded so long as the principal amount of such refinancing Indebtedness does not exceed the principal amount of such Indebtedness being refinanced. Notwithstanding any other provision of this covenant, the maximum amount of Indebtedness that the Company or any of its Restricted Subsidiaries may incur pursuant to this covenant shall not be deemed to be exceeded solely as a result of fluctuations in the exchange rate of currencies. The principal amount of any Indebtedness incurred to refinance other Indebtedness, if incurred in a different currency from the Indebtedness being refinanced, shall be calculated based on the currency exchange rate applicable to the currencies in which such refinancing Indebtedness is denominated that is in effect on the date of such refinancing.

(e) Upon any replacement or refinancing of any Credit Agreement or any portion thereof with a lender that does not become a party to the Intercreditor Agreement, the Trustee shall enter into an intercreditor agreement with such lender with terms that are not materially different to the Trustee or the Holders of Notes than those contained in the Intercreditor Agreement.

SECTION 4.10. Asset Sales

(a) The Company shall not, and shall not permit any of the Guarantors to, consummate an Asset Sale of Collateral unless:

(1) the Company or such Guarantor, as the case may be, receives consideration at least equal to the fair market value of the Collateral sold or otherwise disposed of (such fair market value to be determined on the date of contractually agreeing to such Asset Sale);

(2) the fair market value is determined (i) by the Company's Chief Executive Officer or Chief Financial Officer and set forth in an Officer's Certificate delivered to the Trustee or (ii) for assets with a fair market value in excess of $5.0 million, by the Company's Board of Directors and evidenced by a resolution of such Board of Directors set forth in an Officer's Certificate delivered to the Trustee;

(3) at least 75% of the consideration received in the Asset Sale by the Company or such Guarantor is in the form of cash or Cash Equivalents and 100% of the Net Proceeds therefrom (other than any consideration that is deemed to be cash pursuant to paragraph (f)(3) below) is deposited directly by the Company into the applicable Collateral Account, in each case, in accordance with the Intercreditor Agreement; provided that at any time prior to the termination of the Credit Agreement such Net Proceeds with respect to Second Priority Collateral shall be deposited in accordance with the provisions of the Credit Agreement and the Intercreditor Agreement; and

(4) the remaining consideration from such Asset Sale that is not in the form of cash or Cash Equivalents (including any consideration that is deemed to be cash pursuant to paragraph (f)(3) below) is thereupon with its acquisition pledged as First Priority Collateral to secure the Notes, in the case of an Asset Sale of First Priority Collateral, or as Second Priority Collateral, in the case of an Asset Sale of Second Priority Collateral in accordance with the Intercreditor Agreement.

For purposes of determining whether an Asset Sale of Collateral constitutes an Asset Sale of First Priority Collateral or an Asset Sale of Second Priority Collateral, the consideration received from the sale of Equity Interests in a Guarantor shall be allocated among the assets of such Person.

In the case of an Asset Sale of Second Priority Collateral, any Net Proceeds shall be deposited and applied in accordance with the Intercreditor Agreement.

Within 360 days after the deposit into the First Priority Collateral Account of any Net Proceeds from an Asset Sale of First Priority Collateral or Recovery Events (as described below) with respect to First Priority Collateral, the Company or any of its Restricted Subsidiaries may apply such Net Proceeds to invest in Additional Assets; provided, that at least 95% of such Net Proceeds shall be used to invest in Additional Assets which are assets of the type that would constitute First Priority Collateral and which upon their acquisition shall constitute First Priority Collateral in accordance with the provisions of the Intercreditor Agreement. Any Net Proceeds from an Asset Sale of Collateral that are deemed to be cash pursuant to paragraph (f)(3) below shall be deemed to have been invested in Additional Assets at the time of such Asset Sale of Collateral for purposes of the preceding sentence.

All of the Net Proceeds received by the Company or the Guarantors, as the case may be, from any Recovery Event with respect to First Priority Collateral shall be deposited directly into the First Priority Collateral Account and may be withdrawn by the Company or such Guarantor to be invested in Additional Assets (which may include performance of a Restoration of the affected First Priority Collateral) in accordance with the preceding paragraph within 360 days after the deposit into the First Priority Collateral Account of any such Net Proceeds. Any Net Proceeds from a Recovery Event with respect to Second Priority Collateral shall be deposited and applied in accordance with the Intercreditor Agreement.

Any Net Proceeds from Asset Sales of Collateral or Recovery Events that are not applied or invested as provided in this subsection (a) or in accordance with the Collateral Documents shall constitute "Excess Collateral Proceeds." No later than the 365th day after the Asset Sale of Collateral or the deposit into the applicable Collateral Account of the Net Proceeds from a Recovery Event pursuant to this subsection (a) (or, at the Company's option, such earlier date as it may choose), if the aggregate amount of Excess Collateral Proceeds exceeds $10.0 million, the Company shall make an offer (a "Collateral Sale Offer") to all Holders of Notes to purchase the maximum principal amount of Notes to which the Collateral Sale Offer applies that may be purchased out of the Excess Collateral Proceeds. The offer price in any Collateral Sale Offer shall be equal to 100% of the principal amount of the Notes, plus accrued and unpaid interest and Additional Interest, if any, to, but excluding, the date of purchase, and shall be payable in cash, in each case, in integral multiples of $1,000; *provided*, *however*, that to the extent the Excess Collateral Proceeds relate to Asset Sales of Second Priority Collateral, the Company may, prior to making a Collateral Sale Offer, make a prepayment with respect to Indebtedness that is secured by such Second Priority Collateral on a first-priority basis that may be prepaid out of such Excess Collateral Proceeds, at a price in cash in an amount equal to 100% of the principal amount of such Indebtedness, plus accrued and unpaid interest to the date of prepayment, with any Excess Collateral Proceeds not used to prepay such Indebtedness offered to Holders of Notes in accordance with this paragraph. If any Excess Collateral Proceeds remain after consummation of a Collateral Sale Offer, the Company may use those Excess Collateral Proceeds for any purpose not otherwise prohibited by this Indenture. If the aggregate principal amount of Notes tendered in such Collateral Sale Offer exceeds the amount of Excess Collateral Proceeds, the portion of each Note to be purchased shall be determined by the Trustee on a pro rata basis among the Holders of such Notes with appropriate adjustments such that the Notes may only be purchased in integral multiples of $1,000. Upon completion of each Collateral Sale Offer or the application of Excess Collateral Proceeds pursuant to the second sentence of this paragraph, the amount of Excess Proceeds shall be reset at zero.

(b) The Company shall not, and shall not permit any of its Restricted Subsidiaries to, consummate an Asset Sale (other than an Asset Sale of Collateral) unless:

(1) the Company or such Restricted Subsidiary, as the case may be, receives consideration at least equal to the fair market value of the assets or Equity Interests issued or sold or otherwise disposed of (such fair market value to be determined on the date of contractually agreeing to such Asset Sale);

(2) the fair market value is determined (i) by the Company's Chief Executive Officer or Chief Financial Officer and set forth in an Officer's Certificate delivered to the Trustee or (ii) for assets with a fair market value in excess of $5.0 million, by the Company's Board of Directors and evidenced by a resolution of such Board of Directors set forth in an Officer's Certificate delivered to the Trustee; and

(3) at least 75% of the consideration received in the Asset Sale by the Company or such Restricted Subsidiary is in the form of cash or Cash Equivalents.

Within 360 days after the receipt of any Net Proceeds from an Asset Sale (other than an Asset Sale of Collateral), the Company or any of its Restricted Subsidiaries may apply such Net Proceeds at its option to:

(A) repay, purchase or otherwise retire the Notes;

(B) repay, purchase, or otherwise retire other Indebtedness of the Company or a Guarantor (and to correspondingly reduce commitments with respect thereto) that is *pari passu* with the Notes; *provided* that the Company shall also equally and ratably offer to reduce Obligations under the Notes by making an offer (in accordance with the procedures set forth below for an Asset Sale Offer) to all Holders of Notes to purchase the pro rata principal amount of Notes at a purchase price equal to 100% of the principal amount thereof, plus the amount of accrued but unpaid interest and Additional Interest, if any, to the repurchase date (subject to the right of the Holders of record on the relevant record date to receive interest due on the relevant interest payment date);

(C) repay or repurchase Indebtedness of a Restricted Subsidiary that is not a Guarantor, other than Indebtedness owed to the Company or another of its Restricted Subsidiaries; or

(D) acquire or invest in Additional Assets.

Any Net Proceeds from an Asset Sale that are deemed to be cash pursuant to Section 4.10(f)(3) below shall be deemed to have been invested in Additional Assets at the time of such Asset Sale for purposes of the preceding sentence. Pending the final application of any Net Proceeds, the Company and its Restricted Subsidiaries may temporarily reduce revolving credit borrowings or otherwise invest the Net Proceeds in any manner that is not prohibited by this Indenture.

Any Net Proceeds from Asset Sales (other than Asset Sales of Collateral) that are not applied or invested as provided in the second preceding paragraph shall constitute "Excess Proceeds." No later than the 365th day after such Asset Sale (or, at the Company's option, such earlier date as it may choose), if the aggregate amount of Excess Proceeds exceeds $10.0 million, the Company shall make an offer (an "Asset Sale Offer") to all Holders of Notes and all holders of other Indebtedness that is *pari passu* in right of payment with the Notes containing provisions similar to those set forth in this Indenture with respect to offers to purchase or redeem with the proceeds of sales of assets to purchase the maximum principal amount of Notes and such other *pari passu* Indebtedness that may be purchased out of the Excess Proceeds. The offer price in any Asset Sale Offer will be equal to 100% of the principal amount (or accreted value, as applicable) of the Notes and such other *pari passu* Indebtedness, plus accrued and unpaid interest and Additional Interest (or its equivalent with respect to any such *pari passu* Indebtedness), if any, to, but excluding, the date of purchase, and will be payable in cash, in each case, in integral multiples of $1,000. If any Excess Proceeds remain after consummation of an Asset Sale Offer, the Company may use those Excess Proceeds for any purpose not otherwise prohibited by this Indenture. If the aggregate principal amount of Notes and other *pari passu* Indebtedness tendered in such Asset Sale Offer exceeds the amount of Excess Proceeds, the Excess Proceeds will be allocated by the Company to the Notes and such other *pari passu* Indebtedness on a pro rata basis (based upon the respective principal amounts (or accreted value, if applicable) of the Notes and such other *pari passu* Indebtedness tendered in such Asset Sale Offer) and the portion of each Note to be purchased will thereafter be determined by the Trustee on a pro rata basis among the Holders of such Notes with appropriate adjustments such that the Notes may only be purchased in integral multiples of $1,000. Upon completion of each Asset Sale Offer, the amount of Excess Proceeds will be reset at zero.

(c) (A) Upon the commencement of an Asset Sale Offer, the Company shall send, by first class mail, hand delivery or by electronic means through the Depositary, a notice to the Trustee and each of the Holders, with a copy to the Trustee. The notice shall contain all instructions and materials

necessary to enable such Holders to tender Notes pursuant to the Asset Sale Offer. The Asset Sale Offer shall be made to all Holders. The notice, which shall govern the terms of the Asset Sale Offer, shall state:

(1) that the Asset Sale Offer is being made pursuant to Section 4.10(b) and this Section 4.10(c)(A) and that such Asset Sale Offer shall remain open for the period required under applicable law;

(2) the Offer Amount attributable to the Notes, the purchase price and the Purchase Date;

(3) that any Note not tendered or accepted for payment shall continue to accrue interest and Additional Interest, if any;

(4) that, unless the Company defaults in making such payment, any Note accepted for payment pursuant to the Asset Sale Offer shall cease to accrue interest, and Additional Interest, if any, as of and after the Purchase Date;

(5) that Holders electing to have a Note purchased pursuant to any Asset Sale Offer shall be required to surrender the Note, with the form entitled "Option of Holder to Elect Purchase" on the reverse of the Note completed, or transfer by book-entry transfer, to the Company, a Depositary, if appointed by the Company, or a Paying Agent at the address specified in the notice at least three Business Days before the Purchase Date;

(6) that Holders shall be entitled to withdraw their election if the Company, the Depositary or the Paying Agent, as the case may be, receives, not later than the expiration of the offer period, a facsimile transmission or letter setting forth the name of the Holder, the principal amount of the Note the Holder delivered for purchase and a statement that such Holder is withdrawing his election to have such Note purchased;

(7) that, if the aggregate principal amount of Notes and such other *pari passu* Indebtedness tendered by Holders in such Asset Sale Offer exceeds the Offer Amount, the Company shall select the Notes and such other *pari passu* Indebtedness to be purchased on a pro rata basis on the basis of the aggregate principal amount of Notes and such other *pari passu* Indebtedness tendered (with such adjustments as may be deemed appropriate by the Company so that only Notes in denominations of $1,000 aggregate principal amount at maturity, or integral multiples thereof, shall be purchased); and

(8) that Holders whose Notes were purchased only in part shall be issued new Notes equal in principal amount to the unpurchased portion of the Notes surrendered (or transferred by book-entry transfer).

On or before the Purchase Date, the Company shall, to the extent lawful, accept for payment, on a pro rata basis to the extent necessary, the Offer Amount of Notes and such other *pari passu* Indebtedness or portions thereof tendered pursuant to the Asset Sale Offer, or if less than the Offer Amount has been tendered, all Notes, and such other *pari passu* Indebtedness or portions thereof tendered, and shall deliver to the Trustee an Officer's Certificate stating that such Notes, and such other *pari passu* Indebtedness or portions thereof were accepted for payment by the Company in accordance with the terms of this Section 4.10(c)(A). The Company, the Depositary or the Paying Agent, as the case may be, shall on the Purchase Date mail or deliver to each tendering Holder an amount equal to the purchase price of the Notes tendered by such Holder and accepted by the Company for purchase, and the Company shall promptly issue a new Note, and the Trustee, upon written request from the Company shall authenticate and mail or deliver such new Note to such Holder, in a principal amount at maturity equal to any unpurchased portion of the Note surrendered. Any Note not so accepted shall be promptly mailed or

delivered by the Company to the Holder thereof. The Company shall publicly announce the results of the Asset Sale Offer as promptly as practicable after the Purchase Date.

(B) Upon the commencement of a Collateral Sale Offer, the Company shall send, by first class mail, hand delivery or by electronic means through the Depositary a notice to the Trustee and each of the Holders, with a copy to the Trustee. The notice shall contain all instructions and materials necessary to enable such Holders to tender Notes pursuant to the Collateral Sale Offer. The Collateral Sale Offer shall be made to all Holders. The notice, which shall govern the terms of the Collateral Sale Offer, shall state:

(1) that the Collateral Sale Offer is being made pursuant to Section 4.10(a) and this Section 4.10(c)(B) and that such Collateral Sale Offer shall remain open for the period required under applicable law;

(2) the Offer Amount attributable to the Notes, the purchase price and the Purchase Date;

(3) that any Note not tendered or accepted for payment shall continue to accrue interest and Additional Interest, if any;

(4) that, unless the Company defaults in making such payment, any Note accepted for payment pursuant to the Collateral Sale Offer shall cease to accrue interest, and Additional Interest, if any, as of and after the Purchase Date;

(5) that Holders electing to have a Note purchased pursuant to any Collateral Sale Offer shall be required to surrender the Note, with the form entitled "Option of Holder to Elect Purchase" on the reverse of the Note completed, or transfer by book-entry transfer, to the Company, a Depositary, if appointed by the Company, or a Paying Agent at the address specified in the notice at least three Business Days before the Purchase Date;

(6) that Holders shall be entitled to withdraw their election if the Company, the Depositary or the Paying Agent, as the case may be, receives, not later than the expiration of the offer period, a facsimile transmission or letter setting forth the name of the Holder, the principal amount at maturity of the Note the Holder delivered for purchase and a statement that such Holder is withdrawing his election to have such Note purchased;

(7) that, if the aggregate principal amount of Notes tendered by Holders in such Collateral Sale Offer exceeds the Offer Amount, the Company shall select the Notes to be purchased on a pro rata basis (with such adjustments as may be deemed appropriate by the Company so that only Notes in denominations of $1,000 aggregate principal amount at maturity, or integral multiples thereof, shall be purchased); and

(8) that Holders whose Notes were purchased only in part shall be issued new Notes equal in principal amount to the unpurchased portion of the Notes surrendered (or transferred by book-entry transfer).

On or before the Purchase Date, the Company shall, to the extent lawful, accept for payment, on a pro rata basis to the extent necessary, the Offer Amount of Notes or portions thereof tendered pursuant to the Collateral Sale Offer, or if less than the Offer Amount has been tendered, all Notes or portions thereof tendered, and shall deliver to the Trustee an Officer's Certificate stating that such Notes or portions thereof were accepted for payment by the Company in accordance with the terms of this Section 4.10(c)(B). The Company, the Depositary or the Paying Agent, as the case may be, shall on the Purchase Date mail or deliver to each tendering Holder an amount equal to the purchase price of

the Notes tendered by such Holder and accepted by the Company for purchase, and the Company shall promptly issue a new Note, and the Trustee, upon written request from the Company shall authenticate and mail or deliver such new Note to such Holder, in a principal amount at maturity equal to any unpurchased portion of the Note surrendered. Any Note not so accepted shall be promptly mailed or delivered by the Company to the Holder thereof. The Company shall publicly announce the results of the Collateral Sale Offer as promptly as practicable after the Purchase Date.

(C) If the Purchase Date for an Asset Sale Offer or a Collateral Sale Offer is on or after an interest payment record date and on or before the related interest payment date, any accrued and unpaid interest and Additional Interest, if any, will be paid to the Holder in whose name a Note is registered at the close of business on such record date, and no interest or Additional Interest, if any, will be payable to Holders who tender Notes pursuant to the Collateral Sale Offer or Asset Sale Offer.

(d) The Company shall comply with the requirements of Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent those laws and regulations are applicable in connection with each repurchase of Notes pursuant to a Collateral Sale Offer or an Asset Sale Offer. To the extent that the provisions of any securities laws or regulations conflict with the Asset Sale provisions of this Indenture, the Company shall comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Asset Sale provisions of this Indenture by virtue of such compliance.

(e) For purposes of this Section 4.10, the Company, a Guarantor or a Restricted Subsidiary shall be deemed to have applied Net Proceeds within such 360-day period if, within such 360-day period, it has entered into a binding commitment or agreement to invest such Net Proceeds and continues to use all reasonable efforts to so apply such Net Proceeds as soon as practicable thereafter and that investment is substantially completed within 395 days after the date of such Asset Sale. Upon any abandonment or termination of such commitment or agreement or upon the failure to substantially complete such investment within such 395 day period, the Net Proceeds not applied will constitute Excess Collateral Proceeds or Excess Proceeds, as applicable.

(f) For purposes of this Section 4.10, each of the following shall be deemed to be cash:

(1) the amount of any liabilities, as shown on the Company's most recent consolidated balance sheet or in the notes thereto, of the Company or such Restricted Subsidiary (other than contingent liabilities and liabilities that are by their terms subordinated in right of payment to the Notes or any Subsidiary Guarantee) that are assumed by the transferee of any such assets pursuant to a customary novation agreement that releases the Company or such Restricted Subsidiary from further liability;

(2) any securities, notes or other obligations received by the Company or any such Restricted Subsidiary from such transferee that are within 20 Business Days following consummation of the Asset Sale, subject to normal settlement periods, converted by the Company or such Restricted Subsidiary into cash or Cash Equivalents (to the extent of the cash or Cash Equivalents received in that conversion); and

(3) any stock or assets received as consideration for such Asset Sale that would otherwise constitute a permitted application of Net Proceeds (or other cash in such amount) under clauses (1), (2) or (4) of the definition of "Additional Assets."

SECTION 4.11. Transactions with Affiliates

(a) The Company shall not, and shall not permit any of its Restricted Subsidiaries to, directly or indirectly, make any payment to, or sell, lease, transfer or otherwise dispose of any of its properties or assets to, or purchase any property or assets from, or enter into or make or amend any transaction, contract, agreement, understanding, loan, advance or guarantee with, or for the benefit of, any Affiliate of the Company (each, an "Affiliate Transaction"), unless:

(1) the Affiliate Transaction is on terms that are no less favorable to the Company or the relevant Restricted Subsidiary than those that would have been obtained in a comparable transaction in arm's-length dealings by the Company or such Restricted Subsidiary with a Person who is not an Affiliate; and

(2) the Company delivers to the Trustee:

(a) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of $5.0 million, a written resolution of the Board of Directors of the Company set forth in an Officer's Certificate certifying that a majority of the disinterested members of the Board of Directors have approved such Affiliate Transaction and determined that such Affiliate Transaction complies with this covenant; and

(b) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of $15.0 million, a written opinion issued by an independent accounting, appraisal or investment banking firm of national standing to the effect that (a) the financial terms of such Affiliate Transaction are fair to the Company of such Restricted Subsidiary from a financial point of view or (b) such Affiliate Transaction is not materially less favorable to the Company or such Restricted Subsidiary than those that might reasonably have been obtained in a comparable transaction at such time on an arm's-length basis from a Person that is not an Affiliate.

(b) The following items will not be deemed to be Affiliate Transactions and, therefore, will not be subject to Section 4.11(a) above:

(1) reasonable and customary (a) directors' fees and indemnification and similar arrangements, (b) consulting fees and agreements, (c) officers and employee salaries, bonuses and employment agreements (including indemnification arrangements), and (d) compensation or employee benefit arrangements and incentive arrangements with any officer, director, employee or consultant entered into in the ordinary course of business or approved by the Company's Board of Directors (including customary benefits thereunder) and payments pursuant thereto;

(2) transactions between or among the Company and/or its Restricted Subsidiaries and Guarantees issued by the Company or any of its Restricted Subsidiaries for the benefit of the Company or any of its Restricted Subsidiaries, as the case may be, in accordance with Section 4.09;

(3) transactions with a Person (other than an Unrestricted Subsidiary of the Company) that is an Affiliate of the Company or any Restricted Subsidiary solely because the Company or any Restricted Subsidiary owns an Equity Interest in, or controls, such Person;

(4) the pledge of Equity Interests of Unrestricted Subsidiaries to support the Indebtedness thereof;

(5) issuances and sales of Equity Interests (other than Disqualified Stock) of the Company to Affiliates of the Company and the granting of registration and other customary rights in connection therewith;

(6) Restricted Payments that are permitted by Section 4.07 and Permitted Investments (other than pursuant to clause (1), clause (3) or clause (15) of the definition of Permitted Investments);

(7) the performance of obligations of the Company or any of its Restricted Subsidiaries under the terms of any agreement to which the Company or any of its Restricted Subsidiaries is a party as of or on the Issue Date and on the material terms substantially as described in this offering memorandum, as these agreements may be amended, modified, supplemented, extended or renewed from time to time; *provided*, *however*, that any future amendment, modification, supplement, extension or renewal entered into after the Issue Date shall be permitted to the extent that its terms as a whole are not more disadvantageous to the Holders of the Notes than the terms of the agreements in effect on the Issue Date as reasonably determined by the Company;

(8) transactions with customers, clients, suppliers or purchasers or sellers of goods or services in each case in the ordinary course of business and otherwise in compliance with the terms of this Indenture; provided that such transaction complies with the requirements of clause (1) of the first paragraph of this covenant;

(9) transactions pursuant to agreements or other arrangements as described in the Offering Memorandum in the section entitled “Certain Relationships and Related Party Transactions;” and

(10) agreements providing for the provision of administrative, treasury, accounting, management or other similar corporate services by the Company or any Restricted Subsidiary to an Affiliate; provided that any such agreement shall comply with the requirements of Section 4.11(a)(1).

SECTION 4.12. Liens

The Company shall not and shall not permit any of its Restricted Subsidiaries to, directly or indirectly, create, incur, assume or otherwise cause or suffer to exist or become effective any Lien of any kind securing Indebtedness or trade payables (other than Permitted Liens) upon any of their property or assets, now owned or hereafter acquired.

SECTION 4.13. Business Activities

The Company shall not, and shall not permit any Restricted Subsidiary to, engage in any business other than Permitted Businesses, except to such extent as would not be material to the Company and its Subsidiaries taken as a whole.

SECTION 4.14. Corporate Existence

Subject to Article 5 , the Company shall do or cause to be done all things necessary to preserve and keep in full force and effect (i) its corporate existence, and the corporate, partnership or other existence of each of its Restricted Subsidiaries, in accordance with the respective organizational documents (as the same may be amended from time to time) of the Company or any such Restricted Subsidiary and (ii) the rights (charter and statutory), licenses and franchises of the Company and its

Subsidiaries, except in each of clauses (i) and (ii) above, where the failure to do so would not have a material adverse effect on the ability of the Company to perform its obligations under the Notes or this Indenture.

SECTION 4.15. Offer to Repurchase upon Change of Control

If a Change of Control occurs, the Company shall be required to make an offer (a "Change of Control Offer") to each Holder of Notes to repurchase all or any part (equal to $1,000 or an integral multiple thereof) of that Holder's Notes on the terms set forth in this Indenture. In the Change of Control Offer, the Company will offer a payment in cash (the "Change of Control Payment") equal to 101% of the aggregate principal amount of Notes repurchased, plus accrued and unpaid interest and Additional Interest, if any, on the Notes repurchased, to, but excluding, the date of purchase (the "Change of Control Payment Date"). No later than 20 days following any Change of Control, the Company shall mail a notice to each Holder stating: (i) that the Change of Control Offer is being made pursuant to this Section 4.15 (and describing the transaction or transactions that constitute the Change of Control) and that all Notes validly tendered and not withdrawn shall be accepted for payment; (ii) the purchase price and Change of Control Payment Date, which date shall be no earlier than 30 days and no later than 60 days from the date such notice is mailed; (iii) that any Note not tendered shall continue to accrue interest and Additional Interest, if any; (iv) that, unless the Company defaults in the payment of the Change of Control Payment, all Notes accepted for payment pursuant to the Change of Control Offer shall cease to accrue interest and Additional Interest, if any, as of the Change of Control Payment Date; (v) that Holders electing to have any Notes purchased pursuant to a Change of Control Offer shall be required to surrender the Notes, with the form entitled "Option of Holder to Elect Purchase" on the reverse of the Notes completed, or transfer by book-entry transfer, to the Company, a Depositary, if appointed by the Company, or a Paying Agent at the address specified in the notice prior to the close of business on the third Business Day preceding the Change of Control Payment Date; (vi) that Holders shall be entitled to withdraw their election if the Company, a Depositary if appointed by the Company, or a Paying Agent receives, not later than the close of business on the second Business Day preceding the Change of Control Payment Date, a facsimile transmission or letter setting forth the name of the Holder, the principal amount at maturity of Notes delivered for purchase, and a statement that such Holder is withdrawing his election to have the Notes purchased; and (vii) that Holders whose Notes are being purchased only in part shall be issued new Notes equal in principal amount at maturity to the unpurchased portion of the Notes surrendered (or transferred by book-entry transfer), which unpurchased portion must be in a minimum principal amount of $2,000 or an integral multiple of $1,000 in excess thereof.

The Company shall comply with the requirements of Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent those laws and regulations are applicable in connection with the repurchase of the Notes as a result of a Change of Control. To the extent that the provisions of any securities laws or regulations conflict with the Change of Control provisions of this Indenture, the Company shall comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the this Section 4.15 by virtue of such compliance.

On the Change of Control Payment Date, the Company shall, to the extent lawful:

(1) accept for payment all Notes or portions of Notes properly tendered pursuant to the Change of Control Offer;

(2) deposit with the Paying Agent an amount equal to the Change of Control Payment in respect of all Notes or portions of Notes properly tendered; and

(3) deliver or cause to be delivered to the Trustee the Notes properly accepted together with an Officer's Certificate stating the aggregate principal amount of Notes or portions of Notes being purchased by the Company.

The Paying Agent shall promptly mail to each Holder of Notes properly tendered the Change of Control Payment for such Notes, and the Trustee shall promptly authenticate and mail (or cause to be transferred by book entry) to each Holder a new Note equal in principal amount to any unpurchased portion of the Notes surrendered, if any; *provided* that each new Note will be in a minimum principal amount of $2,000 or an integral multiple of $1,000 in excess thereof. The Company shall publicly announce the results of the Change of Control Offer on or as soon as practicable after the Change of Control Payment Date.

If the Change of Control Payment Date is on or after an interest payment record date and on or before the related interest payment date, any accrued and unpaid interest and Additional Interest, if any, shall be paid to the Holder in whose name a Note is registered at the close of business on such record date, and no other interest or Additional Interest, if any, will be payable to Holders who tender pursuant to the Change of Control Offer.

The Company shall not be required to make a Change of Control Offer upon a Change of Control if (1) a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements set forth in this Indenture applicable to a Change of Control Offer made by the Company and purchases all Notes properly tendered and not withdrawn under the Change of Control Offer, or (2) notice of redemption has been given pursuant to this Indenture as described in Section 3.03, unless and until there is a default in payment of the applicable redemption price.

SECTION 4.16. Additional Subsidiary Guarantees

If the Company or any of its Restricted Subsidiaries acquires or creates another Domestic Subsidiary after the Issue Date , then the Company shall cause such Domestic Subsidiary on the date on which it was acquired or created to become a Guarantor and execute a supplemental indenture in form and substance set forth in Exhibit E pursuant to which such Domestic Subsidiary shall guarantee, on a joint and several basis, the full and prompt payment of the principal of, premium, if any, and interest and Additional Interest, if any, on the Notes on a senior secured basis. In addition, if any of the Company's Foreign Subsidiaries guarantees any Indebtedness of the Company or any Guarantor, then the Company shall cause such Foreign Subsidiary to simultaneously become a Guarantor and execute a supplemental indenture in form and substance set forth in Exhibit E pursuant to which such Foreign Subsidiary shall guarantee, on a joint and several basis, the full and prompt payment of the principal of, premium, if any, and interest and Additional Interest, if any, on the Notes on a senior secured basis. In addition, the Company shall cause such Subsidiary to become a party to the Collateral Documents and the Intercreditor Agreement and take such actions necessary or advisable (to the extent permitted by applicable law, rule or regulation) to grant to the Collateral Agent, for the benefit of itself and the Holders of the Notes, a perfected security interest in any Collateral (other than Excluded Assets) held by such Subsidiary, subject to Permitted Liens and the Intercreditor Agreement. The foregoing provisions shall not apply to Subsidiaries that have been properly designated as Unrestricted Subsidiaries in accordance with this Indenture for so long as they continue to constitute Unrestricted Subsidiaries.

Each Subsidiary Guarantee will be limited to an amount not to exceed the maximum amount that can be guaranteed by that Restricted Subsidiary without rendering the Subsidiary Guarantee, as it relates to such Restricted Subsidiary, voidable under applicable law relating to fraudulent conveyance or fraudulent transfer or similar laws affecting the rights of creditors generally.

SECTION 4.17. Designation of Unrestricted Subsidiaries

The Board of Directors of the Company may designate any Restricted Subsidiary to be an Unrestricted Subsidiary if that designation would not cause a Default. If a Restricted Subsidiary is designated as an Unrestricted Subsidiary, the aggregate fair market value of all outstanding Investments owned by the Company and its Restricted Subsidiaries in the Subsidiary properly designated as an Unrestricted Subsidiary will be deemed to be an Investment made as of the time of the designation and will reduce the amount available for Restricted Payments under Section 4.07(a) or Section 4.07(b)(12) or under one or more clauses of the definition of Permitted Investments, as determined by the Company. Such designation will only be permitted if the Investment would be permitted at that time and if the Restricted Subsidiary otherwise meets the definition of an Unrestricted Subsidiary. If immediately prior to a Person being designated as an Unrestricted Subsidiary an Investment was made in such Person which resulted in such Person becoming a Subsidiary, only the amount of such Investment will further reduce the amount available for Restricted Payments under Section 4.07(a) or Section 4.07(b)(12) or under one or more clauses of the definition of Permitted Investments, as determined by the Company. The Board of Directors of the Company may redesignate any Unrestricted Subsidiary to be a Restricted Subsidiary at any time if the redesignation would not cause a Default or an Event of Default.

Any designation of a Subsidiary of the Company as an Unrestricted Subsidiary shall be evidenced to the Trustee by filing with the Trustee a certified copy of a resolution of the Board of Directors of the Company giving effect to such designation and an Officer's Certificate certifying that such designation complies with the preceding conditions and is permitted by Section 4.07. If, at any time, any Unrestricted Subsidiary would fail to meet the preceding requirements as an Unrestricted Subsidiary, it will thereafter cease to be an Unrestricted Subsidiary for purposes of this Indenture and any Indebtedness of such Subsidiary will be deemed to be incurred by a Restricted Subsidiary of the Company as of such date and, if such Indebtedness is not permitted to be incurred as of such date under Section 4.09, the Company will be in default of such covenant. The Board of Directors of the Company may at any time designate any Unrestricted Subsidiary to be a Restricted Subsidiary of the Company; *provided* that such designation will be deemed to be an incurrence of Indebtedness by a Restricted Subsidiary of the Company of any outstanding Indebtedness of such Unrestricted Subsidiary and such designation will only be permitted if (1) such Indebtedness is permitted under Section 4.09, calculated on a pro forma basis as if such designation had occurred at the beginning of the four-quarter reference period; and (2) no Default or Event of Default would be in existence as a result of such designation.

All Subsidiaries of Unrestricted Subsidiaries shall be automatically deemed to be Unrestricted Subsidiaries. All designations of Subsidiaries as Unrestricted Subsidiaries and revocations thereof must be evidenced by filing with the Trustee resolutions of the Board of Directors of the Company and an Officer's Certificate certifying compliance with the foregoing provisions.

SECTION 4.18. Payments for Consent

The Company shall not, and shall not permit any of its Subsidiaries to, directly or indirectly, pay or cause to be paid any consideration to or for the benefit of any Holder of Notes for or as an inducement to any consent, waiver or amendment of any of the terms or provisions of this Indenture, the Notes, the Collateral Documents or the Intercreditor Agreement unless such consideration is offered to be paid to all Holders of the Notes and is paid to all Holders of the Notes or to all Holders of the Notes that consent, waive or agree to amend in the time frame set forth in the solicitation documents relating to such consent, waiver or agreement.

ARTICLE 5

SUCCESSORS

SECTION 5.01. Merger, Consolidation or Sale of Assets

The Company may not, directly or indirectly: (1) consolidate or merge with or into another Person (whether or not the Company is the surviving corporation); or (2) sell, assign, transfer, convey, lease or otherwise dispose of all or substantially all of the properties or assets of the Company and its Restricted Subsidiaries taken as a whole, in one or more related transactions, to another Person, unless:

(1) either: (a) the Company is the surviving corporation; or (b) the Person formed by or surviving any such consolidation or merger (if other than the Company) or to which such sale, assignment, transfer, conveyance, lease or other disposition has been made (the "Successor Person") is a corporation organized or existing under the laws of the United States, any state of the United States or the District of Columbia;

(2) the Successor Person (if other than the Company) expressly assumes all the obligations of the Company under the Notes, this Indenture, the Registration Rights Agreement, the Collateral Documents (as applicable) and the Intercreditor Agreement pursuant to agreements reasonably satisfactory to the Trustee and shall cause such amendments, supplements or other instruments to be executed, filed, and recorded in such jurisdictions as may be required by applicable law to preserve and protect the Lien on the Collateral owned by or transferred to the Successor Person, together with such financing statements or comparable documents as may be required to perfect any security interests in such Collateral that may be perfected by the filing of a financing statement or a similar document under the Uniform Commercial Code or other similar statute or regulation of the relevant states or jurisdictions;

(3) immediately after such transaction, no Default or Event of Default exists;

(4) the Company or the Successor Person (if other than the Company) will, on the date of such transaction after giving pro forma effect thereto and any related financing transactions as if the same had occurred at the beginning of the applicable four-quarter period, be permitted to incur at least $1.00 of additional Indebtedness pursuant to the Fixed Charge Coverage Ratio test set forth in Section 4.09(a); and

(5) the Company shall have delivered to the Trustee an Officer's Certificate and an Opinion of Counsel, each stating that such consolidation, merger or transfer complies with the provisions of this Indenture.

For purposes of this Section 5.01, the sale, assignment, transfer, conveyance, lease or other disposition to a Person other than the Company or another Restricted Subsidiary of all or substantially all of the properties and assets of one or more Restricted Subsidiaries of the Company, which properties and assets, if held by the Company instead of such Restricted Subsidiaries, would constitute all or substantially all of the properties and assets of the Company on a consolidated basis, shall be deemed to be the transfer of all or substantially all of the properties and assets of the Company.

The Successor Person shall succeed to, and be substituted for, and may exercise every right and power of, the Company under this Indenture and the Collateral Documents, but, in the case of a lease of all or substantially all its assets, the Company shall not be released from the obligation to pay the principal of, and interest on the Notes.

Without complying with the preceding clause (4), (i) any Restricted Subsidiary may consolidate with, merge into, sell, assign, convey, lease or otherwise transfer all or part of its properties and assets to the Company or to any Guarantor, (ii) the Company may merge with an Affiliate incorporated solely for the purpose of reincorporating the Company in another jurisdiction and (iii) the Company may merge with an Affiliate for the purpose of forming or collapsing a holding company

structure; *provided* that any such holding company's only material asset is Equity Interests of the Company and so long as the owners of the Voting Stock of the Company immediately before giving effect to such transaction and the owners of the Voting Stock of such holding company immediately after giving effect to such transaction are substantially similar.

SECTION 5.02. Successor Corporation Substituted

Upon any consolidation or merger, or any sale, assignment, transfer, conveyance or other disposition of all or substantially all of the assets of the Company in accordance with Section 5.01 , the successor corporation formed by such consolidation or into or with which the Company is merged or to which such sale, assignment, transfer, conveyance or other disposition is made shall succeed to, and be substituted for (so that from and after the date of such consolidation, merger, sale, conveyance or other disposition, the provisions of this Indenture referring to the Company shall refer instead to the successor corporation and not to the Company), and may exercise every right and power of the Company under this Indenture with the same effect as if such successor Person had been named as the Company herein. The predecessor company shall be relieved from the obligation to pay the principal of and interest on the Notes (and its obligations to the Trustee pursuant to Section 7.07) in the case of a merger, consolidation, sale or other disposition of all or substantially all of the properties and assets of all of the Company that meets the requirements of Section 5.01 .

ARTICLE 6

DEFAULTS AND REMEDIES

SECTION 6.01. Events of Default

Each of the following is an "Event of Default":

(1) default for 30 days in the payment when due of interest on, or Additional Interest, if any, with respect to, the Notes;

(2) default in the payment when due (at maturity, upon redemption or otherwise) of the principal of, or premium, if any, on, the Notes;

(3) failure by the Company or any of its Restricted Subsidiaries to comply with the provisions of Section 5.01;

(4) failure by the Company or any of its Restricted Subsidiaries for 30 days after notice to the Company by the Trustee or the Holders of at least 25% in aggregate principal amount of the Notes then outstanding to comply with (a) the provisions of Section 4.03, 4.07, 4.08, 4.09, 4.10, 4.11, 4.12, 4.13, 4.15, 4.16, 4.17, 4.18 or 10.03; or (b) any of its obligations under the Collateral Documents;

(5) failure by the Company or any of its Restricted Subsidiaries for 60 days after notice to the Company by the Trustee or the Holders of at least 25% in aggregate principal amount of the Notes then outstanding to comply with any of the other covenants or agreements in this Indenture;

(6) default under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any Indebtedness of the Company or any of its Restricted Subsidiaries (or the payment of which is guaranteed by the Company or any of

its Restricted Subsidiaries), whether such Indebtedness or Guarantee now exists or is created after the Issue Date, if that default:

(a) is caused by a failure to pay principal of or interest or premium, if any, on such Indebtedness prior to the expiration of the grace period provided in such Indebtedness (a "Payment Default"); or

(b) results in the acceleration of such Indebtedness prior to its Stated Maturity,

and, in each case, the principal amount of any such Indebtedness, together with the principal amount of any other such Indebtedness under which there has been a Payment Default or the maturity of which has been so accelerated, aggregates $10.0 million or more;

(7) failure by the Company or any of its Restricted Subsidiaries to pay final judgments entered by a court or courts of competent jurisdiction (not subject to appeal) aggregating in excess of $10.0 million (net of any amounts which are bonded or which a reputable and creditworthy insurance company has acknowledged liability for in writing), which judgments are not paid, discharged or stayed for a period of 60 days after the date on which the right to appeal has expired;

(8) except as permitted by this Indenture, any Subsidiary Guarantee shall be held in any judicial proceeding before a court of competent jurisdiction to be unenforceable or invalid or shall cease for any reason to be in full force and effect, or the Company or any Guarantor, or any Person acting on behalf of the Company or any Guarantor, shall deny or disaffirm its obligations under its Subsidiary Guarantee to which it is a party;

(9) the Company or any of its Significant Subsidiaries or any group of Subsidiaries that, taken as a whole, would constitute a Significant Subsidiary pursuant to or within the meaning of Bankruptcy Law:

(a) commences a voluntary case,

(b) consents to the entry of an order for relief against it in an involuntary case,

(c) consents to the appointment of a Custodian of it or for all or substantially all of its property,

(d) makes a general assignment for the benefit of its creditors, or

(e) generally is not paying its debts as they become due;

(10) a court of competent jurisdiction enters an order or decree under any Bankruptcy Law that:

(a) is for relief against the Company or any of its Restricted Subsidiaries that is a Significant Subsidiary or any group of Subsidiaries that, taken as a whole, would constitute a Significant Subsidiary in an involuntary case;

(b) appoints a Custodian of the Company or any of its Restricted Subsidiaries that is a Significant Subsidiary or any group of Subsidiaries that, taken as a

whole, would constitute a Significant Subsidiary or for all or substantially all of the property of the Company or any of its Restricted Subsidiaries that is a Significant Subsidiary or any group of Subsidiaries that, taken as a whole, would constitute a Significant Subsidiary; or

(c) orders the liquidation of the Company or any of its Restricted Subsidiaries that is a Significant Subsidiary or any group of Subsidiaries that, taken as a whole, would constitute a Significant Subsidiary,

and the order or decree remains unstayed and in effect for 60 consecutive days; and

(11) with respect to any Collateral having a fair market value in excess of $10.0 million, individually or in the aggregate, (A) the security interest under the Collateral Documents, at any time, ceases to be in full force and effect for any reason other than in accordance with the terms of this Indenture, the Collateral Documents or the Intercreditor Agreement, (B) any security interest created thereunder or under this Indenture is declared invalid or unenforceable by a court of competent jurisdiction or (C) the Company or any Guarantor asserts, in any pleading in any court of competent jurisdiction, that any such security interest is invalid or unenforceable.

The term "Custodian" means any receiver, Trustee, assignee, liquidation, sequestrator or similar official under any Bankruptcy Law.

SECTION 6.02. Acceleration

In the case of an Event of Default arising from clause (9) or (10) of the first paragraph of Section 6.01, with respect to the Company or any Restricted Subsidiary of the Company that is a Significant Subsidiary or any group of Restricted Subsidiaries that, taken as a whole, would constitute a Significant Subsidiary, all outstanding Notes will become due and payable immediately without further action or notice. If any other Event of Default occurs and is continuing, the Trustee or the Holders of at least 25% in aggregate principal amount of the then outstanding Notes, by notice in writing to the Trustee and the Company, may declare all the Notes to be due and payable. Notwithstanding anything contained in this Indenture or the Notes to the contrary, upon such a declaration, the principal, premium, interest and Additional Interest, if any, on the Notes will become immediately due and payable.

Notwithstanding the foregoing, if an Event of Default specified in clause (6) of Section 6.01 shall have occurred and be continuing, the declaration of acceleration of the Notes shall be automatically annulled if the Event of Default or Payment Default triggering such Event of Default pursuant to clause (6) shall be remedied or cured by the Company or a Restricted Subsidiary of the Company or waived by the Holders of the relevant Indebtedness within 20 days after the declaration of acceleration with respect thereto and if (i) the annulment of the acceleration of the Notes would not conflict with any judgment or decree of a court of competent jurisdiction and (ii) all existing Events of Default, except nonpayment of principal, premium or interest on the Notes that became due solely because of the acceleration of the Notes, have been cured or waived.

Any acceleration declaration with respect to the Notes and the consequences thereof may be rescinded and annulled by the Holders of a majority in aggregate principal amount at maturity of the outstanding Notes by written notice to the Trustee, except a continuing Default or Event of Default in the payment of principal of, or interest or premium or Additional Interest, if any, on the Notes, if (i) the rescission would not conflict with any judgment or decree of a court of competent jurisdiction and all existing Events of Default have been cured or waived except nonpayment of principal of or interest on the Notes that has become due solely by such declaration of acceleration, (ii) to the extent the payment of such interest is lawful, interest (at the same rate specified in the Notes) on overdue installments of interest

and overdue payments of principal, which has become due otherwise than by such declaration of acceleration, has been paid, (iii) the Company has paid the Trustee its reasonable compensation and reimbursed the Trustee for its expenses, disbursements and advances to the extent provided under this Indenture and (iv) in the event of the cure or waiver of a Default or Event of Default of the type described in clauses (9) and (10) of the first paragraph of Section 6.01, the Trustee has received an Officer's Certificate and Opinion of Counsel that such Default or Event of Default has been cured or waived. No such rescission shall affect any subsequent Default or impair any right consequent thereto.

The exercise of rights and remedies under this Indenture by the Trustee and Holders of the Notes shall be subject to the terms of the Collateral Documents and the Intercreditor Agreement.

SECTION 6.03. Other Remedies

Subject to the terms and provisions of the Intercreditor Agreement, if an Event of Default occurs and is continuing, the Trustee may pursue any available remedy to collect the payment of principal, premium on, Additional Interest, if any, and interest on the Notes or to enforce the performance of any provision of the Notes or this Indenture.

Subject to the terms and provisions of the Intercreditor Agreement, the Trustee may maintain a proceeding even if it does not possess any of the Notes or does not produce any of them in the proceeding. A delay or omission by the Trustee or any Holder of a Note in exercising any right or remedy accruing upon an Event of Default shall not impair the right or remedy or constitute a waiver of or acquiescence in the Event of Default. All remedies are cumulative to the extent permitted by law.

SECTION 6.04. Waiver of Past Defaults

Subject to Section 9.02 and in any event in accordance with the conditions set forth in the last paragraph of Section 6.02, Holders of not less than a majority in aggregate principal amount of the then outstanding Notes by notice to the Trustee may on behalf of the Holders of all of the Notes waive an existing Default or Event of Default and its consequences hereunder or compliance with any provision of this Indenture, except a continuing Default or Event of Default in the payment of the principal of, premium and Additional Interest on, or interest on the Notes (including in connection with an offer to purchase). Upon any such waiver, such Default shall cease to exist, and any Event of Default arising therefrom shall be deemed to have been cured for every purpose of this Indenture, but no such waiver shall extend to any subsequent or other Default or impair any right consequent thereon.

SECTION 6.05. Control by Majority

Subject to the provisions of this Indenture relating to the duties of the Trustee or the Collateral Agent, in case an Event of Default shall occur and be continuing, the Trustee or the Collateral Agent shall be under no obligation to exercise any of its rights or powers under this Indenture, the Collateral Documents or the Intercreditor Agreement at the request or direction of any of the Holders of Notes, unless such Holders shall have offered to the Trustee or the Collateral Agent reasonable indemnity against any loss, liability or expense. Subject to such provisions for the indemnification of the Trustee, Holders of a majority in principal amount of the then outstanding Notes may direct the time, method and place of conducting any proceeding for exercising any remedy available to the Trustee or exercising any trust or power conferred on it. However, the Trustee may refuse to follow any direction that conflicts with law or this Indenture that the Trustee determines may be unduly prejudicial to the rights of other Holders of Notes or that may involve the Trustee in personal cost or liability.

SECTION 6.06. Limitation on Suits

Except to enforce its right to receive payment of principal, premium, if any, or interest or Additional Interest, if any, when due, a Holder of a Note may pursue a remedy with respect to this Indenture, the Notes, any Subsidiary Guarantee, the Collateral Documents or the Intercreditor Agreement only if:

(a) such Holder of a Note has previously given the Trustee written notice of a continuing Event of Default;

(b) the Holders of at least 25% in principal amount of the then outstanding Notes make a written request to the Trustee to pursue the remedy;

(c) such Holder of a Note or Holders of Notes offer and, if requested, provide to the Trustee security or indemnity satisfactory to the Trustee against any loss, liability or expense;

(d) the Trustee does not comply with the request within 60 days after receipt of the request and the offer and, if requested, the provision of indemnity; and

(e) during such 60-day period the Holders of a majority in principal amount of the then outstanding Notes do not give the Trustee a direction inconsistent with the request.

A Holder of a Note may not use this Indenture to prejudice the rights of another Holder of a Note or to obtain a preference or priority over another Holder of a Note.

SECTION 6.07. Rights of Holders of Notes to Receive Payment

Notwithstanding any other provision of this Indenture, the right of any Holder of a Note to receive payment of principal, premium and Additional Interest, if any, and interest on the Note, on or after the respective due dates expressed in the Note (including in connection with an offer to purchase), or to bring suit for the enforcement of any such payment on or after such respective dates, shall not be impaired or affected without the consent of such Holder.

SECTION 6.08. Collection Suit by Trustee

Subject to the terms and provisions of the Intercreditor Agreement, if an Event of Default specified in clause (1) or (2) of the first paragraph of Section 6.01 occurs and is continuing, the Trustee is authorized to recover judgment in its own name and as trustee of an express trust against the Company for the whole amount of principal of, premium and Additional Interest, if any, and interest remaining unpaid on the Notes and interest on overdue principal and, to the extent lawful, interest and such further amount as shall be sufficient to cover the costs and expenses of collection, including the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel.

SECTION 6.09. Trustee May File Proofs of Claim

Subject to the terms and provisions of the Intercreditor Agreement, the Trustee is authorized to file such proofs of claim and other papers or documents as may be necessary or advisable in order to have the claims of the Trustee (including any claim for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel) and the Holders of the Notes allowed in any judicial proceedings relative to the Company (or any other obligor upon the Notes), its creditors or its property and shall be entitled and empowered to collect, receive and distribute any money or other property payable or deliverable on any such claims and any custodian in any such judicial proceeding is hereby authorized by each Holder to make such payments to the Trustee, and in the event that the Trustee shall consent to the making of such payments directly to the Holders, to pay to the Trustee any amount

due to it for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, and any other amounts due the Trustee under Section 7.07 . To the extent that the payment of any such compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, and any other amounts due the Trustee under Section 7.07 out of the estate in any such proceeding, shall be denied for any reason, payment of the same shall be secured by a Lien on, and shall be paid out of, any and all distributions, dividends, money, securities and other properties that the Holders may be entitled to receive in such proceeding whether in liquidation or under any plan of reorganization or arrangement or otherwise. Nothing herein contained shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Holder any plan of reorganization, arrangement, adjustment or composition affecting the Notes or the rights of any Holder, or to authorize the Trustee to vote in respect of the claim of any Holder in any such proceeding.

SECTION 6.10. Priorities

Subject to the terms and provisions of the Intercreditor Agreement, after an Event of Default, any money or other property distributable in respect of the Company's obligations under this Indenture shall be paid in the following order:

First: to the Trustee (including any predecessor Trustee), its agents and attorneys for amounts due under Section 7.07 , including payment of all compensation, expense and liabilities incurred, and all advances made, by the Trustee and the costs and expenses of collection;

Second: to Holders of Notes for amounts due and unpaid on the Notes for principal, premium and Additional Interest, if any, and interest, ratably, without preference or priority of any kind, according to the amounts due and payable on the Notes for principal, premium and Additional Interest, if any and interest, respectively; and

Third: to the Company or to such party as a court of competent jurisdiction shall direct in writing.

The Trustee may fix a record date and payment date for any payment to Holders of Notes pursuant to this Section 6.10.

SECTION 6.11. Undertaking for Costs

In any suit for the enforcement of any right or remedy under this Indenture or in any suit against the Trustee for any action taken or omitted by it as a Trustee, a court in its discretion may require the filing by any party litigant in the suit of an undertaking to pay the costs of the suit, and the court in its discretion may assess reasonable costs, including reasonable attorneys' fees and expenses, against any party litigant in the suit, having due regard to the merits and good faith of the claims or defenses made by the party litigant. This Section 6.11 does not apply to a suit by the Trustee, a suit by a Holder of a Note pursuant to Section 6.07 , or a suit by Holders of more than 10% in principal amount of the then outstanding Notes.

ARTICLE 7

TRUSTEE

SECTION 7.01. Duties of Trustee

(a) If an Event of Default has occurred and is continuing, the Trustee shall exercise such of the rights and powers vested in it by this Indenture, and use the same degree of care and skill in its

exercise, as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs.

(b) Except during the continuance of an Event of Default:

(i) the duties of the Trustee shall be determined solely by the express provisions of this Indenture, the Intercreditor Agreement and the Collateral Documents, and the Trustee need perform only those duties that are specifically set forth herein and therein and no others, and no implied covenants or obligations shall be read into any such document or agreement against the Trustee; and

(ii) in the absence of bad faith on its part, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Trustee and conforming to the requirements of this Indenture. However, the Trustee shall examine the certificates and opinions to determine whether or not they conform to the requirements of this Indenture.

(c) The Trustee may not be relieved from liabilities for its own negligent action, its own negligent failure to act, its own bad faith or its own willful misconduct, except that:

(i) this paragraph does not limit the effect of paragraph (b) or (d) of this Section 7.01;

(ii) the Trustee shall not be liable for any error of judgment made in good faith by a Responsible Officer, unless it is proved that the Trustee was negligent in ascertaining the pertinent facts; and

(iii) the Trustee shall not be liable with respect to any action it takes or omits to take in good faith in accordance with a direction received by it pursuant to Section 6.05 .

(d) Whether or not therein expressly so provided, every provision of this Indenture that in any way relates to the Trustee is subject to paragraphs (a), (b), (c) and (e) of this Section 7.01.

(e) No provision of this Indenture shall require the Trustee to expend or risk its own funds or incur any liability. The Trustee shall be under no obligation to exercise any of its rights and powers under this Indenture at the request of any Holders, unless such Holder shall have offered to the Trustee security and indemnity satisfactory to it against any loss, liability or expense.

(f) The Trustee shall not be liable for interest on any money received by it except as the Trustee may agree in writing with the Company. Money held in trust by the Trustee need not be segregated from other funds except to the extent required by law.

SECTION 7.02. Rights of Trustee

(a) The Trustee may, in the absence of bad faith on its part, conclusively rely upon any document believed by it to be genuine and to have been signed or presented by the proper Person. The Trustee need not investigate any fact or matter stated in the document.

(b) Before the Trustee acts or refrains from acting, it may require an Officer's Certificate or an Opinion of Counsel or both. The Trustee shall not be liable for any action it takes or omits to take in good faith in reliance on such Officer's Certificate or Opinion of Counsel. The Trustee may consult with counsel selected by it and the advice of such counsel or any Opinion of Counsel shall be

full and complete authorization and protection from liability in respect of any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon.

(c) The Trustee may act through its attorneys and agents and shall not be responsible for the misconduct or negligence of any agent or attorney appointed with due care.

(d) The Trustee shall not be liable for any action it takes or omits to take in good faith that it believes to be authorized or within the rights or powers conferred upon it by this Indenture.

(e) Unless otherwise specifically provided in this Indenture, any demand, request, direction or notice from the Company shall be sufficient if signed by an Officer of the Company.

(f) The Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Indenture at the request or direction of any of the Holders unless such Holders shall have offered to the Trustee security or indemnity reasonably satisfactory to it against the costs, expenses and liabilities that might be incurred by it in compliance with such request or direction.

(g) Any request or direction of the Company mentioned herein shall be sufficiently evidenced by a Company Request or Company Order and any resolution of the Board of Directors of the Company may be sufficiently evidenced by a Board Resolution.

(h) The Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note, other evidence of indebtedness or other paper or document, but the Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit, and, if the Trustee shall determine to make such further inquiry or investigation, it shall be entitled to examine, to the extent necessary and consistent with each inquiry or investigation, the books, records and premises of the Company, personally or by agent or attorney at the sole cost of the Company and shall incur no liability or additional liability of any kind by reason of such inquiry or investigation.

(i) The Trustee shall not be deemed to have notice, nor shall it be charged with knowledge, of any Default or Event of Default unless a Responsible Officer of the Trustee has actual knowledge thereof or unless written notice of such Default or Event of Default is received by the Trustee at the Corporate Trust Office of the Trustee, and such notice references the Notes and this Indenture.

(j) The rights, privileges, protections, immunities and benefits given to the Trustee, including, without limitation, its right to be indemnified, are extended to, and shall be enforceable by, the Trustee in each of its capacities hereunder, and to each agent, custodian employed to act hereunder.

(k) The Trustee may request that the Company deliver an Officer's Certificate setting forth the names of individuals and/or titles or officers authorized at such time to take specified actions pursuant to this Indenture, which Officer's Certificate may be signed by any person authorized to sign an Officer's Certificate, including any person specified as so authorized in any such certificate previously delivered and not superseded.

(l) In no event shall the Trustee be responsible or liable for special, indirect, or consequential loss or damage of any kind whatsoever (including, but not limited to, loss of profit) irrespective of whether the Trustee has been advised of the likelihood of such loss or damage and regardless of the form of action.

(m) The Trustee shall not be responsible or liable for any failure or delay in the performance of its obligations under this Indenture arising out of or caused, directly or indirectly, by

circumstances beyond its reasonable control, including, without limitation, acts of God; earthquakes; fire; flood; terrorism; wars and other military disturbances; sabotage; epidemics; riots; interruptions; loss or malfunctions of utilities, computer (hardware or software) or communication services; accidents; labor disputes; acts of civil or military authority and governmental action.

(n) The Trustee shall not be required to give any bond or surety in respect of the performance of its powers and duties hereunder.

(o) Except with respect to Section 4.04, the Trustee shall have no duty to inquire as to the performance of the Company with respect to the covenants contained in Article 10 and Article 12. In addition, delivery of reports, information and documents to the Trustee under Article 4 (other than Section 4.04) is for information purposes only and the Trustee shall have no duty to review the same regarding Company performance of its obligation hereunder.

SECTION 7.03. Individual Rights of Trustee

The Trustee in its individual or any other capacity may become the owner or pledgee of Notes and may otherwise deal with the Company or any Affiliate of the Company with the same rights it would have if it were not Trustee. If the Trustee does become a creditor of the Company or any Guarantor, this Indenture limits its rights to obtain payment of claims in certain cases, or to realize on certain property received in respect of any such claim as security or otherwise. However, in the event that the Trustee acquires any conflicting interest it must eliminate such conflict within 90 days, apply to the Commission for permission to continue as trustee or resign. Any Agent may do the same with like rights and duties. The Trustee is also subject to Sections 7.10 and 7.11 .

SECTION 7.04. Trustee's Disclaimer

The Trustee shall not be responsible for and makes no representation as to the validity or adequacy of this Indenture or the Notes or any security for the payment of the Notes, it shall not be accountable for the Company's use of the proceeds from the Notes or any money paid to the Company or upon the Company's direction under any provision of this Indenture, it shall not be responsible for the use or application of any money received by any Paying Agent other than the Trustee, and it shall not be responsible for any statement or recital herein or any statement in the Notes or any other document in connection with the sale of the Notes or pursuant to this Indenture other than its certificate of authentication.

SECTION 7.05. Notice of Defaults

If a Default or Event of Default occurs and is continuing and if it is actually known to a Responsible Officer of the Trustee, the Trustee shall mail to Holders of Notes a notice of the Default or Event of Default within 10 Business Days of becoming aware of any Default or Event Default. Except in the case of a Default or Event of Default in payment of principal of, premium and Additional Interest, if any, or interest on any Note, the Trustee may withhold the notice if and so long as a committee of its Responsible Officers in good faith determines that withholding the notice is in the interests of the Holders of the Notes.

SECTION 7.06. Reports by Trustee to Holders of the Notes

Within 60 days after each May 15 beginning with the May 15 following the Issue Date, and for so long as Notes remain outstanding, the Trustee shall mail to the Holders of the Notes a brief report dated as of such reporting date that complies with TIA § 313(a) (but if no event described in TIA § 313(a) has occurred within the twelve months preceding the reporting date, no report need be

transmitted). The Trustee also shall comply with TIA § 313(b)(1) and TIA § 313(b)(2) to the extent applicable. The Trustee shall transmit by mail all reports as required by TIA § 313(c).

A copy of each report at the time of its mailing to the Holders of Notes shall be mailed to the Company and filed with the Commission and each stock exchange on which the Notes are listed in accordance with TIA § 313(d). The Company shall promptly notify the Trustee when the Notes are listed on any stock exchange or any delisting thereof.

SECTION 7.07. Compensation and Indemnity

The Company shall pay to the Trustee and the Collateral Agent, from time to time reasonable compensation for its acceptance of this Indenture and services hereunder. The Trustee's compensation shall not be limited by any law on compensation of a trustee of an express trust. The Company shall reimburse the Trustee and the Collateral Agent promptly upon written request for all reasonable disbursements, advances and expenses incurred or made by it in addition to the compensation for its services. Such expenses shall include the reasonable compensation, disbursements and expenses of the Trustee's and Collateral Agent's agents and counsel.

The Company and the Guarantors shall indemnify the Trustee and the Collateral Agent against any and all losses, liabilities or expenses incurred by it arising out of or in connection with the acceptance or administration of its duties under this Indenture, including the costs and expenses of enforcing this Indenture against the Company and the Guarantors (including this Section 7.07) and defending itself against any claim (whether asserted by the Company, the Guarantors or any Holder or any other person) or liability in connection with the exercise or performance of any of its powers or duties hereunder, except to the extent any such loss, liability or expense may be attributable to its negligence or bad faith or willful misconduct. The Trustee and the Collateral Agent shall notify the Company promptly of any claim for which it may seek indemnity. Failure by the Trustee or the Collateral Agent to so notify the Company shall not relieve the Company or any of the Guarantors of their obligations hereunder. The Company or such Guarantor shall defend the claim and the Trustee or the Collateral Agent shall cooperate in the defense. To the extent there exists a conflict or potential conflict of interest, the Trustee or the Collateral Agent may have separate counsel and the Company shall pay the reasonable fees and expenses of such counsel. Neither the Company nor any Guarantor need pay for any settlement made without its consent.

The obligations of the Company and the Guarantors under this Section 7.07 shall survive the resignation or removal of the Trustee or the Collateral Agent, the satisfaction and discharge of this Indenture and the termination of this Indenture.

To secure the Company's payment obligations in this Section 7.07, the Trustee shall have a Lien prior to the Notes on all money or property held or collected by the Trustee, except that held in trust to pay principal and interest on particular Notes. Such Lien shall survive the resignation or removal of the Trustee, the satisfaction and discharge of this Indenture and the termination of this Indenture.

In addition and without prejudice to its rights hereunder, when the Trustee incurs expenses or renders services after an Event of Default specified in clauses (9) or (10) of the first paragraph of Section 6.01 occurs, the expenses and the compensation for the services (including the reasonable fees and expenses of its agents and counsel) are intended to constitute expenses of administration under any Bankruptcy Law.

SECTION 7.08. Replacement of Trustee

A resignation or removal of the Trustee and appointment of a successor Trustee shall become effective only upon the successor Trustee's acceptance of appointment as provided in this Section 7.08.

The Trustee may resign in writing at any time and be discharged from the trust hereby created by so notifying the Company. The Holders of Notes of a majority in principal amount of the then outstanding Notes may remove the Trustee by so notifying the Trustee and the Company in writing. The Company may remove the Trustee if:

(a) the Trustee fails to comply with Section 7.10;

(b) the Trustee is adjudged a bankrupt or an insolvent or an order for relief is entered with respect to the Trustee under any Bankruptcy Law;

(c) a Custodian or public officer takes charge of the Trustee or its property; or

(d) the Trustee becomes incapable of acting.

If the Trustee resigns or is removed or if a vacancy exists in the office of Trustee for any reason, the Company shall promptly appoint a successor Trustee. Within one year after the successor Trustee takes office, the Holders of a majority in principal amount of the then outstanding Notes may appoint a successor Trustee to replace the successor Trustee appointed by the Company.

If a successor Trustee does not take office within 30 days after the retiring Trustee resigns or is removed, the retiring Trustee, the Company or the Holders of Notes of at least 10% in principal amount of the then outstanding Notes may petition any court of competent jurisdiction for the appointment of a successor Trustee.

If the Trustee, after written request by any Holder of a Note who has been a Holder of a Note for at least six months, fails to comply with Section 7.10, such Holder of a Note may petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor Trustee.

A successor Trustee shall deliver a written acceptance of its appointment to the retiring Trustee and to the Company. Thereupon, the resignation or removal of the retiring Trustee shall become effective, and the successor Trustee shall have all the rights, powers and duties of the Trustee under this Indenture. The successor Trustee shall mail a notice of its succession to Holders of the Notes. The retiring Trustee shall promptly transfer all property held by it as trustee to the successor trustee; provided all sums owing to the Trustee hereunder have been paid and subject to the Lien provided for in Section 7.07 . Notwithstanding replacement of the Trustee pursuant to this Section 7.08, the Company's obligations under Section 7.07 shall continue for the benefit of the retiring Trustee.

SECTION 7.09. Successor Trustee by Merger, etc.

If the Trustee consolidates, merges or converts into, or transfers all or substantially all of its corporate trust business to, another Person, the successor Person without any further act shall be the successor Trustee.

SECTION 7.10. Eligibility; Disqualification

There shall at all times be a Trustee hereunder that is a corporation organized and doing business under the laws of the United States of America or of any state thereof that is authorized under such laws to exercise corporate trustee power, that is subject to supervision or examination by federal or state authorities and that has a combined capital and surplus of at least $50 million as set forth in its most recent published annual report of condition.

This Indenture shall always have a Trustee who satisfies the requirements of TIA § 310(a)(1), (2) and (5). The Trustee is subject to TIA § 310(b). Nothing herein shall prohibit the Trustee from making the application to the Commission referred to in paragraph (ii) of TIA § 310(b)(i).

SECTION 7.11. Preferential Collection of Claims Against the Company

The Trustee is subject to TIA § 311(a), excluding any creditor relationship listed in TIA § 311(b). A Trustee who has resigned or been removed shall be subject to TIA § 311(a) to the extent indicated therein.

ARTICLE 8

LEGAL DEFEASANCE AND COVENANT DEFEASANCE

SECTION 8.01. Option to Effect Legal Defeasance or Covenant Defeasance

The Company may, at the option of its Board of Directors evidenced by a resolution set forth in an Officer's Certificate, at any time, elect to have either Section 8.02 or 8.03 applied to all outstanding Notes upon compliance with the conditions set forth below in this Article Eight.

SECTION 8.02. Legal Defeasance and Discharge

Upon the Company's exercise under Section 8.01 of the option applicable to this Section 8.02, the Company and each of the Guarantors shall, subject to the satisfaction of the conditions set forth in Section 8.04 , be deemed to have been discharged from all of its obligations with respect to all outstanding Notes (including Subsidiary Guarantees), this Indenture, the Collateral Documents and the Intercreditor Agreement, and the Guarantors shall be deemed to have been discharged with respect to their Subsidiary Guarantees, the Indenture, the Collateral Documents and the Intercreditor Agreement (hereinafter, "Legal Defeasance"), in each case, on the date the conditions set forth below are satisfied, and the Collateral will be released from the Liens securing the Notes upon the Legal Defeasance. For this purpose, Legal Defeasance means that the Company and the Guarantors shall be deemed to have paid and discharged the entire Indebtedness represented by the outstanding Notes (including Subsidiary Guarantees), which shall thereafter be deemed to be "outstanding" only for the purposes of Section 8.05 and the other Sections of this Indenture referred to in (a) and (b) below, and to have cured all existing Events of Default and satisfied all its other obligations under such Notes, the Subsidiary Guarantees and this Indenture (and the Trustee, on demand of and at the expense of the Company, shall execute proper instruments acknowledging the same); provided that the following provisions which shall survive until otherwise terminated or discharged hereunder: (a) the rights of Holders of outstanding Notes to receive solely from the trust fund described in Section 8.04 , and as more fully set forth in such Section 8.04, payments in respect of the principal of or premium, if any, Additional Interest, if any, or interest on the Notes when such payments are due, (b) the Company's obligations with respect to the Notes concerning issuing temporary Notes, registration of Notes and mutilated, destroyed, lost or stolen Notes and the maintenance of an office or agency for payment and money for security payments held in trust, (c) the rights, powers, trusts, duties and immunities of the Trustee hereunder and the Company's and the Guarantor's obligations in connection therewith and (d) this Article 8. Subject to compliance with this

Article 8, the Company may exercise its option under this Section 8.02 notwithstanding the prior exercise of its option under Section 8.03 .

SECTION 8.03. Covenant Defeasance

Upon the Company's exercise under Section 8.01 of the option applicable to this Section 8.03, the Company and the Guarantors shall, subject to the satisfaction of the conditions set forth in Section 8.04 , be released from its obligations under the covenants contained in Article 4 (other those in Sections 4.01, 4.02, 4.06 and 4.14), in clauses (3), (4) and (5) of Section 5.01, in Article 10, in Article 11 and Article 12 with respect to the outstanding Notes on and after the date the conditions set forth in Section 8.04 are satisfied (hereinafter, "Covenant Defeasance"), and the Notes shall thereafter be deemed not "outstanding" for the purposes of any direction, waiver, consent or declaration or act of Holders (and the consequences of any thereof) in connection with such covenants, but shall continue to be deemed "outstanding" for all other purposes hereunder (it being understood that such Notes shall not be deemed outstanding for accounting purposes). For this purpose, Covenant Defeasance means that, with respect to the outstanding Notes and Subsidiary Guarantees, the Company and the Guarantors may omit to comply with and shall have no liability in respect of any term, condition or limitation set forth in any such covenant, whether directly or indirectly, by reason of any reference elsewhere herein to any such covenant or by reason of any reference in any such covenant to any other provision herein or in any other document and such omission to comply shall not constitute a Default or an Event of Default under Section 6.01 , but, except as specified above, the remainder of this Indenture and such Notes and Subsidiary Guarantees shall be unaffected thereby. In addition, upon the Company's exercise under Section 8.01 of the option applicable to this Section 8.03, subject to the satisfaction of the conditions set forth in Section 8.04, clauses (6) through (8) and clause (11) of the first paragraph of Section 6.01 shall not constitute Events of Default. In addition, the Subsidiary Guarantees will be terminated and released and the Guarantors discharged with respect to their Subsidiary Guarantees, the Indenture, the Collateral Documents and the Intercreditor Agreement, and the Collateral will be released from the Liens securing the Notes upon the Covenant Defeasance.

SECTION 8.04. Conditions to Legal or Covenant Defeasance

The following shall be the conditions to the application of either Section 8.02 or 8.03 to the outstanding Notes:

(1) the Company must irrevocably deposit with the Trustee, in trust, for the benefit of the Holders of the Notes, cash in U.S. dollars, non-callable Government Securities, or a combination of cash in U.S. dollars and non-callable Government Securities, in amounts as will be sufficient, to pay the principal of, or interest and premium and Additional Interest, if any, on, the outstanding Notes on the Stated Maturity or on the applicable redemption date specified by the Company, as the case may be, and the Company must specify whether the Notes are being defeased to maturity or to a particular redemption date;

(2) in the case of Legal Defeasance, the Company must deliver to the Trustee an Opinion of Counsel reasonably acceptable to the Trustee confirming that:

(a) the Company has received from, or there has been published by, the Internal Revenue Service a ruling; or

(b) since the Issue Date, there has been a change in the applicable federal income tax law,

in either case to the effect that, and based thereon such Opinion of Counsel will confirm that, the Holders of the outstanding Notes will not recognize income, gain or loss for federal income tax purposes as a result of such Legal Defeasance and will be subject to federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Legal Defeasance had not occurred;

(3) in the case of Covenant Defeasance, the Company must deliver to the Trustee an Opinion of Counsel reasonably acceptable to the Trustee confirming that the Holders of the outstanding Notes will not recognize income, gain or loss for federal income tax purposes as a result of such Covenant Defeasance and will be subject to federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Covenant Defeasance had not occurred;

(4) no Default or Event of Default has occurred and is continuing on the date of such deposit (other than a Default or Event of Default resulting from the borrowing of funds to be applied to such deposit);

(5) such Legal Defeasance or Covenant Defeasance will not result in a breach or violation of, or constitute a default under, any material agreement or instrument (other than this Indenture) to which the Company or any of its Restricted Subsidiaries is a party or by which the Company or any of its Restricted Subsidiaries is bound;

(6) the Company must deliver to the Trustee an Officer's Certificate stating that the deposit was not made by the Company with the intent of preferring the Holders of Notes over the other creditors of the Company with the intent of defeating, hindering, delaying or defrauding creditors of the Company or others; and

(7) the Company must deliver to the Trustee an Officer's Certificate and an Opinion of Counsel, each stating that all conditions precedent relating to the Legal Defeasance or the Covenant Defeasance, as applicable, have been complied with.

SECTION 8.05. Deposited Money and Government Securities to Be Held in Trust; Other Miscellaneous Provisions

Subject to Section 8.06 , all money and non-callable Government Securities (including the proceeds thereof) deposited with the Trustee (or other qualifying Trustee, collectively for purposes of this Section 8.05, the "Trustee") pursuant to Section 8.04 in respect of the outstanding Notes shall be held in trust and applied by the Trustee, in accordance with the provisions of such Notes and this Indenture, to the payment, either directly or through any Paying Agent (including the Company acting as Paying Agent) as the Trustee may determine, to the Holders of such Notes of all sums due and to become due thereon in respect of principal of or premium, if any, Additional Interest, if any, or interest, but such money need not be segregated from other funds except to the extent required by law.

The Company shall pay and indemnify the Trustee against any tax, fee or other charge imposed on or assessed against the cash or non-callable Government Securities deposited pursuant to Section 8.04 or the principal and interest received in respect thereof other than any such tax, fee or other charge which by law is for the account of the Holders of the outstanding Notes.

Anything in this Article 8 to the contrary notwithstanding, the Trustee shall deliver or pay to the Company from time to time upon the request of the Company any money or non-callable Government Securities held by it as provided in Section 8.04 which are in excess of the amount thereof

that would then be required to be deposited to effect an equivalent Legal Defeasance or Covenant Defeasance.

SECTION 8.06. Repayment to the Company

Any money deposited with the Trustee or any Paying Agent, or then held by the Company, in trust for the payment of the principal of or premium, if any, Additional Interest, if any, or interest on the Notes and remaining unclaimed for two years after such principal, and premium, if any, Additional Interest, if any, or interest has become due and payable shall be paid to the Company on its request or (if then held by the Company) shall be discharged from such trust; and the Holder of such Note shall thereafter, as an unsecured creditor, look only to the Company for payment thereof, and all liability of the Trustee or such Paying Agent with respect to such trust money, and all liability of the Company as trustee thereof, shall thereupon cease; provided that the Trustee or such Paying Agent, before being required to make any such repayment, may at the expense of the Company cause to be published once, in The New York Times and The Wall Street Journal (national edition), notice that such money remains unclaimed and that, after a date specified therein, which shall not be less than 30 days from the date of such notification or publication, any unclaimed balance of such money then remaining shall be repaid to the Company.

SECTION 8.07. Reinstatement

If the Trustee or Paying Agent is unable to apply any United States dollars or non-callable Government Securities in accordance with Section 8.02 or 8.03 , as the case may be, by reason of any order or judgment of any court or governmental authority enjoining, restraining or otherwise prohibiting such application, then the Company's and the Guarantor's obligations under this Indenture and the Notes and the Subsidiary Guarantees shall be revived and reinstated as though no deposit had occurred pursuant to Section 8.02 or 8.03 until such time as the Trustee or Paying Agent is permitted to apply all such money in accordance with Section 8.02 or 8.03 , as the case may be; provided that, if the Company has made any payment of principal of, premium, if any, Additional Interest, if any, or interest on any Note following the reinstatement of its obligations, the Company shall be subrogated to the rights of the Holders of such Notes to receive such payment from the money held by the Trustee or Paying Agent.

ARTICLE 9

AMENDMENT, SUPPLEMENT AND WAIVER

SECTION 9.01. Without Consent of Holders of Notes

Notwithstanding Section 9.02, and subject to the terms and provisions of the Intercreditor Agreement, the Company, the Guarantors and the Trustee may amend or supplement this Indenture, the Notes, the Collateral Documents, the Intercreditor Agreement and the Subsidiary Gurantees without the consent of any Holder of a Note to:

(1) cure any ambiguity, defect or inconsistency;

(2) provide for uncertificated Notes in addition to or in place of certificated Notes;

(3) provide for the assumption of the Company's or a Guarantor's obligations to Holders of Notes and Subsidiary Guarantees in the case of a merger or consolidation or sale of all or substantially all of the Company's or such Guarantor's assets, as applicable;

(4) make any change that would provide any additional rights or benefits to the Holders of Notes or that does not adversely affect the legal rights of any such Holder under this Indenture, the Notes, the Subsidiary Guarantees, the Collateral Documents or the Intercreditor Agreement;

(5) provide for the issuance of Additional Notes and Exchange Notes in accordance with the provisions set forth in this Indenture;

(6) evidence and provide for the acceptance of an appointment of a successor trustee;

(7) conform the text of this Indenture, the Subsidiary Guarantees, the Notes, the Collateral Documents or the Intercreditor Agreement to any provision of the Description of the Notes in the Offering Memorandum to the extent that such provision in the Description of the Notes was intended to be a verbatim recitation of a provision of this Indenture, the Subsidiary Guarantees, the Notes, the Collateral Documents or the Intercreditor Agreement;

(8) release a Guarantor from its obligations under its Subsidiary Guarantee, the Notes or this Indenture in accordance with the applicable provisions of this Indenture;

(9) add Subsidiary Guarantees with respect to the Notes;

(10) add additional Collateral to secure the Notes;

(11) release Liens in favor of the Collateral Agent in the Collateral as provided in Section 12.07;

(12) comply with requirements of the Commission in order to effect or maintain the qualification of this Indenture under the TIA;

(13) to comply with the rules of any applicable securities depositary;

(14) to provide, in accordance with the provisions of the Intercreditor Agreement, for the amendment or supplement of the Collateral Documents or the Intercreditor Agreement with respect to Second Priority Collateral in order to reflect conforming amendments or supplements made to the security documents evidencing the Liens securing the Credit Agreement; or

(15) to provide for the accession or succession of any parties to the Collateral Documents or the Intercreditor Agreement (and other amendments that are administrative or ministerial in nature) in connection with an amendment, renewal, extension, substitution, refinancing, restructuring, replacement, supplementing or other modification from time to time of a Credit Agreement or any other agreement or action that is not prohibited by this Indenture.

The consent of the Holders is not necessary under this Indenture to approve the particular form of any proposed amendment. It is sufficient if such consent approves the substance of the proposed amendment. A consent to any amendment or waiver under this Indenture by any Holder of Notes given in connection with a tender of such Holder's Notes will not be rendered invalid by such tender.

In addition, without the consent of any Holder of Notes, any amendment, waiver or consent agreed to by the administrative agent under the Credit Agreement (or by the requisite lenders thereunder) in accordance with the Intercreditor Agreement under any provision of the security documents granting the first-priority lien on any Second-Priority Collateral will automatically apply to the comparable provisions of the comparable Collateral Documents entered into in connection with the Notes.

Upon the request of the Company accompanied by a resolution of the Board of Directors of the Company authorizing the execution of any such amended or supplemental indenture, and upon receipt by the Trustee of the documents described in Section 9.06 , the Trustee shall join with the Company and the Guarantors in the execution of any amended or supplemental Indenture authorized or permitted by the terms of this Indenture and to make any further appropriate agreements and stipulations that may be therein contained, but the Trustee shall not be obligated to enter into such amended or supplemental Indenture that affects its own rights, duties or immunities under this Indenture or otherwise.

SECTION 9.02. With Consent of Holders of Notes

Except as provided in Section 9.01 or below in this Section 9.02, the Company and the Trustee may amend or supplement this Indenture, the Notes, the Subsidiary Guarantees, the Collateral Documents or the Intercreditor Agreement with the consent of the Holders of at least a majority in aggregate principal amount of the Notes then outstanding voting as a single class (including, without limitation, consents obtained in connection with a tender offer or exchange offer for, or purchase of, the Notes), and any existing Default or Event of Default or compliance with any provision of this Indenture or the Notes or the Subsidiary Guarantees, the Collateral Documents or the Intercreditor Agreement may be waived with the consent of the Holders of a majority in aggregate principal amount of the then outstanding Notes voting as a single class (including, without limitation, consents obtained in connection with a tender offer or exchange offer for, or purchase of, the Notes). Section 2.09 shall determine which Notes are considered to be "outstanding" for purposes of this Section 9.02.

However, without the consent of each Holder affected, an amendment, supplement or waiver under this Section 9.02 may not (with respect to any Notes held by a non-consenting Holder):

(1) reduce the principal amount of Notes whose Holders must consent to an amendment, supplement or waiver;

(2) reduce the principal of (or the premium on) or change the fixed maturity of any Note or alter the provisions with respect to the redemption of the Notes (other than provisions of Section 4.10 and 4.15);

(3) reduce the rate of or change the time for payment of interest or Additional Interest on any Note;

(4) waive a Default or Event of Default in the payment of principal of, or interest or premium or Additional Interest, if any, on, the Notes (except a rescission of acceleration of the Notes by the Holders of at least a majority in aggregate principal amount of the then outstanding Notes and a waiver of the payment default that resulted from such acceleration);

(5) make any Note payable in a currency other than that stated in the Notes;

(6) make any change in the provisions of this Indenture relating to waivers of past Defaults or the rights of Holders of Notes to receive payments of principal of, or interest or premium or Additional Interest, if any, on, the Notes or to institute suit for the enforcement of any payment on or with respect to such Holder's Notes;

(7) waive a redemption payment with respect to any Note (other than a payment required by Section 4.10 or 4.15);

(8) release any Guarantor from any of its obligations under its Subsidiary Guarantee or this Indenture, except in accordance with the terms of this Indenture; or

(9) make any change in the preceding amendment and waiver provisions.

In addition, without the consent of at least 75% in aggregate principal amount of Notes then outstanding, an amendment, supplement or waiver may not:

(1) modify any Collateral Document or the provisions in this Indenture dealing with Collateral Documents or application of trust moneys in any manner adverse to the Holders of the Notes or otherwise release any Collateral other than in accordance with this Indenture, the Collateral Documents and the Intercreditor Agreement; or

(2) modify the Intercreditor Agreement in any manner adverse to the Holders of the Notes in any material respect other than in accordance with the terms of this Indenture, the Collateral Documents and the Intercreditor Agreement.

Upon the request of the Company accompanied by a resolution of the Board of Directors of the Company authorizing the execution of any such amended or supplemental Indenture, and upon the filing with the Trustee of evidence satisfactory to the Trustee of the consent of the Holders of Notes as aforesaid, and upon receipt by the Trustee of the documents described in Section 9.06 , the Trustee shall join with the Company in the execution of such amended or supplemental Indenture unless such amended or supplemental Indenture directly affects the Trustee's own rights, duties or immunities under this Indenture or otherwise, in which case the Trustee may in its discretion, but shall not be obligated to, enter into such amended or supplemental Indenture.

SECTION 9.03. Compliance with Trust Indenture Act

Every amendment or supplement to this Indenture or the Notes shall be set forth in an amended or supplemental Indenture that complies with the TIA as then in effect.

SECTION 9.04. Revocation and Effect of Consents

Until an amendment, supplement or waiver becomes effective, a consent to it by a Holder of a Note is a continuing consent by the Holder of a Note and every subsequent Holder of a Note or portion of a Note that evidences the same debt as the consenting Holder's Note, even if notation of the consent is not made on any Note. However, any such Holder of a Note or subsequent Holder of a Note may revoke the consent as to its Note if the Trustee receives written notice of revocation before the date the waiver, supplement or amendment becomes effective. An amendment, supplement or waiver becomes effective in accordance with its terms and thereafter binds every Holder.

SECTION 9.05. Notice of Amendment; Notation on or Exchange of Notes

After any amendment under this Article becomes effective, the Company shall mail to Holders of Notes a notice briefly describing such amendment. The failure to give such notice to all Holders of Notes, or any defect therein, shall not impair or affect the validity of an amendment under this Article.

The Trustee may place an appropriate notation about an amendment, supplement or waiver on any Note thereafter authenticated. The Company in exchange for all Notes may issue and the Trustee shall, upon receipt of an Authentication Order, authenticate new Notes that reflect the amendment, supplement or waiver.

Failure to make the appropriate notation or issue a new Note shall not affect the validity and effect of such amendment, supplement or waiver.

SECTION 9.06. Trustee to Sign Amendments, etc.

The Trustee shall sign any amended or supplemental Indenture authorized pursuant to this Article 9 if the amendment or supplement, in the sole discretion of the Trustee, does not adversely affect the rights, duties, liabilities or immunities of the Trustee. In executing any amended or supplemental indenture, the Trustee shall be entitled to receive and (subject to Section 7.01) shall be fully protected in relying upon, in addition to the documents required by Section 13.04 , an Officer's Certificate and an Opinion of Counsel stating that the execution of such amended or supplemental indenture is authorized or permitted by this Indenture.

ARTICLE 10

SUBSIDIARY GUARANTEES

SECTION 10.01. Guarantee

(a) Subject to this Article 10, each of the Guarantors hereby, jointly and severally, unconditionally guarantees to each Holder of a Note authenticated and delivered by the Trustee and to the Trustee and its successors and assigns, irrespective of the validity and enforceability of this Indenture, the Notes or the obligations of the Company hereunder or thereunder, that:

(i) the principal of, premium and Additional Interest, if any, and interest on the Notes will be promptly paid in full when due, whether at maturity, by acceleration, redemption or otherwise, and interest on the overdue principal of and interest on the Notes, if any, if lawful, and all other obligations of the Company to the Holders or the Trustee hereunder or thereunder will be promptly paid in full or performed, all in accordance with the terms hereof and thereof, and

(ii) in case of any extension of time of payment or renewal of any Notes or any of such other obligations, that same will be promptly paid in full when due or performed in accordance with the terms of the extension or renewal, whether at Stated Maturity, by acceleration or otherwise.

Failing payment when due of any amount so guaranteed or any performance so guaranteed for whatever reason, the Guarantors will be jointly and severally obligated to pay the same immediately. Each Guarantor agrees that this is a guarantee of payment and not a guarantee of collection.

(b) The Guarantors hereby agree that their obligations hereunder are unconditional, irrespective of the validity, regularity or enforceability of the Notes or this Indenture, the absence of any action to enforce the same, any waiver or consent by any Holder with respect to any provisions hereof or thereof, the recovery of any judgment against the Company, any action to enforce the same or any other circumstance (other than complete performance) which might otherwise constitute a legal or equitable discharge or defense of a guarantor.

(c) Each Guarantor hereby waives diligence, presentment, demand of payment, filing of claims with a court in the event of insolvency or bankruptcy of the Company, any right to require a proceeding first against the Company, protest, notice and all demands whatsoever and covenant that this Subsidiary Guarantee will not be discharged except by complete performance of the obligations contained in the Notes and this Indenture.

(d) If any Holder or the Trustee is required by any court or otherwise to return to the Company, the Guarantors or any custodian, trustee, liquidator or other similar official acting in relation to

either the Company or the Guarantors, any amount paid by either to the Trustee or such Holder, this Subsidiary Guarantee, to the extent theretofore discharged, will be reinstated in full force and effect.

(e) Each Guarantor agrees that it will not be entitled to any right of subrogation in relation to the Holders in respect of any obligations guaranteed hereby until payment in full of all obligations guaranteed hereby. Each Guarantor further agrees that, as between the Guarantors, on the one hand, and the Holders and the Trustee, on the other hand, (1) the maturity of the obligations guaranteed hereby may be accelerated as provided in Article 6 for the purposes of this Subsidiary Guarantee, notwithstanding any stay, injunction or other prohibition preventing such acceleration in respect of the obligations guaranteed hereby, and (2) in the event of any declaration of acceleration of such obligations as provided in Article 6 , such obligations (whether or not due and payable) will forthwith become due and payable by the Guarantors for the purpose of this Subsidiary Guarantee.

(f) The Guarantors will have the right to seek contribution from any non-paying Guarantor so long as the exercise of such right does not impair the rights of the Holders under the Subsidiary Guarantee.

SECTION 10.02. Limitation on Guarantor Liability

Each Guarantor, and by its acceptance of Notes, each Holder, hereby confirms that it is the intention of all such parties that the Subsidiary Guarantee of such Guarantor not constitute a fraudulent transfer or conveyance for purposes of Bankruptcy Law, the Uniform Fraudulent Conveyance Act, the Uniform Fraudulent Transfer Act or any similar federal or state law to the extent applicable to any Subsidiary Guarantee. To effectuate the foregoing intention, the Trustee, the Holders and the Guarantors hereby irrevocably agree that the obligations of such Guarantor will be limited to the maximum amount that will, after giving effect to such maximum amount and all other contingent and fixed liabilities of such Guarantor that are relevant under such laws, and after giving effect to any collections from, rights to receive contribution from or payments made by or on behalf of any other Guarantor in respect of the obligations of such other Guarantor under this Article 10, result in the obligations of such Guarantor under its Subsidiary Guarantee not constituting a fraudulent transfer or conveyance.

SECTION 10.03. Guarantors May Consolidate, etc., on Certain Terms

The Company shall not permit any Guarantor to consolidate with or merge with or into any Person (other than the Company or another Guarantor) and shall not permit the conveyance, transfer or lease of all or substantially all of the assets of any Guarantor unless:

(a) if such Person remains a Guarantor, the resulting, surviving or transferee Person will be a Person organized and existing under the laws of the United States, any state of the United States or the District of Columbia and such Person (if not the Company or such Guarantor) shall expressly assume, by supplemental indenture, executed and delivered to the Trustee, all the obligations of such Guarantor under its Subsidiary Guarantee, this Indenture, the Registration Rights Agreement, the related Collateral Documents and the Intercreditor Agreement and shall cause such amendments, supplements or other instruments to be executed, filed, and recorded in such jurisdictions as may be required by applicable law to preserve and protect the Lien on the Collateral owned by or transferred to the surviving entity, together with such financing statements or comparable documents as may be required to perfect any security interests in such Collateral which may be perfected by the filing of a financing statement or a similar document under the Uniform Commercial Code or other similar statute or regulation of the relevant states or jurisdictions;

(b) immediately after giving effect to such transaction, no Default of Event of Default shall have occurred and be continuing; and

(c) the Company shall have delivered to the Trustee an Officer's Certificate and an Opinion of Counsel, each stating that such consolidation, merger or transfer complies with the provisions of this Indenture.

SECTION 10.04. Releases of Subsidiary Guarantees

The Subsidiary Guarantee of a Guarantor will be automatically released:

(1) in connection with any sale, disposition or other transfer (including through merger, consolidation or spin-off) of Equity Interests of such Guarantor, following which such Guarantor is no longer a Subsidiary of the Company, to a Person that is not (after giving effect to such transaction) the Company or a Restricted Subsidiary of the Company, if such sale, disposition or other transfer is not prohibited by the applicable provisions of this Indenture;

(2) with respect to any Foreign Subsidiary, the Guarantee which resulted in the creation of the Subsidiary Guarantee is released or discharged, except a discharge or release by or as a result of payment by such Foreign Subsidiary under such Guarantee;

(3) if the Company designates such Guarantor as an Unrestricted Subsidiary in accordance with the applicable provisions of this Indenture; or

(4) upon the Legal Defeasance, Covenant Defeasance or satisfaction and discharge of the Notes and the Subsidiary Guarantees as provided in Article 8 and Article 11.

ARTICLE 11

SATISFACTION AND DISCHARGE

SECTION 11.01. Satisfaction and Discharge

This Indenture, the Collateral Documents and the Intercreditor Agreement shall be discharged and will cease to be of further effect as to all Notes and Subsidiary Guarantees issued hereunder, and the Collateral will be released from the Liens securing the Notes and Subsidiary Gurantees except as to surviving rights of registration of transfer or exchange of the Notes, when:

(1) either:

(a) all Notes that have been authenticated, except lost, stolen or destroyed Notes that have been replaced or paid and Notes for whose payment money has been deposited in trust and thereafter repaid to the Company, have been delivered to the Trustee for cancellation; or

(b) all Notes that have not been delivered to the Trustee for cancellation (i) have become due and payable by reason of the mailing of a notice of redemption or otherwise or (ii) will become due and payable within one year or have been or will be called for redemption and the Company or any Guarantor has irrevocably deposited or caused to be deposited with the Trustee as trust funds in trust solely for the benefit of the Holders, cash in U.S. dollars, non-callable Government Securities, or a combination of cash in U.S. dollars and non-callable Government Securities, in amounts as will be

sufficient without consideration of any reinvestment of interest, to pay and discharge the entire Indebtedness on the Notes not delivered to the Trustee for cancellation for principal, premium and Additional Interest, if any, and accrued interest to, but excluding the date of maturity or redemption;

(2) no Default or Event of Default has occurred and is continuing on the date of the deposit or shall occur as a result of such deposit (other than a Default or Event of Default resulting from the borrowing of funds to be applied to such deposit) and the deposit shall not result in a breach or violation of, or constitute a default under, any other material instrument to which the Company or any Guarantor is a party or by which the Company or any Guarantor is bound;

(3) the Company or any Guarantor has paid or caused to be paid all sums payable by it under this Indenture; and

(4) the Company has delivered irrevocable instructions to the Trustee under this Indenture to apply the deposited money toward the payment of the Notes at maturity or on the redemption date, as the case may be.

In addition, the Company must deliver an Officer's Certificate and an Opinion of Counsel to the Trustee stating that all conditions precedent under this Indenture relating to satisfaction and discharge of this Indenture have been satisfied.

Notwithstanding the satisfaction and discharge of this Indenture, the obligations of the Company to the Trustee under Section 7.07 and, if money shall have been deposited with the Trustee pursuant to Section 11.01(1)(b), the obligations of the Trustee under Section 11.02, shall survive.

SECTION 11.02. Application of Trust Funds

Subject to Section 11.03 , all cash and non-callable Government Securities (including the proceeds thereof) deposited with the Trustee pursuant to Section 11.01 in respect of the outstanding Notes shall be held in trust and applied by the Trustee, in accordance with the provisions of such Notes and this Indenture, to the payment, either directly or through any Paying Agent (including, if applicable, the Company acting as Paying Agent) as the Trustee may determine, to the Holders of such Notes of all sums due and to become due thereon in respect of principal, premium, if any, and interest and Additional Interest, if any, but such cash and securities need not be segregated from other funds except to the extent required by law.

SECTION 11.03. Repayment to Company

Any cash or non-callable Government Securities deposited with the Trustee or any Paying Agent, or then held by the Company, in trust for the payment of the principal of, premium, if any, or interest or Additional Interest, if any, on, any Note and remaining unclaimed for two years after such principal, and premium, if any, or interest or Additional Interest, if any, has become due and payable shall be paid to the Company on its request or (if then held by the Company) shall be discharged from such trust; and the Holder shall thereafter, as an unsecured creditor, look only to the Company for payment thereof, and all liability of the Trustee or such Paying Agent with respect to such cash and securities, and all liability of the Company as trustee thereof, shall thereupon cease; provided that the Trustee or such Paying Agent, before being required to make any such repayment, may at the expense of the Company cause to be published once, in The New York Times and The Wall Street Journal (national edition), notice that such cash and securities remains unclaimed and that, after a date specified therein, which shall

not be less than 30 days from the date of such notification or publication, any unclaimed balance of such cash and securities then remaining will be repaid to the Company.

SECTION 11.04. Reinstatement

If the Trustee or Paying Agent is unable to apply any United States dollars or non-callable Government Securities in accordance with Sections 11.01 and 11.02, as the case may be, by reason of any order or judgment of any court or governmental authority enjoining, restraining or otherwise prohibiting such application, then the Company's and any Guarantor's obligations under this Indenture and the Notes shall be revived and reinstated as though no deposit had occurred pursuant to Sections 11.01 and 11.02 until such time as the Trustee or Paying Agent is permitted to apply all such money in accordance with Sections 11.01 and 11.02 , as the case may be; provided that, if the Company makes any payment of principal of, premium on, if any, or interest or Additional Interest, if any, on any Note following the reinstatement of its obligations, the Company shall be subrogated to the rights of the Holders of such Notes to receive such payment from the money held by the Trustee or Paying Agent.

ARTICLE 12

COLLATERAL AND SECURITY

SECTION 12.01. The Collateral

The due and punctual payment of the principal of, premium, if any, Additional Amounts, if any, and interest (including Additional Interest) on the Notes and the Subsidiary Guarantees thereof when and as the same shall be due and payable, whether on an interest payment date, at maturity, by acceleration, repurchase, redemption or otherwise, interest on the overdue principal of and interest (to the extent permitted by law), if any, on the Notes and the Subsidiary Guarantees thereof and performance of all other Obligations under this Indenture and the Notes and the Subsidiary Guarantees thereof and the Collateral Documents, shall be secured by (i) first-priority Liens and security interests on the First Priority Collateral and (ii) second-priority Liens and security interests on the Second Priority Collateral, in each case subject to Permitted Liens, as provided in the Collateral Documents which the Company and the Guarantors, as the case may be, have entered into simultaneously with the execution of this Indenture and will be secured pursuant to all Collateral Documents hereafter delivered as required or permitted by this Indenture, the Collateral Documents and the Intercreditor Agreement. The Company and the Guarantors hereby agree that the Collateral Agent shall hold the Collateral in trust for the benefit of all of the Holders and the Trustee, in each case pursuant to the terms of the Collateral Documents and the Intercreditor Agreement and the Collateral Agent is hereby authorized and directed to execute and deliver the Collateral Documents and the Intercreditor Agreement.

Each Holder, by its acceptance of any Notes and the Subsidiary Guarantees thereof, consents and agrees to the terms of the Collateral Documents and the Intercreditor Agreement (including, without limitation, the provisions providing for foreclosure) as the same may be in effect or may be amended from time to time in accordance with their terms and authorizes and directs the Collateral Agent to perform its obligations and exercise its rights under the Collateral Documents in accordance therewith.

The Trustee and each Holder, by accepting the Notes and the Subsidiary Guarantees thereof, acknowledges that, as more fully set forth in the Collateral Documents and the Intercreditor Agreement, the Collateral as now or hereafter constituted shall be held for the benefit of all the Holders and the Trustee, and that the Lien of this Indenture and the Collateral Documents in respect of the Trustee and the Holders is subject to and qualified and limited in all respects by the Collateral Documents and the Intercreditor Agreement and actions that may be taken thereunder.

SECTION 12.02. Further Assurances

The Company shall, and shall cause each Guarantor to, at their sole expense, do or cause to be done all acts and things which may be reasonably necessary, or which the Trustee from time to time may reasonably request, which request the Trustee shall not be obligated to make, to confirm that the Collateral Agent holds, for the benefit of the Holders of the Notes and the Subsidiary Guarantees thereof and the Trustee, duly created, enforceable and perfected first or second priority Liens and security interests, as applicable, in the Collateral (subject to Permitted Liens) as contemplated by the Collateral Documents and the Intercreditor Agreement.

As necessary, or upon request of the Trustee, which request the Trustee shall not be obligated to make, the Company shall, and shall cause each Guarantor to, at their sole expense, execute, acknowledge and deliver such Collateral Documents, the Intercreditor Agreement, instruments, certificates, notices and other documents and take such other actions as may be reasonably necessary or which the Trustee may reasonably request to create, perfect, protect, assure, transfer, confirm or enforce the Liens and benefits intended to be conferred as contemplated by this Indenture, the Collateral Documents and the Intercreditor Agreement for the benefit of the Holders of the Notes and the Subsidiary Guarantees thereof and the Trustee, including with respect to after acquired Collateral, to the extent permitted by applicable law, rule or regulation. If the Company or such Subsidiary fails to do so, the Trustee is hereby irrevocably authorized and empowered, with full power of substitution, to execute, acknowledge and deliver such Collateral Documents, the Intercreditor Agreement, instruments, certificates, notices and other documents and, subject to the provisions of the Collateral Documents and the Intercreditor Agreement, take such other actions in the name, place and stead of the Company or such Subsidiary, but the Trustee shall have no obligation to do so and no liability for any action taken or omitted by it in good faith in connection therewith.

The Company shall otherwise comply with the provisions of TIA § 314(b). Promptly after the effectiveness of this Indenture, to the extent required by the TIA, the Company shall deliver the opinion(s) required by TIA § 314(b)(1). Subsequent to the execution and delivery of this Indenture, to the extent required by the TIA, the Company shall furnish to the Trustee on or prior to each anniversary of the Issue Date, an Opinion of Counsel, dated as of such date, stating either that (i) in the opinion of such counsel, all action has been taken with respect to any filing, re-filing, recording or re-recording with respect to the Collateral as is necessary to maintain the Lien on the Collateral in favor of the Holders or (ii) in the opinion of such counsel, that no such action is necessary to maintain such Lien.

To the extent applicable, the Company shall cause TIA § 313(b), relating to reports, and TIA § 314(d), relating to the release of property and the substitution therefor of any property to be pledged as Collateral for the Notes and the Subsidiary Guarantees therefor, to be complied with. Any certificate or opinion required by TIA § 314(d) may be made by an Officer of the Company except in cases where TIA § 314(d) requires that such certificate or opinion be made by an independent engineer, appraiser or other expert, who shall be reasonably satisfactory to the Trustee. Notwithstanding anything to the contrary in this paragraph, the Company shall not be required to comply with all or any portion of TIA § 314(d) if it determines, in good faith based on advice of counsel, that under the terms of TIA § 314(d) and/or any interpretation or guidance as to the meaning thereof of the Commission and its staff, including "no action" letters or exemptive orders, all or any portion of TIA § 314(d) is inapplicable to one or a series of released Collateral, and Collateral may be released without compliance with TIA § 314(d) as provided in Section 12.07.

SECTION 12.03. After-Acquired Property

Upon the acquisition by the Company or any Guarantor after the Issue Date of (1) any assets other than Excluded Assets, including, but not limited to, any after-acquired real property with a

value greater than $1.0 million or any equipment or fixtures which constitute accretions, additions or technological upgrades to the equipment or fixtures that form part of the First Priority Collateral or Second Priority Collateral, as applicable, or (2) any Additional Assets out of the net cash proceeds from any issuance of Additional Notes or in compliance with Section 4.10 , the Company or such Guarantor shall, subject to the Intercreditor Agreement, execute and deliver such mortgages, deeds of trust, security instruments, financing statements, certificates and opinions of counsel as may be necessary to vest in the Collateral Agent a perfected security interest, subject only to Permitted Liens, in such after-acquired property and to have such after-acquired property added to the Collateral, and thereupon all provisions of this Indenture and the Intercreditor Agreement relating to the Collateral shall be deemed to relate to such after-acquired property to the same extent and with the same force and effect.

Notwithstanding anything herein to the contrary, if granting or perfecting any Lien to secure the Notes on any Collateral that consists of rights that are licensed or leased from a third-party requires the consent of such third party pursuant to the terms of an applicable license or lease agreement, and such terms are enforceable under applicable law, the Company or the relevant Guarantor, as the case may be, shall use all commercially reasonable efforts to obtain such consent with respect to the granting or perfecting of such Lien, but if the third party does not consent to the granting or perfecting of such Lien after the use of commercially reasonable efforts, none of the Company or the Guarantors shall be required to do so.

SECTION 12.04. Impairment of Security Interest

Neither the Company nor any of its Restricted Subsidiaries shall take nor shall the Company or any Guarantor omit to take any action which would materially adversely affect or impair the Liens in favor of the Collateral Agent and the Holders of the Notes with respect to the Collateral. Neither the Company nor any of the Guarantors shall grant to any Person, or permit any Person to retain (other than the Collateral Agent), any interest whatsoever in the Collateral, other than Permitted Liens. Neither the Company nor any of the Guarantors shall enter into any agreement that requires the proceeds received from any sale of Collateral to be applied to repay, redeem, defease or otherwise acquire or retire any Indebtedness of any Person, other than as permitted by this Indenture, the Notes, the Collateral Documents and the Intercreditor Agreement.

SECTION 12.05. Real Estate Mortgages and Filings

With respect to any fee or ground lease interest in any real property located in the United States (individually and collectively, the "Premises") owned by the Company or a Guarantor on the Issue Date or acquired by the Company or a Guarantor after the Issue Date (if such acquired real property exceeds $1.0 million in fair market value):

(1) the Company shall deliver to the Collateral Agent, as mortgagee or beneficiary, as applicable, fully executed counterparts of Mortgages, each dated as of the Issue Date or the date of acquisition of such property, as the case may be, duly executed by the Company or the applicable Guarantor, together with evidence of the completion (or satisfactory arrangements for the completion) of all recordings and filings of such Mortgages (and payment of any taxes or fees in connection therewith) as may be necessary to create a valid, perfected Lien, subject to Permitted Liens, against the properties purported to be covered thereby;

(2) the Collateral Agent shall have received mortgagee's title insurance policies in favor of the Collateral Agent, as mortgagee for the ratable benefit of itself and the Holders of the Notes in the amounts and in the form necessary, with respect to the property purported to be covered by such Mortgage, to ensure that title to such property is marketable and that the interests created by the Mortgage constitute valid Liens thereon free and clear of all Liens, defects and

encumbrances, other than Permitted Liens, and such policies shall also include, to the extent available, such other necessary endorsements and shall be accompanied by evidence of the payment in full of all premiums thereon; provided that any such title insurance policies may be delivered up to 30 days after the date on which the surveys described in clause (3) below are delivered; and

(3) the Company shall, or shall cause its Guarantors to, deliver to the Collateral Agent (x) with respect to each of the covered Premises owned on the Issue Date, such filings, surveys (or any updates or affidavits that the title company may reasonably require in connection therewith), local counsel opinions and fixture filings, along with such other documents, instruments, certificates and agreements, as the initial purchasers and their counsel shall reasonably request; *provided* that any survey requested on or prior to the Issue Date may be delivered up to 60 days after the Issue Date, and (y) with respect to each of the covered Premises acquired after the Issue Date, such filings, surveys, instruments, certificates, agreements and/or other documents necessary to comply with clauses (1) and (2) above and to perfect the Collateral Agent's security interest in such acquired covered Premises, together with such local counsel opinions as the Collateral Agent and its counsel shall reasonably request.

SECTION 12.06. Restrictions on Enforcement of Liens on Second Priority Collateral

Whether or not an insolvency or liquidation proceeding has been commenced by or against the Company or any Guarantor, the Collateral Agent, the Trustee and the Holders of Notes shall not exercise or seek to exercise any rights or remedies with respect to any Liens on the Second Priority Collateral or institute any action or proceeding with respect to such rights or remedies (including any action of foreclosure) other than as provided in the Intercreditor Agreement, whose provisions shall be binding on the Collateral Agent, the Trustee, and the Holders of the Notes as if such provisions were set forth in their entirety in this Indenture.

Upon a foreclosure and sale of the interests of the Company and the Guarantors in Parkdale America, LLC, Parkdale Mills Incorporated, the Company's joint venture partner, shall have the right to purchase all of the Company's and the Guarantors' interest in Parkdale America, LLC at fair market value, upon the terms and provisions set forth in the operating agreement of Parkdale America, LLC.

SECTION 12.07. Release of Liens on the Collateral

(a) The Liens on the Collateral will be released with respect to the Notes:

(1) in whole, upon payment in full of the principal of, accrued and unpaid interest and premium, if any, on the Notes;

(2) in whole, upon satisfaction and discharge of this Indenture as set forth in Article 11;

(3) in whole, upon a Legal Defeasance or Covenant Defeasance as set forth in Article 8 ;

(4) in part, as to any property constituting Collateral (A) that is sold or otherwise disposed of by the Company or any of its Restricted Subsidiaries in a transaction permitted by Section 4.10 or by the Collateral Documents, to the extent of the interest sold or disposed of, (B) that is cash or Net Proceeds withdrawn from a Collateral Account for any one or more purposes permitted by Section 4.10 or by Section 2.15 (C) that is of the nature described in clause (1),

clause (5), clauses (7) through (15) of the second paragraph in the definition of "Asset Sale," and is subject to a disposition as therein provided, (D) that constitutes Excess Collateral Proceeds that remain unexpended after the conclusion of a Collateral Sale Offer conducted in accordance with this Indenture, (E) that is owned or at any time acquired by a Subsidiary of the Company that has been released from its Subsidiary Guarantee in accordance with this Indenture, concurrently with the release thereof, (F) that is Capital Stock, upon the dissolution of the issuer of such Capital Stock in accordance with the terms of this Indenture; or (G) otherwise in accordance with, and as expressly provided for under, this Indenture;

(5) with the consent of the Holders of at least 75% of the aggregate principal amount of the Notes affected thereby (including, without limitation, consents obtained in connection with a tender offer or exchange offer for, or purchase of, Notes);

(6) on any of the Second Priority Collateral, upon any release thereof by the agent under the Credit Agreement (or the requisite lenders thereunder) or as otherwise authorized or directed by such agent or lenders (other than in connection with the expiration or termination of the Credit Agreement); provided, however, that if there is reinstated a Lien securing Credit Agreement obligation on any or all of the Second Priority Collateral upon which the Lien securing the Notes has been released pursuant to this clause (6) then the Lien securing the Notes on such Second Priority Collateral will also be deemed reinstated on a second priority basis;

provided, that, in the case of any release in whole pursuant to clauses (1), (2), (3), (5) and (6) above, all amounts owing to the Trustee under this Indenture, the Notes, the Subsidiary Guarantees, the Registration Rights Agreement, the Collateral Documents and the Intercreditor Agreement have been paid.

(b) To the extent required, the Company shall furnish to the Trustee, prior to each proposed release of Collateral pursuant to the Collateral Documents and this Indenture:

(1) an Officer's Certificate and Opinion of Counsel and such other documentation as required by this Indenture; and

(2) all documents required by §314(d) of the Trust Indenture Act, the Collateral Documents, the Intercreditor Agreement and this Indenture.

Upon compliance by the Company or the Guarantors, as the case may be, with the conditions precedent set forth above, and upon delivery by the Company or such Guarantor to the Trustee of an Opinion of Counsel to the effect that such conditions precedent have been complied with, the Trustee or the Collateral Agent shall promptly cause to be released and reconveyed to the Company, or its Guarantors, as the case may be, the released Collateral.

(c) Notwithstanding anything to the contrary herein, the Company and its Subsidiaries shall not be required to comply with all or any portion of Section 314(d) of the Trust Indenture Act if they determine, in good faith based on advice of counsel, that under the terms of that section and/or any interpretation or guidance as to the meaning thereof of the Commission and its staff, including "no action" letters or exemptive orders, all or any portion of Section 314(d) of the Trust Indenture Act is inapplicable to the released Collateral.

(d) The Company and the Guarantors may, among other things, without any release or consent by the Trustee, conduct ordinary course activities with respect to Collateral, including, without limitation, (i) selling or otherwise disposing of, in any transaction or series of related transactions, any property subject to the Lien of the Collateral Documents which has become worn out, defective or obsolete or not used or useful in the business; (ii) abandoning, terminating, canceling, releasing or making

alterations in or substitutions of any leases or contracts subject to the Lien of this Indenture or any of the Collateral Documents; (iii) surrendering or modifying any franchise, license or permit subject to the Lien of this Indenture or any of the Collateral Documents which it may own or under which it may be operating; altering, repairing, replacing, changing the location or position of and adding to its structures, machinery, systems, equipment, fixtures and appurtenances; (iv) granting a license of any intellectual property; (v) selling, transferring or otherwise disposing of inventory in the ordinary course of business; (vi) collecting accounts receivable in the ordinary course of business or selling, liquidating, factoring or otherwise disposing of accounts receivable in the ordinary course of business as permitted by Section 4.10 ; (vii) making cash payments (including for the repayment of Indebtedness or interest) from cash that is at any time part of the Collateral in the ordinary course of business that are not otherwise prohibited by this Indenture and the Collateral Documents; and (viii) abandoning any intellectual property which is no longer used or useful in the Company's business. The Company shall deliver to the Collateral Agent, within 30 calendar days following the end of each six-month period beginning on May 15 and November 15 of any year, an officers' certificate to the effect that all releases and withdrawals during the preceding six-month period (or since the Issue Date, in the case of the first such certificate) pursuant to this Section 12.07(d) in which no release or consent of the Collateral Agent was obtained in the ordinary course of the Company's and the Guarantors' business were not prohibited by this Indenture.

SECTION 12.08. Authorization of Actions to be Taken by the Trustee or the Collateral Agent Under the Collateral Documents

Subject to the provisions of this Indenture, including Article 7, the Collateral Documents and the Intercreditor Agreement, each of the Trustee or the Collateral Agent may, in its sole discretion and without the consent of the Holders, on behalf of the Holders, take all actions it deems reasonably necessary or appropriate in order to (a) enforce any of its rights or any of the rights of the Holders under the Collateral Documents and the Intercreditor Agreement and (b) collect and receive any and all amounts payable in respect of the Collateral in respect of the obligations of the Company and the Guarantors hereunder and thereunder. Subject to the provisions of this Indenture, including Article 7, the Collateral Documents and the Intercreditor Agreement, the Trustee or the Collateral Agent shall have the power to institute and to maintain such suits and proceedings as it may deem expedient to prevent any impairment of the Collateral by any acts that may be unlawful or in violation of the Collateral Documents, the Intercreditor Agreement or this Indenture, and such suits and proceedings as the Trustee or the Collateral Agent may deem expedient to preserve or protect its interest and the interests of the Holders in the Collateral (including power to institute and maintain suits or proceedings to restrain the enforcement of or compliance with any legislative or other governmental enactment, rule or order that may be unconstitutional or otherwise invalid if the enforcement of, or compliance with, such enactment, rule or order would impair the security interest hereunder or be prejudicial to the interests of the Holders or the Trustee).

The Trustee or the Collateral Agent shall not be responsible for the existence, genuineness or value of any of the Collateral or for the validity, perfection, priority or enforceability of the Liens in any of the Collateral, whether impaired by operation of law or by reason of any action or omission to act on its part hereunder, except to the extent such action or omission constitutes negligence, bad faith or willful misconduct on the part of the Trustee or the Collateral Agent, for the validity or sufficiency of the Collateral or any agreement or assignment contained therein, for the validity of the title of the Company to the Collateral, for insuring the Collateral or for the payment of taxes, charges, assessments or Liens upon the Collateral or otherwise as to the maintenance of the Collateral. The Trustee or the Collateral Agent shall have no responsibility for recording, filing, re-recording or refiling any financing statement, continuation statement, document, instrument or other notice in any public office at any time or times or to otherwise take any action to perfect or maintain the perfection of any security interest granted to it under the Collateral Documents or otherwise.

Upon the reasonable request of the Trustee or the Collateral Agent, where any provision of this Indenture requires that additional property or assets be added to the Collateral, the Company and each Guarantor shall deliver to the Trustee or the Collateral Agent the following:

(1) a request from the Company that such Collateral be added;

(2) the form of instrument adding such Collateral, which, based on the type and location of the property subject thereto, shall be in substantially the form of the applicable Collateral Documents entered into on the Issue Date, with such changes thereto as the Company shall consider appropriate, or in such other form as the Company shall deem proper, *provided* that any such changes or such form are administratively satisfactory to the Trustee or the Collateral Agent;

(3) an Officer's Certificate to the effect that the Collateral being added is in the form, consists of the assets and is in the amount or otherwise has the fair market value required by this Indenture;

(4) an Officer's Certificate and Opinion of Counsel to the effect that all conditions precedent provided for in this Indenture to the addition of such Collateral have been complied with, which Opinion of Counsel shall also opine as to the creation and perfection of the Collateral Agent's Lien on such Collateral and as to the due authorization, execution, delivery, validity and enforceability of the Collateral Document being entered into; and

(5) such financing statements, if any, as the Company shall deem necessary to perfect the Collateral Agent's security interest in such Collateral.

The Trustee or the Collateral Agent, in giving any consent or approval under the Collateral Documents or the Intercreditor Agreement, shall be entitled to receive, upon their reasonable request, as a condition to such consent or approval, an Officer's Certificate and an Opinion of Counsel to the effect that the action or omission for which consent or approval is to be given does not adversely affect the interests of the Holders or impair the security of the Holders in contravention of the provisions of this Indenture, the Collateral Documents and the Intercreditor Agreement, and the Trustee or the Collateral Agent shall be fully protected in giving such consent or approval on the basis of such Officer's Certificate and Opinion of Counsel.

SECTION 12.09. Collateral Accounts

The Trustee is authorized to receive any funds for the benefit of the Holders distributed under the Collateral Documents, and to make further distributions of such funds to the Holders according to the provisions of this Indenture, the Collateral Documents and the Intercreditor Agreement.

The Trustee shall, as promptly as reasonably practicable after the Issue Date, establish the First Priority Collateral Account, which shall at all times hereafter until this Indenture shall have terminated, be maintained with, and under the sole control of, the Trustee. The First Priority Collateral Account shall be a trust account and shall be established and maintained by the Trustee at one of its corporate trust offices (which may include the New York corporate trust office) and all Collateral shall be credited thereto. All cash and Cash Equivalents received by the Trustee from Asset Sales of First Priority Collateral, Recovery Events involving First Priority Collateral, foreclosures of or sales of the First Priority Collateral, issuances of Additional Notes (up to 95% of such proceeds) and other awards or proceeds pursuant to the Collateral Documents, shall be deposited in the First Priority Collateral Account, and thereafter shall be held, applied and/or disbursed by the Trustee in accordance with the terms of this Indenture. All such proceeds and other awards received pursuant to the Collateral Documents from

Second Priority Collateral shall be deposited in the Second Priority Collateral Account and applied, in each case, as provided by the Intercreditor Agreement. In connection with any and all deposits to be made into the First Priority Collateral Account under this Indenture, the Collateral Documents or the Intercreditor Agreement, the Trustee and/or the Collateral Agent, as applicable, shall receive an Officer's Certificate directing the Trustee and/or the Collateral Agent to make such deposit.

Pending the distribution of funds in the First Priority Collateral Account in accordance with the provisions hereof and provided that no Event of Default shall have occurred and be continuing, the Company may direct the Trustee to invest such funds in Cash Equivalents specified in such direction, such investments to mature by the times such funds are needed hereunder, such direction to certify that such funds constitute Cash Equivalents and that no Event of Default shall have occurred and be continuing. *Provided* that no Event of Default shall have occurred and be continuing, the Company may direct the Trustee to sell, liquidate or cause the redemption of any such investments, such direction to certify that no Event of Default shall have occurred and be continuing. Any gain or income on any investment of funds in the First Priority Collateral Account may be used by the Company for purposes permitted by this Indenture. The Trustee shall have no liability for any loss incurred in connection with any investment or any sale, liquidation or redemption thereof made in accordance with the provisions of this Section 12.09.

SECTION 12.10. The Collateral Agent

(a) The Trustee may, from time to time, appoint a Collateral Agent hereunder. The Collateral Agent may be delegated any one or more of the duties or rights of the Trustee hereunder or under the Collateral Documents or the Intercreditor Agreement. The Collateral Agent shall be a Person who would be eligible to act as Trustee under this Indenture. The Collateral Agent shall have the rights and duties as may be specified in an agreement between the Trustee and such Collateral Agent. The Trustee shall be the initial Collateral Agent. Neither the Collateral Agent nor any of its respective officers, directors, employees or agents shall be liable for failure to demand, collect or realize upon any of the Collateral or for any delay in doing so or shall be under any obligation to sell or otherwise dispose of any Collateral upon the request of any other Person or to take any other action whatsoever with regard to the Collateral or any part thereof. The powers conferred on the Collateral Agent hereunder are solely to protect the Collateral Agent's interest in the Collateral and shall not impose any duty upon the Collateral Agent to exercise any such powers. The Collateral Agent shall be accountable only for amounts that it actually receives as a result of the exercise of such powers, and neither the Collateral Agent nor any of its officers, directors, employees or agents shall be responsible for any act or failure to act under this Indenture or the Collateral Documents, except for its own gross negligence or willful misconduct.

(b) The Trustee and the Collateral Agent are authorized and directed to (i) enter into the Collateral Documents and the Intercreditor Agreement, (ii) bind the Holders on the terms as set forth therein and (iii) perform and observe their obligations under the Collateral Documents and the Intercreditor Agreement.

(c) The Collateral Agent is authorized to enter into successor agreements to the Collateral Documents and the Intercreditor Agreement as provided in such documents and in this Indenture.

(d) The Collateral Agent shall be entitled to indemnity and compensation as provided in Section 7.07 hereof.

SECTION 12.11. Replacement of the Collateral Agent

A resignation or removal of the Collateral Agent and appointment of a successor Collateral Agent will become effective only upon the successor Collateral Agent's acceptance of appointment as provided in this Section 12.11.

(b) The Collateral Agent may resign in writing at any time and be discharged from the trust hereby created by so notifying the Company. The Holders of a majority in aggregate principal amount of the then outstanding Notes may remove the Collateral Agent by so notifying the Trustee and the Company in writing. The Company may remove the Collateral Agent if:

(i) the Collateral Agent fails to be eligible to act as such pursuant to Section 12.10 hereof;

(ii) the Collateral Agent is adjudged a bankrupt or an insolvent or an order for relief is entered with respect to the Collateral Agent under the Bankruptcy Code;

(iii) a custodian or public officer takes charge of the Collateral Agent or its property;

(iv) in order to appoint a successor Collateral Agent in connection with the incurrence of Permitted Refinancing Indebtedness with respect to more than 50% of aggregate principal amount of Notes then outstanding; or

(v) the Collateral Agent becomes incapable of acting as a collateral agent.

(c) If the Collateral Agent resigns or is removed or if a vacancy exists in the office of Collateral Agent for any reason, the Company will promptly appoint a successor Collateral Agent. Within one year after the successor Collateral Agent takes office, the Holders of a majority in aggregate principal amount of the then outstanding Notes may appoint a successor Collateral to replace the successor Collateral Agent appointed by the Company.

(d) If a successor Collateral Agent does not take office within 30 days after the retiring Collateral Agent resigns or is removed, the retiring Collateral Agent, the Company, or the holders of at least 10% in aggregate principal amount of the then outstanding Notes may petition any court of competent jurisdiction for the appointment of a successor Collateral Agent.

(e) If the Collateral Agent, after written request by any Holder who has been a Holder for at least six months, fails to be eligible to act as a Collateral Agent pursuant to Section 12.10 hereof, such Holder may petition any court of competent jurisdiction for the removal of the Collateral Agent and the appointment of a successor Collateral Agent.

(f) A successor Collateral Agent shall deliver a written acceptance of its appointment to the retiring Collateral Agent and to the Company. Thereupon, the resignation or removal of the retiring Collateral Agent will become effective, and the successor Collateral Agent will have all the rights, powers and duties of the Collateral Agent under this Indenture. The successor Collateral Agent shall mail a notice of its succession to Holders. The retiring Collateral Agent will promptly transfer all property held by it as Collateral Agent to the successor Trustee and execute and deliver any Supplemental Indentures, modifications of the Intercreditor Agreement, Collateral Documents and other documents as are necessary to evidence such succession.

ARTICLE 13

MISCELLANEOUS

SECTION 13.01. Trust Indenture Act Controls

If any provision hereof limits, qualifies or conflicts with a provision of the Trust Indenture Act which is required under such Act to be a part of and govern this Indenture, the latter provision shall control. If any provision of this Indenture modifies any provision of the Trust Indenture Act which may be so modified, the latter provision shall be deemed to apply to this Indenture as so modified. If any provision of this Indenture excludes any provision of the TIA which may be so excluded, the latter provision shall be deemed to be so excluded from this Indenture.

SECTION 13.02. Notices

Any notice or communication to the Company, any Guarantor or the Trustee to each other shall be in writing (which may be a facsimile, receipt confirmed) and delivered in person, by facsimile transmission, by overnight courier guaranteeing next day delivery or mailed by first class mail addressed as follows:

If to the Company or any Guarantor:

Unifi, Inc.
7201 West Friendly Avenue
Greensboro, NC 27410
Attn: Charles McCoy, Esq.
Fax: (336) 856-4364

With a copy to:

Paul, Weiss, Rifkind, Wharton & Garrison LLP
1285 Avenue of the Americas
New York, NY 10019
Attention: Lawrence G. Wee
Facsimile: (212) 757-3990

If to the Trustee:

U.S Bank National Association
60 Livingston Avenue
St. Paul, MN 55107
Attention: Richard Prokosch
Facsimile: 651-495-8097
Re: Unifi, Inc.

The Company, any Guarantor or the Trustee, by notice to the other may designate additional or different addresses for subsequent notices or communications.

All notices and communications (other than those sent to Holders) shall be deemed to have been duly given: when received, if personally delivered; five Business Days after being deposited in the mail, postage prepaid, if mailed; when receipt acknowledged, if transmitted by facsimile; and the next

Business Day after timely delivery to the courier, if sent by overnight air courier guaranteeing next day delivery.

Any notice or communication to a Holder shall be mailed by first class mail or by overnight air courier guaranteeing next day delivery to its address shown on the register kept by the Registrar. Any notice or communication shall also be so mailed to any Person described in TIA § 313(c), to the extent required by the TIA. Failure to mail a notice or communication to a Holder or any defect in it shall not affect its sufficiency with respect to other Holders.

If the Company mails a notice or communication to Holders, it shall mail a copy to the Trustee and each Agent at the same time.

SECTION 13.03. Communication by Holders of Notes with Other Holders of Notes

Holders may communicate pursuant to TIA § 312(b) with other Holders with respect to their rights under this Indenture or the Notes. The Company, the Trustee, the Registrar and anyone else shall have the protection of TIA § 312(c).

SECTION 13.04. Certificate and Opinion as to Conditions Precedent

Upon any request or application by the Company to the Trustee to take any action under this Indenture, the Company shall furnish to the Trustee:

(a) an Officer's Certificate (which shall include the statements set forth in Section 13.05) stating that, in the opinion of the signer, all conditions precedent (including any covenants compliance with which constitutes a condition precedent) provided for in this Indenture relating to the proposed action have been satisfied; and

(b) an Opinion of Counsel (which shall include the statements set forth in Section 13.05) stating that, in the opinion of such counsel, all such conditions precedent (including any covenants compliance with which constitutes a condition precedent) have been satisfied.

In any case where several matters are required to be certified by, or covered by an opinion of, any specified Person, it is not necessary that all such matters be certified by, or covered by the opinion of, only one such Person, or that they be so certified or covered by only one document, but one such Person may certify or give an opinion with respect to some matters and one or more other such eligible and qualified Persons as to other matters, and any such Person may certify or given an opinion as to such matters in one or several documents.

Any certificate or opinion of an Officer of the Company may be based, insofar as it related to legal matters, upon a certificate or opinion of, or representations by, counsel, unless such Officer knows, or in the exercise of reasonable care should know, that the certificate or opinion or representations with respect to the matters upon which his certificate or opinion is based are erroneous. Any certificate or Opinion of Counsel may be based, insofar as it relates to factual matters, upon a certificate or opinion of, or representations by, an officer or officers of the Company stating the information on which counsel is relying unless such counsel knows, or in the exercise of reasonable care should know, that the certificate or opinion or representations with respect to such matters are erroneous.

Where any Person is required to make, give or execute two or more applications, requests, consents, certificates, statements, opinions or other instruments under this Indenture, they may, but need not, be consolidated and form one instrument.

SECTION 13.05. Statements Required in Certificate or Opinion

Each certificate or opinion with respect to compliance with a condition or covenant provided for in this Indenture (other than a certificate provided pursuant to TIA § 314(a)(4)) shall comply with the provisions of TIA § 314(e) and shall include:

(a) a statement that the person(s) making such certificate or opinion has read such covenant or condition;

(b) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate or opinion are based;

(c) a statement that, in the opinion of such person, he or she has or they have made such examination or investigation as is necessary to enable such person or persons to express an informed opinion as to whether or not such covenant or condition has been satisfied; and

(d) a statement as to whether or not, in the opinion of such persons, such condition or covenant has been satisfied.

SECTION 13.06. Rules by Trustee and Agents

The Trustee may make reasonable rules for action by or at a meeting of Holders. The Registrar or Paying Agent may make reasonable rules and set reasonable requirements for its functions.

SECTION 13.07. No Personal Liability of Directors, Officers, Employees and Stockholders

No director, officer, employee, incorporator, member, manager, general or limited partner or stockholder of the Company or any Guarantor, as such, shall have any liability for any obligations of the Company or the Guarantors under the Notes, this Indenture, the Subsidiary Guarantees, the Collateral Documents, the Registration Rights Agreement, the Intercreditor Agreement or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Holder of Notes by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Notes. The waiver may not be effective to waive liabilities under the federal securities laws.

SECTION 13.08. Governing Law

THIS INDENTURE, THE SUBSIDIARY GUARANTEES AND THE NOTES SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK WITHOUT REFERENCE TO CONFLICTS OF LAWS PRINCIPLES THEREOF THAT WOULD INDICATE THE APPLICABILITY OF THE LAWS OF ANY OTHER JURISDICTION.

SECTION 13.09. No Adverse Interpretation of Other Agreements

This Indenture may not be used to interpret any other indenture, loan or debt agreement of the Company or its Subsidiaries or of any other Person. Any such indenture, loan or debt agreement may not be used to interpret this Indenture.

SECTION 13.10. Successors

All agreements of the Company in this Indenture and the Notes shall bind its successors. All agreements of the Trustee in this Indenture shall bind its successors. All agreements of each Guarantor in this Indenture will bind its successors, except as otherwise provided in Section 10.04.

SECTION 13.11. Severability

In case any provision in this Indenture or in the Notes shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby to the extent permitted by applicable law.

SECTION 13.12. Counterpart Originals

The parties may sign any number of copies of this Indenture. Each signed copy shall be an original, but all of them together represent the same agreement.

SECTION 13.13. Table of Contents, Headings, etc.

The Table of Contents, Cross-Reference Table and Headings of the Articles and Sections of this Indenture have been inserted for convenience of reference only, are not to be considered a part of this Indenture and shall in no way modify or restrict any of the terms or provisions hereof.

SECTION 13.14. Benefits of Indenture

Nothing in this Indenture or in the Notes, express or implied, shall give to any Person, other than the parties hereto and their successors hereunder, the Collateral Agent and its successors hereunder and the Holders, any benefit or any legal or equitable right, remedy or claim under this Indenture, except as may otherwise be provided pursuant to this Indenture with respect to such Notes.

SECTION 13.15. Legal Holidays

In any case where any interest payment date, redemption date or maturity of any Note, or any date on which a Holder has the right to convert his Note, shall not be a Business Day at any place of payment, then (notwithstanding any other provision of this Indenture or of the Notes (other than a provision of any Note which specifically states that such provision shall apply in lieu of this Section 13.15)) payment of interest or principal (and premium, if any), or conversion of such Note need not be made at such place of payment on such date, but may be made on the next succeeding Business Day at such place of payment with the same force and effect as if made on the interest payment date or redemption date, or at the maturity, or on such date for conversion, as the case may be, and no interest shall accrue on such payment for the intervening period.

SECTION 13.16. Conflicts

In the event of any conflict between (a) this Indenture (on the one hand) and (b) the Intercreditor Agreement and the Collateral Documents (on the other hand), the provisions of the Intercreditor Agreement and the Collateral Documents shall control unless such compliance would violate the TIA.

[Signatures on following page]

IN WITNESS WHEREOF, the parties hereto have executed this Indenture this 26th of May 2006.

UNIFI, INC.

By: CHARLES F. MCCOY
Name: Charles F. McCoy
Title: Vice President

UNIFI MANUFACTURING VIRGINIA, LLC

By: Unifi, Inc., as member

By CHARLES F. MCCOY
Name: Charles F. McCoy
Title: Vice President

By: Unifi Manufacturing, Inc., as member

By CHARLES F. MCCOY
Name: Charles F. McCoy
Title: Vice President

UNIFI MANUFACTURING, INC.

By CHARLES F. MCCOY
Name: Charles F. McCoy
Title: Vice President

UNIFI EXPORT SALES, LLC

By: Unifi, Inc., as member

By CHARLES F. MCCOY
Name: Charles F. McCoy
Title: Vice President

By: Unifi Manufacturing, Inc., as member

By CHARLES F. MCCOY
Name: Charles F. McCoy
Title: Vice President

UNIFI SALES & DISTRIBUTION, INC.

By CHARLES F. MCCOY
Name: Charles F. McCoy
Title: Vice President

UNIFI INTERNATIONAL SERVICE, INC.

By CHARLES F. MCCOY
Name: Charles F. McCoy
Title: Vice President

GLENTOUCH YARN COMPANY, LLC

By CHARLES F. MCCOY
Name: Charles F. McCoy
Title: Vice President

SPANCO INDUSTRIES, INC.

By CHARLES F. MCCOY
Name: Charles F. McCoy
Title: Vice President

SPANCO INTERNATIONAL, INC.

By CHARLES F. MCCOY
Name: Charles F. McCoy
Title: Vice President

UNIFI KINSTON, LLC

By: Unifi Manufacturing, Inc. as sole member

By CHARLES F. MCCOY
Name: Charles F. McCoy
Title: Vice President

UNIFI TEXTURED POLYESTER, LLC

By CHARLES F. MCCOY
Name: Charles F. McCoy
Title: Vice President

UNIFI TECHNICAL FABRICS, LLC

By CHARLES F. MCCOY
Name: Charles F. McCoy
Title: Vice President

CHARLOTTE TECHNOLOGY GROUP, INC.

By CHARLES F. MCCOY
Name: Charles F. McCoy
Title: Vice President

UTG SHARED SERVICES, INC.

By CHARLES F. MCCOY
Name: Charles F. McCoy
Title: Vice President

UNIMATRIX AMERICAS, LLC

By CHARLES F. MCCOY
Name: Charles F. McCoy
Title: Vice President

U.S. BANK NATIONAL ASSOCIATION, as Trustee

By: R PROKOSCH
Name: Richard Prokosch
Title: Vice President

EXHIBIT A

[*Insert the Global Note Legend, if applicable, pursuant to the provisions of the Indenture*]

[*Insert the Private Placement Legend, if applicable, pursuant to the provisions of the Indenture*]

[Insert OID legend, if applicable, pursuant to the provisions of the Indenture]

CUSIP No.
ISIN No.

No. _____

[Face of Note]

11 1/2% Senior Secured Notes due 2014

Principal amount $_____

UNIFI, INC.

Unifi, Inc., a New York corporation, promises to pay to _____, or registered assigns, the principal sum of _____ Dollars on _____, 2014 [or such greater or lesser amount as may be indicated on Schedule A hereto][1].

Interest Payment Dates: May 15 and November 15, commencing _____, ____

Record Dates: May 1 and November 1

Additional provisions of this Note are set forth on the other side of this Note.

[1] If this Note is a Global Note, include this provision.

Dated:

UNIFI, INC.

By: _____
Name:
Title:

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This is one of the [Global] Notes referred to in the within-mentioned Indenture:

U.S. BANK NATIONAL ASSOCIATION,
as Trustee

By: _____
Authorized Signatory

[FORM OF REVERSE OF NOTES]

11 1/2% Senior Secured Notes due 2014

Capitalized terms used herein shall have the meanings assigned to them in the Indenture referred to below unless otherwise indicated.

(1) Interest. Unifi, Inc., a New York corporation (the "Company"), promises to pay interest on the principal amount of this Note at 11 1/2% per annum from May 26, 2006 until maturity and shall pay the Additional Interest, if any, payable pursuant to the Registration Rights Agreement. The Company shall pay interest and Additional Interest, if any, semi-annually in arrears on May 15 and November 15 of each such year, commencing on November 15, 2006, or if any such day is not a Business Day, on the next succeeding Business Day (each an "Interest Payment Date"). Interest on the Notes shall accrue from the most recent date to which interest has been paid or, if no interest has been paid, from the date of issuance[; provided that if this Note is authenticated between a record date referred to on the face hereof and the next succeeding Interest Payment Date, interest shall accrue from such next succeeding Interest Payment Date; provided, further, that the first Interest Payment Date shall be the first of May 15 or November 15 to occur after the date of issuance, unless such May 15 or November 15 occurs within one calendar month of such date of issuance, in which case the first Interest Payment Date shall be the second of May 15 or November 15 to occur after the date of issuance][1]. Interest shall be computed on the basis of a 360-day year of twelve 30-day months.

(2) Method of Payment. The Company shall pay interest on the Notes (except defaulted interest) and Additional Interest, if any, to the Persons who are registered Holders of Notes at the close of business on the May 1 or November 1 next preceding the Interest Payment Date (each, a "Record Date"), even if such Notes are canceled after such Record Date and on or before such Interest Payment Date, except as provided in Section 2.13 of the Indenture with respect to defaulted interest. The Notes shall be payable as to principal of or premium, if any, Additional Interest, if any, or interest at the office or agency of the Paying Agent and Registrar maintained for such purpose within or without the City and State of New York (which initially shall be the office of the Trustee), or, at the option of the Company, payment of interest and Additional Interest, if any, may be made by check mailed to the Holders at their addresses set forth in the register of Holders; provided that payment by wire transfer of immediately available funds shall be required with respect to principal of or premium, if any, Additional Interest, if any, or interest on, the Global Notes and all other Notes the Holders of which shall have provided wire transfer instructions to the Company or the Paying Agent prior to the applicable Record Date. Such payment shall be in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts.

(3) Paying Agent and Registrar. Initially, U.S. Bank National Association, the Trustee under the Indenture (as defined below), shall act as Paying Agent and Registrar. The Company may change any Paying Agent or Registrar without notice to any Holder. The Company or any of its Subsidiaries may act in any such capacity.

(4) Indenture. The Company issued the Notes under the Indenture, dated as of May 26, 2006 ("Indenture"), by and among the Company, the subsidiary guarantors party thereto and the Trustee. The terms of the Notes include those stated in the Indenture and those made part of the Indenture by reference to the Trust Indenture Act of 1939 (the "TIA"). The Notes are subject to all such terms, and

[1] Insert if Notes are Additional Notes.

Holders are referred to the Indenture and TIA for a statement of such terms. To the extent any provision of this Note conflicts with the express provisions of the Indenture, the provisions of the Indenture shall govern and be controlling. The Notes are senior secured obligations of the Company, of which $190,000,000 in aggregate principal amount were issued on other Issue Date. Subject to compliance with Section 2.15 of the Indenture, the Company is permitted to issue Additional Notes under the Indenture in an unlimited principal amount. Any such Additional Notes that are actually issued shall be treated as issued and outstanding Notes (and as the same class as the Initial Notes) for all purposes of the Indenture, except as otherwise provided under Section 2.16 of the Indenture and unless the context clearly indicates otherwise.

(5) Guarantees. This Note is guaranteed by the Guarantors in the Indenture to the extent provided in the Indenture.

(6) Optional Redemption.

(a) Except as set forth in clause (b) of this Paragraph 6, the Company shall not have the option to redeem the Notes pursuant to Section 3.07 of the Indenture prior to May 15, 2010. On and after such date, the Company shall have the option to redeem the Notes, in whole or in part, at the redemption prices (expressed as percentages of principal amount) set forth below plus accrued and unpaid interest and Additional Interest thereon, if any, on the Notes redeemed to, but excluding, the applicable redemption date, if redeemed during the twelve-month period beginning on May 15 of the years indicated below:

YEAR	Percentage
2010	105.750%
2011	102.875%
2012 and thereafter	100.000%

If the redemption date is on or after an interest payment Record Date and on or before the related Interest Payment Date, the accrued and unpaid interest and Additional Interest, if any, will be paid to the Holder in whose name the Note is registered at the close of business on such Record Date, and no additional interest or Additional Interest, if any, will be payable to Holders whose Notes will be subject to redemption by the Company.

(b) Notwithstanding the provisions of clause (a) of this Paragraph 6, at any time prior to May 15, 2009 the Company may, on any one or more occasions, redeem up to 35% of the aggregate principal amount of Notes (without duplication for Exchange Notes issued in exchange for Notes issued under the Indenture) issued under the Indenture (including Additional Notes) on any Business Day, at a redemption price equal to 111.50% of the principal amount thereof, plus accrued and unpaid Additional Interest, if any, to, but excluding, the redemption date, with the net cash proceeds of one or more Equity Offerings; provided that (1) at least 65% of the aggregate principal amount of Notes (without duplication for Exchange Notes issued in exchange for Notes issued under the Indenture) issued under the Indenture (excluding Notes held by the Company and its Subsidiaries but including Additional Notes) remains outstanding immediately after the occurrence of such redemption; and (2) the redemption occurs within 90 days of the date of the closing of such Equity Offering.

(c) On and after the redemption date, interest shall cease to accrue on Notes or portions thereof called for redemption.

(7) Repurchase at Option of Holder.

(a) If a Change of Control occurs, the Company shall be required to make an offer to each Holder of Notes to repurchase all or any part (equal to $1,000 or an integral multiple thereof) of such Holder's Notes on the terms set forth in the Indenture (the "Change of Control Offer") at an offer price in cash equal to 101% of the aggregate principal amount thereof plus accrued and unpaid interest and Additional Interest, if any, thereon to, but excluding, the date of purchase. No later than 20 days following any Change of Control, the Company shall mail a notice to each Holder setting forth the procedures governing the Change of Control Offer and certain other terms of the Change of Control Offer as required by the Indenture.

(b) (i) No later than the 365th day after any Asset Sale of Collateral by the Company or any Guarantor or the deposit into the applicable Collateral Account of the Net Proceeds from a Recovery Event (or, at the Company's option, such earlier date as it may choose), if the aggregate amount of Excess Collateral Proceeds exceeds $10.0 million, the Company shall make an offer (a "Collateral Sale Offer") to all Holders of Notes to purchase the maximum principal amount of Notes to which the Collateral Sale Offer applies that may be purchased out of the Excess Collateral Proceeds. The offer price in any Collateral Sale Offer shall be equal to 100% of the principal amount of the Notes, plus accrued and unpaid interest and Additional Interest, if any, to, but excluding, the date of purchase, and shall be payable in cash, in each case, in integral multiples of $1,000; *provided, however*, that to the extent the Excess Collateral Proceeds relate to Asset Sales of Second Priority Collateral, the Company may, prior to making a Collateral Sale Offer, make a prepayment with respect to Indebtedness that is secured by such Second Priority Collateral on a first-priority basis that may be prepaid out of such Excess Collateral Proceeds, at a price in cash in an amount equal to 100% of the principal amount of such Indebtedness, plus accrued and unpaid interest to the date of prepayment, with any Excess Collateral Proceeds not used to prepay such Indebtedness offered to Holders of Notes in accordance with this paragraph. If any Excess Collateral Proceeds remain after consummation of a Collateral Sale Offer, the Company may use those Excess Collateral Proceeds for any purpose not otherwise prohibited by the Indenture. If the aggregate principal amount of Notes tendered in such Collateral Sale Offer exceeds the amount of Excess Collateral Proceeds, the portion of each Note to be purchased shall be determined by the Trustee on a pro rata basis among the Holders of such Notes with appropriate adjustments such that the Notes may only be purchased in integral multiples of $1,000. Upon completion of each Collateral Sale Offer or other application of Excess Collateral Proceeds pursuant to the Indenture, the amount of Excess Proceeds shall be reset at zero.

(ii) No later than the 365th day after any Asset Sale (other than an Asset Sale of Collateral) (or, at the Company's option, such earlier date as it may choose), if the aggregate amount of Excess Proceeds exceeds $10.0 million, the Company shall make an offer (an "Asset Sale Offer") to all Holders of Notes and all holders of other Indebtedness that is *pari passu* in right of payment with the Notes containing provisions similar to those set forth in the Indenture with respect to offers to purchase or redeem with the proceeds of sales of assets to purchase the maximum principal amount of Notes and such other *pari passu* Indebtedness that may be purchased out of the Excess Proceeds. The offer price in any Asset Sale Offer will be equal to 100% of the principal amount (or accreted value, as applicable) of the Notes and such other *pari passu* Indebtedness, plus accrued and unpaid interest and Additional Interest (or its equivalent with respect to any such *pari passu* Indebtedness), if any, to, but excluding, the date of purchase, and will be payable in cash, in each case, in integral multiples of $1,000. If any Excess Proceeds remain after consummation of an Asset Sale Offer, the Company may use those Excess Proceeds for any purpose not otherwise prohibited by the Indenture. If the aggregate principal amount of Notes and other *pari passu* Indebtedness tendered in such Asset Sale Offer exceeds the amount of Excess Proceeds, the Excess Proceeds will be allocated by the Company to the Notes and such other *pari passu* Indebtedness on a pro rata basis (based upon the respective principal amounts (or accreted value, if applicable) of the Notes and such other *pari passu* Indebtedness tendered in such Asset Sale Offer) and the portion of each Note to be purchased will thereafter be determined by the Trustee on a pro rata basis

among the Holders of such Notes with appropriate adjustments such that the Notes may only be purchased in integral multiples of $1,000. Upon completion of each Asset Sale Offer, the amount of Excess Proceeds will be reset at zero.

(8) Notice of Redemption. Notices of redemption shall be mailed at least 30 days but not more than 60 days before the redemption date to each Holder whose Notes are to be redeemed at its registered address, except that redemption notices may be mailed more than 60 days prior to a redemption date if the notice is issued in connection with a defeasance of the Notes or a satisfaction and discharge of the Indenture. Notes in denominations no less than $2,000 may be redeemed in part but only in whole multiples of $1,000, unless all of the Notes held by a Holder are to be redeemed.

(9) Denominations, Transfer, Exchange. The Notes are in registered form without coupons in minimum denominations of $2,000 in aggregate principal amount and integral multiples of $1,000 in excess thereof. The transfer of Notes may be registered and Notes may be exchanged as provided in the Indenture. The Registrar and the Trustee may require a Holder, among other things, to furnish appropriate endorsements and transfer documents and the Company may require a Holder to pay any taxes and fees required by law or permitted by the Indenture. Neither the Company nor the Registrar need exchange or register the transfer of any Note or portion of a Note selected for redemption, except for the unredeemed portion of any Note being redeemed in part. Also, neither the Company nor the Registrar need exchange or register the transfer of any Notes for a period of 15 Business Days before a selection of Notes to be redeemed. No service charge shall be made for any such registration of transfer or exchange, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith, subject to certain exceptions.

(10) Persons Deemed Owners. The registered Holder of a Note may be treated as its owner for all purposes.

(11) Amendment, Supplement and Waiver. Subject to certain exceptions, the Indenture, the Subsidiary Guarantees, the Collateral Documents, the Intercreditor Agreement or the Notes may be amended or supplemented with the consent of the Holders of at least a majority in principal amount of the then outstanding Notes voting as a single class, and any existing Default or Event of Default or compliance with any provision of the Indenture, the Subsidiary Guarantees, the Collateral Documents, the Intercreditor Agreement or the Notes (other than a Default or Event of Default in the payment of the principal of or premium, if any, Additional Interest, if any, or interest on the Notes) may be waived with the consent of the Holders of a majority in principal amount of the then outstanding Notes voting as a single class. Without the consent of any Holder of a Note, and subject to the terms and provisions of the Intercreditor Agreement, the Indenture, the Subsidiary Guarantees, the Collateral Documents, the Intercreditor Agreement or the Notes may be amended or supplemented to: cure any ambiguity, defect or inconsistency; provide for uncertificated Notes in addition to or in place of certificated Notes; provide for the assumption of the Company's or a Guarantor's obligations to Holders of Notes and Subsidiary Guarantees in the case of a merger or consolidation or sale of all or substantially all of the Company's or such Guarantor's assets, as applicable; make any change that would provide any additional rights or benefits to the Holders of Notes or that does not adversely affect the legal rights of any such Holder under the Indenture, the Notes, the Subsidiary Guarantees, the Collateral Documents or the Intercreditor Agreement; provide for the issuance of Additional Notes and Exchange Notes in accordance with the provisions set forth in the Indenture; evidence and provide for the acceptance of an appointment of a successor trustee; conform the text of the Indenture, the Subsidiary Guarantees, the Notes, the Collateral Documents or the Intercreditor Agreement to any provision of the Description of the Notes in the Offering Memorandum to the extent that such provision in the Description of the Notes was intended to be a verbatim recitation of a provision of the Indenture, the Subsidiary Guarantees, the Notes, the Collateral Documents or the Intercreditor Agreement; release a Guarantor from its obligations under its

Subsidiary Guarantee, the Notes or the Indenture in accordance with the applicable provisions of the Indenture; add Subsidiary Guarantees with respect to the Notes; add additional Collateral to secure the Notes; release Liens in favor of the Collateral Agent in the Collateral as provided in Section 12.07 of the Indenture; comply with requirements of the Commission in order to effect or maintain the qualification of the Indenture under the TIA; to comply with the rules of any applicable securities depositary; to provide, in accordance with the provisions of the Intercreditor Agreement, for the amendment or supplement of the Collateral Documents or the Intercreditor Agreement with respect to Second Priority Collateral in order to reflect conforming amendments or supplements made to the security documents evidencing the Liens securing the Credit Agreement; or to provide for the accession or succession of any parties to the Collateral Documents or the Intercreditor Agreement (and other amendments that are administrative or ministerial in nature) in connection with an amendment, renewal, extension, substitution, refinancing, restructuring, replacement, supplementing or other modification from time to time of a Credit Agreement or any other agreement or action that is not prohibited by the Indenture.

In addition, without the consent of any Holder of Notes, any amendment, waiver or consent agreed to by the Administrative Agent under the Credit Agreement (or by the requisite lenders thereunder) in accordance with the Intercreditor Agreement under any provision of the security documents granting the first-priority lien on any Second-Priority Collateral will automatically apply to the comparable provisions of the comparable Collateral Documents entered into in connection with the Notes.

(12) Events of Default. Events of Default include (1) default for 30 days in the payment when due of interest on, or Additional Interest, if any, with respect to, the Notes; (2) default in the payment when due (at maturity, upon redemption or otherwise) of the principal of, or premium, if any, on, the Notes; (3) failure by the Company or any of its Restricted Subsidiaries to comply with the provisions of Section 5.01 of the Indenture; (4) failure by the Company or any of its Restricted Subsidiaries for 30 days after notice to the Company by the Trustee or the Holders of at least 25% in aggregate principal amount of the Notes then outstanding to comply with (a) the provisions of Section 4.03, 4.07, 4.08, 4.09, 4.10, 4.11, 4.12, 4.13, 4.15, 4.16, 4.17, 4.18 or 10.03 of the Indenture; or (b) any of its obligations under the Collateral Documents; (5) failure by the Company or any of its Restricted Subsidiaries for 60 days after notice to the Company by the Trustee or the Holders of at least 25% in aggregate principal amount of the Notes then outstanding to comply with any of the other covenants or agreements in the Indenture; (6) default under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any Indebtedness of the Company or any of its Restricted Subsidiaries (or the payment of which is guaranteed by the Company or any of its Restricted Subsidiaries), whether such Indebtedness or Guarantee now exists or is created after the Issue Date, if that default: (a) is caused by a failure to pay principal of or interest or premium, if any, on such Indebtedness prior to the expiration of the grace period provided in such Indebtedness (a "Payment Default"); or (b) results in the acceleration of such Indebtedness prior to its Stated Maturity, and, in each case, the principal amount of any such Indebtedness, together with the principal amount of any other such Indebtedness under which there has been a Payment Default or the maturity of which has been so accelerated, aggregates $10.0 million or more; (7) failure by the Company or any of its Restricted Subsidiaries to pay final judgments entered by a court or courts of competent jurisdiction (not subject to appeal) aggregating in excess of $10.0 million (net of any amounts which are bonded or which a reputable and creditworthy insurance company has acknowledged liability for in writing), which judgments are not paid, discharged or stayed for a period of 60 days after the date on which the right to appeal has expired; (8) except as permitted by the Indenture, any Subsidiary Guarantee shall be held in any judicial proceeding before a court of competent jurisdiction to be unenforceable or invalid or shall cease for any reason to be in full force and effect, or the Company or any Guarantor, or any Person acting on behalf of the Company or any Guarantor, shall deny or disaffirm its obligations under its Subsidiary Guarantee to which it is a party; (9) certain events of bankruptcy or insolvency with respect to the Company or any of its Significant Subsidiaries or any group of Restricted Subsidiaries that, taken as a whole, would constitute a Significant Subsidiary, and (10) with

respect to any Collateral having a fair market value in excess of $10.0 million, individually or in the aggregate, (A) the security interest under the Collateral Documents, at any time, ceases to be in full force and effect for any reason other than in accordance with the terms of the Indenture, the Collateral Documents or the Intercreditor Agreement, (B) any security interest created thereunder or under the Indenture is declared invalid or unenforceable by a court of competent jurisdiction or (C) the Company or any Guarantor asserts, in any pleading in any court of competent jurisdiction, that any such security interest is invalid or unenforceable.

If any Event of Default (other than an Event of Default described in clause (9) of this Section 12) occurs and is continuing, the Trustee or the Holders of at least 25% in aggregate principal amount of the then outstanding Notes, by notice in writing to the Trustee, may declare all the Notes to be due and payable. Notwithstanding the foregoing, in the case of an Event of Default arising from certain events of bankruptcy or insolvency as described in clause (9) of this Section 12, all outstanding Notes shall become due and payable immediately without further action or notice. Holders may not enforce the Indenture or the Notes except as provided in the Indenture. Subject to certain limitations, Holders of a majority in principal amount of the then outstanding Notes may direct the Trustee in its exercise of any trust or power. The Trustee may withhold from Holders of the Notes notice of any continuing Default or Event of Default (except a Default or Event of Default relating to the payment of principal or interest) if it determines that withholding notice is in their interest. The Holders of a majority in aggregate principal amount of the Notes then outstanding by notice to the Trustee may on behalf of the Holders of all of the Notes waive any existing Default or Event of Default and its consequences under the Indenture or compliance with any provision of the Indenture, except a continuing Default or Event of Default in the payment of interest or Additional Interest on, or the principal of, the Notes. The Company is required to deliver to the Trustee annually a statement regarding compliance with the Indenture, and the Company is required within 10 Business Days upon becoming aware of any Event of Default, to deliver to the Trustee a statement specifying such Event of Default and certain other matters related thereto, unless such Event of Default has been previously cured or waived.

(13) Trustee Dealings with Company. The Trustee, in its individual or any other capacity, may make loans to, accept deposits from, and perform services for the Company or its Affiliates, and may otherwise deal with the Company or its Affiliates, as if it were not the Trustee.

(14) No Recourse Against Others. No director, officer, employee, incorporator, member, manager, general or limited partner or stockholder of the Company or any Guarantor, as such, will have any liability for any obligations of the Company or the Guarantors under the Notes, the Indenture, the Subsidiary Guarantees, the Collateral Documents, the Registration Rights Agreement, the Intercreditor Agreement or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Holder of Notes by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for the issuance of the Notes.

(15) Authentication. This Note shall not be valid until authenticated by the manual signature of the Trustee or an Authenticating Agent.

(16) Abbreviations. Customary abbreviations may be used in the name of a Holder or an assignee, such as: TEN COM (= tenants in common), TEN ENT (= tenants by the entireties), JT TEN (= joint tenants with rights of survivorship and not as tenants in common), CUST (= Custodian), and U/G/M/A (= Uniform Gifts to Minors Act).

(17) Registration Rights Agreement. In addition to the rights provided to Holders of Notes under the Indenture, Holders of Transfer Restricted Securities (as defined in the Registration Rights Agreement) shall have all the rights set forth in the Registration Rights Agreement.

(18) CUSIP, ISIN or Other Similar Numbers. Pursuant to a recommendation promulgated by the Committee on Uniform Security Identification Procedures, the Company has caused CUSIP, ISIN or other similar numbers to be printed on the Notes and the Trustee may use CUSIP, ISIN or other similar numbers in notices of redemption as a convenience to Holders. No representation is made as to the accuracy of such numbers either as printed on the Notes or as contained in any notice of redemption and reliance may be placed only on the other identification numbers placed thereon.

(19) Security; Intercreditor Agreement. The Company's and the Subsidiary Guarantors' Obligations under this Note, the Indenture, the Subsidiary Guarantees and the Collateral Documents are secured as provided in the Indenture and the Collateral Documents, and the Liens securing such Obligations and the enforcement thereof are subject to the Intercreditor Agreement.

(20) Governing Law. This Note shall be governed by and construed in accordance with the laws of the State of New York without reference to conflicts of laws principles thereof that would indicate the applicability of the laws of any other jurisdiction.

ASSIGNMENT FORM

To assign this Note, fill in the form below and have your signature guaranteed: (I) or (we) assign and transfer this Note to

(Insert assignee's soc. sec. or tax I.D. no.)

(Print or type assignee's name, address and zip code)

and irrevocably appoint _____ agent to transfer this Note on the books of the Company. The agent may substitute another to act for him.

Date: _____

Your Name: _____
(Print your name exactly as it appears on the face of this Note)

Your Signature: _____
(Sign exactly as your name appears on the face of this Note)

Signature Guarantee*: _____

* Participant in a recognized Signature Guarantee Medallion Program (or other signature guarantor acceptable to the Trustee).

OPTION OF HOLDER TO ELECT PURCHASE

If you want to elect to have this Note purchased by the Company pursuant to Section 4.10 or 4.15 of the Indenture, check the box below:

☐ Section 4.10 ☐ Section 4.15

If you want to elect to have only part of the Note purchased by the Company pursuant to Section 4.10 or Section 4.15 of the Indenture, state the amount you elect to have purchased:

$ _____

Date: _____ Your Signature: _____

(Sign exactly as your name appears on the face of this Note)

Tax Identification No: _____

Signature Guarantee*:

_____

(*Participant in a Recognized Signature Guarantee Medallion Program or other signature guarantor acceptable to the Trustee)

SCHEDULE OF EXCHANGES OF INTERESTS IN THE GLOBAL NOTE[3]

The following exchanges of a part of this Global Note for an interest in another Global Note or for a Definitive Note, or exchanges of a part of another Global Note or Definitive Note for an interest in this Global Note, have been made:

Date of Exchange	Amount of decrease in Principal Amount of this Global Note	Amount of increase in Principal Amount of this Global Note	Principal Amount of this Global Note following such decrease (or increase)	Signature of authorized officer of Trustee or Note Custodian

[3] If this Note is a Global Note, include this schedule.

EXHIBIT B

FORM OF CERTIFICATE OF TRANSFER

Unifi, Inc.
7201 West Friendly Avenue
Greensboro, NC 27410
Attn: General Counsel
Fax: (336) 856-4364

U.S. Bank National Association
60 Livingston Avenue
St. Paul, MN 55107
Attention: Richard Prokosch
Fax: (651) 495-8097

Re: 11 1/2% Senior Secured Notes due 2014

Reference is hereby made to the Indenture, dated as of May 26, 2006 (the "Indenture"), by and among Unifi, Inc., as issuer (the "Company"), the subsidiary guarantors party thereto and U.S. Bank National Association, as trustee. Capitalized terms used but not defined herein shall have the meanings given to them in the Indenture.

_____, (the "Transferor") owns and proposes to transfer the Note[s] or interest in such Note[s] specified in Annex A hereto, in the principal amount of $_____ in such Note[s] or interests (the "Transfer"), to _____ (the "Transferee"), as further specified in Annex A hereto. In connection with the Transfer, the Transferor hereby certifies that:

1. ☐ CHECK IF TRANSFEREE WILL TAKE DELIVERY OF A BENEFICIAL INTEREST IN THE RULE 144A GLOBAL NOTE OR A DEFINITIVE NOTE PURSUANT TO RULE 144A. The Transfer is being effected pursuant to and in accordance with Rule 144A under the United States Securities Act of 1933, as amended (the "Securities Act"), and, accordingly, the Transferor hereby further certifies that the beneficial interest or Definitive Note is being transferred to a Person that the Transferor reasonably believed and believes is purchasing the beneficial interest or Definitive Note for its own account, or for one or more accounts with respect to which such Person exercises sole investment discretion, and such Person and each such account is a "qualified institutional buyer" within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A and such Transfer is in compliance with any applicable blue sky securities laws of any state of the United States. Upon consummation of the proposed Transfer in accordance with the terms of the Indenture, the transferred beneficial interest or Definitive Note will be subject to the restrictions on transfer enumerated in the Private Placement Legend printed on the Rule 144A Global Note and/or the Definitive Note and in the Indenture and the Securities Act.

2. ☐ CHECK IF TRANSFEREE WILL TAKE DELIVERY OF A BENEFICIAL INTEREST IN THE REGULATION S GLOBAL NOTE OR A DEFINITIVE NOTE PURSUANT TO REGULATION S. The Transfer is being effected pursuant to and in accordance with Regulation S and, accordingly, the Transferor hereby further certifies that (i) the Transfer is not being made to a person in the United States and (x) at the time the buy order was originated, the Transferee was outside the United States or such Transferor and any Person acting on its behalf reasonably believed and believes that the Transferee was outside the United States or (y) the transaction was executed in, on or through the facilities of a designated offshore securities market and neither such Transferor nor any Person acting on its behalf knows that the transaction was prearranged with a buyer in the United States, (ii) no directed selling

efforts have been made in contravention of the requirements of Rule 903(b) or Rule 904(b) of Regulation S and (iii) the transaction is not part of a plan or scheme to evade the registration requirements of the Securities Act, and the transfer is not being made to a U.S. Person or for the account or benefit of a U.S. Person (other than an Initial Purchaser). Upon consummation of the proposed transfer in accordance with the terms of the Indenture, the transferred beneficial interest or Definitive Note will be subject to the restrictions on Transfer enumerated in the Private Placement Legend printed on the Regulation S Global Note and/or the Definitive Note and in the Indenture and the Securities Act.

3. ☐ CHECK AND COMPLETE IF TRANSFEREE WILL TAKE DELIVERY OF A BENEFICIAL INTEREST IN AN IAI GLOBAL NOTE OR A DEFINITIVE NOTE PURSUANT TO ANY PROVISION OF THE SECURITIES ACT OTHER THAN RULE 144A OR REGULATION S. The Transfer is being effected in compliance with the transfer restrictions applicable to beneficial interests in Restricted Global Notes and Restricted Definitive Notes and pursuant to and in accordance with the Securities Act and any applicable blue sky securities laws of any state of the United States, and accordingly the Transferor hereby further certifies that (check one):

(a) ☐ such Transfer is being effected pursuant to and in accordance with Rule 144 under the Securities Act;

or

(b) ☐ such Transfer is being effected to the Company or a subsidiary thereof;

or

(c) ☐ such Transfer is being effected pursuant to an effective registration statement under the Securities Act and in compliance with the prospectus delivery requirements of the Securities Act.

or

(d) ☐ such Transfer is being effected to an Institutional Accredited Investor and pursuant to an exemption from the registration requirements of the Securities Act other than Rule 144A, Rule 144 or Rule 904, and the Transferor hereby further certifies that it has not engaged in any general solicitation within the meaning of Regulation D under the Securities Act and the Transfer complies with the transfer restrictions applicable to beneficial interests in a Restricted Global Note or Restricted Definitive Notes and the requirements of the exemption claimed, which certification is supported by (1) a certificate executed by the Transferee in the form of Exhibit D to the Indenture and (2) an Opinion of Counsel provided by the Transferor or the Transferee (a copy of which the Transferor has attached to this certification), to the effect that such Transfer is exempt from the registration requirements of the Securities Act. Upon consummation of the proposed transfer in accordance with the terms of the Indenture, the transferred beneficial interest or Definitive Note will be subject to the restrictions on transfer enumerated in the Private Placement Legend printed on the IAI Global Note and in the Indenture and the Securities Act.

4. ☐ CHECK IF TRANSFEREE WILL TAKE DELIVERY OF A BENEFICIAL INTEREST IN AN UNRESTRICTED GLOBAL NOTE OR OF AN UNRESTRICTED DEFINITIVE NOTE.

(a) ☐ CHECK IF TRANSFER IS PURSUANT TO RULE 144. (i) The Transfer is being effected pursuant to and in accordance with Rule 144 under the Securities Act and in compliance with the transfer restrictions contained in the Indenture and any applicable blue sky securities laws of any state of the United States and (ii) the restrictions on transfer contained in the Indenture and the Private Placement Legend are not required in order to maintain compliance with the Securities Act. Upon consummation of the proposed Transfer in accordance with the terms of the Indenture, the transferred beneficial interest or Definitive Note will no longer be subject to the restrictions on transfer enumerated in the Private Placement Legend printed on the Restricted Global Notes, on Restricted Definitive Notes and in the Indenture.

(b) ☐ CHECK IF TRANSFER IS PURSUANT TO REGULATION S. (i) The Transfer is being effected pursuant to and in accordance with Rule 903 or Rule 904 under the Securities Act and in compliance with the transfer restrictions contained in the Indenture and any applicable blue sky securities laws of any state of the United States and (ii) the restrictions on transfer contained in the Indenture and the Private Placement Legend are not required in order to maintain compliance with the Securities Act. Upon consummation of the proposed Transfer in accordance with the terms of the Indenture, the transferred beneficial interest or Definitive Note will no longer be subject to the restrictions on transfer enumerated in the Private Placement Legend printed on the Restricted Global Notes, on Restricted Definitive Notes and in the Indenture.

(c) ☐ CHECK IF TRANSFER IS PURSUANT TO OTHER EXEMPTION. (i) The Transfer is being effected pursuant to and in compliance with an exemption from the registration requirements of the Securities Act other than Rule 144, Rule 903 or Rule 904 and in compliance with the transfer restrictions contained in the Indenture and any applicable blue sky securities laws of any State of the United States and (ii) the restrictions on transfer contained in the Indenture and the Private Placement Legend are not required in order to maintain compliance with the Securities Act. Upon consummation of the proposed Transfer in accordance with the terms of the Indenture, the transferred beneficial interest or Definitive Note will not be subject to the restrictions on transfer enumerated in the Private Placement Legend printed on the Restricted Global Notes or Restricted Definitive Notes and in the Indenture.

This certificate and the statements contained herein are made for your benefit and the benefit of the Company.

_____
[Insert Name of Transferor]

By: _____
Name:
Title:

Dated: _____, ____

ANNEX A TO CERTIFICATE OF TRANSFER

1. The Transferor owns and proposes to transfer the following:

[CHECK ONE]

(a) ☐ a beneficial interest in the:
  (i) ☐ Rule 144A Global Note (CUSIP _____); or
  (ii) ☐ Regulation S Global Note (CUSIP _____); or
  (iii) ☐ IAI Global Note (CUSIP_____); or
(b) ☐ a Restricted Definitive Note.

2. After the Transfer the Transferee will hold:

[CHECK ONE]

(a) ☐ a beneficial interest in the:
  (i) ☐ Rule 144A Global Note (CUSIP); or
  (ii) ☐ Regulation S Global Note (CUSIP); or
  (iii) ☐ IAI Global Note (CUSIP _____); or
  (iv) ☐ Unrestricted Global Note (CUSIP); or
(b) ☐ a Restricted Definitive Note; or
(c) ☐ an Unrestricted Definitive Note,

in accordance with the terms of the Indenture.

EXHIBIT C
FORM OF CERTIFICATE OF EXCHANGE

Unifi, Inc.
7201 West Friendly Avenue
Greensboro, NC 27410
Attn: General Counsel
Fax: (336) 856-4364

U.S. Bank National Association
60 Livingston Avenue
St. Paul, MN 55107
Attention: Richard Prokosch
Fax: (651) 495-8097

Re: 11 1/2 % Senior Secured Notes due 2014

(CUSIP _____)

Reference is hereby made to the Indenture, dated as of May 26, 2006 (the "Indenture"), among Unifi, Inc., as issuer (the "Company"), the subsidiary guarantors party thereto and U.S. Bank National Association, as trustee. Capitalized terms used but not defined herein shall have the meanings given to them in the Indenture.

_____, (the "Owner") owns and proposes to exchange the Note[s] or interest in such Note[s] specified herein, in the principal amount of $_____ in such Note[s] or interests (the "Exchange"). In connection with the Exchange, the Owner hereby certifies that:

1. EXCHANGE OF RESTRICTED DEFINITIVE NOTES OR BENEFICIAL INTERESTS IN A RESTRICTED GLOBAL NOTE FOR UNRESTRICTED DEFINITIVE NOTES OR BENEFICIAL INTERESTS IN AN UNRESTRICTED GLOBAL NOTE

(a) ☐ CHECK IF EXCHANGE IS FROM BENEFICIAL INTEREST IN A RESTRICTED GLOBAL NOTE TO BENEFICIAL INTEREST IN AN UNRESTRICTED GLOBAL NOTE. In connection with the Exchange of the Owner's beneficial interest in a Restricted Global Note for a beneficial interest in an Unrestricted Global Note in an equal principal amount, the Owner hereby certifies (i) the beneficial interest is being acquired for the Owner's own account without transfer, (ii) such Exchange has been effected in compliance with the transfer restrictions applicable to the Global Notes and pursuant to and in accordance with the United States Securities Act of 1933, as amended (the "Securities Act"), (iii) the restrictions on transfer contained in the Indenture and the Private Placement Legend are not required in order to maintain compliance with the Securities Act and (iv) the beneficial interest in an Unrestricted Global Note is being acquired in compliance with any applicable blue sky securities laws of any state of the United States.

(b) ☐ CHECK IF EXCHANGE IS FROM BENEFICIAL INTEREST IN A RESTRICTED GLOBAL NOTE TO UNRESTRICTED DEFINITIVE NOTE. In connection with the Exchange of the Owner's beneficial interest in a Restricted Global Note for an Unrestricted Definitive Note, the Owner hereby certifies (i) the Definitive Note is being acquired for the Owner's own account without transfer, (ii) such Exchange has been effected in compliance with the transfer restrictions applicable to the Restricted Global Notes and pursuant to and in accordance with the Securities Act, (iii)

the restrictions on transfer contained in the Indenture and the Private Placement Legend are not required in order to maintain compliance with the Securities Act and (iv) the Definitive Note is being acquired in compliance with any applicable blue sky securities laws of any state of the United States.

(c) ☐ CHECK IF EXCHANGE IS FROM RESTRICTED DEFINITIVE NOTE TO BENEFICIAL INTEREST IN AN UNRESTRICTED GLOBAL NOTE. In connection with the Owner's Exchange of a Restricted Definitive Note for a beneficial interest in an Unrestricted Global Note, the Owner hereby certifies (i) the beneficial interest is being acquired for the Owner's own account without transfer, (ii) such Exchange has been effected in compliance with the transfer restrictions applicable to Restricted Definitive Notes and pursuant to and in accordance with the Securities Act, (iii) the restrictions on transfer contained in the Indenture and the Private Placement Legend are not required in order to maintain compliance with the Securities Act and (iv) the beneficial interest is being acquired in compliance with any applicable blue sky securities laws of any state of the United States.

(d) ☐ CHECK IF EXCHANGE IS FROM RESTRICTED DEFINITIVE NOTE TO UNRESTRICTED DEFINITIVE NOTE. In connection with the Owner's Exchange of a Restricted Definitive Note for an Unrestricted Definitive Note, the Owner hereby certifies (i) the Unrestricted Definitive Note is being acquired for the Owner's own account without transfer, (ii) such Exchange has been effected in compliance with the transfer restrictions applicable to Restricted Definitive Notes and pursuant to and in accordance with the Securities Act, (iii) the restrictions on transfer contained in the Indenture and the Private Placement Legend are not required in order to maintain compliance with the Securities Act and (iv) the Unrestricted Definitive Note is being acquired in compliance with any applicable blue sky securities laws of any state of the United States.

2. EXCHANGE OF RESTRICTED DEFINITIVE NOTES OR BENEFICIAL INTERESTS IN RESTRICTED GLOBAL NOTES FOR RESTRICTED DEFINITIVE NOTES OR BENEFICIAL INTERESTS IN RESTRICTED GLOBAL NOTES

(a) ☐ CHECK IF EXCHANGE IS FROM BENEFICIAL INTEREST IN A RESTRICTED GLOBAL NOTE TO RESTRICTED DEFINITIVE NOTE. In connection with the Exchange of the Owner's beneficial interest in a Restricted Global Note for a Restricted Definitive Note with an equal principal amount, the Owner hereby certifies that the Restricted Definitive Note is being acquired for the Owner's own account without transfer. Upon consummation of the proposed Exchange in accordance with the terms of the Indenture, the Restricted Definitive Note issued will continue to be subject to the restrictions on transfer enumerated in the Private Placement Legend printed on the Restricted Definitive Note and in the Indenture and the Securities Act.

(b) ☐ CHECK IF EXCHANGE IS FROM RESTRICTED DEFINITIVE NOTE TO BENEFICIAL INTEREST IN A RESTRICTED GLOBAL NOTE. In connection with the Exchange of the Owner's Restricted Definitive Note for a beneficial interest in the [CHECK ONE] Rule 144A Global Note, Regulation S Global Note or IAI Global Note, with an equal principal amount, the Owner hereby certifies (i) the beneficial interest is being acquired for the Owner's own account without transfer and (ii) such Exchange has been effected in compliance with the transfer restrictions applicable to the Restricted Global Notes and pursuant to and in accordance with the Securities Act, and in compliance with any applicable blue sky securities laws of any state of the United States. Upon consummation of the proposed Exchange in accordance with the terms of the Indenture, the beneficial interest issued will be subject to the restrictions on transfer enumerated in the Private Placement Legend printed on the relevant Restricted Global Note and in the Indenture and the Securities Act.

This certificate and the statements contained herein are made for your benefit and the benefit of the Company.

[Insert Name of Transferor]

By: _____

Name:
Title:

Dated: _____, ____

EXHIBIT D

FORM OF CERTIFICATE FROM
INSTITUTIONAL ACCREDITED INVESTOR

Unifi, Inc.
7201 West Friendly Avenue
Greensboro, NC 27410
Attn: General Counsel
Fax: (336) 856-4364

U.S. Bank National Association
60 Livingston Avenue
St. Paul, MN 55107
Attention: Richard Prokosch
Fax: (651) 495-8097

Re: 11 1/2% Senior Secured Notes due 2014

(CUSIP _____)

Reference is hereby made to the Indenture, dated as of May 26, 2006 (the "Indenture"), among Unifi, Inc., as issuer (the "Company"), the subsidiary guarantors party thereto and U.S. Bank National Association, as trustee. Capitalized terms used but not defined herein shall have the meanings given to them in the Indenture.

In connection with my proposed purchase of $_____ aggregate principal amount of 11 1/2% Senior Secured Notes due 2014 (the "Notes"), I hereby confirm that:

1. I am an institutional "accredited investor" (as defined in 501(a)(1), (2), (3) or (7) under the Securities Act of 1933, as amended (the "Securities Act")) and have such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of my investment in the Notes, and I and any accounts for which I am acting are each able to bear the economic risk of my or its investment.

2. I am acquiring the Notes or beneficial interest therein for my own account or for one or more accounts (each of which is an institutional "accredited investor") as to each of which I exercise sole investment discretion.

3. I understand that any subsequent transfer of the Notes, or any interest therein is subject to certain restrictions and conditions set forth in the Notes and the Indenture and I agree to be bound by, and not to resell, pledge or otherwise transfer the Notes or any interest therein except in compliance with, such restrictions and conditions and the Securities Act of 1933, as amended (the "Securities Act").

4. I understand that the offer and sale of the Notes have not been registered under the Securities Act, and that the Notes and any interest therein may not be offered or sold except as permitted in the following sentence. I agree, on my own behalf and on behalf of any accounts for which I am acting, that if I should sell the Notes or any interest therein, I will do so only (a) to the Company, (b) pursuant to a registration statement which has been declared effective under the Securities Act, (c) for so long as the Notes are eligible for resale pursuant to Rule 144A, to a "Qualified Institutional Buyer" as defined in Rule

144A under the Securities Act that purchases for its own account or for the account of a Qualified Institutional Buyer to whom notice is given that the transfer is being made in reliance on Rule 144A inside the United States, (d) pursuant to offers and sales to non-U.S. persons that occur outside the United States within the meaning of Regulation S under the Securities Act or (e) pursuant to any other available exemption from the registration requirements of the Securities Act, and I further agree to provide to any person purchasing a Note from me in a transaction meeting the requirements of clauses (a) through (e) of this paragraph a notice advising such purchaser that resales thereof are restricted as stated herein.

5. I understand that, on any proposed resale of the Notes or beneficial interest therein, I will be required to furnish to you and the Company such certifications, legal opinions and other information as you and the Company may reasonably require to confirm that the proposed sale complies with the foregoing restrictions. I further understand that the Notes purchased by me will bear a legend to the foregoing effect.

6. I am acquiring the Notes for investment purposes only with no present intention to resell the Notes.

You and the Company are entitled to rely upon this letter and are irrevocably authorized to produce this letter or a copy hereof to any interested party in any administrative or legal proceedings or official inquiry with respect to the matters covered hereby.

_____
[Insert Name of Institutional Accredited Investor]

By: _____
Name:
Title:

Dated: _____, ____

EXHIBIT E

[FORM OF SUPPLEMENTAL INDENTURE
TO BE DELIVERED BY SUBSEQUENT GUARANTORS]

This SUPPLEMENTAL INDENTURE, dated as of _____, 200__, among _____ (the "Guaranteeing Subsidiary"), a subsidiary of Unifi, Inc. (or its permitted successor), a New York corporation (the "Company"), the Company, the other Guarantors (as defined in the Indenture referred to herein) and U.S. Bank National Association, as trustee (the "Trustee).

W I T N E S S E T H

WHEREAS, the Company, the Guarantors and the Trustee entered into an Indenture (the "Indenture"), dated as of May 26, 2006, pursuant to which the Company has issued $190,000,000 in aggregate principal amount of 11 1/2% Senior Secured Notes due 2014 (the "Notes");

WHEREAS, Section 9.01(9) of the Indenture provides that the Company, the Guarantors and the Trustee may amend or supplement the Indenture in order to add Subsidiary Guarantees with respect to the Notes, without the consent of the Holders of the Notes; and

WHEREAS, all acts and things prescribed by the Indenture, by law and by the Certificate of Incorporation and the Bylaws (or comparable constituent documents) of the Company, the Guarantors and the Trustee necessary to make this Supplemental Indenture a valid instrument legally binding on the Company, the Guarantors and the Trustee, in accordance with its terms, have been duly done and performed;

NOW THEREFORE, to comply with the provisions of the Indenture, and in consideration of the foregoing, the Guaranteeing Subsidiary, the Company, the Guarantors and the Trustee mutually covenant and agree for the equal and ratable benefit of the Holders of the Notes as follows:

ARTICLE 1

Section 1.01. This Supplemental Indenture is supplemental to the Indenture and does and shall be deemed to form a part of, and shall be construed in connection with and as part of, the Indenture for any and all purposes.

Section 1.02. This Supplemental Indenture shall become effective immediately upon its execution and delivery by each of the Guaranteeing Subsidiary, the Company, the Guarantors and the Trustee.

ARTICLE 2

Section 2.01. The Guaranteeing Subsidiary hereby agrees to be bound by the terms, conditions and other provisions of the Indenture with all attendant rights, duties and obligations stated therein, on a joint and several basis with the parties hereto and thereto, with the same force and effect as if originally named as a Guarantor therein and as if such party executed the Indenture on the date thereof.

ARTICLE 3

Section 3.01. Except as specifically modified herein, the Indenture and the Notes are in all respects ratified and confirmed (mutatis mutandis) and shall remain in full force and effect in accordance with their terms.

Section 3.02. All capitalized terms used but not defined herein shall have the same respective meanings ascribed to them in the Indenture.

Section 3.03. Except as otherwise expressly provided herein, no duties, responsibilities or liabilities are assumed, or shall be construed to be assumed, by the Trustee by reason of this Supplemental Indenture. This Supplemental Indenture is executed and accepted by the Trustee subject to all of the terms and conditions set forth in the Indenture with the same force and effect as if those terms and conditions were repeated at length herein and made applicable to the Trustee with respect hereto.

Section 3.04. THIS SUPPLEMENTAL INDENTURE SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK WITHOUT REFERENCE TO CONFLICTS OF LAWS PRINCIPLES THEREOF THAT WOULD INDICATE THE APPLICABILITY OF THE LAWS OF ANY OTHER JURISDICTION.

Section 3.05. The parties may sign any number of copies of this Supplemental Indenture. Each signed copy shall be an original, but all of them together represent the same agreement.

Section 3.06. The headings herein are inserted for convenience of reference only and are not intended to be part of, or to affect the meaning or interpretation of, this letter agreement.

Section 3.07. The recitals hereto are statements only of the Company, the Guarantors and the Guaranteeing Subsidiaries and shall not be considered statements of or attributable to the Trustee.

IN WITNESS WHEREOF, the parties hereto have caused this Supplemental Indenture to be duly executed and attested, all as of the date first above written.

[GUARANTEEING SUBSIDIARY]

By: _____
Name:
Title:

UNIFI, INC.

By: _____
Name:
Title:

[EXISTING GUARANTORS]

By: _____
Name:
Title:

U.S. BANK NATIONAL ASSOCIATION,
as Trustee

By: _____
Name:
Title:

SCHEDULE 1

ASSETS HELD FOR SALE

Location	Machines
Idle Machinery	
Plant 1, Madison - Texturing	50
Plant 7, Madison - Covering	181
Plant 5, Madison - Covering	206
Plant 1 Twisting, Yadkinville	17
Plant 2 Commingle, Yadkinville	27
Total	481

Exhibit 4.2

EXHIBIT A

[Insert the Global Note Legend, if applicable, pursuant to the provisions of the Indenture]

[Insert the Private Placement Legend, if applicable, pursuant to the provisions of the Indenture]

[Insert OID legend, if applicable, pursuant to the provisions of the Indenture]

CUSIP No.
ISIN No.

No. _____

[Face of Note]

11 1/2% Senior Secured Notes due 2014

Principal amount $_____

UNIFI, INC.

Unifi, Inc., a New York corporation, promises to pay to _____, or registered assigns, the principal sum of _____ Dollars on _____, 2014 [or such greater or lesser amount as may be indicated on Schedule A hereto][1].

Interest Payment Dates: May 15 and November 15, commencing _____, ___

Record Dates: May 1 and November 1

Additional provisions of this Note are set forth on the other side of this Note.

[1] If this Note is a Global Note, include this provision.

Dated:

UNIFI, INC.

By: _____
Name:
Title:

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This is one of the [Global] Notes referred
to in the within-mentioned Indenture:

U.S. BANK NATIONAL ASSOCIATION,
as Trustee

By: _____
Authorized Signatory

11 1/2% Senior Secured Notes due 2014

Capitalized terms used herein shall have the meanings assigned to them in the Indenture referred to below unless otherwise indicated.

(1) Interest. Unifi, Inc., a New York corporation (the "Company"), promises to pay interest on the principal amount of this Note at 11 1/2% per annum from May 26, 2006 until maturity and shall pay the Additional Interest, if any, payable pursuant to the Registration Rights Agreement. The Company shall pay interest and Additional Interest, if any, semi-annually in arrears on May 15 and November 15 of each such year, commencing on November 15, 2006, or if any such day is not a Business Day, on the next succeeding Business Day (each an "Interest Payment Date"). Interest on the Notes shall accrue from the most recent date to which interest has been paid or, if no interest has been paid, from the date of issuance[; provided that if this Note is authenticated between a record date referred to on the face hereof and the next succeeding Interest Payment Date, interest shall accrue from such next succeeding Interest Payment Date; provided, further, that the first Interest Payment Date shall be the first of May 15 or November 15 to occur after the date of issuance, unless such May 15 or November 15 occurs within one calendar month of such date of issuance, in which case the first Interest Payment Date shall be the second of May 15 or November 15 to occur after the date of issuance][2]. Interest shall be computed on the basis of a 360-day year of twelve 30-day months.

(2) Method of Payment. The Company shall pay interest on the Notes (except defaulted interest) and Additional Interest, if any, to the Persons who are registered Holders of Notes at the close of business on the May 1 or November 1 next preceding the Interest Payment Date (each, a "Record Date"), even if such Notes are canceled after such Record Date and on or before such Interest Payment Date, except as provided in Section 2.13 of the Indenture with respect to defaulted interest. The Notes shall be payable as to principal of or premium, if any, Additional Interest, if any, or interest at the office or agency of the Paying Agent and Registrar maintained for such purpose within or without the City and State of New York (which initially shall be the office of the Trustee), or, at the option of the Company, payment of interest and Additional Interest, if any, may be made by check mailed to the Holders at their addresses set forth in the register of Holders; provided that payment by wire transfer of immediately available funds shall be required with respect to principal of or premium, if any, Additional Interest, if any, or interest on, the Global Notes and all other Notes the Holders of which shall have provided wire transfer instructions to the Company or the Paying Agent prior to the applicable Record Date. Such payment shall be in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts.

(3) Paving Agent and Registrar. Initially, U.S. Bank National Association, the Trustee under the Indenture (as defined below), shall act as Paying Agent and Registrar. The Company may change any Paying Agent or Registrar without notice to any Holder. The Company or any of its Subsidiaries may act in any such capacity.

(4) Indenture. The Company issued the Notes under the Indenture, dated as of May 26, 2006 ("Indenture"), by and among the Company, the subsidiary guarantors party thereto and the Trustee. The terms of the Notes include those stated in the Indenture and those made part of the Indenture by reference to the Trust Indenture Act of 1939 (the "TIA"). The Notes are subject to all such terms, and

[2] Insert if Notes are Additional Notes.

Holders are referred to the Indenture and TIA for a statement of such terms. To the extent any provision of this Note conflicts with the express provisions of the Indenture, the provisions of the Indenture shall govern and be controlling. The Notes are senior secured obligations of the Company, of which $190,000,000 in aggregate principal amount were issued on other Issue Date. Subject to compliance with Section 2.15 of the Indenture, the Company is permitted to issue Additional Notes under the Indenture in an unlimited principal amount. Any such Additional Notes that are actually issued shall be treated as issued and outstanding Notes (and as the same class as the Initial Notes) for all purposes of the Indenture, except as otherwise provided under Section 2.16 of the Indenture and unless the context clearly indicates otherwise.

(5) Guarantees. This Note is guaranteed by the Guarantors in the Indenture to the extent provided in the Indenture.

(6) Optional Redemption.

(a) Except as set forth in clause (b) of this Paragraph 6, the Company shall not have the option to redeem the Notes pursuant to Section 3.07 of the Indenture prior to May 15, 2010. On and after such date, the Company shall have the option to redeem the Notes, in whole or in part, at the redemption prices (expressed as percentages of principal amount) set forth below plus accrued and unpaid interest and Additional Interest thereon, if any, on the Notes redeemed to, but excluding, the applicable redemption date, if redeemed during the twelve-month period beginning on May 15 of the years indicated below:

YEAR	Percentage
2010	105.750%
2011	102.875%
2012 and thereafter	100.000%

If the redemption date is on or after an interest payment Record Date and on or before the related Interest Payment Date, the accrued and unpaid interest and Additional Interest, if any, will be paid to the Holder in whose name the Note is registered at the close of business on such Record Date, and no additional interest or Additional Interest, if any, will be payable to Holders whose Notes will be subject to redemption by the Company.

(b) Notwithstanding the provisions of clause (a) of this Paragraph 6, at any time prior to May 15, 2009 the Company may, on any one or more occasions, redeem up to 35% of the aggregate principal amount of Notes (without duplication for Exchange Notes issued in exchange for Notes issued under the Indenture) issued under the Indenture (including Additional Notes) on any Business Day, at a redemption price equal to 111.50% of the principal amount thereof, plus accrued and unpaid Additional Interest, if any, to, but excluding, the redemption date, with the net cash proceeds of one or more Equity Offerings; provided that (1) at least 65% of the aggregate principal amount of Notes (without duplication for Exchange Notes issued in exchange for Notes issued under the Indenture) issued under the Indenture (excluding Notes held by the Company and its Subsidiaries but including Additional Notes) remains outstanding immediately after the occurrence of such redemption; and (2) the redemption occurs within 90 days of the date of the closing of such Equity Offering.

(c) On and after the redemption date, interest shall cease to accrue on Notes or portions thereof called for redemption.

(7) Repurchase at Option of Holder.

(a) If a Change of Control occurs, the Company shall be required to make an offer to each Holder of Notes to repurchase all or any part (equal to $1,000 or an integral multiple thereof) of such Holder's Notes on the terms set forth in the Indenture (the "Change of Control Offer") at an offer price in cash equal to 101% of the aggregate principal amount thereof plus accrued and unpaid interest and Additional Interest, if any, thereon to, but excluding, the date of purchase. No later than 20 days following any Change of Control, the Company shall mail a notice to each Holder setting forth the procedures governing the Change of Control Offer and certain other terms of the Change of Control Offer as required by the Indenture.

(b) (i) No later than the 365th day after any Asset Sale of Collateral by the Company or any Guarantor or the deposit into the applicable Collateral Account of the Net Proceeds from a Recovery Event (or, at the Company's option, such earlier date as it may choose), if the aggregate amount of Excess Collateral Proceeds exceeds $10.0 million, the Company shall make an offer (a "Collateral Sale Offer") to all Holders of Notes to purchase the maximum principal amount of Notes to which the Collateral Sale Offer applies that may be purchased out of the Excess Collateral Proceeds. The offer price in any Collateral Sale Offer shall be equal to 100% of the principal amount of the Notes, plus accrued and unpaid interest and Additional Merest, if any, to, but excluding, the date of purchase, and shall be payable in cash, in each case, in integral multiples of $1,000; *provided, however*, that to the extent the Excess Collateral Proceeds relate to Asset Sales of Second Priority Collateral, the Company may, prior to making a Collateral Sale Offer, make a prepayment with respect to Indebtedness that is secured by such Second Priority Collateral on a first-priority basis that may be prepaid out of such Excess Collateral Proceeds, at a price in cash in an amount equal to 100% of the principal amount of such Indebtedness, plus accrued and unpaid interest to the date of prepayment, with any Excess Collateral Proceeds not used to prepay such Indebtedness offered to Holders of Notes in accordance with this paragraph. If any Excess Collateral Proceeds remain after consummation of a Collateral Sale Offer, the Company may use those Excess Collateral Proceeds for any purpose not otherwise prohibited by the Indenture. If the aggregate principal amount of Notes tendered in such Collateral Sale Offer exceeds the amount of Excess Collateral Proceeds, the portion of each Note to be purchased shall be determined by the Trustee on a pro rata basis among the Holders of such Notes with appropriate adjustments such that the Notes may only be purchased in integral multiples of $1,000. Upon completion of each Collateral Sale Offer or other application of Excess Collateral Proceeds pursuant to the Indenture, the amount of Excess Proceeds shall be reset at zero.

(ii) No later than the 365th day after any Asset Sale (other than an Asset Sale of Collateral) (or, at the Company's option, such earlier date as it may choose), if the aggregate amount of Excess Proceeds exceeds $10.0 million, the Company shall make an offer (an "Asset Sale Offer") to all Holders of Notes and all holders of other Indebtedness that is *pari passu* in right of payment with the Notes containing provisions similar to those set forth in the Indenture with respect to offers to purchase or redeem with the proceeds of sales of assets to purchase the maximum principal amount of Notes and such other *pari passu* Indebtedness that may be purchased out of the Excess Proceeds. The offer price in any Asset Sale Offer will be equal to 100% of the principal amount (or accreted value, as applicable) of the Notes and such other *pari passu* Indebtedness, plus accrued and unpaid interest and Additional Interest (or its equivalent with respect to any such *pari passu* Indebtedness), if any, to, but excluding, the date of purchase, and will be payable in cash, in each case, in integral multiples of $1,000. If any Excess Proceeds remain after consummation of an Asset Sale Offer, the Company may use those Excess Proceeds for any purpose not otherwise prohibited by the Indenture. If the aggregate principal amount of Notes and other *pari passu* Indebtedness tendered in such Asset Sale Offer exceeds the amount of Excess Proceeds, the Excess Proceeds will be allocated by the Company to the Notes and such other *pari passu* Indebtedness on a pro rata basis (based upon the respective principal amounts (or accreted value, if applicable) of the Notes and such other *pari passu* Indebtedness tendered in such Asset Sale Offer) and the portion of each Note to be purchased will thereafter be determined by the Trustee on a pro rata basis

among the Holders of such Notes with appropriate adjustments such that the Notes may only be purchased in integral multiples of $1,000. Upon completion of each Asset Sale Offer, the amount of Excess Proceeds will be reset at zero.

(8) Notice of Redemption. Notices of redemption shall be mailed at least 30 days but not more than 60 days before the redemption date to each Holder whose Notes are to be redeemed at its registered address, except that redemption notices may be mailed more than 60 days prior to a redemption date if the notice is issued in connection with a defeasance of the Notes or a satisfaction and discharge of the Indenture. Notes in denominations no less than $2,000 may be redeemed in part but only in whole multiples of $1,000, unless all of the Notes held by a Holder are to be redeemed.

(9) Denominations, Transfer. Exchange. The Notes are in registered form without coupons in minimum denominations of $2,000 in aggregate principal amount and integral multiples of $1,000 in excess thereof. The transfer of Notes may be registered and Notes may be exchanged as provided in the Indenture. The Registrar and the Trustee may require a Holder, among other things, to furnish appropriate endorsements and transfer documents and the Company may require a Holder to pay any taxes and fees required by law or permitted by the Indenture. Neither the Company nor the Registrar need exchange or register the transfer of any Note or portion of a Note selected for redemption, except for the unredeemed portion of any Note being redeemed in part. Also, neither the Company nor the Registrar need exchange or register the transfer of any Notes for a period of 15 Business Days before a selection of Notes to be redeemed. No service charge shall be made for any such registration of transfer or exchange, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith, subject to certain exceptions.

(10) Persons Deemed Owners. The registered Holder of a Note may be treated as its owner for all purposes.

(11) Amendment, Supplement and Waiver. Subject to certain exceptions, the Indenture, the Subsidiary Guarantees, the Collateral Documents, the Intercreditor Agreement or the Notes may be amended or supplemented with the consent of the Holders of at least a majority in principal amount of the then outstanding Notes voting as a single class, and any existing Default or Event of Default or compliance with any provision of the Indenture, the Subsidiary Guarantees, the Collateral Documents, the Intercreditor Agreement or the Notes (other than a Default or Event of Default in the payment of the principal of or premium, if any, Additional Interest, if any, or interest on the Notes) may be waived with the consent of the Holders of a majority in principal amount of the then outstanding Notes voting as a single class. Without the consent of any Holder of a Note, and subject to the terms and provisions of the Intercreditor Agreement, the Indenture, the Subsidiary Guarantees, the Collateral Documents, the Intercreditor Agreement or the Notes may be amended or supplemented to: cure any ambiguity, defect or inconsistency; provide for uncertificated Notes in addition to or in place of certificated Notes; provide for the assumption of the Company's or a Guarantor's obligations to Holders of Notes and Subsidiary Guarantees in the case of a merger or consolidation or sale of all or substantially all of the Company's or such Guarantor's assets, as applicable; make any change that would provide any additional rights or benefits to the Holders of Notes or that does not adversely affect the legal rights of any such Holder under the Indenture, the Notes, the Subsidiary Guarantees, the Collateral Documents or the Intercreditor Agreement; provide for the issuance of Additional Notes and Exchange Notes in accordance with the provisions set forth in the Indenture; evidence and provide for the acceptance of an appointment of a successor trustee; conform the text of the Indenture, the Subsidiary Guarantees, the Notes, the Collateral Documents or the Intercreditor Agreement to any provision of the Description of the Notes in the Offering Memorandum to the extent that such provision in the Description of the Notes was intended to be a verbatim recitation of a provision of the Indenture, the Subsidiary Guarantees, the Notes, the Collateral Documents or the Intercreditor Agreement; release a Guarantor from its obligations under its

Subsidiary Guarantee, the Notes or the Indenture in accordance with the applicable provisions of the Indenture; add Subsidiary Guarantees with respect to the Notes; add additional Collateral to secure the Notes; release Liens in favor of the Collateral Agent in the Collateral as provided in Section 12.07 of the Indenture; comply with requirements of the Commission in order to effect or maintain the qualification of the Indenture under the TIA; to comply with the rules of any applicable securities depositary; to provide, in accordance with the provisions of the Intercreditor Agreement, for the amendment or supplement of the Collateral Documents or the Intercreditor Agreement with respect to Second Priority Collateral in order to reflect conforming amendments or supplements made to the security documents evidencing the Liens securing the Credit Agreement; or to provide for the accession or succession of any parties to the Collateral Documents or the Intercreditor Agreement (and other amendments that are administrative or ministerial in nature) in connection with an amendment, renewal, extension, substitution, refinancing, restructuring, replacement, supplementing or other modification from time to time of a Credit Agreement or any other agreement or action that is not prohibited by the Indenture.

In addition, without the consent of any Holder of Notes, any amendment, waiver or consent agreed to by the Administrative Agent under the Credit Agreement (or by the requisite lenders thereunder) in accordance with the Intercreditor Agreement under any provision of the security documents granting the first-priority lien on any Second-Priority Collateral will automatically apply to the comparable provisions of the comparable Collateral Documents entered into in connection with the Notes.

(12) Events of Default. Events of Default include (1) default for 30 days in the payment when due of interest on, or Additional Interest, if any, with respect to, the Notes; (2) default in the payment when due (at maturity, upon redemption or otherwise) of the principal of, or premium, if any, on, the Notes; (3) failure by the Company or any of its Restricted Subsidiaries to comply with the provisions of Section 5.01 of the Indenture; (4) failure by the Company or any of its Restricted Subsidiaries for 30 days after notice to the Company by the Trustee or the Holders of at least 25% in aggregate principal amount of the Notes then outstanding to comply with (a) the provisions of Section 4.03, 4.07, 4.08, 4.09, 4.10, 4.11, 4.12, 4.13, 4.15, 4.16, 4.17, 4.18 or 10.03 of the Indenture; or (b) any of its obligations under the Collateral Documents; (5) failure by the Company or any of its Restricted Subsidiaries for 60 days after notice to the Company by the Trustee or the Holders of at least 25% in aggregate principal amount of the Notes then outstanding to comply with any of the other covenants or agreements in the Indenture; (6) default under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any Indebtedness of the Company or any of its Restricted Subsidiaries (or the payment of which is guaranteed by the Company or any of its Restricted Subsidiaries), whether such Indebtedness or Guarantee now exists or is created after the Issue Date, if that default: (a) is caused by a failure to pay principal of or interest or premium, if any, on such Indebtedness prior to the expiration of the grace period provided in such Indebtedness (a "Payment Default"); or (b) results in the acceleration of such Indebtedness prior to its Stated Maturity, and, in each case, the principal amount of any such Indebtedness, together with the principal amount of any other such Indebtedness under which there has been a Payment Default or the maturity of which has been so accelerated, aggregates $10.0 million or more; (7) failure by the Company or any of its Restricted Subsidiaries to pay final judgments entered by a court or courts of competent jurisdiction (not subject to appeal) aggregating in excess of $10.0 million (net of any amounts which are bonded or which a reputable and creditworthy insurance company has acknowledged liability for in writing), which judgments are not paid, discharged or stayed for a period of 60 days after the date on which the right to appeal has expired; (8) except as permitted by the Indenture, any Subsidiary Guarantee shall be held in any judicial proceeding before a court of competent jurisdiction to be unenforceable or invalid or shall cease for any reason to be in full force and effect, or the Company or any Guarantor, or any Person acting on behalf of the Company or any Guarantor, shall deny or disaffirm its obligations under its Subsidiary Guarantee to which it is a party; (9) certain events of bankruptcy or insolvency with respect to the Company or any of its Significant Subsidiaries or any group of Restricted Subsidiaries that, taken as a whole, would constitute a Significant Subsidiary, and (10) with

respect to any Collateral having a fair market value in excess of $10.0 million, individually or in the aggregate, (A) the security interest under the Collateral Documents, at any time, ceases to be in full force and effect for any reason other than in accordance with the terms of the Indenture, the Collateral Documents or the Intercreditor Agreement, (B) any security interest created thereunder or under the Indenture is declared invalid or unenforceable by a court of competent jurisdiction or (C) the Company or any Guarantor asserts, in any pleading in any court of competent jurisdiction, that any such security interest is invalid or unenforceable.

If any Event of Default (other than an Event of Default described in clause (9) of this Section 12) occurs and is continuing, the Trustee or the Holders of at least 25% in aggregate principal amount of the then outstanding Notes, by notice in writing to the Trustee, may declare all the Notes to be due and payable. Notwithstanding the foregoing, in the case of an Event of Default arising from certain events of bankruptcy or insolvency as described in clause (9) of this Section 12, all outstanding Notes shall become due and payable immediately without further action or notice. Holders may not enforce the Indenture or the Notes except as provided in the Indenture. Subject to certain limitations, Holders of a majority in principal amount of the then outstanding Notes may direct the Trustee in its exercise of any trust or power. The Trustee may withhold from Holders of the Notes notice of any continuing Default or Event of Default (except a Default or Event of Default relating to the payment of principal or interest) if it determines that withholding notice is in their interest. The Holders of a majority in aggregate principal amount of the Notes then outstanding by notice to the Trustee may on behalf of the Holders of all of the Notes waive any existing Default or Event of Default and its consequences under the Indenture or compliance with any provision of the Indenture, except a continuing Default or Event of Default in the payment of interest or Additional Interest on, or the principal of, the Notes. The Company is required to deliver to the Trustee annually a statement regarding compliance with the Indenture, and the Company is required within 10 Business Days upon becoming aware of any Event of Default, to deliver to the Trustee a statement specifying such Event of Default and certain other matters related thereto, unless such Event of Default has been previously cured or waived.

(13) Trustee Dealings with Company. The Trustee, in its individual or any other capacity, may make loans to, accept deposits from, and perform services for the Company or its Affiliates, and may otherwise deal with the Company or its Affiliates, as if it were not the Trustee.

(14) No Recourse Against Others. No director, officer, employee, incorporator, member, manager, general or limited partner or stockholder of the Company or any Guarantor, as such, will have any liability for any obligations of the Company or the Guarantors under the Notes, the Indenture, the Subsidiary Guarantees, the Collateral Documents, the Registration Rights Agreement, the Intercreditor Agreement or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Holder of Notes by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for the issuance of the Notes.

(15) Authentication. This Note shall not be valid until authenticated by the manual signature of the Trustee or an Authenticating Agent.

(16) Abbreviations. Customary abbreviations may be used in the name of a Holder or an assignee, such as: TEN COM (= tenants in common), TEN ENT (= tenants by the entireties), JT TEN (= joint tenants with rights of survivorship and not as tenants in common), CUST (= Custodian), and U/G/M/A (= Uniform Gifts to Minors Act).

(17) Registration Rights Agreement. In addition to the rights provided to Holders of Notes under the Indenture, Holders of Transfer Restricted Securities (as defined in the Registration Rights Agreement) shall have all the rights set forth in the Registration Rights Agreement.

(18) CUSIP, ISIN or Other Similar Numbers. Pursuant to a recommendation promulgated by the Committee on Uniform Security Identification Procedures, the Company has caused CUSIP, ISIN or other similar numbers to be printed on the Notes and the Trustee may use CUSIP, ISIN or other similar numbers in notices of redemption as a convenience to Holders. No representation is made as to the accuracy of such numbers either as printed on the Notes or as contained in any notice of redemption and reliance may be placed only on the other identification numbers placed thereon.

(19) Security; Intercreditor Agreement. The Company's and the Subsidiary Guarantors' Obligations under this Note, the Indenture, the Subsidiary Guarantees and the Collateral Documents are secured as provided in the Indenture and the Collateral Documents, and the Liens securing such Obligations and the enforcement thereof are subject to the Intercreditor Agreement.

(20) Governing Law. This Note shall be governed by and construed in accordance with the laws of the State of New York without reference to conflicts of laws principles thereof that would indicate the applicability of the laws of any other jurisdiction.

ASSIGNMENT FORM

To assign this Note, fill in the form below and have your signature guaranteed: (I) or (we) assign and transfer this Note to

_____

(Insert assignee's soc. sec. or tax I.D. no.)

_____

_____

_____

_____

(Print or type assignee's name, address and zip code)

and irrevocably appoint _____ agent
to transfer this Note on the books of the Company. The agent may substitute another to act for him.

_____

Date: _____

Your Name: _____
(Print your name exactly as it appears on the face of this Note)

Your Signature: _____
(Sign exactly as your name appears on the face of this Note)

Signature Guarantee: _____

_____

* Participant in a recognized Signature Guarantee Medallion Program (or other signature guarantor acceptable to the Trustee).

OPTION OF HOLDER TO ELECT PURCHASE

If you want to elect to have this Note purchased by the Company pursuant to Section 4.10 or 4.15 of the Indenture, check the box below:

☐ Section 4.10 ☐ Section 4.15

If you want to elect to have only part of the Note purchased by the Company pursuant to Section 4.10 or Section 4.15 of the Indenture, state the amount you elect to have purchased:

$ _____

Date: _____

Your Signature: _____
(Sign exactly as your name appears on the face of this Note)

Tax Identification No: _____

Signature Guarantee*:

_____
(*Participant in a Recognized Signature Guarantee Medallion Program or other signature guarantor acceptable to the Trustee)

SCHEDULE OF EXCHANGES OF INTERESTS IN THE GLOBAL NOTE[3]

The following exchanges of a part of this Global Note for an interest in another Global Note or for a Definitive Note, or exchanges of a part of another Global Note or Definitive Note for an interest in this Global Note, have been made:

Date of Exchange	Amount of decrease in Principal Amount of this Global Note	Amount of increase in Principal Amount of this Global Note	Principal Amount of this Global Note following such decrease (or increase)	Signature of authorized officer of Trustee or Note Custodian

[3] If this Note is a Global Note, include this schedule.

Exhibit 4.3

EXECUTION COPY

REGISTRATION RIGHTS AGREEMENT

Dated as of May 26, 2006

by and among

Unifi, Inc.

as Issuer

The Guarantors Named Herein

and

Lehman Brothers Inc.
Banc of America Securities LLC

as the Initial Purchasers

This Registration Rights Agreement (this "***Agreement***") is dated as of May 26, 2006 by and among Unifi, Inc., a New York corporation (the "***Company***"), the subsidiaries listed on Schedule A attached hereto (the "***Guarantors***") and Lehman Brothers Inc. and Banc of America Securities LLC (each an "***Initial Purchaser***" and, collectively, the "***Initial Purchasers***"), each of whom has agreed to purchase the Company's 11 1/2% Senior Secured Notes due 2014 (the "***Notes***") pursuant to the Purchase Agreement (as defined below).

This Agreement is made pursuant to the Purchase Agreement, dated May 17, 2006 (the "***Purchase Agreement***"), by and among the Company, the Guarantors and the Initial Purchasers. In order to induce the Initial Purchasers to purchase the Notes, the Company and the Guarantors have agreed to provide the registration rights set forth in this Agreement. The execution and delivery of this Agreement is a condition to the obligations of the Initial Purchasers set forth in Section 7 of the Purchase Agreement.

Capitalized terms used herein and not otherwise defined shall have the meanings assigned to them in the Indenture, dated the date hereof (as amended or supplemented from time to time, the "***Indenture***"), among the Company, the Guarantors and U.S. Bank National Association, as Trustee (the "***Trustee***"), relating to the Notes and the Exchange Notes (as defined below).

The parties hereby agree as follows:

SECTION 1. DEFINITIONS

As used in this Agreement, the following capitalized terms shall have the following meanings:

Act: The U.S. Securities Act of 1933, as amended, or any successor statute and the rules and regulations promulgated by the Commission (as defined below) thereunder.

Affiliate: As defined in ***Rule*** 144 of the Act.

Broker-Dealer: Any broker or dealer registered under the Exchange Act.

Business Day: Any day other than a Saturday, a Sunday or a day on which banking institutions in the City of New York are authorized or obligated by law, regulation or executive order to remain closed. If the time to perform any action hereunder falls on a day that is not a Business Day, such time will be extended to the next Business Day and no additional interest shall accrue on such payment for the intervening period.

Certificated Securities: Definitive Notes, as defined in the Indenture.

Closing Date: The date of this Agreement.

Commission: The U.S. Securities and Exchange Commission.

Consummate: An Exchange Offer shall be deemed "Consummated" for purposes of this Agreement upon the occurrence of (a) the filing and effectiveness under the Act of the Exchange Offer Registration Statement relating to the Exchange Notes to be issued in the Exchange Offer, (b) the maintenance of such Exchange Offer Registration Statement continuously effective and the keeping of the Exchange Offer open for a period not less than the period required pursuant to Section 3(b) hereof and (c) the delivery by the Company to the Registrar (as defined in the Indenture) under the Indenture of

Exchange Notes in the same aggregate principal amount as the aggregate principal amount of Notes validly tendered by Holders thereof pursuant to the Exchange Offer.

Consummation Deadline: As defined in Section 3(b) hereof.

Effectiveness Deadline: The Exchange Offer Effectiveness Deadline or the Shelf Effectiveness Deadline, as applicable.

Exchange Act: The U.S. Securities Exchange Act of 1934, as amended, or any successor statute, and the rules and regulations promulgated by the Commission thereunder.

Exchange Notes: The Company's 11 1/2% Senior Secured Notes due 2014, registered under the Act, and the related guarantees to be issued pursuant to the Indenture (a) in the Exchange Offer or (b) as contemplated by Section 4 hereof.

Exchange Offer: The exchange and issuance by the Company of a principal amount of Exchange Notes (which shall be registered pursuant to the Exchange Offer Registration Statement) equal to the outstanding principal amount of Notes that are validly tendered by such Holders in connection with such exchange and issuance.

Exchange Offer Effectiveness Deadline: As defined in Section 3(a).

Exchange Offer Filing Deadline: As defined in Section 3(a).

Exchange Offer Registration Statement: The Registration Statement relating to the Exchange Offer, including the related Prospectus.

Exempt Resales: The transactions in which the Initial Purchasers propose to sell the Notes to certain "qualified institutional buyers," as such term is defined in Rule 144A under the Act, and certain persons who are not U.S. Persons (as defined in Regulation S) in offshore transactions pursuant to Regulation S under the Act.

Filing Deadline: The Exchange Offer Filing Deadline or the Shelf Filing Deadline, as applicable.

Free Writing Prospectus: Each free writing prospectus (as defined in Rule 405 under the Securities Act) prepared by or on behalf of the Company or used or referred to by the Company in connection with the sale of the Notes or the Exchange Notes.

Holders: As defined in Section 2 hereof.

Interest Payment Date: As defined in the Notes and the Exchange Notes.

Person: As defined in the Indenture.

Prospectus: The prospectus included in a Registration Statement, including any preliminary prospectus, as amended or supplemented by any prospectus supplement and by all other amendments thereto, including post-effective amendments, and all material incorporated by reference into such Prospectus.

Recommencement Date: As defined in Section 6(e) hereof.

Registration Default: As defined in Section 5 hereof.

Registration Period: As defined in Section 3(c) hereof.

Registration Statement: Any registration statement of the Company and the Guarantors relating to (a) an offering of Exchange Notes and related Subsidiary Guarantees pursuant to an Exchange Offer or (b) the registration for resale of Transfer Restricted Securities pursuant to the Shelf Registration Statement, in each case (i) that is filed pursuant to the provisions of this Agreement and (ii) including the Prospectus included therein, all amendments and supplements thereto (including post-effective amendments) and all exhibits and material incorporated by reference therein.

Regulation S: Regulation S promulgated under the Act.

Rule 144: Rule 144 promulgated under the Act.

Shelf Effectiveness Deadline: As defined in 4(a) hereof.

Shelf Filing Deadline: As defined in Section 4(a) hereof.

Shelf Registration Statement: As defined in Section 4(a) hereof.

Shelf Period: As defined in Section 4(a) hereof.

Subsidiary Guarantees: The guarantees of the Notes and Exchange Notes of the Guarantors under the Indenture, as amended from time to time.

Suspension Notice: As defined in Section 6(e) hereof.

TIA: The U.S. Trust Indenture Act of 1939 (15 U.S.C. Section 77aaa-77bbbb) as amended, or any successor statute and the rules and regulations promulgated thereunder.

Transfer Restricted Securities: (a) Each Note, and the related Subsidiary Guarantees, until the earliest to occur of (i) the date on which such Note has been exchanged by a Person other than a Broker-Dealer for an Exchange Note in the Exchange Offer and is entitled to be resold to the public by such Person without complying with the prospectus delivery requirements of the Act, (ii) the date on which such Note has been effectively registered under the Act and disposed of in accordance with the Shelf Registration Statement, (iii) the date on which such Note is distributed to the public pursuant to Rule 144 under the Act, or (iv) the date on which such Note is eligible to be distributed to the public pursuant to Rule 144(k) under the Act, and (b) each Exchange Note and the related Subsidiary Guarantees acquired by a Broker-Dealer in the Exchange Offer of a Note for such Exchange Note, until the date on which such Exchange Note is sold to a purchaser who receives from such Broker-Dealer on or prior to the date of such sale a copy of the Prospectus contained in the Exchange Offer Registration Statement.

SECTION 2. HOLDERS

A Person is deemed to be a holder of Transfer Restricted Securities (each, a "***Holder***") whenever such Person owns Transfer Restricted Securities.

SECTION 3. REGISTERED EXCHANGE OFFER

(a) The Company and the Guarantors shall (i) cause the Exchange Offer Registration Statement to be filed with the Commission as soon as practicable after the Closing Date, but in no event later than 150 days after the Closing Date (such 150th day being the "***Exchange Offer Filing Deadline***"), (ii) use their reasonable best efforts to cause such Exchange Offer Registration Statement to become effective at the earliest practicable time, but in no event later than 210 days after the Closing Date (such 210th day being the "***Exchange Offer Effectiveness Deadline***"), (iii) in connection with the foregoing use their reasonable best efforts to, (A) file all pre-effective amendments to such Exchange Offer Registration Statement as may be necessary in order to cause it to become effective, (B) file, if applicable, a post-effective amendment to such Exchange Offer Registration Statement pursuant to Rule 430A under the Act and (C) cause all necessary filings, if any, in connection with the registration and qualification of the Exchange Notes to be made under the Blue Sky laws of such jurisdictions as are necessary to permit Consummation of the Exchange Offer provided, however, that neither the Company nor the Guarantors shall be required to take any action that would subject them to general service of process or taxation in any jurisdiction where they are not already subject, and (iv) as promptly as practicable after the effectiveness of such Exchange Offer Registration Statement, unless the Exchange Offer shall not be permitted by applicable law or Commission policy, commence the Exchange Offer and use their reasonable best efforts to Consummate the Exchange Offer on or prior to 30 days, or longer, if required by federal securities laws after the date on which the Exchange Offer Registration Statement was declared effective by the Commission. The Exchange Offer shall be on the appropriate form permitting (I) registration of the Exchange Notes to be offered in exchange for the Transfer Restricted Securities and (II) resales of Exchange Notes by Broker-Dealers that tendered into the Exchange Offer Notes that such Broker-Dealers acquired for their own account as a result of market-making activities or other trading activities (other than Notes acquired directly from the Company or any its Affiliates) as contemplated by Section 3(c) below.

(b) Unless the Exchange Offer shall not be permitted by applicable law or Commission policy (after the procedures set forth in Section 6(a)(A) have been complied with), the Company and the Guarantors shall use their reasonable best efforts to cause the Exchange Offer Registration Statement to be effective continuously, and shall keep the Exchange Offer open for a period of not less than the minimum period required under applicable federal and state securities laws to Consummate the Exchange Offer; *provided*, *however*, that in no event shall such period be less than 20 Business Days. The Company and the Guarantors shall cause the Exchange Offer to comply with all applicable federal and state securities laws. No securities other than the Exchange Notes shall be included in the Exchange Offer Registration Statement. The Company and the Guarantors shall use their reasonable best efforts to cause the Exchange Offer to be Consummated on the earliest practicable date after the Exchange Offer Registration Statement has become effective, but in no event (unless required by federal securities laws) later than 30 days thereafter (such 30th day being the "***Consummation Deadline***").

(c) The Company and the Guarantors shall include a "Plan of Distribution" section in the Prospectus contained in the Exchange Offer Registration Statement and indicate therein that any Broker-Dealer who holds Transfer Restricted Securities that were acquired for the account of such Broker-Dealer as a result of market-making activities or other trading activities (other than Transfer Restricted Securities acquired directly from the Company or any Affiliate of the Company), may exchange such Transfer Restricted Securities pursuant to the Exchange Offer. Such "Plan of Distribution" section shall also contain all other information with respect to such sales by such Broker-Dealers that the Commission may require in order to permit such sales pursuant thereto, but such "Plan of Distribution" shall not name any such Broker-Dealer or disclose the amount of Transfer Restricted Securities held by any such Broker-Dealer, except to the extent required by the Commission as a result of

a change in policy, rules or regulations after the date of this Agreement. See the Shearman & Sterling no-action letter (available July 2, 1993).

Because such Broker-Dealer may be deemed to be an "underwriter" within the meaning of the Act and must, therefore, deliver a prospectus meeting the requirements of the Act in connection with its initial sale of any Exchange Notes received by such Broker-Dealer in the Exchange Offer, the Company and the Guarantors shall permit the use of the Prospectus contained in the Exchange Offer Registration Statement by such Broker-Dealer to satisfy such prospectus delivery requirement. To the extent necessary to ensure that the Prospectus contained in the Exchange Offer Registration Statement is available for sales of Exchange Notes by Broker-Dealers, the Company and the Guarantors agree to use their reasonable best efforts to keep the Exchange Offer Registration Statement continuously effective, supplemented, amended and current as required by and subject to the provisions of Section 6(a) and 6(c) hereof and in conformity with the requirements of this Agreement, the Act and the policies, rules and regulations of the Commission as announced from time to time, for a period of one year from the date on which the Exchange Offer is Consummated or such shorter period as will terminate when all Transfer Restricted Securities covered by such Registration Statement have been sold pursuant thereto (the ***"Registration Period"***). The Company shall provide sufficient copies of the latest version of such Prospectus to such Broker-Dealers, promptly upon reasonable request, at any time during such period.

SECTION 4. SHELF REGISTRATION

(a) Shelf Registration. If (i) the Company and the Guarantors are not required to file the Exchange Offer Registration Statement, (ii) the Exchange Offer is not permitted by applicable law or Commission policy (after the Company and the Guarantors have complied with the procedures set forth in Section 6(a)(A) hereof) or (iii) if any Holder of Transfer Restricted Securities shall notify the Company prior to the 20th Business Day following the Consummation of the Exchange Offer that (A) such Holder was prohibited by applicable law or Commission policy from participating in the Exchange Offer or (B) such Holder may not resell the Exchange Notes acquired by it in the Exchange Offer to the public without delivering a prospectus and the Prospectus contained in the Exchange Offer Registration Statement is not appropriate or available for such resales by such Holder or (C) such Holder is a Broker-Dealer and holds Notes acquired directly from the Company or any of its Affiliates, then the Company and the Guarantors shall:

(I) use their reasonable best efforts to cause to be filed, on or prior to 30 days after the earlier of (x) the date on which the Company determines that the Exchange Offer Registration Statement is not required to be filed or cannot be filed as a result of clause (a)(i) or (a)(ii) of this Section 4(a) and (y) the date on which the Company receives the notice specified in clause (a)(iii) of this Section 4(a) (the 30th day after such earlier date (and in any event within 300 days after the Issue Date), the "***Shelf Filing Deadline***"), a shelf registration statement pursuant to Rule 415 under the Act (which may be an amendment to the Exchange Offer Registration Statement (the "***Shelf Registration Statement***")), relating to all Transfer Restricted Securities of Holders that have provided information pursuant to Section 4(b) hereof; and

(II) use their reasonable best efforts to cause such Shelf Registration Statement to become effective at the earliest possible time, but in no event later than on or prior to 60 days after the Filing Deadline for the Shelf Registration Statement (such 60th day the "***Shelf Effectiveness Deadline***").

If, after the Company and the Guarantors have filed an Exchange Offer Registration Statement that satisfies the requirements of Section 3(a) above, the Company and the Guarantors are required to file and make effective a Shelf Registration Statement solely because the Exchange Offer is not permitted under applicable federal law or Commission policy (*i.e.*, clause (a)(ii) of this Section 4),

then the filing of the Exchange Offer Registration Statement shall be deemed to satisfy the requirements of clause (I) above; *provided* that, in such event, the Company and the Guarantors shall remain obligated to meet the Effectiveness Deadline set forth in clause (II) above.

To the extent necessary to ensure that the Shelf Registration Statement is available for sales of Transfer Restricted Securities by the Holders thereof entitled to the benefit of this Section 4(a) and the other securities required to be registered therein pursuant to Section 6(b)(ii) hereof, the Company and the Guarantors shall use their reasonable best efforts to keep any Shelf Registration Statement required by this Section 4(a) continuously effective, supplemented, amended and current as required by and subject to the provisions of Sections 6(b) and 6(c) hereof and in conformity with the requirements of this Agreement, the Act and the policies, rules and regulations of the Commission as announced from time to time, for a period of at least two years (as extended pursuant to Section 6(d)(i) hereof) following the Closing Date, or such shorter period as will terminate when all Transfer Restricted Securities covered by such Shelf Registration Statement have been sold pursuant thereto (the ***"Shelf Period***").

(b) Provision by Holders of Certain Information in Connection with the Shelf Registration Statement. No Holder of Transfer Restricted Securities may include any of its Transfer Restricted Securities in any Shelf Registration Statement pursuant to this Agreement unless and until (i) such Holder furnishes to the Company in writing, within 20 days after receipt of a written request therefor, the information specified in Item 507 or 508 of Regulation S-K, as applicable, of the Act for use in connection with any Shelf Registration Statement or Prospectus or preliminary Prospectus included therein, and (ii) in the case of an underwritten offering, such Holder completes and executes all questionnaires, powers of attorney, underwriting agreements, lock-up letters and other documents reasonably requested by the Company in connection with the terms of the underwritten offering. Furthermore, no Holder of Transfer Restricted Securities may include any of its Transfer Restricted Securities in any Shelf Registration Statement pursuant to this Agreement unless and until such Holder furnishes to the Company in writing, within 10 Business Days after receipt of a request therefor, such Holder's comments to the disclosure relating to such Holder in the Shelf Registration Statement. No Holder of Transfer Restricted Securities shall be entitled to additional interest pursuant to Section 5 hereof unless and until such Holder shall have provided all such information. By its acceptance of Transfer Restricted Securities, each Holder agrees to promptly furnish additional information required to be disclosed in order to make the information previously furnished to the Company by such Holder not materially misleading.

SECTION 5. ADDITIONAL INTEREST

If (a) any Registration Statement required by this Agreement is not filed with the Commission on or prior to the applicable Filing Deadline, (b) any such Registration Statement has not been declared effective by the Commission on or prior to the applicable Effectiveness Deadline, (c) the Exchange Offer has not been Consummated on or prior to 30 Business Days of the Effectiveness Deadline or (d) any Registration Statement required by this Agreement is filed and declared effective but shall thereafter cease to be effective or fail to be usable for its intended purpose during the Registration Period or Shelf Period, as applicable, without being succeeded immediately by a post-effective amendment or an additional Registration Statement that causes the Exchange Offer Registration Statement (and/or, if applicable, the Shelf Registration Statement) to again be declared effective or made usable (each such event referred to in clauses (a) through (d), a "***Registration Default***"), then the Company and the Guarantors hereby jointly and severally agree to pay to each Holder of Transfer Restricted Securities affected thereby additional interest in an amount equal to $.05 per week per $1,000 in principal amount of Transfer Restricted Securities held by such Holder for the first 90-day period immediately following the occurrence of such Registration Default. The amount of the additional interest shall increase by an additional $.05 per week per $1,000 in principal amount of Transfer Restricted

Securities with respect to each subsequent 90-day period until all Registration Defaults have been cured, up to a maximum amount of additional interest of $.50 per week per $1,000 in principal amount of Transfer Restricted Securities; *provided* that the Company and the Guarantors shall in no event be required to pay additional interest for more than one Registration Default at any given time. Notwithstanding anything to the contrary set forth herein, (i) upon filing of the Exchange Offer Registration Statement (and/or, if applicable, the Shelf Registration Statement), in the case of clause (a) above, (ii) upon the effectiveness of the Exchange Offer Registration Statement (and/or, if applicable the Shelf Registration Statement), in the case of clause (b) above, (iii) upon Consummation of the Exchange Offer, in the case of clause (c) above, or (iv) upon the filing of a post-effective amendment to the Registration Statement or an additional Registration Statement that causes the Exchange Offer Registration Statement (and/or, if applicable, the Shelf Registration Statement) to again be declared effective or made usable, in the case of clause (d) above, the additional interest payable with respect to the Transfer Restricted Securities as a result of such clause (a), (b), (c) or (d), as applicable, shall cease on the date of such cure and the interest rate on such Transfer Restricted Securities will revert to the interest rate on such Transfer Restricted Securities prior to the applicable Registration Default.

All accrued additional interest shall be paid to the Holders entitled thereto, in the manner provided for the payment of interest in the Indenture, on each Interest Payment Date, as more fully set forth in the Indenture and the Notes and the Exchange Notes. Notwithstanding the fact that any securities for which additional interest are due cease to be Transfer Restricted Securities, all obligations of the Company and the Guarantors to pay additional interest with respect to securities shall survive until such time as such obligations with respect to such securities shall have been satisfied in full.

A Holder of Notes or Exchange Notes who is not entitled to the benefits of a Shelf Registration Statement shall not be entitled to additional interest with respect to a Registration Default that pertains to such Shelf Registration Statement.

SECTION 6. REGISTRATION PROCEDURES

(a) Exchange Offer Registration Statement. In connection with the Exchange Offer, the Company and the Guarantors shall (i) comply with all applicable provisions of Section 6(c) below, (ii) use their respective reasonable best efforts to effect such exchange and to permit the resale of Exchange Notes by any Broker-Dealer that tendered Notes in the Exchange Offer that such Broker-Dealer acquired for its own account as a result of its market-making activities or other trading activities (other than Notes acquired directly from the Company or any of its Affiliates) being sold in accordance with the intended method or methods of distribution thereof set forth in the Registration Statement, and (iii) comply with all of the following provisions:

(A) If, following the date hereof there has been announced a change in Commission policy with respect to exchange offers such as the Exchange Offer, that in the reasonable opinion of counsel to the Company raises a substantial question as to whether the Exchange Offer is permitted by applicable federal law, the Company and the Guarantors hereby agree to seek a no-action letter or other favorable decision from the Commission allowing the Company and the Guarantors to Consummate an Exchange Offer for such Transfer Restricted Securities. The Company and the Guarantors hereby agree to pursue the issuance of such a decision to the Commission staff level; provided that the Company and the Guarantors shall not be required to take any commercially unreasonable action to effect a change in Commission policy. In connection with the foregoing, the Company and the Guarantors hereby agree to take all such other actions as may be requested by the Commission or otherwise required in connection with the issuance of such decision, including without limitation (I) participating in telephonic conferences with the Commission staff, (II) delivering to the Commission staff an analysis

prepared by counsel to the Company setting forth the legal bases, if any, upon which such counsel has concluded that such an Exchange Offer should be permitted and (III) diligently pursuing a resolution (which need not be favorable) by the Commission staff.

(B) As a condition to its participation in the Exchange Offer, each Holder of Transfer Restricted Securities (including, without limitation, any Holder who is a Broker-Dealer) shall furnish, upon the request of the Company, prior to the Consummation of the Exchange Offer, a written representation to the Company and the Guarantors (which may be contained in the letter of transmittal contemplated by the Exchange Offer Registration Statement) to the effect that (I) it is not an Affiliate of the Company, (II) it is not engaged in, and does not intend to engage in, and has no arrangement or understanding with any Person to participate in, a distribution of the Exchange Notes to be issued in the Exchange Offer and (III) it is acquiring the Exchange Notes in its ordinary course of business. As a condition to its participation in the Exchange Offer, each Holder using the Exchange Offer to participate in a distribution of the Exchange Notes will be required to acknowledge and agree that, if the resales are of Exchange Notes obtained by such Holder in exchange for Notes acquired directly from the Company or an Affiliate thereof, it (1) could not, under Commission policy as in effect on the date of this Agreement, rely on the position of the Commission enunciated in Morgan Stanley and Co., Inc. (available June 5, 1991) and Exxon Capital Holdings Corporation (available May 13, 1988), as interpreted in the Commission's letter to Shearman & Sterling dated July 2, 1993, and similar no-action letters (including, if applicable, any no-action letter obtained pursuant to clause (A) above), and (2) must comply with the registration and prospectus delivery requirements of the Act in connection with a secondary resale transaction and that such a secondary resale transaction must be covered by an effective Registration Statement containing the selling security holder information required by Item 507 or 508, as applicable, of Regulation S-K

(C) Prior to effectiveness of the Exchange Offer Registration Statement, the Company and the Guarantors shall provide a supplemental letter to the Commission (I) stating that the Company and the Guarantors are registering the Exchange Offer in reliance on the position of the Commission enunciated in Exxon Capital Holdings Corporation (available May 13, 1988), Morgan Stanley and Co., Inc. (available June 5, 1991) as interpreted in the Commission's letter to Shearman & Sterling dated July 2, 1993, and, if applicable, any no-action letter obtained pursuant to clause (A) above, (II) including a representation that neither the Company nor any Guarantor has entered into any arrangement or understanding with any Person to distribute the Exchange Notes to be received in the Exchange Offer and that, to the best of the Company's and each Guarantor's information and belief, each Holder participating in the Exchange Offer is acquiring the Exchange Notes in its ordinary course of business and has no arrangement or understanding with any Person to participate in the distribution of the Exchange Notes received in the Exchange Offer and (III) any other undertaking or representation required by the Commission as set forth in any no-action letter obtained pursuant to clause (A) above, if applicable.

(b) Shelf Registration Statement. In connection with the Shelf Registration Statement, the Company and the Guarantors shall:

(i) comply with all the provisions of Section 6(c) and (d) below and use their reasonable best efforts to effect such registration to permit the sale of the Transfer Restricted Securities being sold in accordance with the intended method or methods of distribution thereof (as indicated in the information furnished to the Company pursuant to Section 4(b) hereof), and pursuant thereto the Company and the Guarantors will prepare and file with the Commission a Registration Statement relating to the registration on any appropriate form under the Act, which form shall be

available for the sale of the Transfer Restricted Securities in accordance with the intended method or methods of distribution thereof within the time periods and otherwise in accordance with the provisions hereof; and

(ii) issue, upon the request of any Holder or purchaser of Notes covered by any Shelf Registration Statement contemplated by this Agreement, Exchange Notes having an aggregate principal amount equal to the aggregate principal amount of Notes sold pursuant to the Shelf Registration Statement and surrendered to the Company for cancellation; provided that such Holder provides all documentation reasonably requested by the Company in connection with such issuance; the Company and the Guarantors shall register Exchange Notes and the related Subsidiary Guarantees on the Shelf Registration Statement for this purpose and issue the Exchange Notes to the purchaser(s) of securities subject to the Shelf Registration Statement in the names as such purchaser(s) shall designate.

(iii) If the Board of Directors of the Company determines in good faith that it is in the best interests of the Company not to disclose the existence of, or facts surrounding, any proposed or pending material corporate transaction or other material development involving the Company or the Guarantors, the Company may allow the Shelf Registration Statement to fail to be effective or the Prospectus contained therein to be unusable as a result of such nondisclosure for up to 90 days in any year during the Shelf Period.

(c) General Provisions. In connection with any Registration Statement and any related Prospectus required by this Agreement, the Company and the Guarantors shall:

(i) use their reasonable best efforts to keep such Registration Statement continuously effective and provide all requisite financial statements for the period specified in Section 3 or 4 hereof, as applicable. Upon the occurrence of any event that would cause (A) any such Registration Statement to contain an untrue statement of material fact or omit to state any material fact necessary to make the statements therein not misleading or the Prospectus contained in such Registration Statement to contain an untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading or (B) such Registration Statement or the Prospectus contained therein not to be effective and usable for resale of Transfer Restricted Securities during the period required by this Agreement, the Company and the Guarantors shall file as promptly as practicable an appropriate amendment to such Registration Statement curing such defect, and, if Commission review is required, use their reasonable best efforts to cause such amendment to be declared effective as soon as practicable. If at any time the Commission shall issue any stop order suspending the effectiveness of any Registration Statement, or any state securities commission or other regulatory authority shall issue an order suspending the qualification or exemption from qualification of the Transfer Restricted Securities under state securities or Blue Sky laws, the Company and the Guarantors shall use their respective reasonable best efforts to obtain the withdrawal or lifting of such order at the earliest practicable time;

(ii) prepare and file with the Commission such amendments and post-effective amendments to the applicable Registration Statement as may be necessary to keep such Registration Statement effective for the applicable period set forth in Section 3 or 4 hereof, as the case may be; cause the Prospectus to be supplemented by any required Prospectus supplement, and as so supplemented to be filed pursuant to Rule 424 under the Act, and to comply fully with Rules 424, 430A and 462, as applicable, under the Act in a timely manner; and comply with the provisions of the Act with respect to the disposition of all securities covered by such Registration Statement during the applicable period in accordance with the intended method or methods of distribution by the sellers thereof set forth in such Registration Statement or supplement to the Prospectus;

(iii) in connection with any sale of Transfer Restricted Securities that will result in such securities no longer being Transfer Restricted Securities, cooperate with the Holders to facilitate the timely preparation and delivery of certificates representing Transfer Restricted Securities to be sold and not bearing any restrictive legends; and to enable such Transfer Restricted Securities to be registered in such denominations and such names as the selling Holders may request at least three Business Days prior to such sale of Transfer Restricted Securities;

(iv) use their reasonable best efforts to cause the disposition of the Transfer Restricted Securities covered by the Registration Statement to be registered with or approved by such other governmental agencies or authorities as may be necessary to enable the seller or sellers thereof to consummate the disposition of such Transfer Restricted Securities other than as set forth in Section 6(d)(x) hereof; *provided*, *however*, that neither the Company nor any Guarantor shall be required to register or qualify as a foreign corporation where it is not now so qualified or to take any action that would subject it to the service of process in suits or to taxation, other than as to matters and transactions relating to the Registration Statement, in any jurisdiction where it is not now so subject;

(v) provide a CUSIP number for all Transfer Restricted Securities not later than the effective date of a Registration Statement covering such Transfer Restricted Securities and provide the Trustee under the Indenture with certificates for the Transfer Restricted Securities which are in a form eligible for deposit with The Depository Trust Company;

(vi) otherwise use their respective reasonable best efforts to comply with all applicable rules and regulations of the Commission, and make generally available to its security holders with regard to any applicable Registration Statement, as soon as practicable, a consolidated earnings statement meeting the requirements of Rule 158 under the Act (which need not be audited) covering a twelve-month period beginning after the effective date of the registration statement (as such term is defined in paragraph (c) of Rule 158 under the Act); and

(vii) cause the Indenture to be qualified under the TIA not later than the effective date of the first Registration Statement required by this Agreement and, in connection therewith, cooperate with the Trustee and the Holders to effect such changes to the Indenture as may be required for such Indenture to be so qualified in accordance with the terms of the TIA; and execute and use their respective reasonable best efforts to cause the Trustee to execute, all documents that may be required to effect such changes and all other forms and documents required to be filed with the Commission to enable such Indenture to be so qualified in a timely manner.

(d) Additional Provisions Applicable to Shelf Registration Statements and Certain Exchange Offer Prospectuses. In connection with each Shelf Registration Statement, and each Exchange Offer Registration Statement if and to the extent that an Initial Purchaser has notified the Company that it is a holder of Transfer Restricted Securities (for so long as such Notes are Transfer Restricted Securities or for the period provided in Section 3 hereof, whichever is shorter), with respect to any Holder selling pursuant to the Shelf Registration Statement or with respect to any such Initial Purchaser, the Company and the Guarantors shall:

(i) advise such Holder as promptly as practicable and, if requested by such Holder, confirm such advice in writing, (A) when the Prospectus or any Prospectus supplement or post-effective amendment has been filed, and, with respect to any applicable Registration Statement or any post-effective amendment thereto, when the same has become effective, (B) of any request by the Commission for amendments to the Registration Statement or amendments or supplements to the Prospectus or for additional information relating thereto, (C) of the issuance by the Commission of any stop order suspending the effectiveness of the Registration Statement under the Act or of the suspension

by any state securities commission of the qualification of the Transfer Restricted Securities for offering or sale in any jurisdiction, or the initiation of any proceeding for any of the preceding purposes, (D) of the existence of any fact or the happening of any event that makes any statement of a material fact made in the Registration Statement, the Prospectus, any amendment or supplement thereto or any document incorporated by reference therein untrue, or that requires the making of any additions to or changes in the Registration Statement in order to make the statements therein not misleading, or that requires the making of any additions to or changes in the Prospectus in order to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(ii) subject to Section 6(c)(i) hereof, if any fact or event contemplated by Section 6(d)(i)(D) above shall exist or have occurred, prepare a supplement or post-effective amendment to the Registration Statement or related Prospectus or any document incorporated therein by reference or file any other required document so that, as thereafter delivered to the purchasers of Transfer Restricted Securities, the Prospectus will not contain an untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(iii) furnish to such Holder in connection with such exchange or sale, if any, before filing with the Commission, copies of any Registration Statement or any Prospectus included therein (except the Prospectus included in the Exchange Offer Registration Statement at the time it was declared effective) or any amendments or supplements to any such Registration Statement or Prospectus (including all documents incorporated by reference after the initial filing of such Registration Statement), which documents will be subject to the review and comment of such Holders in connection with such sale, if any, for a period of at least five Business Days, and the Company will not file any such Registration Statement or Prospectus or any amendment or supplement to any such Registration Statement or Prospectus (including all such documents incorporated by reference) to which such Holders shall reasonably object within five Business Days after the receipt thereof. A Holder shall be deemed to have reasonably objected to such filing if such Registration Statement, amendment, Prospectus or supplement, as applicable, as proposed to be filed, contains an untrue statement of a material fact or omits to state any material fact necessary to make the statements therein not misleading or fails to comply with the applicable requirements of the Act. Notwithstanding the foregoing, the Company shall not be required to take any actions under this Section 6(d)(iii) that are not, in the reasonable opinion of counsel for the Company, in compliance with applicable law;

(iv) promptly prior to the filing of any document that is to be incorporated by reference into a Registration Statement or Prospectus, provide copies of such document, upon request, to such Holder in connection with such exchange or sale, if any, make the Company's and the Guarantors' representatives reasonably available for discussion of such document and other customary due diligence matters, subject to negotiation, execution and delivery of customary confidentiality agreements, and include such information in such document prior to the filing thereof as such Holders may reasonably request;

(v) make available, at reasonable times, for inspection by such Holder and any attorney or accountant retained by such Holders, all financial and other records, pertinent corporate documents of the Company and the Guarantors reasonably requested by such persons and cause the Company's and the Guarantors' officers, directors and employees to supply all information reasonably requested by any such Holder, attorney or accountant, subject to negotiation, execution and delivery of customary confidentiality agreements, in connection with such Registration Statement or any post-effective amendment thereto subsequent to the filing thereof and prior to its effectiveness;

(vi) if requested by any such Holders in connection with such exchange or sale, promptly include in any Registration Statement or Prospectus, pursuant to a supplement or post-effective amendment if necessary, such information as such Holders may reasonably request to have included therein, including, without limitation, information relating to the "Plan of Distribution" of the Transfer Restricted Securities; and make all required filings of such Prospectus supplement or post-effective amendment as soon as practicable after the Company is notified of the matters to be included in such Prospectus supplement or post-effective amendment;

(vii) upon request, furnish to such Holder in connection with such exchange or sale, without charge, at least one copy of the Registration Statement, as first filed with the Commission, and of each amendment thereto (without all documents incorporated by reference therein or exhibits thereto, unless requested);

(viii) upon request, deliver to such Holder without charge, as many copies of the Prospectus (including each preliminary prospectus) and any amendment or supplement thereto as such Holder reasonably may request; provided that if no Registration Statement is effective or no Prospectus is usable in accordance with the provisions of Section 6(b) hereof, the Company shall deliver to each selling Holder a notice to that effect. The Company and the Guarantors hereby consent to the use (in accordance with law) of the Prospectus and any amendment or supplement thereto by each selling Holder in connection with the offering and the sale of the Transfer Restricted Securities covered by the Prospectus or any amendment or supplement thereto;

(ix) upon the reasonable request of any such Holder, enter into such agreements (including underwriting agreements containing customary terms) and make such reasonable and customary representations and warranties and take all such other reasonable and customary actions in connection therewith in order to expedite or facilitate the disposition of the Transfer Restricted Securities pursuant to any applicable Registration Statement contemplated by this Agreement as may be reasonably requested by any such Holder in connection with any sale or resale pursuant to any applicable Registration Statement. In such connection, the Company and the Guarantors shall:

(A) upon the reasonable request of such Holder, furnish (or in the case of paragraphs (2) and (3), use their reasonable best efforts to cause to be furnished) to each such Holder, upon Consummation of the Exchange Offer or upon the effectiveness of the Shelf Registration Statement, as the case may be:

(1) a certificate in customary form, dated such date, signed on behalf of the Company and each Guarantor by (x) the President or any Vice President and (y) a principal financial or accounting officer of the Company and such Guarantor, confirming, as of the date thereof, the matters set forth in Sections (l) of the Purchase Agreement and such other similar matters as such Holders may reasonably request;

(2) an opinion in customary form, dated the date of Consummation of the Exchange Offer or the date of effectiveness of the Shelf Registration Statement, as the case may be, of counsel for the Company and the Guarantors covering matters set forth in Sections 7(c) through (g) of the Purchase Agreement and such other matters as such Holder may reasonably request; and

(3) a customary comfort letter, dated the date of Consummation of the Exchange Offer, or as of the date of effectiveness of the Shelf Registration Statement, as the case may be, from the Company's independent accountants, in the customary form and covering matters of the type customarily covered in comfort letters to underwriters in connection with underwritten

offerings, and affirming the matters set forth in the comfort letters delivered pursuant to Section 7(j) of the Purchase Agreement; and

(B) deliver such other documents and certificates as may be reasonably requested by the selling Holders and as are customarily delivered in similar offerings to evidence compliance with the matters covered in clause (A) above and with any customary conditions contained in any agreement entered into by the Company and the Guarantors pursuant to this clause (ix);

(x) prior to any public offering of Transfer Restricted Securities, cooperate with the selling Holders and their counsel in connection with the registration and qualification of the Transfer Restricted Securities under the securities or Blue Sky laws of such jurisdictions as the selling Holders may reasonably request and use their respective reasonable best efforts to do any and all other acts or things necessary or advisable to enable the disposition in such jurisdictions of the Transfer Restricted Securities covered by the applicable Registration Statement; *provided*, *however*, that neither the Company nor any Guarantor shall be required to register or qualify as a foreign corporation where it is not now so qualified or to take any action that would subject it to the service of process in suits or to taxation, other than as to matters and transactions relating to the Registration Statement, in any jurisdiction where it is not now so subject; and

(xi) provide as promptly as practicable to each such Holder, upon request, each document filed with the Commission pursuant to the requirements of Section 13 or Section 15(d) of the Exchange Act.

(e) Restrictions on Holders. Each Holder's acquisition of a Transfer Restricted Security constitutes such Holder's agreement that, upon receipt of the notice referred to in Section 6(d)(i)(C) or any notice from the Company of the existence of any fact of the kind described in Section 6(d)(i)(D) hereof (in each case, a "***Suspension Notice***"), such Holder will forthwith discontinue disposition of Transfer Restricted Securities pursuant to the applicable Registration Statement until (i) such Holder has received copies of the supplemented or amended Prospectus contemplated by Section 6(d)(ii) hereof, or (ii) such Holder is advised in writing by the Company that the use of the Prospectus may be resumed, and has received copies of any additional or supplemental filings that are incorporated by reference in the Prospectus (in each case, the "***Recommencement Date***"). Each Holder receiving a Suspension Notice shall be required to either (I) destroy any Prospectuses, other than permanent file copies, then in such Holder's possession that have been replaced by the Company with a more recently dated Prospectus or (II) deliver to the Company (at the Company's expense) all copies, other than permanent file copies, then in such Holder's possession of the Prospectuses covering such Transfer Restricted Securities that was current at the time of receipt of the Suspension Notice. The time periods regarding such Registration Statement set forth in Section 3 or 4 hereof, as applicable, shall be extended by a number of days equal to the number of days in the period from and including the date of delivery of the Suspension Notice to the date of delivery of the Recommencement Date.

SECTION 7. REGISTRATION EXPENSES

(a) All expenses incident to the Company's and the Guarantors' performance of or compliance with this Agreement (other than underwriting discounts and commissions) will be borne by the Company, regardless of whether a Registration Statement becomes effective, including without limitation: (i) all registration and filing fees and expenses; (ii) all fees and expenses of compliance with federal securities and state Blue Sky or securities laws; (iii) all expenses of printing (including certificates for the Exchange Notes to be issued in the Exchange Offer and printing of Prospectuses), messenger and delivery services and telephone; (iv) all fees and disbursements of counsel for the Company, the Guarantors and all reasonable fees and disbursements of one counsel for the Holders of Transfer

Restricted Securities (which shall be Simpson Thacher & Bartlett LLP or such other counsel as may be selected by a majority of such Holders); (v) all application and filing fees in connection with listing the Exchange Notes on a national securities exchange or automated quotation system pursuant to the requirements hereof; and (vi) all fees and disbursements of independent certified public accountants of the Company and the Guarantors (including the expenses of any special audit and comfort letters required by or incident to such performance).

The Company will, in any event, bear its and the Guarantors' internal expenses (including, without limitation, all salaries and expenses of its officers and employees performing legal or accounting duties), the expenses of any annual audit and the fees and expenses of any Person, including special experts, retained by the Company or the Guarantors.

(b) In connection with any Registration Statement required by this Agreement (including, without limitation, the Exchange Offer Registration Statement and the Shelf Registration Statement), the Company and the Guarantors will reimburse the Initial Purchasers and the Holders of Transfer Restricted Securities who are tendering Notes into in the Exchange Offer and/or selling or reselling Notes or Exchange Notes pursuant to the "Plan of Distribution" contained in the Exchange Offer Registration Statement or the Shelf Registration Statement, as applicable, for the reasonable fees and disbursements of not more than one counsel (who shall be Simpson Thacher & Bartlett LLP unless another firm shall be chosen by the Holders of a majority in principal amount of the Transfer Restricted Securities for whose benefit such Registration Statement is being prepared).

SECTION 8. INDEMNIFICATION

(a) The Company and the Guarantors agree, jointly and severally, to indemnify and hold harmless each Holder, its directors, officers and each Person, if any, who controls such Holder (within the meaning of Section 15 of the Act or Section 20 of the Exchange Act), from and against any and all losses, claims, damages, liabilities or judgments (including without limitation, any reasonable legal or other expenses incurred in connection with investigating or defending any matter, including any action that could give rise to any such losses, claims, damages, liabilities or judgments) to which they or any of them may become subject under the Act, the Exchange Act or otherwise, insofar as such losses, claims, damages, liabilities, judgments and expenses are caused by any untrue statement or alleged untrue statement of a material fact contained in any Registration Statement, preliminary prospectus, Prospectus, Free Writing Prospectus or any "issuer information" (as defined in Rule 433 of the Securities Act) filed or required to be filed pursuant to Rule 433(d) under the Securities Act (or any amendment or supplement thereto) provided by the Company to any Holder or any prospective purchaser of Exchange Notes or registered Notes, or caused by any omission alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, except insofar as such losses, claims, damages, liabilities or judgments are caused by an untrue statement or omission or alleged untrue statement or omission that is based upon information relating to such Holder furnished in writing to the Company by such Holder.

(b) By its acquisition of Transfer Restricted Securities, each Holder of Transfer Restricted Securities agrees, severally and not jointly, to indemnify and hold harmless the Company and the Guarantors, and their respective directors and officers, and each person, if any, who controls (within the meaning of Section 15 of the Act or Section 20 of the Exchange Act) the Company or the Guarantors to the same extent as the foregoing indemnity from the Company and the Guarantors set forth in Section 8(a) hereof, but only with reference to information relating to such Holder furnished in writing to the Company by such Holder expressly for use in any Registration Statement. In no event shall any Holder, its directors, officers or any Person who controls such Holder be liable or responsible for any amount in excess of the amount by which the total amount received by such Holder with respect to its sale of

Transfer Restricted Securities pursuant to a Registration Statement exceeds (i) the amount paid by such Holder for such Transfer Restricted Securities and (ii) the amount of any damages that such Holder, its directors, officers or any Person who controls such Holder has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission.

(c) In case any action shall be commenced involving any Person in respect of which indemnity may be sought pursuant to Section 8(a) or (b) hereof (the "***indemnified party***"), the indemnified party shall promptly notify the Person against whom such indemnity may be sought (the "***indemnifying person***") in writing and the indemnifying party shall assume the defense of such action, including the employment of counsel reasonably satisfactory to the indemnified party and the payment of all fees and expenses of such counsel, as incurred (except that in the case of any action in respect of which indemnity may be sought pursuant to both Sections 8(a) and (b) hereof, a Holder shall not be required to assume the defense of such action pursuant to this Section 8(c), but may employ separate counsel and participate in the defense thereof, but the fees and expenses of such counsel, except as provided below, shall be at the expense of the Holder). Any indemnified party shall have the right to employ separate counsel in any such action and participate in the defense thereof, but the fees and expenses of such counsel shall be at the expense of the indemnified party unless (i) the employment of such counsel shall have been specifically authorized in writing by the indemnifying party, (ii) the indemnifying party shall have failed to assume the defense of such action or employ counsel reasonably satisfactory to the indemnified party within a reasonable time after notice of commencement of the action or (iii) the named parties to any such action (including any impleaded parties) include both the indemnified party and the indemnifying party, and the indemnified party shall have been advised by such counsel that there may be one or more legal defenses available to it which are different from or additional to those available to the indemnifying party (in which case the indemnifying party shall not have the right to assume the defense of such action on behalf of the indemnified party). In any such case, the indemnifying party shall not, in connection with any one action or separate but substantially similar or related actions in the same jurisdiction arising out of the same general allegations or circumstances, be liable for the fees and expenses of more than one separate firm of attorneys (in addition to any local counsel) for all indemnified parties and all such fees and expenses shall be reimbursed as they are incurred. Such firm shall be designated in writing by a majority of the Holders, in the case of the parties indemnified, pursuant to Section 8(a) hereof, and by the Company and the Guarantors, in the case of parties indemnified, pursuant to Section 8(b) hereof. The indemnifying party shall indemnify and hold harmless the indemnified party from and against any and all losses, claims, damages, liabilities and judgments by reason of any settlement of any action (A) effected with its written consent or (B) effected without its written consent if the settlement is entered into more than 20 Business Days after the indemnifying party shall have received a request from the indemnified party for reimbursement for the fees and expenses of counsel (in any case where such fees and expenses are at the expense of the indemnifying party) and, prior to the date of such settlement, the indemnifying party shall have failed to comply with such reimbursement request. No indemnifying party shall, without the prior written consent of the indemnified party, effect any settlement or compromise of, or consent to the entry of judgment with respect to, any pending or threatened action in respect of which the indemnified party is or could have been a party and indemnity or contribution may be or could have been sought hereunder by the indemnified party, unless such settlement, compromise or judgment (I) includes an unconditional release of the indemnified party from all liability on claims that are or could have been the subject matter of such action and (II) does not include a statement as to or an admission of fault, culpability or a failure to act, by or on behalf of the indemnified party.

(d) To the extent that the indemnification provided for in this Section 8 is unavailable to an indemnified party in respect of any losses, claims, damages, liabilities or judgments referred to therein, then each indemnifying party, in lieu of indemnifying such indemnified party shall contribute to the amount paid or payable by such indemnified party as a result of such losses, claims,

damages, liabilities or judgments (i) in such proportion as is appropriate to reflect the relative benefits received by the Company and the Guarantors on the one hand, and the Holders, on the other hand, from the initial sale by the Company of Transfer Restricted Securities (or in the case of Exchange Notes that are Transfer Restricted Securities, the sale of the Notes for which such Exchange Notes were exchanged) or (ii) if the allocation provided by clause 8(d)(i) above is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in such clause 8(d)(i) but also the relative fault of the Company and the Guarantors, on the one hand, and of the Holder, on the other hand, in connection with the statements or omissions which resulted in such losses, claims, damages, liabilities or judgments, as well as any other relevant equitable considerations. The relative fault of the Company and the Guarantors, on the one hand, and of the Holder, on the other hand, shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Company or such Guarantor, on the one hand, or by the Holder, on the other hand, and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. The amount paid or payable by a party as a result of the losses, claims, damages, liabilities and judgments referred to above shall be deemed to include, subject to the limitations set forth in Section 8(c) hereof, any legal or other fees or expenses reasonably incurred by such party in connection with investigating or defending any action or claim.

The Company, the Guarantors and, by its acquisition of Transfer Restricted Securities, each Holder agree that it would not be just and equitable if contribution pursuant to this Section 8(d) were determined by pro rata allocation (even if the Holders were treated as one entity for such purpose) or by any other method of allocation which does not take account of the equitable considerations referred to in the immediately preceding paragraph. The amount paid or payable by an indemnified party as a result of the losses, claims, damages, liabilities or judgments referred to in the immediately preceding paragraph shall be deemed to include, subject to the limitations set forth above, any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any matter, including any action that could have given rise to such losses, claims, damages, liabilities or judgments. Notwithstanding the provisions of this Section 8, no Holder, its directors, its officers or any Person, if any, who controls such Holder shall be required to contribute, in the aggregate, any amount in excess of the amount by which the total received by such Holder with respect to the sale of Transfer Restricted Securities pursuant to a Registration Statement exceeds (i) the amount paid by such Holder for such Transfer Restricted Securities and (ii) the amount of any damages which such Holder has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission. No Person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Act) shall be entitled to contribution from any Person who was not guilty of such fraudulent misrepresentation. The Holders' obligations to contribute pursuant to this Section 8(d) are several in proportion to the respective principal amount of Transfer Restricted Securities held by each Holder hereunder and not joint.

SECTION 9. RULE 144A AND RULE 144

The Company and each Guarantor agrees with each Holder, for so long as any Transfer Restricted Securities remain outstanding and during any period in which the Company or such Guarantor (a) is not subject to Section 13 or 15(d) of the Exchange Act, to make available, upon request of any Holder, or beneficial owner of Transfer Restricted Securities in connection with any sale thereof and any prospective purchaser of such Transfer Restricted Securities designated by such Holder or beneficial owner, the information required by Rule 144A(d)(4) under the Act in order to permit resales of such Transfer Restricted Securities pursuant to Rule 144A, and (b) is subject to Section 13 or 15(d) of the Exchange Act, to make all filings required thereby in a timely manner in order to permit resales of such Transfer Restricted Securities pursuant to Rule 144.

SECTION 10. MISCELLANEOUS

(a) Remedies. The Company and the Guarantors acknowledge and agree that any failure by the Company and/or the Guarantors to comply with their respective obligations under Sections 3 and 4 hereof may result in material irreparable injury to the Initial Purchasers or the Holders for which there is no adequate remedy at law, that it will not be possible to measure damages for such injuries precisely and that, in the event of any such failure, the Initial Purchasers or any Holder may obtain such relief as may be required to specifically enforce the Company's and the Guarantor's obligations under Sections 3 and 4 hereof. The Company and the Guarantors further agree to waive the defense in any action for specific performance that a remedy at law would be adequate.

(b) Free Writing Prospectus. The Company represents, warrants and covenants that it (including its agents and representatives) will not prepare, make, use, authorize, approve or refer to any "written communication" (as defined in Rule 405 under the Securities Act) in connection with the issuance and sale of the Notes and the Exchange Notes, other than any communication pursuant to Rule 134, Rule 135 or Rule 135c under the Securities Act, any document constituting an offer to sell or solicitation of an offer to buy the Notes or the Exchange Notes that falls within the exception from the definition of prospectus in Section 2(a)(10)(a) of the Securities Act or a prospectus satisfying the requirements of section 10(a) of the Securities Act or of Rule 430, Rule 430A, Rule 430B, Rule 430C or Rule 431 under the Securities Act.

(c) No Inconsistent Agreements. The Company and the Guarantors will not, on or after the date of this Agreement, enter into any agreement with respect to their respective securities that is inconsistent with the rights granted to the Holders in this Agreement or otherwise conflicts with the provisions hereof. The Company and the Guarantors have not previously entered into any agreement granting any registration rights with respect to their respective securities to any Person that would require such securities to be included in any Registration Statement filed hereunder. The rights granted to the Holders hereunder do not in any way conflict with and are not inconsistent with the rights granted to the holders of the Company's and the Guarantors' securities under any agreement in effect on the date hereof.

(d) Amendments and Waivers. The provisions of this Agreement may not be amended, modified or supplemented, and waivers or consents to or departures from the provisions hereof may not be given unless (i) in the case of Section 5 hereof and this Section 10(d)(i), the Company has obtained the written consent of Holders of all outstanding Transfer Restricted Securities and (ii) in the case of all other provisions hereof, the Company has obtained the written consent of Holders of a majority of the outstanding principal amount of Transfer Restricted Securities (excluding Transfer Restricted Securities held by the Company or its Affiliates). Notwithstanding the foregoing, a waiver of or consent to departure from the provisions hereof that relates exclusively to the rights of Holders whose Transfer Restricted Securities are being tendered pursuant to the Exchange Offer, and that does not affect directly or indirectly the rights of other Holders whose Transfer Restricted Securities are not being tendered pursuant to such Exchange Offer, may be given by the Holders of a majority of the outstanding principal amount of Transfer Restricted Securities subject to such Exchange Offer.

(e) Third Party Beneficiary. The Holders shall be third party beneficiaries to the agreements made hereunder between the Company and the Guarantors, on the one hand, and the Initial Purchasers, on the other hand, and shall have the right to enforce such agreements directly to the extent they may deem such enforcement necessary or advisable to protect their rights hereunder.

By acquiring the Transfer Restricted Securities, a Holder will be deemed to have agreed to indemnify and hold harmless the Company, the Guarantors and their respective directors and officers, and each person, if any, who controls (within the meaning of Section 15 of the Act or Section 20 of the

Exchange Act to the same extent as the indemnity from the Company and the Guarantors set forth in Section 8(a) hereof, but only with reference to information relating to such Holder and provided in writing by such Holder for inclusion in the Shelf Registration Statement.

(f) Notices. All notices and other communications provided for or permitted hereunder shall be made in writing by hand-delivery, first-class mail (registered or certified, return receipt requested), telecopier, or air courier guaranteeing overnight delivery:

(i) if to a Holder, at the address set forth on the records of the Registrar under the Indenture, with a copy to the Registrar under the Indenture; and

(ii) if to the Company or any of the Guarantors:

c/o Unifi, Inc.
P.O. Box 19109, Greensboro
North Carolina 27419-9109
Attention: General Counsel
(Fax: (336) 856-4364)

All such notices and communications shall be deemed to have been duly given at the time delivered by hand, if personally delivered; five Business Days after being deposited in the mail, postage prepaid, if mailed; when receipt is acknowledged, if telecopied; and on the next Business Day, if timely delivered to an air courier guaranteeing overnight delivery.

Copies of all such notices, demands or other communications shall be concurrently delivered by the Person giving the same to the Trustee at the address specified in the Indenture.

(g) Successors and Assigns. This Agreement shall inure to the benefit of and be binding upon the successors and assigns of each of the parties, including without limitation and without the need for an express assignment, subsequent Holders; *provided* that nothing herein shall be deemed to permit any assignment, transfer or other disposition of Transfer Restricted Securities in violation of the terms hereof or of the Purchase Agreement or the Indenture. If any transferee of any Holder shall acquire Transfer Restricted Securities in any manner, whether by operation of law or otherwise, such Transfer Restricted Securities shall be held subject to all of the terms of this Agreement, and by taking and holding such Transfer Restricted Securities such Person shall be conclusively deemed to have agreed to be bound by and to perform all of the terms and provisions of this Agreement, including the restrictions on resale set forth in this Agreement and, if applicable, the Purchase Agreement, and such Person shall be entitled to receive the benefits hereof.

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

(i) Headings. The headings in this Agreement are for convenience of reference only and shall not limit or otherwise affect the meaning hereof.

(j) Governing Law. THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

(k) Severability. In the event that any one or more of the provisions contained herein, or the application thereof in any circumstance, is held invalid, illegal or unenforceable, the

validity, legality and enforceability of any such provision in every other respect and of the remaining provisions contained herein shall not be affected or impaired thereby.

(l) Entire Agreement. This Agreement is intended by the parties as a final expression of their agreement and intended to be a complete and exclusive statement of the agreement and understanding of the parties hereto in respect of the subject matter contained herein. There are no restrictions, promises, warranties or undertakings, other than those set forth or referred to herein with respect to the registration rights granted with respect to the Transfer Restricted Securities. This Agreement supersedes all prior agreements and understandings between the parties with respect to such subject matter.

[Signature Pages to Follow]

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first written above.

UNIFI, INC.

By: CHARLES F. MCCOY
Name: Charles F. McCoy
Title: Vice President

UNIFI MANUFACTURING VIRGINIA, LLC

By: Unifi, Inc., as member

By CHARLES F. MCCOY
Name: Charles F. McCoy
Title: Vice President

By: Unifi Manufacturing, Inc., as member

By CHARLES F. MCCOY
Name: Charles F. McCoy
Title: Vice President

UNIFI MANUFACTURING, INC.

By CHARLES F. MCCOY
Name: Charles F. McCoy
Title: Vice President

UNIFI EXPORT SALES, LLC

By: Unifi, Inc., as member

By CHARLES F. MCCOY
Name: Charles F. McCoy
Title: Vice President

By: Unifi Manufacturing, Inc., as member

By CHARLES F. MCCOY
Name: Charles F. McCoy
Title: Vice President

UNIFI SALES & DISTRIBUTION, INC.

By CHARLES F. MCCOY
Name: Charles F. McCoy
Title: Vice President

UNIFI INTERNATIONAL SERVICES, INC.

By CHARLES F. MCCOY
Name: Charles F. McCoy
Title: Vice President

GLENTOUCH YARN COMPANY, LLC

By CHARLES F. MCCOY
Name: Charles F. McCoy
Title: Vice President

SPANCO INDUSTRIES, INC.

By CHARLES F. MCCOY
Name: Charles F. McCoy
Title: Vice President

SPANCO INTERNATIONAL, INC.

By CHARLES F. MCCOY
Name: Charles F. McCoy
Title: Vice President

UNIFI KINSTON, LLC

By: Unifi, Inc. as sole member

By CHARLES F. MCCOY
Name: Charles F. McCoy
Title: Vice President

UNIFI TEXTURED POLYESTER, LLC

By CHARLES F. MCCOY
Name: Charles F. McCoy
Title: Vice President

UNIFI TECHNICAL FABRIC, LLC

By CHARLES F. MCCOY
Name: Charles F. McCoy
Title: Vice President

CHARLOTTE TECHNOLOGY GROUP, INC.

By CHARLES F. MCCOY
Name: Charles F. McCoy
Title: Vice President

UTG SHARED SERVICES GROUP, INC.

By CHARLES F. MCCOY
Name: Charles F. McCoy
Title: Vice President

UNIMATRIX AMERICAS, LLC

By CHARLES F. MCCOY
Name: Charles F. McCoy
Title: Vice President

LEHMAN BROTHERS INC.
BANC OF AMERICA SECURITIES LLC

By: LEHMAN BROTHERS INC.

By: /s/
Authorized Representative

On behalf of each of the Initial Purchasers

Schedule A

Guarantors

Unifi Manufacturing Virginia, LLC
Unifi Manufacturing, Inc.
Unifi Export Sales, LLC
Unifi Sales & Distribution, Inc.
Unifi International Services, Inc.
Glentouch Yarn Company, LLC
Spanco Industries, Inc.
Spanco International, Inc.
Unifi Kinston, LLC
Unifi Textured Polyester, LLC
Unifi Technical Fabrics, LLC
Charlotte Technology Group, Inc.
UTG Shared Services Group, Inc.
Unimatrix Americas, LLC

Exhibit 4.4

EXECUTION VERSION

SECURITY AGREEMENT

THIS SECURITY AGREEMENT (this "Security Agreement") is entered into as of May 26, 2006, by and among UNIFI, INC., a New York corporation (the "Parent"), each of the Domestic Subsidiaries of the Parent from time to time party hereto (each a "Guarantor" and collectively, the "Guarantors") ((hereinafter the Parent and Guarantors are collectively referred to as the "Obligors" and individually, as an "Obligor"), and **U.S. BANK NATIONAL ASSOCIATION,** in its capacity as indenture trustee under the Indenture referred to below for the holders of notes issued pursuant to the Indenture (individually a "Holder" and collectively, the "Holders") as pledgee, assignee and secured party (in such capacities and together with any successors in such capacity, the "Collateral Agent").

RECITALS

WHEREAS, pursuant to the Indenture (as amended, modified or supplemented from time to time, the "Indenture"), dated as of May 26, 2006, among the Obligors and U.S. Bank National Association, as trustee (the "Trustee"), pursuant to which the Parent has issued to the Holders its 11 1/2% Senior Secured Notes due 2014, and may issue from time to time additional notes in connection with the provisions of the Indenture (as the same may be amended, restated, replaced, supplemented, substituted, or otherwise modified from time to time, collectively, the "Notes"); and

WHEREAS, it is a condition precedent to the purchase by the Holders of the Notes that that the Obligors shall have executed and delivered this Security Agreement to the Collateral Agent for the ratable benefit of the Holders and the Trustee.

NOW, THEREFORE, in consideration of these premises and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Definitions.

(a) Unless otherwise defined herein, capitalized terms used herein shall have the meanings ascribed to such terms in the Indenture, and the following terms which are defined in the Uniform Commercial Code from time to time in effect in the State of New York (the "UCC") are used herein as so defined: Accessions, Accounts, As-Extracted Collateral, Certificate of Title, Chattel Paper, Commercial Tort Claims, Commodities Intermediary, Consumer Goods, Control, Deposit Accounts, Documents, Equipment, Farm Products, Fixtures, General Intangibles, Goods, Instruments, Inventory, Investment Property, Letter-of-Credit Rights, Manufactured Homes, Proceeds, Commodities Intermediary, Securities Intermediary, Software, Supporting Obligations and Tangible Chattel Paper.

(b) In addition, the following terms shall have the following meanings:

"Account Control Agreement" means an agreement among one or more of the Obligors, the Collateral Agent and a Clearing Bank, in form and substance reasonably satisfactory to the Collateral Agent, concerning the collection of payments which represent the proceeds of Accounts or of any other Collateral and which agreement establishes "control" over such payments under the UCC.

"Account Debtor" means each Person obligated in any way on or in connection with an Account, Chattel Paper or General Intangibles (including a payment intangible).

"Assigned Contracts" shall have the meaning set forth in the Credit Agreement.

"Clearing Bank" means any banking institution with whom a Payment Account has been established pursuant to an Account Control Agreement.

"Copyright Licenses" means any written agreement, naming any Obligor as licensor, granting any right under any Copyright including, without limitation, any thereof referred to in Schedule 1(b) hereto.

"Copyrights" means (a) all United States copyrights in all Works, now existing or hereafter created or acquired, whether registered or unregistered, all registrations and recordings thereof, and all applications in connection therewith, including, without limitation, registrations, recordings and applications in the United States Copyright Office including, without limitation, any thereof referred to in Schedule 1(b) hereto, and (b) all renewals thereof including, without limitation, any thereof referred to in Schedule Kb) hereto.

"Governmental Authority" means any nation or government, any state or other political subdivision thereof, any central bank (or similar monetary or regulatory authority) thereof, any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government, and any corporation or other entity owned or controlled, through stock or capital ownership or otherwise, by any of the foregoing.

"Intellectual Property" means all Copyrights, Copyright Licenses, Patents, Patent Licenses, Trademarks, Trademark Licenses and all other intellectual property of the Obligors.

"Obligations" means any principal, premium, if any, interest (including interest accruing on or after the filing of any petition in bankruptcy or for reorganization, whether or not a claim for post-filing interest is allowed in such proceeding), penalties, fees, charges, expenses, indemnifications, reimbursement obligations, damages, guarantees, and other liabilities or amounts payable under the documentation governing any Indebtedness of the Obligors under the Indenture, the Notes and the Collateral Documents or in respect thereto.

"Patent License" means all agreements, whether written or oral, providing for the grant by or to an Obligor of any right to manufacture, use or sell any invention covered by a Patent, including, without limitation, any thereof referred to in Schedule 1(b) hereto.

"Patents" means (a) all letters patent of the United States or any other country and all reissues and extensions thereof and all goodwill associated therewith, including, without limitation, any thereof referred to in Schedule 1(b) hereto, (b) all applications for letters patent of the United States or any other country and all divisions, continuations and continuations-in-part thereof, including, without limitation, any thereof referred to in Schedule 1(b) hereto, and (c) all rights to obtain any reissues or extensions of the foregoing.

"Payment Account" means each bank account established pursuant to the Security Agreement, to which the proceeds of Accounts and other Collateral are deposited or credited, and which is maintained in the name of the Collateral Agent, on terms acceptable to the Collateral Agent.

"Secured Obligations" means (a) all Obligations, howsoever evidenced, created, incurred or acquired, whether primary, secondary, direct or indirect, absolute or contingent, or joint and several and (b) all expenses and charges, legal and otherwise, incurred by the Collateral Agent in collecting or enforcing any Obligations or in realizing on or protecting any security therefor, including without limitation the security afforded hereunder.

"Trademark License" means any agreement, written or oral, providing for the grant by or to an Obligor of any right to use any Trademark, including, without limitation, any thereof referred to in Schedule 1(b) hereto.

"Trademarks" means (a) all trademarks, trade names, corporate names, company names, business names, fictitious business names, trade styles, service marks, logos and other source or business identifiers, and the goodwill associated therewith, now existing or hereafter adopted or acquired, all registrations and recordings thereof, and all applications in connection therewith, whether in the United States Patent and Trademark Office or in any similar office or agency of the United States, any State thereof or any other country or any political subdivision thereof, or otherwise, including, without limitation, any thereof referred to in Schedule 1(b) hereto, and (b) all renewals thereof.

"Work" means any work which is subject to copyright protection pursuant to Title 17 of the United States Code.

2. Grant of Security Interest in the Collateral.

(a) To secure the prompt payment and performance in full when due, whether by lapse of time, acceleration, mandatory prepayment or otherwise, of the Secured Obligations, each Obligor hereby grants to the Collateral Agent, for the benefit of the Collateral Agent, the Trustee and the Holders (collectively, the "Secured Parties"‘), a continuing security interest in, and a right to set off against, any and all right, title and interest of such Obligor in and to the following, whether now owned or existing or owned, acquired, or arising hereafter (collectively, the "Collateral"):

(i) all Accounts;

(ii) all cash and cash equivalents;

(iii) all Chattel Paper;

(iv) those certain Commercial Tort Claims of the Obligors in which an Obligor is the claimant or plaintiff set forth on Schedule 2(a)(iv) attached hereto (as such Schedule may be updated from time to time by the Obligors);

(v) all Copyrights;

(vi) all Copyright Licenses;

(vii) all Deposit Accounts, all Lockbox Accounts, all Payment Accounts and any replacement or successor accounts relating thereto;

(viii) all Documents;

(ix) all Equipment;

(x) all Fixtures;

(xi) all General Intangibles;

(xii) all Goods;

(xiii) all Instruments;

(xiv) all Inventory;

(xv) all Investment Property;

(xvi) all Letter-of-Credit Rights;

(xvii) all Assigned Contracts, as such agreements may be amended, replaced, supplemented or otherwise modified from time to time;

(xviii) all Patents;

(xix) all Patent Licenses;

(xx) all Trademarks;

(xxi) all Trademark Licenses;

(xxii) all Software;

(xxiii) all Supporting Obligations;

(xxiv) all books, records, ledger cards, files, correspondence, computer programs, tapes, disks, and related data processing software (owned by such Obligor or in which it has an interest) that at any time evidence or contain information relating to any Collateral or are otherwise necessary or helpful in the collection thereof or realization thereupon;

(xxv) all other personal property of any kind or type whatsoever owned by such Obligor; and

(xxvi) to the extent not otherwise included, all Accessions, Proceeds and products of any and all of the foregoing.

(b) Each of the Obligors and the Collateral Agent, on behalf of the Secured Parties, hereby acknowledge and agree that the security interest created hereby in the Collateral (i) constitutes continuing collateral security for all of the Secured Obligations, whether now existing or hereafter arising and (ii) is not to be construed as a present assignment of any Intellectual Property.

(c) Any of the foregoing clauses (a) and (b) of this Section 2 to the contrary notwithstanding, the "Collateral" shall not include, and the security interest granted herein shall not attach to, the Excluded Assets.

3. Provisions Relating to Accounts, Chattel Paper, Contracts and Agreements.

(a) Anything herein to the contrary notwithstanding, each of the Obligors shall remain liable under each of its Accounts, Chattel Paper, contracts and agreements to observe and perform all the conditions and obligations to be observed and performed by it thereunder. Neither the Collateral Agent nor any Secured Party shall have any obligation or liability under any Account (or any agreement giving rise thereto), Chattel Paper, contract or agreement by reason of or arising out of this Security Agreement or the receipt by the Collateral Agent or any Secured Party of any payment relating to such Account, Chattel Paper, contract or agreement pursuant hereto, nor shall the Collateral Agent or any Secured Party be obligated in any manner to perform any of the obligations of an Obligor under or pursuant to any Account (or any agreement giving rise thereto), Chattel Paper, contract or agreement, to make any payment, to make any inquiry as to the nature or the sufficiency of any payment received by it or as to the sufficiency of any performance by any party under any Account (or any agreement giving rise thereto), Chattel Paper, contract or agreement, to present or file any claim, to take any action to enforce any performance or to collect the payment of any amounts which may have been assigned to it or to which it may be entitled at any time or times.

(b) At any time and from time to time, the Collateral Agent shall have the right, but not the obligation, to make test verifications of the Accounts and the Chattel Paper in any manner and through any medium that it considers advisable, and the Obligors shall furnish all such assistance and information as the Collateral Agent may reasonably require in connection with such test verifications, to the extent and as provided in the Indenture. Upon the Collateral Agent's request and at the expense of the Obligors, the Obligors shall cause independent public accountants or others reasonably satisfactory to the Collateral Agent to furnish to the Collateral Agent reports showing reconciliations, aging and test verifications of, and trial balances for, the Accounts. The Collateral Agent in its own name or in the name of others may communicate with Account Debtors on the Accounts and the Chattel Paper to verify with them to the Collateral Agent's satisfaction the existence, amount and terms of any Accounts and

Chattel Paper (so long as no Event of Default has occurred and is continuing, the Collateral Agent shall notify the Parent concurrently of any such verifications).

4. Representations and Warranties. Each Obligor hereby represents and warrants to the Collateral Agent, for the benefit of the Secured Parties, that so long as any of the Secured Obligations remain outstanding and the Indenture or any Collateral Document is in effect:

(a) Chief Executive Office; Books & Records; Legal Name; State of Formation. Such Obligor's chief executive office and chief place of business are (and for the prior four months has been) located at the locations set forth on Schedule 4(a)(i) hereto (as updated from time to time), and such Obligor keeps its books and records at such locations. Such Obligor's exact legal name as registered in its state of formation is as shown in the introductory paragraphs of this Security Agreement, its state of formation is (and for the prior four months has been) the state set forth on Schedule 4(a)(ii) hereto, and its organizational number, if any, assigned by such state is set forth on Schedule 4(a)(ii) hereto. Such Obligor has not, in the past four months, changed its name, been party to a merger, consolidation or other change in structure or used any tradename not disclosed on Schedule 4(a)(ii) attached hereto (as updated from time to time).

(b) Location of Tangible Collateral. The location of all tangible Collateral owned by such Obligor (other than rolling stock, goods out for repair, aircraft and goods in transit) is as shown on Schedule 4(b) (as updated from time to time).

(c) Ownership. Such Obligor is the legal and beneficial owner of its Collateral and has the right to pledge, sell, assign or transfer the same.

(d) Security Interest/Priority. This Security Agreement creates a valid security interest in favor of the Collateral Agent, for the benefit of the Secured Parties, in the Collateral of such Obligor, and, when properly perfected by filing, obtaining possession, the granting of Control to the Collateral Agent or upon compliance with any applicable motor vehicle Certificate of Title statute or act (or similar law providing for the perfection of a security interest in the goods covered by a Certificate of Title) or otherwise under the UCC or by filing an appropriate notice with the United States Patent and Trademark Office or the United States Copyright Office, shall constitute a valid first priority, perfected security interest in such Collateral, to the extent such security interest can be perfected by filing, the granting of Control, or by complying with the provisions of a motor vehicle Certificate of Title statute or act (or similar law) or otherwise under the UCC or by filing an appropriate notice with the United States Patent and Trademark Office or the United States Copyright Office, free and clear of all Liens except for Permitted Liens.

(e) Consents. Except for the filing or recording of UCC financing statements or obtaining Control to perfect the Liens created by this Security Agreement that may be perfected through the filing of a UCC financing statement or obtaining Control, except for complying with the requirements of any applicable motor vehicle Certificate of Title statutes or acts (or similar law providing for the perfection of a security interest in goods covered by a Certificate of Title) and except, in the case of the pledge of Capital Stock of the Foreign Subsidiaries, any consents or authorizations required under applicable foreign

laws, no consent or authorization of, filing with, or other act by or in respect of, any arbitrator or Governmental Authority and no consent of any other Person (including, without limitation, any stockholder, member or creditor of such Obligor), is required (except as such have been duly obtained, made or given and are in full force and effect) (i) for the grant by such Obligor of the security interest in the Collateral granted hereby or for the execution, delivery or performance of this Security Agreement by such Obligor or (ii) for the perfection of such security interest or the exercise by the Collateral Agent of the rights and remedies provided for in this Security Agreement.

(f) Types of Collateral. None of the Collateral consists of, or is the Proceeds of, As-Extracted Collateral, Consumer Goods, Farm Products, Manufactured Homes or standing timber (as such term is used in the UCC).

(g) Accounts. With respect to such Obligor's Accounts: (i) the goods sold, rented or leased, licensed, or assigned and/or services furnished giving rise to each Account and the Chattel Paper are not subject to any security interest or Lien except the first priority, perfected security interest granted to the Collateral Agent herein and except for Permitted Liens; (ii) each Account and the papers and documents of the applicable Obligor relating thereto are, and all Chattel Paper is, genuine and in all material respects what they purport to be; (iii) each Account and all Chattel Paper arises out of a bona fide transaction for goods sold and delivered (or in the process of being delivered), leased, licensed, or assigned by such Obligor or for services actually rendered by such Obligor, which transaction was conducted in the ordinary course of the Obligor's business and was completed in accordance with the terms of any documents pertaining thereto; (iv) no Account of such Obligor in excess of $100,000 is evidenced by any Instrument or Chattel Paper unless such Instrument or Chattel Paper has been endorsed over and delivered to, or submitted to the control of, the Collateral Agent; (v) the amount of each Account as shown on the applicable Obligor's books and records, and on all invoices and statements which may be delivered to the Collateral Agent with respect thereto, is due and payable to such Obligor; (vi) to such Obligors' knowledge, the account debtor with respect to each Account and the obligor with respect to all Chattel Paper has the capacity to contract; (vii) to such Obligor's knowledge, there are no proceedings or actions which are threatened or pending against any Account Debtor whose business is material to the Obligors and their Subsidiaries taken as a whole which are reasonably likely to have a material adverse change in such Account Debtor's financial condition or the collectibility of Accounts owing by it to the Obligors, (viii) no payment will be received with respect to any Account, and no credit, discount, or extension, or agreement therefor will be granted on any Account, except as reported in Borrowing Base Certificates, as defined in, and as delivered pursuant to the Credit Agreement to the administrative agent and the lenders thereunder; and (ix) no surety bond was required or given in connection with any Account or any Chattel Paper of such Obligor or the contracts or purchase orders out of which they arose.

(h) Inventory. None of such Obligor's Inventory is held by a third party (other than another Obligor) pursuant to consignment, sale or return, sale on approval or similar arrangement. All of each Obligor's Inventory has been produced in compliance in all material respects with all requirements of the Federal Fair Labor Standards Act of 1938, as amended, and all rules, regulations and orders thereunder.

(i) Intellectual Property.

(i) Schedule 1(b) hereto includes all registrations or issuances for all Copyrights, Patents, and Trademarks, and all applications therefor, which are owned by such Obligor as of the date hereof and to the extent material to any legitimate business purpose of such Obligor, all Trademark Licenses, Copyright Licenses and Patent Licenses to which such Obligor is a party. Schedule 1(b) shows the place, if any, in which each such Copyright, Patent and Trademark is registered.

(ii) Except as set forth on Schedule 1(b) hereto, to the knowledge of such Obligor, all Intellectual Property of such Obligor is valid, subsisting, unexpired, enforceable and has not been abandoned, and such Obligor is legally entitled to use each of its Trademarks.

(iii) Except as set forth on Schedule 1(b) hereto, none of such Obligor's Intellectual Property is the subject of any licensing or franchise agreement that is material to any legitimate business purpose of such Obligor.

(iv) To the knowledge of such Obligor, no holding, decision or judgment has been rendered by any Governmental Authority which would materially limit, cancel or question the validity of any Intellectual Property of such Obligor.

(v) To the knowledge of such Obligor, no action or proceeding is pending seeking to limit, cancel or question the validity of any Intellectual Property of such Obligor in any material respect, or which, if adversely determined, would have a material adverse effect on the value of any such Intellectual Property.

(vi) To the knowledge of such Obligor, all applications pertaining to such Obligor's Intellectual Property that is material to any legitimate business purpose of such Obligor have been duly and properly filed, and all registrations or letters pertaining to such Intellectual Property have been duly and properly filed and issued, and all such Intellectual Property is valid and enforceable.

(vii) Such Obligor has not made any assignment or agreement respecting any of its Intellectual Property which would conflict with the security interest of the Collateral Agent in such Intellectual Property granted hereunder, except as permitted by the Indenture or the Collateral Documents.

(j) Documents, Instruments and Chattel Paper. All Documents, Instruments and Chattel Paper describing, evidencing or constituting Collateral are, to such Obligor's knowledge, complete, valid, and genuine in all material respects.

(k) Equipment. With respect to such Obligor's Equipment: (i) such Obligor has good and marketable title thereto; and (ii) all such Equipment is in normal operating condition and repair, subject to normal wear and tear, and is suitable for the uses to which it is customarily put in the conduct of such Obligor's business.

(l) Restrictions on Security Interest. Except for restrictions under the Intercreditor Agreement, the Collateral Documents and the security agreements and collateral documents relating to the Credit Agreement, such Obligor is not party to any license or other agreements which would materially limit the Collateral Agent's (or any of the Collateral Agent's transferees) right to sell, lease, or otherwise use any Inventory or Equipment upon the Collateral Agent's proper exercise of its remedies hereunder and under the other Collateral Documents.

(m) Purchase of Collateral. Within the 12-month period preceding the Issue Date, none of the Obligors has purchased any of the Collateral consisting of goods in a bulk transfer or in a transaction which was outside the ordinary course of the business of such Obligor's seller.

(n) Commercial Tort Claims. On the date hereof, except to the extent listed on Schedule 2(a)(iv) hereto, no Obligor has rights in any Commercial Tort Claim with potential value in excess of $100,000.

Upon the filing of a financing statement covering any Commercial Tort Claim and describing such Commercial Tort Claim with specificity referred to in Section 5(n) hereof against such Obligor in the jurisdiction specified in Schedule 4(a)(ii) hereto, the security interest granted in such Commercial Tort Claim will constitute a valid perfected security interest in favor of the Collateral Agent, for the ratable benefit of the Secured Parties, as collateral security for such Obligor's Secured Obligations, enforceable in accordance with the terms hereof against all creditors of such Obligor and any Persons purporting to purchase such Collateral from Obligor, which security interest shall be prior to all other Liens on such Collateral except for unrecorded liens permitted by the Indenture which have priority over the Liens on such Collateral by operation of law.

5. Covenants. Each Obligor covenants that, so long as any of the Secured Obligations remain outstanding and the Indenture or any Collateral Document is in effect, such Obligor shall:

(a) Payment of Obligations. Such Obligor will pay and discharge or otherwise satisfy at or before maturity or before they become delinquent, as the case may be, all taxes, assessments and governmental charges or levies imposed upon the Collateral or in respect of income or profits therefrom, as well as all claims of any kind (including, without limitation, claims for labor, materials and supplies) against or with respect to the Collateral, except that no such charge need be paid if the amount or validity thereof is currently being contested in good faith by appropriate proceedings, reserves in conformity with GAAP with respect thereto have been provided on the books of such Obligor and such proceedings could not reasonably be expected to result in the sale, forfeiture or loss of any material portion of the Collateral or any interest therein.

(b) Other Liens. Defend the Collateral against the claims and demands of all other parties claiming an interest therein, and keep the Collateral free from all Liens, except for Permitted Liens. Such Obligor shall not sell, exchange, transfer, assign, lease or otherwise dispose of any of the Collateral or any interest therein, except as permitted under the Indenture or the other Collateral Documents.

(c) Preservation of Collateral. Keep the Collateral in good order, condition and repair in all material respects, reasonable wear and tear and casualty excepted; not use the Collateral in violation of the provisions of this Security Agreement; not use the Collateral in violation of any other agreement relating to the Collateral or any policy insuring the Collateral or any applicable statute, law, bylaw, rule, regulation or ordinance; not permit any Collateral to be or become a fixture to real property or an accession to other personal property unless the Collateral Agent has a valid, perfected and first priority security interest for the benefit of the Collateral Agent and the Secured Parties in such real or personal property; and not, without the prior written consent of the Collateral Agent, alter or remove any identifying symbol or serial number on its Equipment or, if any, on its Inventory.

(d) Possession or Control of Certain Collateral. If (i) any amount in excess of $100,000 payable under or in connection with any of the Collateral shall be or become evidenced by any Instrument, Tangible Chattel Paper or Supporting Obligation or (ii) if any Collateral shall be stored or shipped subject to a Document or (iii) if any Collateral shall consist of Investment Property in the form of certificated securities, immediately notify the Collateral Agent of the existence of such Collateral and, at the request of the Collateral Agent, deliver such Instrument, Chattel Paper, Supporting Obligation, Document or Investment Property to the Collateral Agent, duly endorsed in a manner satisfactory to the Collateral Agent (or, with respect to certificated securities, provide duly executed blank stock powers in such form as may be reasonably requested by the Collateral Agent), to be held as Collateral pursuant to this Security Agreement. If any Collateral shall consist of Deposit Accounts, Chattel Paper in electronic form, Letter-of- Credit Rights or uncertificated Investment Property, execute and deliver (and, with respect to any Collateral consisting of uncertificated Investment Property, cause the Securities Intermediary or Commodities Intermediary with respect to such Investment Property to execute and deliver) to the Collateral Agent all control agreements, assignments, instruments or other documents as reasonably requested by the Collateral Agent for the purposes of obtaining and maintaining Control of such Collateral.

(e) Changes in Corporate Structure or Location. Except as otherwise permitted in the Indenture, not, without providing thirty (30) days prior written notice to the Collateral Agent and without filing (or confirming that the Collateral Agent has filed) such amendments to any previously filed financing statements as the Collateral Agent may reasonably require, (i) alter its corporate existence or, in one transaction or a series of transactions, merge into or consolidate with any other entity, or sell all or substantially all of its assets, (ii) change its state of incorporation or formation, (iii) change its registered corporate name, (iv) change the location of its chief executive office and chief place of business (as well as its books and records) from the locations set forth on Schedule 4(a)(i) hereto or (v) change the location of its Collateral from the locations set forth for such Obligor on Schedule 4(b) hereto.

(f) Inspections, Field Audits, Appraisals, Etc. Allow the Collateral Agent to conduct inspections, field audits and appraisals to the extent permitted under the terms of the Indenture.

(g) Perfection of Security Interest. Such Obligor hereby authorizes the Collateral Agent to prepare and file such financing statements (including renewal statements and in lieu statements) or amendments thereof or supplements thereto or other instruments as the Collateral Agent may from time to time reasonably deem necessary or appropriate to perfect and maintain the security interests granted hereunder in accordance with the UCC and, subject to Permitted Liens, to ensure the first priority of such security interests. Any financing statement filed by the Collateral Agent may contain a general description of the collateral covered thereby, as permitted by the UCC, which states that the security interest attaches to all personal property or to all assets of the debtor. Such Obligor shall from time to time upon request by the Collateral Agent also execute and deliver to the Collateral Agent such agreements, assignments or instruments (including affidavits, notices, reaffirmations and amendments and restatements of existing documents, as the Collateral Agent may reasonably request) and do all such other things as the Collateral Agent may reasonably deem necessary or appropriate (i) to assure the Collateral Agent that its security interests hereunder are perfected and, subject to Permitted Liens, of the first priority, including, without limitation, (A) such financing statements (including renewal statements and in lieu statements) or amendments thereof or supplements thereto or other instruments as the Collateral Agent may from time to time reasonably request in order to perfect and maintain the security interests granted hereunder and to ensure the first priority (subject to Permitted Liens) thereof in accordance with the UCC, (B) with regard to Copyrights, a Grant of Security Interest in Copyright Rights for filing with the United States Copyright Office in the form of Schedule 5(f)(i) attached hereto, (C) with regard to Patents, a Grant of Security Interest in Patent Rights for filing with the United States Patent and Trademark Office in the form of Schedule 5(f)(ii) attached hereto and (D) with regard to Trademarks, a Grant of Security Interest in Trademark Rights for filing with the United States Patent and Trademark Office in the form of Schedule 5(f)(iii) attached hereto, (ii) to consummate the transactions contemplated hereby and (iii) to otherwise protect and assure the Collateral Agent of its rights and interests hereunder. In the event for any reason the law of any jurisdiction other than New York becomes or is applicable to the Collateral of any Obligor or any part thereof, or to any of the Secured Obligations, such Obligor agrees from time to time upon request of the Collateral Agent to execute and deliver all such instruments and to do all such other things as the Collateral Agent reasonably deems necessary or appropriate to preserve, protect and enforce the security interests of the Collateral Agent and the first priority thereof (subject to Permitted Liens) under the law of such other jurisdiction (and, if such Obligor shall fail to do so promptly upon the request of the Collateral Agent, then the Collateral Agent may execute any and all such requested documents on behalf of such Obligor pursuant to the power of attorney granted hereinabove). Such Obligor agrees to mark its books and records to reflect the security interest of the Collateral Agent in the Collateral.

(h) Collateral Held by Warehouseman, Bailee, etc. If any Collateral in excess of $100,000 is at any time in the possession or control of a warehouseman, bailee or any agent or processor of such Obligor, (i) notify the Collateral Agent of such possession, (ii) notify such Person of the Collateral Agent's security interest for the benefit of the Collateral Agent and the Secured Parties in such Collateral, (iii) instruct such Person to hold all such Collateral for the Collateral Agent's account subject to the Collateral

Agent's instructions and (iv) use commercially reasonable efforts to obtain a signed acknowledgment of the Collateral Agent's Liens from such Person.

(i) Treatment of Accounts.

(i) Comply with all reporting requirements set forth in the Indenture with respect to Accounts.

(ii) Not grant or extend the time for payment of any Account, or compromise or settle any Account for less than the full amount thereof, or release any person or property, in whole or in part, from payment thereof, or allow any credit or discount thereon, other than as normal and customary in the ordinary course of such Obligor's business.

(iii) Maintain at its principal place of business a record of Accounts consistent with its customary business practices.

(iv) (A) So long as no Event of Default shall have occurred and be continuing, if an Account Debtor returns any Inventory to such Obligor, promptly determine the reason for such return and issue a credit memorandum to the Account Debtor in the appropriate amount, and (B) upon the occurrence of any Event of Default and during the continuation thereof, upon the request of the Collateral Agent, (1) hold as trustee for the Collateral Agent any merchandise which is returned by a customer or Account Debtor or otherwise recovered, (2) segregate all returned Inventory from all of its other property, (3) dispose of the returned Inventory solely according to the Collateral Agent's written instructions and (4) not issue any credits or allowances with respect thereto without the Collateral Agent's prior written consent. All returned Inventory shall be subject to the Collateral Agent's Liens thereon. Whenever any Inventory is returned, the related Account shall be deemed ineligible to the extent of the amount owing by the Account Debtor with respect to such returned Inventory.

(v) With respect to any disputes and claims in excess of $250,000 with any Account Debtor, settle, contest, or adjust such dispute or claim at no expense to the Collateral Agent. No discount, credit or allowance shall be granted to any such Account Debtor without the Collateral Agent's prior written consent, except for discounts, credits and allowances made or given in the ordinary course of such Obligor's business so long as no Event of Default shall exist or be continuing. At all times upon the occurrence of any Event of Default and during the continuation thereof, the Collateral Agent may (but shall not be required to) settle or adjust disputes and claims directly with Account Debtors for amounts and upon terms which the Collateral Agent shall consider advisable.

(j) [Intentionally Omitted]

(k) Covenants Relating to Inventory.

(i) Maintain, keep and preserve its Inventory in good salable condition at its own cost and expense, in accordance with the provisions of the Indenture.

(ii) Comply with all reporting requirements set forth in the Indenture with respect to Inventory.

(iii) If any Inventory is at any time evidenced by a Document, promptly upon request by the Collateral Agent, deliver such document of title to the Collateral Agent.

(iv) Conduct a physical or cycle count of the Inventory at least once per fiscal year, and after the occurrence of an Event of Default and the continuation thereof, at such other times as the Collateral Agent requests.

(v) Maintain a perpetual inventory reporting system at all times.

(vi) Not sell any inventory on a bill-a-hold, guaranteed sale, sale and return, sale on approval, consignment or other repurchase return basis without the consent of the Collateral Agent.

(l) Covenants Relating to Copyrights.

(i) Employ the Copyright for each Work with such notice of copyright as may be required by law to secure copyright protection.

(ii) Except as permitted under Section 12.07 of the Indenture, not do any act or knowingly omit to do any act (either by itself or through a licensee) whereby any material Copyright may become invalidated or otherwise impaired and (A) not do any act, or knowingly omit to do any act, whereby any material Copyright may become injected into the public domain; (B) notify the Collateral Agent immediately if it knows, or has reason to know, that any material Copyright may become forfeited, abandoned or injected into the public domain or of any adverse determination or development (including, without limitation, the institution of, or any such determination or development in, any court or tribunal in the United States or any other country) regarding such Obligor's ownership of any such Copyright or its validity; (C) take all necessary steps as it shall deem appropriate under the circumstances, to maintain and pursue each application (and to obtain the relevant registration) and to maintain each registration of each material Copyright owned by such Obligor including, without limitation, filing of applications for renewal where necessary; and (D) promptly notify the Collateral Agent of any material infringement of any material Copyright of such Obligor of which it becomes aware and take such actions as it shall reasonably deem appropriate under the circumstances to protect such Copyright, including, where appropriate, the bringing of suit for infringement, seeking injunctive relief and seeking to recover any and all damages for such infringement.

(iii) Not make any assignment or agreement in conflict with the security interest in the Copyrights of such Obligor hereunder.

(m) Covenants Relating to Patents and Trademarks.

(i) (A) Continue to use each Trademark material to any legitimate purpose of such Obligor's business in such a manner as to maintain such Trademark in full force free from any claim of abandonment for non-use, (B) maintain as in the past the quality of products and services offered under such Trademark, (C) employ such Trademark with the appropriate notice of registration as required by law, (D) not adopt or use any mark which is confusingly similar or a colorable imitation of such Trademark unless the Collateral Agent, for the benefit of the Secured Parties, shall obtain a perfected security interest in such mark pursuant to this Security Agreement, and (E) not (and not permit any licensee or sublicensee thereof to) do any act or knowingly omit to do any act whereby any Trademark may become invalidated.

(ii) Except as permitted under Section 12.07 of the Indenture, not do any act, or omit to do any act, whereby any Patent may become abandoned or dedicated to the public domain.

(iii) Promptly notify the Collateral Agent if it knows, or has reason to know, that any application or registration relating to any Patent or Trademark material to any legitimate purpose of such Obligor's business may become abandoned or dedicated to the public domain, or of any adverse determination or development (including, without limitation, the institution of, or any such determination or development in, any proceeding in the United States Patent and Trademark Office or any court or tribunal in any country but not including routine office actions issued by the United States Patent and Trademark Office) regarding such Obligor's ownership of any such Patent or Trademark or its right to register the same or to keep, maintain and use the same.

(iv) Whenever such Obligor, either by itself or through an agent, employee, licensee or designee, shall file an application for the registration of any Patent or Trademark with the United States Patent and Trademark Office or any similar office or agency in any other country or any political subdivision thereof, such Obligor shall report such filing to the Collateral Agent within five (5) Business Days after the last day of the fiscal quarter in which such filing occurs. Upon request of the Collateral Agent, such Obligor shall execute and deliver any and all agreements, instruments, documents and papers as the Collateral Agent may request to evidence the Collateral Agent's and the Security Parties' security interest in any Patent or Trademark and the goodwill and general intangibles of such Obligor relating thereto or represented thereby.

(v) Take all reasonable and necessary steps, including, without limitation, in any proceeding before the United States Patent and Trademark Office, or any similar office or agency in any other country or any political subdivision thereof, to maintain and pursue each application (and to obtain the relevant registration) and to maintain each registration of the Patents and Trademarks material to any legitimate purpose of such Obligor's business, including, without limitation, filing of applications for renewal, affidavits of use and affidavits of incontestability.

(vi) Promptly notify the Collateral Agent after it learns that any Patent or Trademark material to any legitimate purpose of such Obligor's business included in the Collateral is infringed, misappropriated or diluted by a third party and, if such Obligor deems it necessary in its reasonable business judgment, promptly sue for infringement, misappropriation or dilution, to seek injunctive relief where appropriate and to recover any and all damages for such infringement, misappropriation or dilution, or take such other actions as it shall reasonably deem appropriate under the circumstances to protect such Patent or Trademark.

(vii) Not make any assignment or agreement in conflict with the security interest in the Patents or Trademarks of such Obligor created hereunder or under the Indenture or any other Collateral Document.

(viii) Not (either itself or through a licensee) do any act that knowingly uses any material Patent or Trademark to infringe the intellectual rights of any other Person.

(n) New Patents, Copyrights and Trademarks. Promptly provide the Collateral Agent with (i) a listing of all applications, if any, for new U.S. federal Copyrights, Patents or Trademarks (together with a listing of the issuance of registrations or letters on present applications), which new applications and issued registrations or letters shall be subject to the terms and conditions hereunder, and (ii) (A) with respect to Copyrights, a duly executed Grant of Security Interest in Copyright Rights, (B) with respect to Patents, a duly executed Grant of Security Interest in Patent Rights, (C) with respect to Trademarks, a duly executed Grant of Security Interest in Trademark Rights or (D) such other duly executed documents as the Collateral Agent may request in a form acceptable to the Collateral Agent and suitable for recording to evidence the security interest in the Copyright, Patent or Trademark which is the subject of such new application.

(o) Commercial Tort Claims; Notice of Litigation. (i) Promptly forward to the Collateral Agent written notification of any and all Commercial Tort Claims in excess of $100,000, including, but not limited to, any and all actions, suits, and proceedings before any court or Governmental Authority by or affecting such Obligor and (ii) execute and deliver such statements, documents and notices and do and cause to be done all such things as may be required by the Collateral Agent, or required by law, including all things which may from time to time be necessary under the UCC to fully create, preserve, perfect and protect the priority of the Collateral Agent's security interest in any Commercial Tort Claims.

(p) Bank Accounts. At all times, maintain the Payment Accounts and any replacement or successor accounts relating thereto in accordance with the terms hereof and of the Account Control Agreements and to be applied as set forth herein and in the applicable Account Control Agreement, as appropriate. All amounts on deposit in the Payment Accounts and any replacement or successor account relating thereto shall be subject to the Lien of the Collateral Agent hereunder.

(q) Insurance. Insure, repair and replace the Collateral of such Obligor as set forth in the Indenture. All insurance proceeds shall be subject to the security interest of the Collateral Agent hereunder.

(r) Covenants Relating to Assigned Contracts. Fully perform all of such Obligor's obligations under each of the Assigned Contracts, and enforce all of its rights and remedies thereunder, in each case, as it deems appropriate in its business judgment; provided, however, that such Obligor shall not take any action or fail to take any action with respect to its Assigned Contracts which would cause the termination of a material Assigned Contract. Without limiting the generality of the foregoing, such Obligor shall take all action necessary or appropriate to permit, and shall not take any action which would have any materially adverse effect upon, the full enforcement of all indemnification rights under its Assigned Contracts. If such Obligor shall fail after the Collateral Agent's demand to pursue diligently any right under its Assigned Contracts, or if an Event of Default has occurred and is continuing, the Collateral Agent may directly enforce such right in its own or such Obligor's name and may enter into such settlements or other agreements with respect thereto as the Collateral Agent shall determine. In any suit, proceeding or action brought by the Collateral Agent, for the benefit of the Secured Parties, under any Assigned Contract for any sum owing thereunder or to enforce any provision thereof, such Obligor shall indemnify and hold the Collateral Agent and Secured Parties harmless from and against all expense, loss or damage suffered by reason of any defense, setoff, counterclaims, recoupment, or reduction of liability whatsoever of the obligor thereunder arising out of a breach by such Obligor of any obligation thereunder or arising out of any other agreement, indebtedness or liability at any time owing from such Obligor to or in favor of such obligor or its successors. All such obligations of such Obligor shall be and remain enforceable only against such Obligor and shall not be enforceable against the Collateral Agent or the Secured Parties. Notwithstanding any provision hereof to the contrary, such Obligor shall at all times remain liable to observe and perform all of its duties and obligations under its Assigned Contracts, and the Collateral Agent's exercise of any of its rights with respect to the Collateral shall not release such Obligor from any of such duties and obligations. Neither the Collateral Agent nor any Secured Party shall be obligated to perform or fulfill any of the Obligors' duties or obligations under the Assigned Contracts or to make any payment thereunder, or to make any inquiry as to the nature or sufficiency of any payment or property received by it thereunder or the sufficiency of performance by any party thereunder, or to present or file any claim, or to take any action to collect or enforce any performance, any payment of any amounts, or any delivery of any property.

6. Special Provisions Relating to Accounts. Anything herein to the contrary notwithstanding, each of the Obligors shall remain liable under each of the Accounts to observe and perform all the conditions and obligations to be observed and performed by it thereunder, all in accordance with the terms of any agreement giving rise to each such Account. Neither the Collateral Agent nor any Secured Party shall have any obligation or liability under any Account (or any agreement giving rise thereto) by reason of or arising out of this Security Agreement or the receipt by the Collateral Agent or any Secured Party of any payment relating to such Account pursuant hereto, nor shall the Collateral Agent or any Secured Party be obligated in any manner to perform any of the obligations of an Obligor under or pursuant to any Account (or any agreement giving rise thereto), to make any payment, to make any inquiry as to the nature or the

sufficiency of any payment received by it or as to the sufficiency of any performance by any party under any Account (or any agreement giving rise thereto), to present or file any claim, to take any action to enforce any performance or to collect the payment of any amounts which may have been assigned to it or to which it may be entitled at any time or times.

7. Special Provisions Regarding Inventory.

(a) Notwithstanding anything to the contrary contained in this Security Agreement, each Obligor may, unless and until an Event of Default occurs and is continuing and the Collateral Agent instructs such Obligor otherwise, without further consent or approval of the Collateral Agent, use, consume, sell, rent, lease and exchange the Inventory in the ordinary course of its business as presently conducted or otherwise as permitted by Section 12.07 of the Indenture, whereupon, in the case of such a sale or exchange, the security interest created hereby in the Inventory so sold or exchanged (but not in any proceeds arising from such sale or exchange) shall cease immediately without any further action on the part of the Collateral Agent.

(b) Upon the issuance of Notes under the Indenture, each Obligor shall be deemed to have warranted that all warranties of such Obligor set forth in this Security Agreement with respect to its Inventory are true and correct in all material respects with respect to such Inventory, including without limitation that such Inventory is located at a location set forth on Schedule 4(b) hereto (as such Schedule may be updated from time to time to reflect new locations).

8. Performance of Obligations; Advances by Collateral Agent. On failure of any Obligor to perform any of the covenants and agreements contained herein, the Collateral Agent may, at its sole option and in its sole discretion, perform or cause to be performed the same and in so doing may (but shall have no obligation to do so) expend such sums as the Collateral Agent may reasonably deem advisable in the performance thereof, including, without limitation, the payment of any insurance premiums, the payment of any taxes, a payment to obtain a release of a Lien or potential Lien (other than a Permitted Lien), expenditures made in defending against any adverse claim (other than a Permitted Lien) and all other expenditures which the Collateral Agent may make for the protection of the security interest hereof or may be compelled to make by operation of law. All such sums and amounts so expended shall be repayable by the Obligors on a joint and several basis promptly upon timely notice thereof and demand therefor, shall constitute additional Secured Obligations and shall bear interest from the date said amounts are expended at the interest rate provided in Section 4.01 of the Indenture. No such performance of any covenant or agreement by the Collateral Agent on behalf of any Obligor, and no such advance or expenditure therefor, shall relieve the Obligors of any default under the terms of this Security Agreement, the Indenture or the other Collateral Documents. The Collateral Agent may make any payment hereby authorized in accordance with any bill, statement or estimate procured from the appropriate public office or holder of the claim to be discharged without inquiry into the accuracy of such bill, statement or estimate or into the validity of any tax assessment, sale, forfeiture, tax lien, title or claim except to the extent such payment is being contested in good faith by an Obligor in appropriate proceedings and against which adequate reserves are being maintained in accordance with GAAP.

9. Events of Default.

An Event of Default under the Indenture shall be an Event of Default hereunder (an "Event of Default").

10. Remedies.

(a) General Remedies. Upon the occurrence of an Event of Default and during continuation thereof, the Collateral Agent and the Secured Parties shall have, in addition to the rights and remedies provided herein, in the Indenture, in the Collateral Documents, or by law (including, but not limited to, levy of attachment, garnishment and the rights and remedies set forth in the Uniform Commercial Code of the jurisdiction applicable to the affected Collateral), the rights and remedies of a secured party under the UCC (regardless of whether the UCC is the law of the jurisdiction where the rights and remedies are asserted and regardless of whether the UCC applies to the affected Collateral), and further, the Collateral Agent may, with or without judicial process or the aid and assistance of others, (i) enter on any premises on which any of the Collateral may be located and, without resistance or interference by the Obligors, take possession of the Collateral, (ii) dispose of any Collateral on any such premises, (iii) require the Obligors to assemble and make available to the Collateral Agent at the expense of the Obligors any Collateral at any place and time designated by the Collateral Agent which is reasonably convenient to both parties, (iv) remove any Collateral from any such premises for the purpose of effecting sale or other disposition thereof, and/or (v) without demand and without advertisement, notice, hearing or process of law, all of which each of the Obligors hereby waives to the fullest extent permitted by law, at any place and time or times, sell and deliver any or all Collateral held by or for it at public or private sale, by one or more contracts, in one or more parcels, for cash, upon credit or otherwise, at such prices and upon such terms as the Collateral Agent deems advisable, in its sole discretion. Neither the Collateral Agent's compliance with any applicable state or federal law in the conduct of such sale, nor its disclaimer of any warranties relating to the Collateral shall be considered to affect the commercial reasonableness of such sale. In addition to all other sums due the Collateral Agent and the Secured Parties with respect to the Secured Obligations, the Obligors shall pay the Collateral Agent all costs and expenses incurred by the Collateral Agent, including, but not limited to, reasonable attorneys' fees and court costs, in obtaining or liquidating the Collateral, in enforcing payment of the Secured Obligations, or in the prosecution or defense of any action or proceeding by or against the Collateral Agent or the Secured Parties or the Obligors concerning any matter arising out of or connected with this Security Agreement, any Collateral or the Secured Obligations, including, without limitation, any of the foregoing arising in, arising under or related to a case under any bankruptcy, insolvency or similar law. To the extent the rights of notice cannot be legally waived hereunder, each Obligor agrees that any requirement of reasonable notice shall be met if such notice is personally served on or mailed, postage prepaid, to the Obligors in accordance with the notice provisions of Section 13.02 of the Indenture at least ten (10) days before the time of sale or other event giving rise to the requirement of such notice. The Collateral Agent and the Secured Parties shall not be obligated to make any sale or other disposition of the Collateral regardless of notice having been given. To the extent permitted by law, the Collateral Agent and any Secured Party may be a purchaser at any such sale. To the extent permitted by applicable law, each of the Obligors hereby waives all of its rights of redemption with respect to any such sale. Subject to the provisions of applicable law, the Collateral Agent may postpone or

cause the postponement of the sale of all or any portion of the Collateral by announcement at the time and place of such sale, and such sale may, without further notice, to the extent permitted by law, be made at the time and place to which the sale was postponed, or the Collateral Agent may further postpone such sale by announcement made at such time and place.

(b) Remedies Relating to Accounts. Upon the occurrence of an Event of Default and during the continuation thereof, whether or not the Collateral Agent has exercised any or all of its rights and remedies hereunder, the Collateral Agent shall have the right to (i) enforce any Obligor's rights against any Account Debtors and obligors on such Obligor's Accounts (ii) notify (or cause its designee to notify) any Obligor's customers and Account Debtors that the Accounts of such Obligor have been assigned to the Collateral Agent or of the Collateral Agent's security interest therein, (iii) (either in its own name or in the name of an Obligor or both) demand, collect (including, without limitation, through the Payment Accounts), receive, take receipt for, sell, sue for, compound, settle, compromise and give acquittance for any and all amounts due or to become due on any Account, and (iv) in the Collateral Agent's discretion, file any claim or take any other action or proceeding to protect and realize upon the security interest of the Secured Parties in the Accounts. Each Obligor acknowledges and agrees that the Proceeds of its Accounts remitted to or on behalf of the Collateral Agent in accordance with the provisions hereof shall be solely for the Collateral Agent's own convenience and that such Obligor shall not have any right, title or interest in such Proceeds or in any such other amounts except as expressly provided herein. The Collateral Agent and the Secured Parties shall have no liability or responsibility to any Obligor for acceptance of a check, draft or other order for payment of money bearing the legend "payment in full" or words of similar import or any other restrictive legend or endorsement or be responsible for determining the correctness of any remittance. The Collateral Agent shall have no obligation to apply or give credit for any item included in proceeds of Accounts or other Collateral until the applicable Clearing Bank has received final payment therefor at its offices in cash. However, if the Collateral Agent does permit credit to be given for any item prior to a Clearing Bank receiving final payment therefor and such Clearing Bank fails to receive such final payment or an item is charged back to the Collateral Agent or any Clearing Bank for any reason, the Collateral Agent may at its election in either instance charge the amount of such item back against any such Payment Accounts, together with interest thereon at a rate per annum equal to the interest rate provided in Section 4.01 of the Indenture. Each Obligor hereby agrees to indemnify the Collateral Agent and the Secured Parties from and against all liabilities, damages, losses, actions, claims, judgments, costs, expenses, charges and reasonable attorneys' fees suffered or incurred by the Collateral Agent or the Secured Parties (each, an "Indemnified Party") because of the maintenance of the foregoing arrangements except as relating to or arising out of the gross negligence or willful misconduct of an Indemnified Party or its officers, employees or agents. In the case of any investigation, litigation or other proceeding, the foregoing indemnity shall be effective whether or not such investigation, litigation or proceeding is brought by an Obligor, its directors, shareholders or creditors or an Indemnified Party or any other Person or any other Indemnified Party is otherwise a party thereto. The Collateral Agent shall have no liability or responsibility to any Obligor for a Clearing Bank accepting any check, draft or other order for payment of money bearing the legend "payment in full" or words of similar import or any other restrictive legend or

endorsement whatsoever or be responsible for determining the correctness of any remittance (it being understood that this sentence shall in no way affect the liability or responsibility of any such Clearing Bank).

(c) Access. In addition to the rights and remedies hereunder, upon the occurrence of an Event of Default and during the continuation thereof, the Collateral Agent shall have the right to enter and remain upon the various premises of the Obligors without cost or charge to the Collateral Agent, and use the same, together with materials, supplies, books and records of the Obligors for the purpose of collecting and liquidating the Collateral, or for preparing for sale and conducting the sale of the Collateral, whether by foreclosure, auction or otherwise. In addition, the Collateral Agent may remove Collateral, or any part thereof, from such premises and/or any records with respect thereto, in order to effectively collect or liquidate such Collateral. If the Collateral Agent exercises its right to take possession of the Collateral, each Obligor shall also at its expense perform any and all other steps reasonably requested by the Collateral Agent to preserve and protect the security interest hereby granted in the Collateral, such as placing and maintaining signs indicating the security interest of the Collateral Agent, appointing overseers for the Collateral and maintaining inventory records.

(d) Nonexclusive Nature of Remedies. Failure by the Collateral Agent or the Secured Parties to exercise any right, remedy or option under this Security Agreement, the Indenture, any other Collateral Document or as provided by law, or any delay by the Collateral Agent or the Secured Parties in exercising the same, shall not operate as a waiver of any such right, remedy or option. No waiver hereunder shall be effective unless it is in writing, signed by the party against whom such waiver is sought to be enforced and then only to the extent specifically stated, which in the case of the Collateral Agent or the Secured Parties shall only be granted as provided herein. To the extent permitted by law, neither the Collateral Agent, the Secured Parties, nor any party acting as attorney for the Collateral Agent or the Secured Parties, shall be liable hereunder for any acts or omissions or for any error of judgment or mistake of fact or law other than their gross negligence or willful misconduct hereunder. The rights and remedies of the Collateral Agent and the Secured Parties under this Security Agreement shall be cumulative and not exclusive of any other right or remedy which the Collateral Agent or the Secured Parties may have.

(e) Retention of Collateral. The Collateral Agent may, after providing the notices required by Section 9-620 of the UCC or otherwise complying with the requirements of applicable law of the relevant jurisdiction, accept or retain the Collateral in full or partial satisfaction of the Secured Obligations. Unless and until the Collateral Agent shall have provided such notices, however, the Collateral Agent shall not be deemed to have retained any Collateral in satisfaction of any Secured Obligations for any reason.

(f) Deficiency. In the event that the proceeds of any sale, collection or realization are insufficient to pay all amounts to which the Collateral Agent or the Secured Parties are legally entitled, the Obligors shall be jointly and severally liable for the deficiency together with interest thereon at the interest rate provided in Section 4.01 of the Indenture, together with the costs of collection and the reasonable fees of any

attorneys employed by the Collateral Agent to collect such deficiency. Any surplus remaining after the full payment and satisfaction of the Secured Obligations shall be returned to the Obligors or to whomsoever a court of competent jurisdiction shall determine to be entitled thereto.

(g) Other Security. To the extent that any of the Secured Obligations are now or hereafter secured by property other than the Collateral (including, without limitation, real and personal property owned by an Obligor), or by a guarantee, endorsement or property of any other Person, then the Collateral Agent and the Secured Parties shall have the right to proceed against such other property, guarantee or endorsement upon the occurrence of any Event of Default, and the Collateral Agent and the Secured Parties have the right, in their sole discretion, to determine which rights, security, liens, security interests or remedies the Collateral Agent and the Secured Parties shall at any time pursue, relinquish, subordinate, modify or take with respect thereto, without in any way modifying or affecting any of them or any of the Collateral Agent's and the Secured Parties' rights or the Secured Obligations under this Security Agreement, the Indenture or under any other of the Collateral Documents.

Notwithstanding the foregoing provisions of this Section 10, for the purpose of this Section 10, "Collateral" shall include any "intent to use" trademark application only to the extent (i) that the business of the Obligor, or parties thereof, to which that mark pertains is also included in the Collateral and (ii) that such business is ongoing and existing.

11. Rights of the Collateral Agent.

(a) Power of Attorney. Each Obligor hereby designates and appoints the Collateral Agent, on behalf of the Secured Parties, and each of its designees or agents, as attorney-in-fact of such Obligor, irrevocably and with power of substitution, with authority to take any or all of the following actions upon the occurrence and during the continuation of an Event of Default:

(i) to demand, collect, settle, compromise, adjust, give discharges and releases, all as the Collateral Agent may reasonably determine;

(ii) to commence and prosecute any actions at any court for the purposes of collecting any Collateral and enforcing any other right in respect thereof;

(iii) to defend, settle, adjust or compromise any action, suit or proceeding brought and, in connection therewith, give such discharge or release as the Collateral Agent may deem reasonably appropriate;

(iv) to receive, open and dispose of mail addressed to an Obligor and endorse checks, notes, drafts, acceptances, money orders, bills of lading, warehouse receipts or other instruments or documents evidencing payment, shipment or storage of the goods giving rise to the Collateral of such Obligor, or securing or relating to such Collateral, on behalf of and in the name of such Obligor;

(v) to sell, assign, transfer, make any agreement in respect of, or otherwise deal with or exercise rights in respect of, any Collateral or the goods or services which have given rise thereto, as fully and completely as though the Collateral Agent were the absolute owner thereof for all purposes;

(vi) to adjust and settle claims under any insurance policy relating thereto;

(vii) to execute and deliver all assignments, conveyances, statements, financing statements, renewal financing statements, security agreements, affidavits, notices and other agreements, instruments and documents that the Collateral Agent may determine necessary in order to perfect and maintain the security interests and liens granted in this Security Agreement and in order to fully consummate all of the transactions contemplated herein;

(viii) to institute any foreclosure proceedings that the Collateral Agent may deem appropriate; and

(ix) to do and perform all such other acts and things as the Collateral Agent may reasonably deem to be necessary, proper or convenient in connection with the Collateral.

This power of attorney is a power coupled with an interest and shall be irrevocable so long as any of the Secured Obligations remain outstanding, the Indenture or any Collateral Document is in effect. The Collateral Agent shall be under no duty to exercise or withhold the exercise of any of the rights, powers, privileges and options expressly or implicitly granted to the Collateral Agent in this Security Agreement, and shall not be liable for any failure to do so or any delay in doing so. The Collateral Agent shall not be liable for any act or omission or for any error of judgment or any mistake of fact or law in its individual capacity or its capacity as attorney-in-fact except acts or omissions resulting from its gross negligence or willful misconduct. This power of attorney is conferred on the Collateral Agent solely to protect, preserve and realize upon its security interest in the Collateral.

(b) Assignment by the Collateral Agent. Subject to the terms of the Indenture, the Collateral Agent may from time to time assign the Secured Obligations and any portion thereof and/or the Collateral and any portion thereof, and the assignee shall be entitled to all of the rights and remedies of the Collateral Agent under this Security Agreement in relation thereto.

(c) The Collateral Agent's Duty of Care. Other than the exercise of reasonable care to assure the safe custody of the Collateral while being held by the Collateral Agent hereunder, the Collateral Agent shall not have any duty or liability to preserve rights pertaining thereto, it being understood and agreed that the Obligors shall be responsible for preservation of all rights in the Collateral, and the Collateral Agent shall be relieved of all responsibility for the Collateral upon surrendering it or tendering the surrender of it to the Obligors. The Collateral Agent shall be deemed to have exercised reasonable care in the custody and preservation of the Collateral in its

possession if the Collateral is accorded treatment substantially equal to that which the Collateral Agent accords its own property, which shall be no less than the treatment employed by a reasonable and prudent agent in the industry, it being understood that the Collateral Agent shall have no responsibility for taking any necessary steps to preserve rights against any parties with respect to any of the Collateral. In the event of a public or private sale of Collateral pursuant to Section 10 hereof, the Collateral Agent shall have no obligation to clean-up, repair or otherwise prepare the Collateral for sale.

(d) Grant of License to use Intellectual Property. For the purpose of enabling the Collateral Agent to exercise rights and remedies under Section 10 hereof (including, without limiting the terms of Section 10 hereof, in order to take possession of, hold, preserve, process, assemble, prepare for sale, market for sale, sell or otherwise dispose of Collateral) at such time as the Collateral Agent shall be lawfully entitled to exercise such rights and remedies, each Obligor hereby grants to the Collateral Agent, for the benefit of itself and the Secured Parties, an irrevocable, nonexclusive license (exercisable without payment of royalty or other compensation to any Grantor) to use, license or sublicense any Intellectual Property now owned or hereafter acquired by any Obligor, and wherever the same may be located, and including in such license access to all media in which any of the licensed items may be recorded or stored and to all computer software and programs used for the compilation or printout thereof.

12. Application of Proceeds. Any amounts on deposit in the Lockbox Accounts, the Payment Accounts, or any other deposit account over which the Collateral Agent has Control, and any replacement or successor accounts relating thereto, as applicable, shall be applied by the Collateral Agent in accordance with the terms of the Indenture, this Security Agreement and the Lockbox Agreements or Account Control Agreements relating thereto. Upon the occurrence and during the continuation of an Event of Default (a) any payments in respect of the Secured Obligations and any proceeds of the Collateral, when received by the Collateral Agent in cash or its equivalent, will be applied in reduction of the Secured Obligations as set forth in the Indenture and (b) each Obligor irrevocably waives the right to direct the application of such payments and proceeds and acknowledges and agrees that the Collateral Agent shall have the continuing and exclusive right to apply and reapply any and all such payments and proceeds in the Collateral Agent's sole discretion, notwithstanding any entry to the contrary upon any of its books and records.

13. Costs of Counsel. If at any time hereafter, whether upon the occurrence of an Event of Default or not, the Collateral Agent employs counsel to prepare or consider amendments, waivers or consents with respect to this Security Agreement, or to take action or make a response in or with respect to any legal or arbitral proceeding relating to this Security Agreement or relating to the Collateral, or to protect the Collateral or exercise any rights or remedies under this Security Agreement or with respect to the Collateral, then the Obligors agree to promptly pay upon demand any and all such reasonable out-of-pocket costs and expenses of the Collateral Agent, all of which costs and expenses shall constitute Secured Obligations hereunder.

14. Continuing Agreement.

(a) This Security Agreement shall be a continuing agreement in every respect and shall remain in full force and effect so long as any of the Secured Obligations remain outstanding and the Indenture or any Collateral Document is in effect. Upon such payment and termination, this Security Agreement shall be automatically terminated and the Collateral Agent shall, upon the request and at the expense of the Obligors, forthwith release all of its liens and security interests hereunder and shall execute, if necessary, and deliver all UCC termination statements and/or other documents reasonably requested by the Obligors evidencing such termination. Notwithstanding the foregoing all releases and indemnities provided hereunder shall survive termination of this Security Agreement. In addition, the Collateral Agent shall be permitted to release (i) Liens on the Collateral as and to the extent permitted or required under the Indenture and the Intercreditor Agreement and (ii) any Obligor that ceases to become an Obligor in accordance with the terms of the Indenture.

(b) This Security Agreement shall continue to be effective or be automatically reinstated, as the case may be, if at any time payment, in whole or in part, of any of the Secured Obligations is rescinded or must otherwise be restored or returned by the Collateral Agent as a preference, fraudulent conveyance or otherwise under any bankruptcy, insolvency or similar law, all as though such payment had not been made; provided that in the event payment of all or any part of the Secured Obligations is rescinded or must be restored or returned, all reasonable costs and expenses (including without limitation any reasonable legal fees and disbursements) incurred by the Collateral Agent in defending and enforcing such reinstatement shall be deemed to be included as a part of the Secured Obligations.

15. Amendments; Waivers; Modifications. This Security Agreement and the provisions hereof may not be amended, waived, modified, changed, discharged or terminated except as set forth in Article 9 of the Indenture.

16. Successors in Interest. This Security Agreement shall create a continuing security interest in the Collateral and shall be binding upon each of the parties hereto, and their respective successors and assigns, and shall inure, together with all rights and remedies of each of the parties hereto and their respective permitted successors and assigns; provided that none of the Obligors may assign its rights or delegate its duties hereunder without the prior written consent of the Collateral Agent, as required by the Indenture. To the fullest extent permitted by law, each Obligor hereby releases the Collateral Agent and each Secured Party, each of their respective officers, employees and agents and each of their respective successors and assigns, from any liability for any act or omission relating to this Security Agreement or the Collateral, except for any liability arising from the gross negligence or willful misconduct of the Collateral Agent or such Secured Party or their respective officers, employees and agents.

17. Notices. All notices required or permitted to be given under this Security Agreement shall be in conformance with Section 13.02 of the Indenture.

18. Counterparts. This Security Agreement may be executed in any number of counterparts, each of which where so executed and delivered shall be an original, but all of which shall constitute one and the same instrument. It shall not be necessary in making proof of this Security Agreement to produce or account for more than one such counterpart.

19. Headings. The headings of the sections and subsections hereof are provided for convenience only and shall not in any way affect the meaning, construction or interpretation of any provision of this Security Agreement.

20. Governing Law; Submission to Jurisdiction and Service of Process; Arbitration. THIS SECURITY AGREEMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER SHALL BE GOVERNED BY AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK. The terms of Sections 13.07 and 13.08 of the Indenture are incorporated herein by reference, *mutatis mutandis*, and the parties hereto agree to such terms.

21. Waiver of Jury Trial. TO THE EXTENT PERMITTED BY APPLICABLE LAW, EACH OBLIGOR AND THE COLLATERAL AGENT HEREBY WAIVE ANY RIGHT TO A TRIAL BY JURY IN ANY ACTION OR PROCEEDING ARISING OUT OF THIS SECURITY AGREEMENT, THE INDENTURE, THE OTHER COLLATERAL DOCUMENTS OR ANY OTHER AGREEMENTS OR TRANSACTIONS RELATED HERETO OR THERETO.

22. Severability. If any provision of any of the Security Agreement is determined to be illegal, invalid or unenforceable, such provision shall be fully severable and the remaining provisions shall remain in full force and effect and shall be construed without giving effect to the illegal, invalid or unenforceable provisions.

23. Entirety. This Security Agreement, the Indenture and the other Collateral Documents represent the entire agreement of the parties hereto and thereto with respect to the Collateral other than the Pledged Collateral (as such term is defined in the Pledge Agreement), and supersede all prior agreements and understandings, oral or written, if any, including any commitment letters or correspondence relating to the Indenture, the Collateral Documents or the transactions contemplated herein and therein.

24. Survival. All representations and warranties of the Obligors hereunder shall survive the execution and delivery of this Security Agreement, the Indenture, the other Collateral Documents and the issuance of the Notes under the Indenture.

25. Joint and Several Obligations of Obligors.

(a) Each of the Obligors is accepting joint and several liability hereunder in consideration of the financial accommodation to be provided by the Secured Parties under the Indenture, for the mutual benefit, directly and indirectly, of each of the Obligors and in consideration of the undertakings of each of the Obligors to accept joint and several liability for the obligations of each of them.

(b) Each of the Obligors jointly and severally hereby irrevocably and unconditionally accepts, not merely as a surety but also as a co-debtor, joint and several liability with the other Obligors with respect to the payment and performance of all of the Secured Obligations arising under this Security Agreement, the Indenture and the other Collateral Documents, it being the intention of the parties hereto that all the Secured Obligations shall be the joint and several obligations of each of the Obligors without preferences or distinction among them.

(c) Notwithstanding any provision to the contrary contained herein or in the Indenture or any other of the Collateral Documents, to the extent the obligations of an Obligor shall be adjudicated to be invalid or unenforceable for any reason (including, without limitation, because of any applicable state or federal law relating to fraudulent conveyances or transfers) then the obligations of such Obligor hereunder shall be limited to the maximum amount that is permissible under applicable law (whether federal or state and including, without limitation, any bankruptcy, insolvency or similar law).

(d) To the extent permitted by applicable law, each of the Obligors hereby waives any and all suretyship defenses.

26. Pledge Agreement Provision. Notwithstanding anything herein to the contrary, in the event of any conflict between the terms of this Agreement and the Pledge Agreement with respect to Pledged Collateral, the terms of the Pledge Agreement shall govern.

27. Marshalling. Neither the Collateral Agent nor any Secured Party shall be under any obligation to marshal any assets in favor of any Obligor or any other Person or against or in payment of any or all of the Secured Obligations. •

28. Intercreditor Provision. Notwithstanding anything herein to the contrary, the lien and security interest granted to the Collateral Agent pursuant to this Security Agreement and the exercise of any right or remedy by the Collateral Agent hereunder are subject to the provisions of the Intercreditor Agreement, as the same may be amended, supplemented, modified or replaced from time to time. In the event of any conflict between the terms of the Intercreditor Agreement and this Security Agreement, the terms of the Intercreditor Agreement shall govern.

29. Control Collateral Agent. It is hereby understood and agreed that, pursuant to the Intercreditor Agreement, the Collateral Agent has appointed Bank of America, N.A. as its agent for the limited purpose perfecting the Collateral Agent's lien on certain Collateral described herein.

[remainder of page intentionally left blank]

Each of the parties hereto has caused a counterpart of this Security Agreement to be duly executed and delivered as of the date first above written.

OBLIGORS:

UNIFI, INC., a New York corporation

UNIFI SALES & DISTRIBUTION, INC.,
a North Carolina corporation,

UNIFI MANUFACTURING, INC.,
a North Carolina corporation,

GLENTOUCH YARN COMPANY, LLC,
a North Carolina limited liability company,

UNIFI MANUFACTURING VIRGINIA, LLC,
a North Carolina limited liability company,

UNIFI EXPORT SALES, LLC,
a North Carolina limited liability company,

UNIFI TEXTURED POLYESTER, LLC,
a North Carolina limited liability company,

UNIFI INTERNATIONAL SERVICE, INC.,
a North Carolina corporation,

UNIFI KINSTON, LLC (formerly Unifi Equipment Leasing, LLC),
a North Carolina limited liability company,

UNIFI TECHNICAL FABRICS, LLC,
a North Carolina limited liability company,

CHARLOTTE TECHNOLOGY GROUP, INC.,
a North Carolina corporation

UTG SHARED SERVICES, INC.
a North Carolina corporation

UNIMATRIX AMERICAS, LLC,
a North Carolina limited liability company,

SPANCO INDUSTRIES, INC.,
a North Carolina corporation,

SPANCO INTERNATIONAL, INC.,
a North Carolina corporation

By: /s/ Charles McCoy
Name: Charles McCoy
Title: Vice President

Accepted and agreed to as of the date first above written.

U.S. BANK NATIONAL ASSOCIATION
as Collateral Agent

By: /s/ Richard Prokosch
Name: Richard Prokosch
Title: Vice President

SCHEDULE 1(b)

INTELLECTUAL PROPERTY

Patents

Country	Patent Title	Application No.	Filing Date
Brazil	Continuous Constant Tension Air Covering	PI0502574-5	6/30/2005
Columbia	Continuous Constant Tension Air Covering	05.062.898	6/27/2005
United States	Continuous Constant Tension Air Covering	11/076,441	03/09/2005
United States	Method for Forming Polyester Yarns	11/259,447	10/26/2005
United States	Securing and Pressuring System for Drafting Rollers for Automated Textile Drafting System*	5,761,772	7/19/1996

* The interests of this patent is at best partially owned and is listed here for disclosure purposes only, and shall not constitute part of the Collateral.

Trademarks

Country	Mark	Serial No.	Filing Date	Reg. No.	Issue Date	Status
Argentina	A.M.Y.	2.619.932	09/26/2005			Pending
Argentina	AUGUSTA	2.619.933	09/26/2005			Pending
Argentina	CATCH MOVE RELEASE	2.619.934	09/26/2005			Pending
Argentina	ECLYPSE	2.619.935	09/26/2005			Pending
Argentina	MYNX	2.619.936	09/26/2005			Pending
Argentina	NOVVA	2.619.937	09/26/2005			Pending
Argentina	REFLEXX	2.619.938	09/26/2005			Pending
Argentina	SORBTEK	2.619.939	09/26/2005			Pending
Argentina	SULTRA	2.619.940	09/26/2005			Pending
Argentina	MICROMATTIQUE	11859077	10/14/1992	1597868	04/29/1996	Registered Renewal due 04/29/2006
Argentina	MICROMATTIQUE	1859078	10/14/1992	1597958	04/29/1996	Registered Renewal due 04/29/2006
Argentina	MICROMATTIQUE	1859076	10/14/1992	1597867	04/29/1996	Registered Renewal due 04/29/2006
Argentina	MICROMATTIQUE	1859075	10/14/1992	1597866	04/29/1996	Registered Renewal due 04/29/2006
Argentina	SHEERTECH	1,995,425	08/15/1995	1,605,743	07/10/1996	Registered Renewal due 07/10/2006
Argentina	UNIFI	1,853,497	08/20/1992	1,978,902	04/26/2004	Registered Renewal due 04/26/2014
Argentina	UNIFI QUALITY THROUGH PRIDE & Design	2,183,521	10/28/1998	1,771,922	01/25/2000	Registered Renewal due 01/25/2010
Australia	SHEERTECH	667391	07/21/1995	667391		Registered
Bangladesh	A.M.Y.	89823	01/30/2005			Pending
Bangladesh	MYNX	84824	01/30/2005			Pending
Bangladesh	REFLEXX	89825	01/30/2005			Pending
Bangladesh	SORBTEK	89822	01/30/2005			Pending

Country	Mark	Serial No.	Filing Date	Reg. No.	Issue Date	Status
Brazil	MICROMATTIQUE	816400300	09/20/1991	816400300	06/01/1993	Registered (renewal applied for 04/24/2004)
Brazil	MICROMATTIQUE	816400318	09/20/1991	816400318	06/01/1993	Registered (renewal applied for 04/24/2004)
Brazil	MICROMATTIQUE	817170014	04/07/1993	817170014	07/26/1994	Registered (renewal applied for 11/18/2004)
Brazil	SEDORA	827784058	09/22/2005			Pending
Brazil	SHEERTECH	818741732	08/21/1995	818741732q	10/21/1997	Registered Renewal due 10/21/2007
Brazil	UNIFI	816930074	10/02/1992	816930074	10/22/1996	Registered Renewal due 10/22/2006
Canada	AIO	1,273,872	09/23/2005			Pending
Canada	AMY	1,273,870	09/23/2005			Pending
Canada	AUGUSTA	1,273,869	09/23/2005			Pending
Canada	CATCH MOVE RELEASE	1,273,871	09/23/2005			Pending
Canada	MicroVista	1,273,868	09/23/2005			Pending
Canada	MICROMATTIQUE	0688314	08/23/1991	TMA 407487	01/29/1993	Registered Renewal due 01/29/2008
Canada	MYNX	1,273,867	09/23/2005			Pending
Canada	REFLEXX	1,273,866	09/23/2005			Pending
Canada	SATURA & Design	1,273,863	09/23/2005			Pending
Canada	SEDORA	1270831	08/29/2005			Pending
Canada	SHEERTECH	788,278	07/24/1995	TMA 501,717	10/02/1998	Registered Renewal due 10/02/2013
Canada	SORBTEK	1,273,865	09/23/2005			Pending
Chile	MICROMATTIQUE	444895	04/01/1999	552,446	11/08/1999	Registered Renewal due 11/08/2009
Chile	UNIFI	224,741	11/09/1992	677,112	10/29/2003	Registered Renewal due 10/29/2013
China	AIO	4907035	09/20/2005			Pending
China	A.M.Y.	4461870	01/13/2005			Pending
China	CATCH MOVE RELEASE	4741298	06/24/2005			Pending
China	CATCH MOVE RELEASE & Design	4741297	06/24/2005			Pending
China	MicroVista	4698600	06/03/2005			Pending
China	MYNX	4461869	01/13/2005			Pending
China	REFLEXX	4461871	01/13/2005			Pending
China	SEDORA	4860665	08/26/2005			Pending
China	SORBTEK	4461868	01/13/2005			Pending
China	UNIFI	4384336	11/26/2004			Pending
China	UNIFI ASIA LTD.	4384337	11/26/2004			Pending
Colombia	A.M.Y.	05-054140	06/03/2005			Pending

Country	Mark	Serial No.	Filing Date	Ree. No.	Issue Date	Status
Colombia	AUGUSTA	05-054145	06/03/2005	307680	12/23/2005	Registered Renewal due 12/23/2015
Colombia	CATCH MOVE RELEASE	05-055955	06/09/2005	307674	12/22/2005	Registered Renewal due 12/22/2015
Colombia	CATCH MOVE RELEASE & Design	05-056478	06/10/2005	307442	12/20/2005	Registered Renewal due 12/20/2015
Colombia	ECLYPSE	05-054149	06/03/2005			Pending
Colombia	MICROMATTIQUE	94049194	10/28/1994	175045	03/09/1995	Registered Renewal due 03/09/2015
Colombia	MICROMATTIQUE	94049193	10/28/1994	175046	03/09/1995	Registered Renewal due 03/09/2015
Colombia	MICROMATTIQUE	94049192	10/28/1994	175047	03/09/1995	Registered Renewal due 03/09/2015
Colombia	MYNX	05-054144	06/03/2005	307679	12/23/2005	Registered Renewal due 12/23/2015
Colombia	NOVVA	05-054139	06/03/2005	307678	12/23/2005	Registered Renewal due 12/23/2015
Colombia	REFLEXX	05-054111	06/03/2005	307677	12/23/2005	Registered Renewal due 12/23/2015
Colombia	SEDORA	05-084018	08/24/2005			Pending
Colombia	SORBTEK	05-054150	06/03/2005	307681	12/23/2005	Registered Renewal due 12/23/2015
Colombia	SULTRA	05-054146	06/03/2005			Pending
Colombia	UNIFI	366,748	08/28/1992	173,015	12/29/1994	Registered Renewal due 12/29/2014
Ecuador	MICROMATTIQUE	51302	10/25/1994	1-4364-95	12/18/1995	Registered Renewal due 12/18/2005
Ecuador	MICROMATTIQUE	51301	10/25/1994	1-4363-95	12/18/1995	Registered Renewal due 12/18/2005
Ecuador	MICROMATTQUE	51297	10/25/1994	1-4359-95	12/18/1995	Registered Renewal due 12/18/2005

Country	Mark	Serial No.	Filing Date	Reg. No.	Issue Date	Status
Ecuador	UNIFI	34584	10/01/1992	3135-93	11/30/1993	Registered Renewal due 11/30/2013
France	FYBERSERV	013115568	08/06/2001	013115568	01/11/2002	Registered Renewal due 08/06/2011
France	FYBERSERV & Design	013115743	08/06/2001	013115743	01/11/2002	Registered Renewal due 08/06/2011
France	FYBERSERV STAY CONNECTED, MOVE AHEAD & Design	013115740	08/06/2001	013115740	01/11/2002	Registered Renewal due 08/06/2011
France	STAY CONNECTED, MOVE AHEAD	013115569	08/06/2001	013115569	01/11/2002	Registered Renewal due 08/06/2011
France	UNIFI	92/435904	09/30/1992	92435904	09/30/1992	Registered Renewal due 09/30/2012
European Community	AIO	4690392	10/19/2005			Pending
European Community	A.M.Y.	4463675	05/31/2005			Pending
European Community	AUGUSTA	4464186	05/31/2005			Pending
European Community	CATCH MOVE RELEASE	4493276	06/13/2005			Pending
European Community	CATCH MOVE RELEASE & Design	4493251	06/13/2005			Pending
European Community	ECLYPSE	4464178	05/31/2005			Pending
European Community	MYNX	4463923	05/31/2005			Pending
European Community	REFLEXX	4463774	05/31/2005			Pending
European Community	SORBTEK	4463758	05/31/2005			Pending
European Community	UNIFI	004722161	11/03/2005			Pending
Germany	FYBERSERV	30148480.5	08/06/2001	30148480	10/15/2001	Registered Renewal due 08/31/2011
Germany	FYBERSERV & Design	30148529.1	08/07/2001	30148529	02/27/2002	Registered Renewal due 08/31/2011
Germany	FYBERSERV STAY CONNECTED, MOVE AHEAD & Design	30148528.3	08/07/2001	30145828	02/27/2002	Registered Renewal due 08/31/2011
Germany	STAY CONNECTED, MOVE AHEAD	30148481.3	08/06/2001	30148481	10/15/2001	Registered Renewal due 08/31/2011

Country	Mark	Serial No.	Filing Date	Reg. No.	Issue Date	Status
Great Britain	FYBERSERV	2277027	08/02/2001	2277027	06/21/2002	Registered Renewal due 08/02/2011
Great Britain	FYBERSERV & Design	2277233	08/06/2001	2277233	07/05/2002	Registered Renewal due 08/06/2011
Great Britain	FYBERSERV STAY CONNECTED, MOVE AHEAD & Design	2277776	08/13/2001	2277776	08/02/2002	Registered Renewal due 08/13/2011
Great Britain	STAY CONNECTED, MOVE AHEAD	2277055	08/03/2001	2277055	08/02/2002	Registered Renewal due 08/03/2011
Great Britain	UNIFI	1509329	08/11/1992	1509329	08/11/1992	Registered Renewal due 08/11/2009
Great Britain	UNIFI QUALITY THROUGH PRIDE and design	1514810	10/05/1992	1514810	12/10/93	Registered
Hong Kong	AIO	300496657	09/16/2005			Pending
Hong Kong	A.M.Y.	300343070	12/23/2004	300343070	12/23/2004	Registered Renewal due by 12-22-2014
Hong Kong	MicroVista	300432053	06/02/2005			Pending
Hong Kong	MYNX	300343106	12/23/2004	300343106	12/23/2004	Registered Renewal due by 12-22-2014
Hong Kong	REFLEXX	300343089	12/23/2004	300343089	12/23/2004	Registered Renewal due by 12-22-2014
Hong Kong	SEDORA	300483057	08/24/2005	300483057	08/24/2005	Registered
Hong Kong	SORBTEK	300343061	12/23/2004	300343061	12/23/2004	Registered Renewal due by 12-22-2014
India	A.M.Y.	1334822				Published
India	CATCH MOVE RELEASE	1369759	07/08/2005			Pending
India	CATCH MOVE RELEASE & Design	1381488	09/01/2005			Pending
India	MicroVista	1369197	07/06/2005			Published
India	MYNX	1334823				Published
India	REFLEXX	1334824				Pending
India	SORBTEK	1334825				Pending
Indonesia	A.M.Y.	D00 2005 00800 00804	01/12/2005			Pending
Indonesia	CATCH MOVE RELEASE	D00 2005 010763	07/06/2005			Pending
Indonesia	CATCH MOVE RELEASE & Design	D00 2005 009788	06/28/2005			Pending
Indonesia	MicroVista	D00 2005 010762	07/06/2005			
Indonesia	MYNX	D00 2005 00798 00802	01/12/2005			Pending
Indonesia	REFLEXX	D00 2005 00799 00803	01/12/2005			Pending

Country	Mark	Serial No.	Filing Date	Reg. No.	Issue Date	Status
Indonesia	SORBTEK	D00 2005 00797 00801	01/12/2005			Pending
Ireland	FYBERSERV	2001/2411	08/02/2001	223308	11/15/2002	Registered Renewal due 08/02/2011
Ireland	FYBERSERV & Design	2001/02507	08/07/2001	223310	11/15/2002	Registered Renewal due 08/07/2011
Ireland	STAY CONNECTED, MOVE AHEAD	2001/02480	08/03/2001	223309	11/15/2002	Registered Renewal due 08/03/2011
Ireland	UNIFI	4248/92	08/10/1992	151,080	04/02/1992	Registered Renewal due 04/02/2009
Ireland	UNIFI QUALITY THROUGH PRIDE & Design	155291	09/29/1992	155,291	07/29/1992	Registered Renewal due 07/27/2009
Italy	FYBERSERV	T02001C002643	08/24/2001			Pending
Italy	FYBERSERV & Design	T02001C002796	08/24/2001			Pending
Italy	FYBERSERV STAY CONNECTED, MOVE AHEAD & Design	T02001C002797	08/24/2001			Pending
Italy	STAY CONNECTED, MOVE AHEAD	T02001C002644	08/06/2001			Pending
Japan	A.M.Y.	2004-118995	12/28/2004	4872892	06/17/2005	Registered
Japan	CATCH MOVE RELEASE	2005-052152	06/10/2005	4918168	12/22/2005	Registered Renewal due by 6/22/2015
Japan	CATCH MOVE RELEASE & Design	2005-57243	06/10/2005	4918178	12/22/2005	Registered Renewal due by 6/22/2015
Japan	MicroVista	2005-050087	06/06/2005			Pending
Japan	MYNX	2004-118993	12/28/2004	4872891	06/17/2005	Registered
Japan	SORBTEK	2004-118992	12/28/2004	4872890	06/17/2005	Registered
Korea	A.M.Y.	40-2004-58271	12/24/2004			Allowed
Korea	CATCH MOVE RELEASE	2005-26536	06/10/2005			Pending
Korea	CATCH MOVE RELEASE & Design	2005-26534	06/10/2005			Pending
Korea	REFLEXX	40-2004-58273	12/24/2004			Allowed
Korea	SORBTEK	40-2004-58270	12/24/2004	642090	12/06/2005	Registered
Korea	MICROVISTA and design	4020050025437	06/03/2005			Pending
Mexico	A.M.Y.	741413	09/26/2005	904,577	10/24/2005	Registered Renewal due 9/26/2015
Mexico	AUGUSTA	741414	09/26/2005	904,578	10/24/2005	Registered Renewal due 9/26/2015
Mexico	CATCH MOVE RELEASE	741415	09/26/2005			Pending
Mexico	MicroVista	741416	09/26/2005	904,579	10/24/2005	Registered Renewal due 9/26/2015

Country	Mark	Serial No.	Filing Date	Reg. No.	Issue Date	Status
Mexico	MYNX	741417	09/26/2005	904,580	10/24/2005	Registered Renewal due 9/26/2015
Mexico	REFLEXX	741418	09/26/2005			Pending
Mexico	SATURA & Design	741419	09/26/2005	908479	11/18/2005	Registered Renewal due 9/26/2015
Mexico	SEDORA	736469	08/26/2005	907,973	11/16/2005	Registered Renewal due 8/26/2015
Mexico	SHEERTECH	240367	08/17/1995	536712	11/25/96	Registered
Mexico	SORBTEK	741420	09/26/2005	904,856	10/25/2005	Registered Renewal due 9/26/2015
Mexico	UNIFI	150,693	09/20/1992	442,683	09/24/1993	Registered Renewal due 09/20/2012
Mexico	UNIFI QUALITY THROUGH PRIDE	151139	09/30/1992	452154	2/11/94	Registered
Pakistan	A.M.Y.	204668	01/07/2005			Pending
Pakistan	MYNX	204667	01/07/2005			Pending
Pakistan	REFLEXX	204666	01/07/2005			Pending
Pakistan	SORBTEK	204665	01/07/2005			Pending
Peru	MICROMATTIQUE	254083	11/03/1994	13023	01/31/1995	Registered Renewal due 01/31/2015
Peru	MICROMATTIQUE	254085	11/03/1994	12758	01/24/1995	Registered Renewal due 01/24/2015
Peru	MICROMATTIQUE	254084	11/03/1994	13392	02/14/1995	Registered Renewal due 02/14/2015
Peru	UNIFI	245,707	07/01/1994	011676	12/02/1994	Registered Renewal due 12/02/2014
South Africa	A.M.Y.	2005120285	09/26/2005			Pending
South Africa	CATCH MOVE RELEASE	2005120286	09/26/2005			Pending
South Africa	MYNX	2005120287	09/26/2005			Pending
South Africa	REFLEXX	2005120288	09/26/2005			Pending
South Africa	SORBTEK	2005120289	09/26/2005			Pending
Spain	FYBERSERV	2573364	12/22/2003	2573364	07/13/2004	Registered Renewal due 12/22/2013
Spain	FYBERSERV & Design	2420948	08/13/2001	2420948	10/07/2002	Registered Renewal due 08/13/2011
Spain	FYBERSERV STAY CONNECTED, MOVE AHEAD & Design	2420947	08/13/2001	2420947	10/07/2002	Registered Renewal due 08/13/2011

Country	Mark	Serial No.	Filing Date	Reg. No.	Issue Date	Status
Spain	STAY CONNECTED, MOVE AHEAD	2420083	08/07/2001	2420083	09/16/2003	Registered Renewal due 08/07/2011
Taiwan	A.M.Y.	93060497	12/27/2004	1173649	09/16/2005	Granted
Taiwan	CATCH MOVE RELEASE	94027783	06/10/2005			Pending
Taiwan	CATCH MOVE RELEASE & Design	94027784	06/10/2005			Pending
Taiwan	MicroVista	94026471	06/03/2005			Pending
Taiwan	MYNX	93060496	12/27/2004	1173648	09/16/2005	Granted
Taiwan	SORBTEK	93060494	12/27/2004	1173646	09/16/2005	Granted
Taiwan	REFLEXX	93060495	12/24/2004	1173647	09/16/2005	Granted
Thailand	A.M.Y. & Design	585908	03/29/2005			Pending
Thailand	CATCH MOVE RELEASE	593616	06/15/2005			Pending
Thailand	CATCH MOVE RELEASE & Design	593617	06/15/2005			Pending
Thailand	MicroVista	592822	06/08/2005			Pending
Thailand	MYNX	577955	01/05/2005			Pending
Thailand	REFLEXX	577956	01/05/2005			Pending
Thailand	SORBTEK	577957	01/05/2005			Pending
Turkey	A.M.Y.	2005/45693	10/21/2005			Pending
Turkey	CATCH MOVE RELEASE	2005/45694	10/21/2005			Pending
Turkey	MYNX	2005/45695	10/21/2005			Pending
Turkey	REFLEXX	2005/45696	10/21/2005			Pending
Turkey	SORBTEK	2005/45697	10/21/2005			Pending
United States	AIO & Design	78/666,601	07/08/2005			Pending
United States	AIO	78/672,506	07/18/2005			Pending
United States	A.M.Y.	76/364,872	01/31/2002	2,738,677	07/15/2003	Registered 8 &15 Declaration due 07/15/2009
United States	AUGUSTA	76/192,695	01/11/2001	2,737,792	07/15/2003	Registered 8 &15 Declaration due 07/15/2009
United States	AVADA	78/310,167	10/07/2003	2,877,731	08/24/2004	Registered 8 &15 Declaration due 08/24/2010
United States	CATCH MOVE RELEASE	78/670,154	07/14/2005			Pending
United States	CIELO	78/326,706	11/12/2003	2,897,488	10/26/2004	Registered 8 &15 Declaration due 10/26/2010
United States	DUO-TWIST	75/342,817	08/18/1997	2,430,200	02/20/2001	Registered 8 &15 Declaration due 02/20/2007
United States	ECLYPSE	76/192,694	01/11/2001	2,716,285	05/13/2003	Registered 8 &15 Declaration due 05/13/2009
United States	FYBERSERV	76/207,014	02/06/2001			Pending

Country	Mark	Serial No.	Filing Date	Reg. No.	Issue Date	Status
United States	FYBERSERV & Design	76/215,860	02/26/2001	2,806,981	01/20/2004	Registered 8 & 15 Declaration due 01/20/2010
United States	FYBERSERV STAY CONNECTED, MOVE AHEAD & Design	76/216,640	02/06/2001	2,936,585	03/29/2005	Registered 8 & 15 Declaration due 03/29/2011
United States	INHIBIT	78/310,163	10/07/2003	2,877,729	08/24/2004	Registered 8 & 15 Declaration due 08/24/2010
United States	MACTEX	73/718,497	03/24/1988	1,511,013	11/01/1988	Registered 8 & 9 Renewal due 11/01/2008
United States	MERANO	78/310,166	10/07/2003	2,877,730	08/24/2004	Registered 8 & 15 Declaration due 08/24/2010
United States	MICROVISTA (Stylized)	76/358,700	01/14/2002	2,757,202	08/26/2003	Registered 8 & 15 Declaration due 08/26/2009
United States	MYNX	78/310,162	10/07/2003	2,947,770	05/10/2005	Registered 8 & 15 Declaration due 05/10/2011
United States	MYRIAD	76/192,689	01/11/2001	2,667,070	12/24/2002	Registered 8 & 15 Declaration due 12/24/2008
United States	NOVVA	76/192,696	01/11/2001	2,595,801	07/16/2002	Registered 8 & 15 Declaration due 07/16/2008
United States	PROVIDING INNOVATIVE FIBERS AND COMPETITIVE SOLUTIONS	76/367,131	02/04/2002	2,744,440	07/29/2003	Registered 8 & 15 Declaration due 07/29/2009
United States	REFLEXX	78/310,160	10/07/2003	2,877,728	08/24/2004	Registered 8 & 15 Declaration due 08/24/2010
United States	REPREVE	76/192,693	01/11/2001	2,691,497	02/25/2003	Registered 8 & 15 Declaration due 02/25/2009

Country	Mark	Serial No.	Filing Date	Reg. No.	Issue Date	Status
United States	SATURA & Design	78/331,625	11/21/2003	2,897,506	10/26/2004	Registered 8 & 15 Declaration due 10/26/2010
United States	SEDORA	78/686,681	08/05/2005			Pending
United States	SORBTEK	75/928,744	02/25/2000	2,777,116	10/28/2003	Registered 8 & 15 Declaration due 10/28/2009
United States	STAY CONNECTED, MOVE AHEAD	76/206,638	02/07/2001	2,802,860	01/06/2004	Registered 8 & 15 declaration due 01/06/2010
United States	SULTRA	76/192,692	01/11/2001	2,716,284	05/13/2003	Registered 8 & 15 Declaration due 05/13/2009
United States	TENEX	78/418,955	5/14/2004			Pending
United States	TEXTRA	78/310,157	10/07/2003	2,877,727	08/24/2004	Registered 8 & 15 Declaration due 08/24/2010
United States	UNIFI	74/261,913	04/02/1992	1,872,523	01/10/1995	Registered 8 & 9 Renewal due 01/10/2005
United States	UNIFI (Stylized)	74/261,912	04/02/1992	2,161,151	06/02/1998	Registered 8 & 9 Renewal due 06/02/2008
Uruguay	MICROMATTIQUE	256316	08/27/1992	256316	07/09/1993	Registered Renewal due 07/09/2013
Venezuela	MICROMATTIQUE	16276-94	12/06/1994	P-187904	02/09/1996	Registered Renewal due 02/09/2006
Venezuela	MICROMATTIQUE	16325-94	12/07/1994	P-187923	02/09/1996	Registered Renewal due 02/09/2006
Vietnam	A.M.Y. & Design	4-2005-02289	03/04/2005			Pending
Vietnam	MYNX	4-2005-02286	03/04/2005			Pending
Vietnam	REFLEXX	4-2005-02287	03/04/2005			Pending
Vietnam	SORBTEK	4-2005-02288	03/04/2005			Pending

Licensed Patents, Trademarks and Copyrights

DuPont Licensed Trademarks and Patents as set forth in its Licensed Fiber Processor Agreement with Unifi, Inc., dated May 7, 1999 (for Coolmax, Coolmax Alta and Thermastat), the Technology Cross-License Agreement with Unifi, Inc., effective June 1, 2000, and the Invista S.r.l. POY Intellectual Property License Agreement with Unifi, Inc., effective September 30, 2004 (for Softec, Micromattique and Dacron), as well as other Dupont Technical Information provided the said agreements.

Licensed patents, trademarks and copy rights that the Borrowers have the right to use due to the purchase of products and/or services from their various vendors and suppliers.

SCHEDULE 2(a)(iv)

COMMERCIAL TORT CLAIMS

None.

SCHEDULE 4(a)(i)

CHIEF EXECUTIVE OFFICE/PRINCIPAL PLACE OF BUSINESS/
EXACT LEGAL NAME/STATE OF FORMATION

	Name and Chief Executive Office	EIN	State Inc/ Organized In	State Organizational Number	Date of Inc/ Organization
	Domestic Entities:				
1	Unifi, Inc. 7201 W Friendly Avenue Greensboro, NC 27410	11-2165495	NY	N/A	1/8/1969
2	Unifi Manufacturing, Inc. 7201 W Friendly Avenue Greensboro, NC 27410	56-2001082	NC	0411480	11/25/1996
3	Unifi Sales & Distribution, Inc. 7201 W Friendly Avenue Greensboro, NC 27410	56-2001079	NC	0411509	11/25/1996
4	Unifi International Service, Inc. 7201 W. Friendly Avenue Greensboro, NC 27410	56-1407930	NC	0152812	
5	Unifi Kinston, LLC formerly Unifi Equipment Leasing, LLC 7201 W. Friendly Avenue Greensboro, NC 27410	56-2050030	NC	0430407	6/23/1997
6	Spanco Industries, Inc. 7201 W. Friendly Avenue Greensboro, NC 27410	56-1392167	NC	0101977	12/28/1983
7	Spanco International, Inc. 7201 W. Friendly Avenue Greensboro, NC 27410	56-1861046	NC	0335876	
8	Unifi Export Sales, LLC 7201 W Friendly Avenue Greensboro, NC 27410	56-2001078	NC	0411505	11/25/1996
9	Unifi Manufacturing Virginia, LLC 7201 W Friendly Avenue Greensboro, NC 27410	56-2001075	NC	0411506	11/25/1996
10	Unifi Technical Fabrics, LLC 7201 W. Friendly Avenue Greensboro, NC 27410	56-2177509	NC	0502821	8/3/1999

11	Charlotte Technology Group, Inc. (f/k/a Cimtec Automation, Inc.) (f/k/a Unifi Technology Group, Inc.) (f/k/a UTG Acquisition Corp.) (f/k/a Unifi Technology Group, LLC) 7201 W. Friendly Avenue Greensboro, NC 27410	56-2203343	NC	0550275	5/22/2000
12	GlenTouch Yarn Company, LLC 7201 W Friendly Avenue Greensboro, NC 27410	56-2252356	NC	0591116	5/14/2001
13	UTG Shared Services, Inc. 7201 W. Friendly Avenue Greensboro, NC 27410	56-2170406	NC	0513931	12/7/1999
14	UniMatrix Americas, LLC 7201 W. Friendly Avenue Greensboro, NC 27410	86-1091016	NC	0693371	10/2/2003
15	Unifi Textured Polyester, LLC 7201 W. Friendly Avenue Greensboro, NC 27410	56-2085603	NC	0457283	04/23/1998

LOCATION OF BOOKS AND RECORDS
FOR UNIFI, INC. AND ALL SUBSIDIARIES

Name and Corporate Address

Domestic Entities:

ALL BOOKS AND RECORDS ARE MAINTAINED AT THE UNIFI, INC. CORPORATE HEADQUARTERS AT 7201 W. FRIENDLY AVENUE, GREENSBORO, GUILFORD COUNTY, NORTH CAROLINA, 27410, P.O. BOX 19109, GREENSBORO, NC 27419, UNLESS OTHERWISE SET FORTH.

Foreign Entities:

Unifi Textured Yarns Europe
% Austin Quinn, General Mgr.
Figart, Raphoe, Co. Donegal Ireland
Books & Records kept:
Plant T4
601 E. Main Street
Yadkinville, NC 27055

Unifi International Service Germany
Junkershoehe 7
95030 Hof Germany
Books & Records kept:
Plant T4
601 E. Main Street
Yadkinville, NC 27055

Zona Industrial Cuzuca
Entrada Santa fe de Santa fe de Bogota, D.C. Colombia

Unifi do Brazil, LTDA
Av. Eng. Luis Carlos Berrini,
716-3.andar
04571-000 Sao Paul/SP, Brasil

Unifi Holding 1 B.V.
Locatellikade 1, 1076AZ
Amsterdam, Netherlands

Unifi Holding 2 B.V.
Locatellikade 1, 1076AZ
Amsterdam, Netherlands

Unifi Dyed Yarns Ltd.
Bury Road, Radcliffe
Manchester, England
Books and Records kept:
Plant T4
601 E. Main Street
Yadkinville, NC 27055

Level 28, Three Pacific Place
1 Queen’s Road East
Hong Kong, China [Yadkinville]

UNIFI Latin America S.A.
Transversal 5 No 6-67 Zona
Industrial Cazuca
Soacha, Cundinamarca
Colombia

Unifi, Asia, Ltd.
Level 28, Three Pacific Place
1 Queen’s Road East
Hong Kong, China

Unifi Asia Holding, SRL
Execsec Corporate Secretarial Services Inc.
Alphonzo House
Cr. 2nd Avenue & George Street
Belleville, St. Michael
Bardados

SCHEDULE 4(a)(ii)

NAME CHANGES/CHANGES IN CORPORATE STRUCTURE/TRADENAMES

None.

SCHEDULE 4(b)

LOCATIONS OF COLLATERAL

Inventory/Equipment Owner's Name	Owned ("O") at Location Yes ("Y") No ("N")	or Leased ("L")	Property Address
Unifi, Inc.;	Y	O	Corporate Offices 7201 West Friendly Avenue Greensboro, NC 27410
			P.O. Box 19109 Greensboro, NC 27419
	Y (Lease terminates June 30, 2006)	L	New York Sales office 1441 Broadway Suite 2304 New York, NY 10018 Former location: 104 W. 40th Street, 7th Floor
	Y	O	New York Apartment 112 West 56th St., Apt. 21S New York, NY 10019
	N	L	Tennessee Sales office Suite 307, James Building 735 Broad Street Chattanooga, TN 34702
	Y	L	California Warehouse Schenkers Warehouse 990 East 233rd Street Carson, CA 90745
Unifi Manufacturing, Inc.:			
	Y	O	Yadkinville –T1, T2 & T4 P.O. Box 698 Old Highway 421 East Yadkinville, NC 27055
	Y	O	Yadkinville –T5 & F1 P.O. Box 698 1641 Shacktown Road Yadkinville, NC 27055

Y	O	Topsider Warehouse (Recycling Center)
Y	O	Lynch Property (guest house) Yadkinville, NC 27055
Y	O	Yadkinville–Mills Tract East Main Street Yadkinville, NC 27055 (11.165 Acres, vacant land) (Part of land bridge)
Y	O	Yadkinville–Lynch Property Lots 70 & 71 R.S. Shore Dev. (Vacant residential lots, part of land bridge) Yadkinville, NC 27055
Y	O	Yadkinville–Doss Tract (vacant) Woodridge Lane Yadkinville, NC 27055
N	O	Reidsville–Texturing Serv., Inc. 2900 Vance Street Ext.*** Reisdsville, NC 27320 (Lease terminates 10/31/06)
Y	O	Reidsville – Plants 2 & 4 P.O. Box 1437-Zip 27323 2920 Vance Street Ext. Reidsville, NC 27320
Y	L	Mayodan – Plant 15 P.O. Box 250 271 Cardwell Road Mayodan, NC 27027
Y	O	Mayodan – Plants 1** & 5** P.O. Box 737 Madison, NC 27025 Street Address: 802 S. Ayersville Road Mayodan, NC 27027
Y	O	Madison – Plant 3

			P.O. Box 737 805 Island Drive Madison, NC 27025
	Y	O	Madison – Plant 7** P.O. Box 737 144 Turner Road Madison, NC 27027
	Y	O	Decatur Street Warehouse Island Drive Warehouse Madison, NC 27025
	NA	O	Stoneville – Plant 8* 4721 Highway 770 East P.O. Box 937 Stoneville, NC 27048
	N	O	Mulligan Property (73.058 Acres, vacant) Mayodan, NC 27027
	Y	O	Central Distribution Center P.O. Box 135, 12.8 acres Houston Loop Road Fort Payne, AL 35968
Unifi Manufacturing Virginia, LLC:			
	Y	O	Staunton - Plant 22 P.O. Box 2525 Morris Mill Road Staunton, VA 24401
Unifi Textured Polyester, LLC:			
	Y	O	Yadkinville – T3** PO Box 698 Old Highway 421 East Yadkinville, NC 27055
Unifi Kinston, LLC:			
	Y	L	Kinston Spinning Plant 4965 North Highway 11 Grifton, NC 28530

	Y	O	Kentec Pack Cleaning Facility 4610 Braxton Road Grifton, NC 28530
	Y	L	Kenta Warehouse 4681 North Highway 11 Grifton, NC 28530

***** **This Plant is being leased to the Unifi-Sans Technical Fibers, LLC joint venture.**

****** **These Plants/Properties are vacant and listed for sale with Binswanger under an Exclusive Listing Agreement effective December 12, 2005.**

******* **This Plant is being leased to Texturing Services, Inc. until October 31, 2006**

Entities having possession of inventory or equipment other than the Company or its Subsidiaries

CONSIGNMENT LOCATIONS:

Unifi Manufacturing, Inc.	Warp Development Corp. 100 Bivens Road P.O. Box 967 Monroe, NC 28110
Unifi Manufacturing, Inc. **Unifi Textured Polyester, LLC**	Fibretrade Canada, Inc. 925 McCaffrey St Laurent, Quebec Canada

SCHEDULE 5(f)(i)

GRANT OF SECURITY INTEREST
IN COPYRIGHT RIGHTS

This GRANT OF SECURITY INTEREST IN COPYRIGHT RIGHTS ("Agreement"), effective as of _____, 20__ is made by [NAME OF OBLIGOR(S)], a _____, located at _____ (the "Obligor[s]"), in favor of BANK OF AMERICA, N.A with an office at 300 Galleria Parkway, Suite 800, Atlanta, Georgia 30339, as administrative agent for the Lenders referred to below (in its capacity as administrative agent, the "Agent"), in connection with the Amended and Restated Credit Agreement, dated as of May 26, 2006 (as amended, restated, modified or supplemented from time to time, the "Credit Agreement"), among [Unifi, Inc., a New York corporation (the "Parent")] [the Obligor], the subsidiaries of the [Parent (including the Obligor)] [Obligor] from time to time party thereto (together with the [Parent] [Obligor], each, a "Borrower" and collectively, the "Borrowers"), the financial institutions from time to time party thereto (the "Lenders") and the Agent.

W I T N E S S E T H:

WHEREAS, pursuant to the Credit Agreement, the Lenders have agreed to make Loans to the Borrowers and to issue or participate in Letters of Credit upon the terms and subject to the conditions set forth therein; and

WHEREAS, in connection with the Credit Agreement, the Borrowers have executed and delivered a Security Agreement, dated as of May 26, 2006, in favor of the Agent (together with all amendments and modifications, if any, from time to time thereafter made thereto, the "Security Agreement");

WHEREAS, pursuant to the Security Agreement, the Obligor pledged and granted to the Agent for the benefit of the secured parties thereunder (the "Secured Parties") a continuing security interest in all Intellectual Property, including the Copyrights; and

WHEREAS, the Obligor has duly authorized the execution, delivery and performance of this Agreement;

NOW THEREFORE, for good and valuable consideration, the receipt of which is hereby acknowledged, the Obligor agrees, for the benefit of the Agent and the Secured Parties, as follows:

SECTION 1 Definitions. Unless otherwise defined herein or the context otherwise requires, terms used in this Agreement, including its preamble and recitals, have the meanings provided or provided by reference in the Credit Agreement and the Security Agreement.

SECTION 2 Grant of Security Interest. The Obligor hereby pledges and grants a continuing security interest in, and a right of setoff against, and agrees to assign, transfer and convey, upon demand made upon the occurrence and during the continuance of an Event of Default without requiring further action by either party and to be effective upon such demand, all of the Obligor's right, title and interest in, to and under the Copyrights (including, without

limitation, those items listed on Schedule A hereto) (collectively, the "Copyright Collateral"), to the Agent for the benefit of the Secured Parties to secure payment, performance and observance of the Secured Obligations.

SECTION 3 Purpose. This Agreement has been executed and delivered by the Obligor for the purpose of recording the grant of security interest herein with the United States Copyright Office. The security interest granted hereby has been granted to the Agent for the benefit of the Secured Parties in connection with the Security Agreement and is expressly subject to the terms and conditions thereof. The Security Agreement (and all rights and remedies of the Agent thereunder) shall remain in full force and effect in accordance with its terms.

SECTION 4 Acknowledgment. The Obligor does hereby further acknowledge and affirm that the rights and remedies of the Agent with respect to the security interest in the Copyright Collateral granted hereby are more fully set forth in the Credit Agreement and the Security Agreement, the terms and provisions of which (including the remedies provided for therein) are incorporated by reference herein as if fully set forth herein. In the event of any conflict between the terms of this Agreement and the terms of the Security Agreement, the terms of the Security Agreement shall govern.

SECTION 5 Counterparts. This Agreement may be executed in counterparts, each of which will be deemed an original, but all of which together constitute one and the same original.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered by their respective officers on this ___th day of _____, 20__.

[_____]
as Obligor

By: _____
Name:
Title:

BANK OF AMERICA, N.A.
as Agent

By: _____
Name:
Title:

ACKNOWLEDGMENT OF OBLIGOR

STATE OF)
) ss
COUNTY OF)

On the _____ day of May, 2006, before me personally came _____, who is personally known to me to be the _____ of [_____]., a [_____]; who, being duly sworn, did depose and say that she/he is the _____ in such corporation, the corporation described in and which executed the foregoing instrument; that she/he executed and delivered said instrument pursuant to authority given by the Board of Directors of such corporation; and that she/he acknowledged said instrument to be the free act and deed of said corporation.

Notary Public

(PLACE STAMP AND SEAL ABOVE)

ACKNOWLEDGMENT OF AGENT

STATE OF)
) ss
COUNTY OF)

On the ____ day of May, 2006, before me personally came _____, who is personally known to me to be the _____ of BANK OF AMERICA, N.A., a national banking association; who, being duly sworn, did depose and say that she/he is the _____ in such national banking association, the national banking association described in and which executed the foregoing instrument; that she/he executed and delivered said instrument pursuant to authority given by the Board of Directors of such national banking association; and that she/he acknowledged said instrument to be the free act and deed of said national banking association.

Notary Public

(PLACE STAMP AND SEAL ABOVE)

SCHEDULE A

U.S. Copyrights

Copyright	Registration Number

SCHEDULE 5(f)(ii)

GRANT OF SECURITY INTEREST
IN PATENT RIGHTS

This GRANT OF SECURITY INTEREST IN PATENT RIGHTS ("Agreement"), effective as of _____, 20__ is made by [NAME OF OBLIGOR(S)], a _____, located at _____ (the "Obligor[s]"), in favor of BANK OF AMERICA, N.A with an office at 300 Galleria Parkway, Suite 800, Atlanta, Georgia 30339, as administrative agent for the Lenders referred to below (in its capacity as administrative agent, the "Agent"), in connection with the Amended and Restated Credit Agreement, dated as of May 26, 2006 (as amended, restated, modified or supplemented from time to time, the "Credit Agreement"), among [Unifi, Inc., a New York corporation (the "Parent")] [the Obligor], the subsidiaries of the [Parent (including the Obligor)] [Obligor] from time to time party thereto (together with the [Parent] [Obligor], each, a "Borrower" and collectively, the "Borrowers"), the financial institutions from time to time party thereto (the "Lenders") and the Agent.

W I T N E S S E T H :

WHEREAS, pursuant to the Credit Agreement, the Lenders have agreed to make Loans to the Borrowers and to issue or participate in Letters of Credit upon the terms and subject to the conditions set forth therein; and

WHEREAS, in connection with the Credit Agreement, the Borrowers have executed and delivered a Security Agreement, dated as of May 26, 2006, in favor of the Agent (together with all amendments and modifications, if any, from time to time thereafter made thereto, the "Security Agreement");

WHEREAS, pursuant to the Security Agreement, the Obligor pledged and granted to the Agent for the benefit of the secured parties thereunder (the "Secured Parties") a continuing security interest in all Intellectual Property, including the Patents; and

WHEREAS, the Obligor has duly authorized the execution, delivery and performance of this Agreement;

NOW THEREFORE, for good and valuable consideration, the receipt of which is hereby acknowledged, the Obligor agrees, for the benefit of the Agent and the Secured Parties, as follows:

SECTION 1 Definitions. Unless otherwise defined herein or the context otherwise requires, terms used in this Agreement, including its preamble and recitals, have the meanings provided or provided by reference in the Credit Agreement and the Security Agreement.

SECTION 2 Grant of Security Interest. The Obligor hereby pledges and grants a continuing security interest in, and a right of setoff against, and agrees to assign, transfer and convey, upon demand made upon the occurrence and during the continuance of an Event of Default without requiring further action by either party and to be effective upon such demand, all of the Obligor's right, title and interest in, to and under the Patents (including, without limitation,

those items listed on Schedule A hereto) (collectively, the "Patent Collateral"), to the Agent for the benefit of the Secured Parties to secure payment, performance and observance of the Secured Obligations.

SECTION 3 Purpose. This Agreement has been executed and delivered by the Obligor for the purpose of recording the grant of security interest herein with the United States Patent and Trademark Office. The security interest granted hereby has been granted to the Agent for the benefit of the Secured Parties in connection with the Security Agreement and is expressly subject to the terms and conditions thereof. The Security Agreement (and all rights and remedies of the Agent thereunder) shall remain in full force and effect in accordance with its terms.

SECTION 4 Acknowledgment. The Obligor does hereby further acknowledge and affirm that the rights and remedies of the Agent with respect to the security interest in the Patent Collateral granted hereby are more fully set forth in the Credit Agreement and the Security Agreement, the terms and provisions of which (including the remedies provided for therein) are incorporated by reference herein as if fully set forth herein. In the event of any conflict between the terms of this Agreement and the terms of the Security Agreement, the terms of the Security Agreement shall govern.

SECTION 5 Counterparts. This Agreement may be executed in counterparts, each of which will be deemed an original, but all of which together constitute one and the same original.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered by their respective officers on this __th day of _____, 20__ .

[_____]
as Obligor

By: _____
Name:
Title:

BANK OF AMERICA, N.A.
as Agent

By: _____
Name:
Title:

ACKNOWLEDGMENT OF OBLIGOR

STATE OF)
) ss
COUNTY OF)

On the _____ day of May, 2006, before me personally came _____, who is personally known to me to be the _____ of [_____]., a [_____]; who, being duly sworn, did depose and say that she/he is the _____ in such corporation, the corporation described in and which executed the foregoing instrument; that she/he executed and delivered said instrument pursuant to authority given by the Board of Directors of such corporation; and that she/he acknowledged said instrument to be the free act and deed of said corporation.

Notary Public

(PLACE STAMP AND SEAL ABOVE)

ACKNOWLEDGMENT OF AGENT

STATE OF)
) ss
COUNTY OF)

On the ____ day of May, 2006, before me personally came _____, who is personally known to me to be the _____ of BANK OF AMERICA, N.A., a national banking association; who, being duly sworn, did depose and say that she/he is the _____ in such national banking association, the national banking association described in and which executed the foregoing instrument; that she/he executed and delivered said instrument pursuant to authority given by the Board of Directors of such national banking association; and that she/he acknowledged said instrument to be the free act and deed of said national banking association.

Notary Public

(PLACE STAMP AND SEAL ABOVE)

SCHEDULE A

U.S. Patents and Patent Applications

Patent Title	Patent or Patent Application Number

SCHEDULE 5(f)(iii)

GRANT OF SECURITY INTEREST
IN TRADEMARK RIGHTS

This GRANT OF SECURITY INTEREST IN TRADEMARK RIGHTS ("Agreement"), effective as of _____, 20__ is made by [NAME OF OBLIGOR(S)], a _____, located at _____ (the "Obligor[s]"), in favor of BANK OF AMERICA, N.A with an office at 300 Galleria Parkway, Suite 800, Atlanta, Georgia 30339, as administrative agent for the Lenders referred to below (in its capacity as administrative agent, the "Agent"), in connection with the Amended and Restated Credit Agreement, dated as of May 26, 2006 (as amended, restated, modified or supplemented from time to time, the "Credit Agreement"), among [Unifi, Inc., a New York corporation (the "Parent")] [the Obligor], the subsidiaries of the [Parent (including the Obligor)] [Obligor] from time to time party thereto (together with the [Parent] [Obligor], each, a "Borrower" and collectively, the "Borrowers"), the financial institutions from time to time party thereto (the "Lenders") and the Agent.

W I T N E S S E T H :

WHEREAS, pursuant to the Credit Agreement, the Lenders have agreed to make Loans to the Borrowers and to issue or participate in Letters of Credit upon the terms and subject to the conditions set forth therein; and

WHEREAS, in connection with the Credit Agreement, the Borrowers have executed and delivered a Security Agreement, dated as of May 26, 2006, in favor of the Agent (together with all amendments and modifications, if any, from time to time thereafter made thereto, the "Security Agreement");

WHEREAS, pursuant to the Security Agreement, the Obligor pledged and granted to the Agent for the benefit of the secured parties thereunder (the "Secured Parties") a continuing security interest in all Intellectual Property, including the Trademarks; and

WHEREAS, the Obligor has duly authorized the execution, delivery and performance of this Agreement;

NOW THEREFORE, for good and valuable consideration, the receipt of which is hereby acknowledged, the Obligor agrees, for the benefit of the Agent and the Secured Parties, as follows:

SECTION 1 Definitions. Unless otherwise defined herein or the context otherwise requires, terms used in this Agreement, including its preamble and recitals, have the meanings provided or provided by reference in the Credit Agreement and the Security Agreement.

SECTION 2 Grant of Security Interest. The Obligor hereby pledges and grants a continuing security interest in, and a right of setoff against, and agrees to assign, transfer and convey, upon demand made upon the occurrence and during the continuance of an Event of Default without requiring further action by either party and to be effective upon such demand, all of the Obligor's right, title and interest in, to and under the Trademarks (including, without

limitation, those items listed on Schedule A hereto) (collectively, the "Trademark Collateral"), to the Agent for the benefit of the Secured Parties to secure payment, performance and observance of the Secured Obligations. Notwithstanding the foregoing provisions of this Section 2, for the purpose of this Section 2, the Obligor agrees to assign, transfer and convey, upon demand made upon the occurrence and during the continuance of Event of Default any "intent to use" trademark application only to the extent (i) that the business of the Obligor, or parties thereof, to which that mark pertains is also included in the Collateral (as defined in Section 2 of the Credit Agreement) and (ii) that such business is ongoing and existing.

SECTION 3 Purpose. This Agreement has been executed and delivered by the Obligor for the purpose of recording the grant of security interest herein with the United States Patent and Trademark Office. The security interest granted hereby has been granted to the Agent for the benefit of the Secured Parties in connection with the Security Agreement and is expressly subject to the terms and conditions thereof. The Security Agreement (and all rights and remedies of the Agent thereunder) shall remain in full force and effect in accordance with its terms.

SECTION 4 Acknowledgment. The Obligor does hereby further acknowledge and affirm that the rights and remedies of the Agent with respect to the security interest in the Trademark Collateral granted hereby are more fully set forth in the Credit Agreement and the Security Agreement, the terms and provisions of which (including the remedies provided for therein) are incorporated by reference herein as if fully set forth herein. In the event of any conflict between the terms of this Agreement and the terms of the Security Agreement, the terms of the Security Agreement shall govern.

SECTION 5 Counterparts. This Agreement may be executed in counterparts, each of which will be deemed an original, but all of which together constitute one and the same original.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered by their respective officers on this _____th day of _____, 20__ .

[_____]
as Obligor

By: _____
Name:
Title:

BANK OF AMERICA, N.A.
as Agent

By: _____
Name:
Title:

ACKNOWLEDGMENT OF OBLIGOR

STATE OF)
) ss
COUNTY OF)

On the _____ day of May, 2006, before me personally came _____, who is personally known to me to be the _____ of [_____]., a [_____]; who, being duly sworn, did depose and say that she/he is the _____ in such corporation, the corporation described in and which executed the foregoing instrument; that she/he executed and delivered said instrument pursuant to authority given by the Board of Directors of such corporation; and that she/he acknowledged said instrument to be the free act and deed of said corporation.

_____
Notary Public

(PLACE STAMP AND SEAL ABOVE)

ACKNOWLEDGMENT OF AGENT

STATE OF)
) ss
COUNTY OF)

On the _____ day of May, 2006, before me personally came _____, who is personally known to me to be the _____ of BANK OF AMERICA, N.A., a national banking association; who, being duly sworn, did depose and say that she/he is the _____ in such national banking association, the national banking association described in and which executed the foregoing instrument; that she/he executed and delivered said instrument pursuant to authority given by the Board of Directors of such national banking association; and that she/he acknowledged said instrument to be the free act and deed of said national banking association.

_____
Notary Public

(PLACE STAMP AND SEAL ABOVE)

SCHEDULE A

U.S. Trademark Registrations and Applications

Trademark	Registration or Serial Number

Exhibit 4.5

EXECUTION VERSION

PLEDGE AGREEMENT

THIS PLEDGE AGREEMENT (this "Pledge Agreement") is entered into as of May 26, 2006, by and among UNIFI, INC., a New York corporation (the "Parent" or the "Issuer"), each of the Domestic Subsidiaries of the Parent from time to time party hereto (each a "Guarantor" and collectively, the "Guarantors") (hereinafter the Parent and the Guarantors are collectively referred to as the "Pledgors" and individually, as a "Pledgor") and **U.S. BANK NATIONAL ASSOCIATION**, in its capacity as indenture trustee under the Indenture referred to below for the holders of notes issued pursuant to the Indenture (individually a "Holder" and collectively, the "Holders") as pledgee, assignee and secured party (in such capacities and together with any successors in such capacity, the "Collateral Agent").

RECITALS

WHEREAS, pursuant to the Indenture (as amended, modified or supplemented from time to time, the "Indenture"), dated as of May 26, 2006, among the Parent and U.S. Bank National Association, as trustee (the "Trustee"), pursuant to which the Parent has issued to the Holders its 11 1/2% Senior Secured Notes due 2014, and may issue from time to time additional notes in connection with the provisions of the Indenture (as the same may be amended, restated, replaced, supplemented, substituted, or otherwise modified from time to time, collectively, the "Notes"); and

WHEREAS, it is a condition precedent to the purchase by the Holders of the Notes that that the Pledgors shall have executed and delivered this Pledge Agreement to the Collateral Agent for the ratable benefit of the Holders and the Trustee.

NOW, THEREFORE, in consideration of these premises and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

1. Definitions. (a) Unless otherwise defined herein, capitalized terms used herein shall have the meanings ascribed to such terms in the Indenture, and the following terms that are defined in the Uniform Commercial Code from time to time in effect in the State of New York (the "UCC") are used herein as so defined: Certificated Security, Control, Entitlement Order, Financial Asset, Investment Company Security, Securities Account, Security Entitlement, Securities Intermediary and Uncertificated Security.

(b) In addition, the following term shall have the following meaning:

"Obligations" means any principal, premium, if any, interest (including interest accruing on or after the filing of any petition in bankruptcy or for reorganization, whether or not a claim for post-filing interest is allowed in such proceeding), penalties, fees, charges, expenses, indemnifications, reimbursement obligations, damages, guarantees, and other liabilities or amounts payable under the documentation governing any Indebtedness of the Obligors under the Indenture, the Notes and the Collateral Documents or in respect thereto.

2. Pledge and Grant of Security Interest. To secure the prompt payment and performance in full when due, whether by lapse of time or otherwise, of the Secured Obligations (as defined in Section 3 hereof), each Pledgor hereby pledges and grants to the Collateral Agent, for the benefit of the Collateral Agent, the Trustee and the Holders (collectively, the "Secured Parties"), a continuing security interest in any and all right, title and interest of such Pledgor in and to the following, whether now owned or existing or owned, acquired, or arising hereafter (collectively, the "Pledged Collateral"):

(a) Pledged Capital Stock. (i) 100% (or, if less, the full amount owned by such Pledgor) of the issued and outstanding Capital Stock owned by such Pledgor of each Domestic Subsidiary set forth on Schedule 2(a) attached hereto and (ii) 65% (or, if less, the full amount owned by such Pledgor) of each class of the issued and outstanding Capital Stock entitled to vote (within the meaning of Treas. Reg. Section 1.956-2(c)(2)) ("Voting Equity") and 100% (or, if less, the full amount owned by such Pledgor) of each class of the issued and outstanding Capital Stock not entitled to vote (within the meaning of Treas. Reg. Section 1.956-2(c)(2)) ("Non-Voting Equity") owned by such Pledgor of each Foreign Subsidiary set forth on Schedule 2(a) attached hereto (collectively, together with the Capital Stock and other interests described in clauses (y) and (z) and in Sections 2(b) and 2(c) below, the "Pledged Capital Stock"), including, but not limited to, the following:

(y) subject to the percentage restrictions described above and in Section 2(b) below, all shares, securities, membership interests or other equity interests representing a dividend on any of the Pledged Capital Stock, or representing a distribution or return of capital upon or in respect of the Pledged Capital Stock, or resulting from a stock split, revision, reclassification or other exchange therefor, and any subscriptions, warrants, rights or options issued to the holder of, or otherwise in respect of, the Pledged Capital Stock; and

(z) subject to the percentage restrictions described above and in Section 2(b) below and without affecting the obligations of the Pledgors under any provision prohibiting such action hereunder or under the Indenture, in the event of any consolidation or merger involving the issuer of any Pledged Capital Stock and in which such issuer is not the surviving entity, all shares of each class of the Capital Stock of the successor entity formed by or resulting from such consolidation or merger.

(b) Additional Interests. (i) 100% (or, if less, the full amount owned by such Pledgor) of each class of the issued and outstanding Capital Stock of any Person which hereafter becomes a Domestic Subsidiary and (ii) 65% (or, if less, the full amount owned by such Pledgor) of the Voting Equity and 100% (or, if less, the full amount owned by such Pledgor) of the Non-Voting Equity of any Person which hereafter becomes a Foreign Subsidiary, including, without limitation, the certificates representing such Capital Stock.

(c) Other Equity Interests. Subject to the percentage restrictions described above, any and all other Capital Stock or other equity interests owned by the Pledgors in any Domestic Subsidiary or any Foreign Subsidiary.

(d) Proceeds. All proceeds and products of the foregoing, however and whenever acquired and in whatever form.

(e) Any of the foregoing clauses (a) through (d) of this Section 2 to the contrary notwithstanding, the "Pledged Collateral" shall not include, and the security interest granted herein shall not attach to, the Excluded Assets.

Without limiting the generality of the foregoing, but subject to the limitations in Sections 2(a) and 2(e) above, it is hereby specifically understood and agreed that a Pledgor may from time to time hereafter pledge and deliver additional shares of Capital Stock or other interests to the Collateral Agent as collateral security for the Secured Obligations. Upon such pledge and delivery to the Collateral Agent, such additional shares of Capital Stock or other interests shall be deemed to be part of the Pledged Collateral of such Pledgor and shall be subject to the terms of this Pledge Agreement whether or not Schedule 2(a) is amended to refer to such additional shares.

3. Security for Secured Obligations. The security interest created hereby in the Pledged Collateral of each Pledgor constitutes continuing collateral security for all of the following, whether now existing or hereafter incurred (the "Secured Obligations"): (a) all of the Obligations, howsoever evidenced, created, incurred or acquired, whether primary, secondary, direct, contingent, or joint and several and (b) all expenses and charges, legal and otherwise, incurred by the Collateral Agent in collecting or enforcing any of the Obligations or in realizing on or protecting any security therefor, including without limitation the security granted hereunder.

4. Delivery of the Pledged Collateral; Perfection of Security Interest. Each Pledgor hereby agrees that:

(a) Delivery of Certificates and Instruments. Each Pledgor shall deliver as security to the Collateral Agent (subject to the limitations set forth in Section 2 above) (i) simultaneously with or prior to the execution and delivery of this Pledge Agreement, all certificates representing the Pledged Capital Stock owned by such Pledgor and (ii) promptly upon the receipt thereof by or on behalf of a Pledgor, all other certificates and instruments constituting Pledged Collateral owned by a Pledgor. Prior to delivery to the Collateral Agent, all such certificates and instruments constituting Pledged Collateral of a Pledgor shall be held in trust by such Pledgor for the benefit of the Collateral Agent pursuant hereto. All such certificates shall be delivered in suitable form for transfer by delivery or shall be accompanied by duly executed instruments of transfer or assignment in blank, substantially in the form provided in Exhibit 4(a) attached hereto.

(b) Additional Securities. Subject to the percentage restrictions set forth in Section 2, if such Pledgor shall receive by virtue of its being or having been the owner of any Pledged Collateral, any (i) certificate, including without limitation, any certificate

representing a dividend or distribution in connection with any increase or reduction of capital, reclassification, merger, consolidation, sale of assets, combination of shares of Capital Stock, stock splits, spin-off or split-off, promissory notes or other instruments; (ii) option or right, whether as an addition to, substitution for, or an exchange for, any Pledged Collateral or otherwise; (iii) dividends payable in Capital Stock; or (iv) distributions of Capital Stock or other equity interests in connection with a partial or total liquidation, dissolution or reduction of capital, capital surplus or paid-in surplus, then such Pledgor shall receive such certificate, instrument, option, right or distribution in trust for the benefit of the Collateral Agent, shall segregate it from such Pledgor's other property and shall deliver it forthwith to the Collateral Agent in the exact form received accompanied by duly executed instruments of transfer or assignment in blank, substantially in the form provided in Exhibit 4(a) attached hereto, to be held by the Collateral Agent as Pledged Collateral and as further collateral security for the Secured Obligations.

(c) Financing Statements. Each Pledgor hereby authorizes the Collateral Agent to prepare and file such financing statements (including continuation statements) or amendments thereof or supplements thereto or other instruments as the Collateral Agent may from time to time deem reasonably necessary or appropriate in order to perfect and maintain the security interests granted hereunder in accordance with the UCC, including, without limitation, any financing statement that describes the Pledged Collateral as "all personal property" or "all assets" of such Pledgor or that describes the Pledged Collateral in some other manner as the Collateral Agent deems necessary or advisable. Each Pledgor shall also execute and deliver to the Collateral Agent and/or file such agreements, assignments or instruments (including affidavits, notices, reaffirmations and amendments and restatements of existing documents, as the Collateral Agent may reasonably request) and do all such other things as the Collateral Agent may reasonably deem necessary or appropriate (i) to assure to the Collateral Agent its security interests hereunder are perfected, including such financing statements (including continuation statements) or amendments thereof or supplements thereto or other instruments as the Collateral Agent may from time to time reasonably request in order to perfect and maintain the security interests granted hereunder in accordance with the UCC and any other personal property security legislation in the appropriate jurisdictions, (ii) to consummate the transactions contemplated hereby and (iii) to otherwise protect and assure the Collateral Agent of its rights and interests hereunder. To that end, each Pledgor hereby irrevocably makes, constitutes and appoints the Collateral Agent, its nominee or any other person whom the Collateral Agent may designate, as such Pledgor's attorney-in-fact with full power and for the limited purpose to sign in the name of such Pledgor any notices or any similar documents which in the Collateral Agent's reasonable discretion would be necessary, appropriate or convenient in order to perfect and maintain perfection of the security interests granted hereunder, such power, being coupled with an interest, being and remaining irrevocable so long as any of the Secured Obligations (other than contingent indemnity obligations that survive termination of the Indenture or the Collateral Documents pursuant to the stated terms thereof) remain outstanding. In the event for any reason the law of any jurisdiction other than New York becomes or is applicable to the Pledged Collateral of any Pledgor or any part thereof, or to any of the Secured Obligations, such Pledgor agrees to execute and deliver all such

instruments and to do all such other things as the Collateral Agent in its sole discretion reasonably deems necessary or appropriate to preserve, protect and enforce the security interests of the Collateral Agent under the law of such other jurisdiction (and, if a Pledgor shall fail to do so promptly upon the request of the Collateral Agent, then the Collateral Agent may execute any and all such requested documents on behalf of such Pledgor pursuant to the power of attorney granted hereinabove). Each Pledgor agrees to mark its books and records (and to cause the issuer of the Pledged Capital Stock of such Pledgor to mark its books and records) to reflect the security interest of the Collateral Agent in the Pledged Collateral.

(d) Provisions Relating to Uncertificated Securities, Securities Entitlements and Securities Accounts. The Pledgors shall promptly notify the Collateral Agent of any Pledged Collateral consisting of an Uncertificated Security or a Securities Entitlement or any Pledged Collateral held in a Securities Account. With respect to any such Pledged Collateral, (a) the applicable Pledgor and the applicable issuer of the Uncertificated Security or the applicable Securities Intermediary shall enter into, upon the request of the Collateral Agent, an agreement with the Collateral Agent granting Control to the Collateral Agent over such Pledged Collateral, such agreement to be in form and substance reasonably satisfactory to the Collateral Agent and (b) the Collateral Agent shall be entitled, upon the occurrence and during the continuance of a Default or an Event of Default, to notify the applicable issuer of the Uncertificated Security or the applicable Securities Intermediary that it should follow the instructions or the Entitlement Orders, respectively, of the Collateral Agent and no longer follow the instructions or the Entitlement Orders, respectively, of the applicable Pledgor. Upon receipt by a Pledgor of notice from a Securities Intermediary of its intent to terminate the Securities Account of such Pledgor held by such Securities Intermediary, prior to the termination of such Securities Account the Pledged Collateral in such Securities Account shall be (i) transferred to a new Securities Account, upon the request of the Collateral Agent, which shall be subject to a control agreement as provided above or (ii) transferred to an account held by the Collateral Agent (in which it will be held until a new Securities Account is established).

5. Representations and Warranties. Each Pledgor hereby represents and warrants to the Collateral Agent, for the benefit of the Secured Parties, that so long as any of the Secured Obligations (other than contingent indemnity obligations that survive termination of the Indenture or the Collateral Documents pursuant to the stated terms thereof) remain outstanding:

(a) Authorization of Pledged Capital Stock. The Pledged Capital Stock is duly authorized and validly issued, is fully paid and nonassessable and is not subject to the preemptive rights of any Person.

(b) Title. Each Pledgor has good and indefeasible title to the Pledged Collateral of such Pledgor and will at all times be the legal and beneficial owner of such Pledged Collateral free and clear of any Lien or options in favor of, or claims of, any Person, other than Permitted Liens. There exists no “adverse claim” within the meaning of Section 8-102 of the UCC with respect to the Pledged Capital Stock of such Pledgor.

(c) Exercising of Rights. The exercise by the Collateral Agent of its rights and remedies hereunder will not violate any law or governmental regulation or any material contractual restriction binding on or affecting a Pledgor or any of its property, provided that the Collateral Agent obtains all necessary governmental approvals pursuant to Section 10(e) hereof.

(d) Pledgor's Authority. With respect to any Pledged Capital Stock issued by a Domestic Subsidiary, no authorization, approval or action by, and no notice or filing with any governmental authority, such issuer or any third party is required either (i) for the pledge made by such Pledgor or for the granting of the security interest by such Pledgor pursuant to this Pledge Agreement or (ii) for the exercise by the Collateral Agent of its rights and remedies hereunder (except as may be required by laws affecting the offering and sale of securities).

(e) Security Interest/Priority. This Pledge Agreement creates a valid security interest in favor of the Collateral Agent for the ratable benefit of the Secured Parties, in the Pledged Collateral. The taking possession by the Collateral Agent of the certificates (if any) representing the Pledged Capital Stock and all other certificates and instruments constituting Pledged Collateral will perfect and establish the first priority of the Collateral Agent's security interest in all certificated Pledged Capital Stock and such certificates and instruments. Upon the filing of UCC financing statements in the location of each Pledgor's State of organization, the Collateral Agent shall have a valid first priority perfected security interest in all uncertificated Pledged Capital Stock consisting of partnership or limited liability company interests that do not constitute a Security pursuant to Section 8-103(c) of the UCC. With respect to any Pledged Collateral consisting of an Uncertificated Security or a Securities Entitlement or any Pledged Collateral held in a Securities Account, upon execution and delivery by the applicable Pledgor, the Collateral Agent and the applicable Securities Intermediary or the applicable issuer of the Uncertificated Security of an agreement granting Control to the Collateral Agent over such Pledged Collateral, the Collateral Agent shall have a valid first priority perfected security interest in such Pledged Collateral. Except as set forth in this Section, no action is necessary to perfect the Collateral Agent's security interest.

(f) No Other Capital Stock. Except as set forth on Schedule 2(a) attached hereto (as updated or deemed updated from time to time in accordance with the terms hereof and of the Indenture), no Pledgor owns any Capital Stock of the Issuer or any Guarantor or any of their Subsidiaries.

(g) Partnership and Limited Liability Company Interests. Except as previously disclosed to the Collateral Agent, none of the Pledged Capital Stock consisting of partnership or limited liability company interests (i) is dealt in or traded on a securities exchange or in a securities market, (ii) by its terms expressly provides that it is a Security governed by Article 8 of the UCC, (iii) is an Investment Company Security, (iv) is held in a Securities Account or (v) constitutes a Security or a Financial Asset.

6. Covenants. Each Pledgor hereby covenants, that so long as any of the Secured Obligations (other than contingent indemnity obligations that survive termination of the

Indenture or the Collateral Documents pursuant to the stated terms thereof) remain outstanding, such Pledgor shall:

(a) Defense of Title. Warrant and defend title to and ownership of the Pledged Collateral of such Pledgor at its own expense against the claims and demands of all other parties claiming an interest therein; keep the Pledged Collateral free from all Liens, other than Permitted Liens; and not sell, exchange, transfer, assign, lease or otherwise dispose of Pledged Collateral of such Pledgor or any interest therein, except as permitted under the Indenture.

(b) Further Assurances. Promptly execute and deliver at its expense all further instruments and documents and take all further action that may be necessary and desirable or that the Collateral Agent may request in order to (i) perfect and protect the security interest created hereby in the Pledged Collateral of such Pledgor (including, without limitation, execution and delivery of one or more control agreements reasonably acceptable to the Collateral Agent, filing of UCC financing statements and any and all other actions reasonably necessary to satisfy the Collateral Agent that the Collateral Agent has obtained a first priority perfected security interest in all Pledged Collateral); (ii) enable the Collateral Agent to exercise and enforce its rights and remedies hereunder in respect of the Pledged Collateral of such Pledgor; and (iii) otherwise effect the purposes of this Pledge Agreement, including, without limitation and if requested by the Collateral Agent, delivering to the Collateral Agent irrevocable proxies in respect of the Pledged Collateral of such Pledgor.

(c) Amendments. Not make or consent to any amendment or other modification or waiver with respect to any of the Pledged Collateral of such Pledgor or enter into any agreement or allow to exist any restriction with respect to any of the Pledged Collateral of such Pledgor other than pursuant hereto or as may be permitted under the Indenture.

(d) Compliance with Securities Laws. File all reports and other information now or hereafter required to be filed by such Pledgor with the United States Securities and Exchange Commission and any other state, federal or foreign agency in connection with the ownership of the Pledged Collateral of such Pledgor.

(e) Issuance or Acquisition of Capital Stock. Not without executing and delivering, or causing to be executed and delivered, to the Collateral Agent such agreements, documents and instruments as the Collateral Agent may reasonably require, issue or acquire any Capital Stock that consists of an interest in a partnership or a limited liability company which (i) is dealt in or traded on a securities exchange or in a securities market, (ii) by its terms expressly provides that it is a Security governed by Article 8 of the UCC, (iii) is an Investment Company Security, (iv) is held in a Securities Account or (v) constitutes a Security or a Financial Asset.

(f) Changes in Name, etc. Except upon 15 days' prior written notice to the Collateral Agent and delivery to the Collateral Agent of all additional executed financing statements and other documents reasonably requested by the Collateral Agent to maintain

the validity, perfection and priority of the security interests provided for herein, (i) change its jurisdiction of organization or the location of its chief executive office or sole place of business or principal residence or (ii) change its name.

(g) Liquidation or Dissolution. Any sums paid upon or in respect of the Pledged Collateral upon the liquidation or dissolution of any issuer of Pledged Collateral shall be paid over to the Collateral Agent to be held by it hereunder as additional collateral security for the Secured Obligations, and in case any distribution of capital shall be made on or in respect of the Pledged Collateral or any property shall be distributed upon or with respect to the Pledged Collateral pursuant to the recapitalization or reclassification of the capital of any issuer of Pledged Collateral or pursuant to the reorganization thereof, the property so distributed shall, unless otherwise subject to a perfected security interest in favor of the Collateral Agent, be delivered to the Collateral Agent to be held by it hereunder as additional collateral security for the Secured Obligations. If any sums of money or property so paid or distributed in respect of the Pledged Collateral shall be received by such Pledgor, such Pledgor shall, until such money or property is paid or delivered to the Collateral Agent, hold such money or property in trust for the Collateral Agent and the Secured Parties, segregated from other funds of such Pledgor, as additional collateral security for the Secured Obligations.

(h) Other Actions. Without the prior written consent of the Collateral Agent, such Pledgor will not (i) vote to enable, or take any other action to permit, any issuer of Pledged Collateral to issue any Capital Stock of any nature or to issue any other securities convertible into or granting the right to purchase or exchange for any capital stock of any nature of any issuer of Pledged Collateral, unless such action is otherwise permitted pursuant to the Indenture and the Collateral Agent will continue to have a perfected security interest therein, (ii) sell, assign, transfer, exchange, or otherwise dispose of, or grant any option with respect to, the Pledged Collateral or proceeds thereof (except pursuant to a transaction expressly permitted by the Indenture), (iii) create, incur or permit to exist any Lien or option in favor of, or any claim of any Person with respect to, any of the Pledged Collateral or proceeds thereof, or any interest therein, except for the security interests created by this Pledge Agreement or (iv) enter into any agreement or undertaking restricting the right or ability of such Pledgor or the Collateral Agent to sell, assign or transfer any of the Pledged Collateral or proceeds thereof.

(i) Issuers of Pledged Collateral. Each Pledgor agrees that (i) it will be bound by the terms of this Pledge Agreement relating to the Pledged Collateral issued by it and will comply with such terms insofar as such terms are applicable to it, (ii) it will notify the Collateral Agent promptly in writing of the occurrence of any of the events described in Section 6(f) with respect to the Pledged Collateral issued by it and (iii) the terms of Section 10(c) shall apply to it, mutatis mutandis, with respect to all actions that may be required of it pursuant to Section 10(c) with respect to the Pledged Collateral issued by it.

7. Power of Attorney for Perfection of Liens. Each Pledgor hereby irrevocably makes, constitutes and appoints the Collateral Agent, its nominee or any other person whom the Collateral Agent may designate, as such Pledgor's attorney-in-fact with full power and for the limited purpose to sign in the name of such Pledgor any financing statements, or amendments

and supplements to financing statements, continuation financing statements, notices or any similar documents which in the Collateral Agent's reasonable discretion would be necessary, appropriate or convenient in order to perfect and maintain perfection of the security interests granted hereunder, such power, being coupled with an interest, being and remaining irrevocable so long as any of the Secured Obligations (other than contingent indemnity obligations that survive termination of the Indenture or the Collateral Documents pursuant to the stated terms thereof) remain outstanding. In the event for any reason the law of any jurisdiction other than New York becomes or is applicable to the Collateral of any Pledgor or any part thereof, or to any of the Secured Obligations, such Pledgor agrees to execute and deliver all such instruments and to do all such other things as the Collateral Agent in its sole discretion reasonably deems necessary or appropriate to preserve, protect and enforce the security interests of the Collateral Agent under the law of such other jurisdiction (and, if an Pledgor shall fail to do so promptly upon the request of the Collateral Agent, then the Collateral Agent may execute any and all such requested documents on behalf of such Pledgor pursuant to the power of attorney granted hereinabove).

8. Performance of Obligations; Advances by Collateral Agent. On failure of any Pledgor to perform any of the covenants and agreements contained herein, the Collateral Agent may, at its sole option and in its sole discretion, perform or cause to be performed the same and in so doing may expend such sums as the Collateral Agent may reasonably deem advisable in the performance thereof, including, without limitation, the payment of any insurance premiums, the payment of any taxes, a payment to obtain a release of a Lien or potential Lien, expenditures made in defending against any adverse claim and all other expenditures which the Collateral Agent may make for the protection of the security interest hereof or may be compelled to make by operation of law. All such sums and amounts so expended shall be repayable by the Pledgors on a joint and several basis promptly upon timely notice thereof and demand therefor, shall constitute additional Secured Obligations and shall bear interest at the rate provided in Section 4.01 of the Indenture from the date said amounts are expended. No such performance of any covenant or agreement by the Collateral Agent on behalf of any Pledgor, and no such advance or expenditure therefor, shall relieve the Pledgors of any default under the terms of this Pledge Agreement or the other Loan Documents. The Collateral Agent may make any payment hereby authorized in accordance with any bill, statement or estimate procured from the appropriate public office or holder of the claim to be discharged without inquiry into the accuracy of such bill, statement or estimate or into the validity of any tax assessment, sale, forfeiture, tax lien, title or claim except to the extent such payment is being contested in good faith by a Pledgor in appropriate proceedings and against which adequate reserves are being maintained in accordance with GAAP.

9. Events of Default. The occurrence of an event which under the Indenture would constitute an Event of Default shall be an event of default hereunder (an "Event of Default").

10. Remedies.

(a) General Remedies. Upon the occurrence of an Event of Default and during the continuation thereof, the Collateral Agent shall have, in respect of the Pledged Collateral of any Pledgor, in addition to the rights and remedies provided herein, in the

Indenture and Collateral Documents or by law, the rights and remedies of a secured party under the UCC or any other applicable law.

(b) Sale of Pledged Collateral. Upon the occurrence of an Event of Default and during the continuation thereof, without limiting the generality of this Section and without notice, the Collateral Agent may, in its sole discretion, sell or otherwise dispose of or realize upon the Pledged Collateral, or any part thereof, in one or more parcels, at public or private sale, at any exchange or broker's board or elsewhere, at such price or prices and on such other terms as the Collateral Agent may deem commercially reasonable, for cash, credit or for future delivery or otherwise in accordance with applicable law. To the extent permitted by law, any Holder may in such event, bid for the purchase of such securities. Each Pledgor agrees that, to the extent notice of sale shall be required by law and has not been waived by such Pledgor, any requirement of reasonable notice shall be met if notice, specifying the place of any public sale or the time after which any private sale is to be made, is personally served on or mailed, postage prepaid, to such Pledgor, in accordance with the notice provisions of Section 13.02 of the Indenture at least ten (10) days before the time of such sale. The Collateral Agent shall not be obligated to make any sale of Pledged Collateral of such Pledgor regardless of notice of sale having been given. The Collateral Agent may adjourn any public or private sale from time to time by announcement at the time and place fixed therefor, and such sale may, without further notice, be made at the time and place to which it was so adjourned.

(c) Public Sale. If the Collateral Agent shall determine to exercise its right to sell all or any of the Pledged Collateral, each Pledgor agrees that, upon request of the Collateral Agent (which request may be made by the Collateral Agent in its sole discretion), such Pledgor will, at its own expense:

(i) to use its commercially reasonable efforts to do or cause to be done all such acts and things as may be necessary to make such sale of the Pledged Collateral or any part thereof valid and binding and in compliance with applicable law; and

(ii) bear all costs and expenses, including reasonable attorneys' fees, of carrying out its obligations under this Section 9.

Each Pledgor further agrees that a breach of any of the covenants contained in this Section 9(c) will cause irreparable injury to the Collateral Agent, that Collateral Agent has no adequate remedy at law in respect of such breach and, as a consequence, that each and every covenant contained in this Section 9(c) shall be specifically enforceable against such Pledgor, and such Pledgor hereby waives and agrees not to assert any defenses against an action for specific performance of such covenants except for a defense that no Event of Default has occurred giving rise to the Secured Obligations becoming due and payable prior to their stated maturities. Nothing in this Section 9(c) shall in any way alter the other rights of the Collateral Agent under this Pledge Agreement.

In the event of any sale described in this Section 9(c), each Pledgor agrees to indemnify and hold harmless the Collateral Agent and its directors, officers, employees and agents from and against any loss, fee, cost, expense, damage, liability or claim, joint or several, to which any such persons may become subject or for which any of them may be liable, insofar as such losses, fees, costs, expenses, damages, liabilities or claims (or any litigation commenced or threatened in respect thereof) arise out of or are based upon an untrue statement or alleged untrue statement of a material fact contained in any offering memorandum or other sale document prepared by any Pledgor or any amendment or supplement thereto, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading and will reimburse Collateral Agent and such other persons for any legal or other expenses reasonably incurred by the Collateral Agent and such other persons in connection with any litigation, of any nature whatsoever, commenced or threatened in respect thereof (including all fees, costs and expenses whatsoever reasonably incurred by the Collateral Agent and such other persons and counsel for the Collateral Agent and such other persons in investigating, preparing for, defending against or providing evidence, producing documents or taking any other action in respect of, any such commenced or threatened litigation or any claims asserted). This indemnity shall be in addition to any liability which any Pledgor may otherwise have and shall extend upon the same terms and conditions to each person, if any, that controls the Collateral Agent or such persons within the meaning of the Securities Act of 1933.

(d) Private Sale. Upon the occurrence of an Event of Default and during the continuation thereof, the Pledgors recognize that the Collateral Agent may deem it impracticable to effect a public sale of all or any part of the Pledged Collateral and that the Collateral Agent may, therefore, determine to make one or more private sales of any such Pledged Collateral to a restricted group of purchasers who will be obligated to agree, among other things, to acquire such Pledged Collateral for their own account, for investment and not with a view to the distribution or resale thereof. Each Pledgor acknowledges that any such private sale may be at prices and on terms less favorable to the seller than the prices and other terms which might have been obtained at a public sale and, notwithstanding the foregoing, agrees that such private sale shall be deemed to have been made in a commercially reasonable manner and that the Collateral Agent shall have no obligation to delay sale of any such Pledged Collateral for the period of time necessary to permit the issuer of such Pledged Collateral to register such Pledged Collateral for public sale under the Securities Act of 1933. Each Pledgor further acknowledges and agrees that any offer to sell such Pledged Collateral which has been (i) publicly advertised on a bona fide basis in a newspaper or other publication of general circulation in the financial community of New York, New York (to the extent that such offer may be advertised without prior registration under the Securities Act of 1933), or (ii) made privately in the manner described above shall be deemed to involve a "public sale" under the UCC, notwithstanding that such sale may not constitute a "public offering" under the Securities Act of 1933, and the Collateral Agent may, in such event, bid for the purchase of such Pledged Collateral.

(e) Retention of Pledged Collateral. In addition to the rights and remedies hereunder, upon the occurrence of an Event of Default and during the continuation

thereof, the Collateral Agent may, after providing the notices required by Sections 9-620 and 9-621 of the UCC (or any successor sections of the UCC) or otherwise complying with the notice requirements of applicable law of the relevant jurisdiction, accept or retain all or any portion of the Pledged Collateral in satisfaction of the Secured Obligations. Unless and until the Collateral Agent shall have provided such notices, however, the Collateral Agent shall not be deemed to have retained any Pledged Collateral in satisfaction of any Secured Obligations for any reason.

(f) Deficiency. In the event that the proceeds of any sale, collection or realization are insufficient to pay all amounts to which the Collateral Agent or the Secured Parties are legally entitled, the Pledgors shall be jointly and severally liable for the deficiency together with interest thereon as provided in Section 4.01 of the Indenture, together with the costs of collection and the reasonable fees of any attorneys employed by the Collateral Agent to collect such deficiency. Any surplus remaining after the full payment and satisfaction of the Secured Obligations shall be returned to the Pledgors or to whomsoever a court of competent jurisdiction shall determine to be entitled thereto.

(g) Other Security. To the extent that any of the Secured Obligations are now or hereafter secured by property other than the Pledged Collateral (including, without limitation, real and other personal property owned by a Pledgor), or by a guarantee, endorsement or property of any other Person, then the Collateral Agent shall have the right to proceed against such other property, guarantee or endorsement upon the occurrence and during the continuation of any Event of Default, and the Collateral Agent shall have the right, in its sole discretion, to determine which rights, security, Liens, security interests or remedies the Collateral Agent shall at any time pursue, relinquish, subordinate, modify or take with respect thereto, without in any way modifying or affecting any of them or any of the Collateral Agent's rights or the Secured Obligations under this Pledge Agreement or under any other of the Loan Documents.

11. Rights of the Collateral Agent.

(a) Power of Attorney. In addition to other powers of attorney contained herein, each Pledgor hereby designates and appoints the Collateral Agent, on behalf of the Secured Parties, and each of its designees or agents as attorney-in-fact of such Pledgor, irrevocably and with power of substitution, with authority to take any or all of the following actions upon the occurrence and during the continuation of an Event of Default:

(i) to demand, collect, settle, compromise, adjust and give discharges and releases concerning the Pledged Collateral of such Pledgor, all as the Collateral Agent may reasonably determine in respect of such Pledged Collateral;

(ii) to commence and prosecute any actions at any court for the purposes of collecting any of the Pledged Collateral and enforcing any other right in respect thereof;

(iii) to defend, settle, adjust or compromise any action, suit or proceeding brought with respect to the Pledged Collateral and, in connection therewith, give such discharge or release as the Collateral Agent may deem reasonably appropriate;

(iv) to pay or discharge taxes, Liens, security interests, or other encumbrances levied or placed on or threatened against the Pledged Collateral;

(v) to direct any parties liable for any payment under any of the Pledged Collateral to make payment of any and all monies due and to become due thereunder directly to the Collateral Agent or as the Collateral Agent shall direct;

(vi) to receive payment of and receipt for any and all monies, claims, and other amounts due and to become due at any time in respect of or arising out of any Pledged Collateral of such Pledgor;

(vii) to sign and endorse any drafts, assignments, proxies, stock powers, verifications, notices and other documents relating to the Pledged Collateral of such Pledgor;

(viii) to execute and deliver and/or file all assignments, conveyances, statements, financing statements, continuation statements, pledge agreements, affidavits, notices and other agreements, instruments and documents that the Collateral Agent may determine necessary in order to perfect and maintain the security interests and Liens granted in this Pledge Agreement and in order to fully consummate all of the transactions contemplated herein;

(ix) to exchange any of the Pledged Collateral of such Pledgor or other property upon any merger, consolidation, reorganization, recapitalization or other readjustment of the issuer thereof and, in connection therewith, deposit any of the Pledged Collateral of such Pledgor with any committee, depository, transfer agent, registrar or other designated agency upon such terms as the Collateral Agent may determine;

(x) to vote for a shareholder, partner or member resolution, or to sign an instrument in writing, sanctioning the transfer of any or all of the Pledged Collateral of such Pledgor into the name of the Collateral Agent or into the name of any transferee to whom the Pledged Collateral of such Pledgor or any part thereof may be sold pursuant to Section 9 hereof; and

(xi) to do and perform all such other acts and things as the Collateral Agent may reasonably deem to be necessary, proper or convenient in connection with the Pledged Collateral of such Pledgor.

This power of attorney is a power coupled with an interest and shall be irrevocable for so long as any of the Secured Obligations (other than contingent indemnity obligations that survive termination of the Indenture or the Collateral Documents pursuant to the stated terms thereof) remain outstanding or the Indenture or any Collateral Document is in

effect. The Collateral Agent shall be under no duty to exercise or withhold the exercise of any of the rights, powers, privileges and options expressly or implicitly granted to the Collateral Agent in this Pledge Agreement, and shall not be liable for any failure to do so or any delay in doing so. The Collateral Agent shall not be liable for any act or omission or for any error of judgment or any mistake of fact or law in its individual capacity or its capacity as attorney-in-fact except acts or omissions resulting from its gross negligence or willful misconduct. This power of attorney is conferred on the Collateral Agent solely to protect, preserve and realize upon its security interest in the Pledged Collateral.

(b) Assignment by the Collateral Agent. The Collateral Agent may from time to time assign the Secured Obligations or any portion thereof and/or the Pledged Collateral or any portion thereof to a successor Collateral Agent, and the assignee shall be entitled to all of the rights and remedies of the Collateral Agent under this Pledge Agreement in relation thereto.

(c) The Collateral Agent's Duty of Care. Other than the exercise of reasonable care to assure the safe custody of the Pledged Collateral while being held by the Collateral Agent hereunder, the Collateral Agent shall have no duty or liability to preserve rights pertaining thereto, it being understood and agreed that Pledgors shall be responsible for preservation of all rights in the Pledged Collateral of such Pledgor, and the Collateral Agent shall be relieved of all responsibility for Pledged Collateral upon surrendering it or tendering the surrender of it to the Pledgors. The Collateral Agent shall be deemed to have exercised reasonable care in the custody and preservation of the Pledged Collateral in its possession if such Pledged Collateral is accorded treatment substantially equal to that which the Collateral Agent accords its own property, which shall be no less than the treatment employed by a reasonable and prudent agent in the industry, it being understood that the Collateral Agent shall not have responsibility for (i) ascertaining or taking action with respect to calls, conversions, exchanges, maturities, tenders or other matters relating to any Pledged Collateral, whether or not the Collateral Agent has or is deemed to have knowledge of such matters; or (ii) taking any necessary steps to preserve rights against any parties with respect to any Pledged Collateral.

(d) Voting Rights in Respect of the Pledged Collateral.

(i) So long as no Event of Default shall have occurred and be continuing, to the extent permitted by law, each Pledgor may exercise any and all voting and other consensual rights pertaining to the Pledged Collateral of such Pledgor or any part thereof for any purpose not inconsistent with the terms of this Pledge Agreement or the Indenture; provided that Pledgor shall not exercise or shall refrain from exercising any such right if such action would have a material adverse effect on the value of the Pledged Collateral or any part thereof.

(ii) Subject to subsection (e) of this Section, upon the occurrence and during the continuance of an Event of Default, all rights of a Pledgor to exercise the voting and other consensual rights which it would otherwise be entitled to exercise pursuant to paragraph (i) of this subsection (d) shall cease and all such

rights shall thereupon become vested in the Collateral Agent which shall then have the sole right to exercise such voting and other consensual rights.

(e) Dividend and Distribution Rights in Respect of the Pledged Collateral.

(i) So long as no Event of Default shall have occurred and be continuing, each Pledgor may receive and retain any and all dividends (other than dividends payable in the form of Capital Stock and other dividends constituting Pledged Collateral which are required to be delivered to the Collateral Agent pursuant to Section 4 above), distributions or interest paid in respect of the Pledged Collateral to the extent they are allowed under the Indenture.

(ii) Upon the occurrence and during the continuation of an Event of Default:

(A) all rights of a Pledgor to receive the dividends, distributions and interest payments which it would otherwise be authorized to receive and retain pursuant to paragraph (i) of this subsection (e) shall cease and all such rights shall thereupon be vested in the Collateral Agent which shall then have the sole right to receive and hold as Pledged Collateral such dividends, distributions and interest payments; and

(B) all dividends, distributions and interest payments which are received by a Pledgor contrary to the provisions of clause (A) of this subsection (ii) shall be received in trust for the benefit of the Collateral Agent, shall be segregated from other property or funds of such Pledgor, and shall be forthwith paid over to the Collateral Agent as Pledged Collateral in the exact form received, to be held by the Collateral Agent as Pledged Collateral and as further collateral security for the Secured Obligations.

(f) Release of Pledged Collateral. The Collateral Agent may release any of the Pledged Collateral from this Pledge Agreement or may substitute any of the Pledged Collateral for other Pledged Collateral without altering, varying or diminishing in any way the force, effect, Lien, pledge or security interest of this Pledge Agreement as to any Pledged Collateral not expressly released or substituted, and this Pledge Agreement shall continue as a first priority Lien on all Pledged Collateral not expressly released or substituted. The Collateral Agent shall be entitled to release (i) the Pledged Collateral as and to the extent provided in the Indenture and the Intercreditor Agreement and (ii) any Pledgor that ceases to become a Guarantor in accordance with the terms of the Indenture.

12. Application of Proceeds. After the exercise of remedies by the Collateral Agent pursuant to Article 6 of the Indenture (or after the Notes shall automatically become due and payable in accordance with the terms of such Article), any proceeds of the Pledged Collateral, when received by the Collateral Agent or any of the Secured Parties in cash or its equivalent, will be applied in reduction of the Secured Obligations in the order set forth in of the Indenture, and each Pledgor irrevocably waives the right to direct the application of such payments and

proceeds and acknowledges and agrees that the Collateral Agent shall have the continuing and exclusive right to apply and reapply any and all such proceeds in accordance with the Indenture.

13. Costs of Counsel. If at any time hereafter, whether upon the occurrence of an Event of Default or not, the Collateral Agent employs counsel to prepare or consider amendments, waivers or consents with respect to this Pledge Agreement, or to take action or make a response in or with respect to any legal or arbitral proceeding relating to this Pledge Agreement or relating to the Pledged Collateral, or to protect the Pledged Collateral or exercise any rights or remedies under this Pledge Agreement or with respect to the Pledged Collateral, then the Pledgors agree to promptly pay upon demand any and all such reasonable documented costs and expenses of the Collateral Agent, all of which costs and expenses shall constitute Secured Obligations hereunder.

14. Continuing Agreement.

(a) This Pledge Agreement shall be a continuing agreement in every respect and shall remain in full force and effect so long as any of the Secured Obligations (other than contingent indemnity obligations that survive termination of the Indenture or the Collateral Documents pursuant to the stated terms thereof) remain outstanding. Upon such payment and termination, this Pledge Agreement shall be automatically terminated and the Collateral Agent and the Holders shall, upon the request and at the expense of the Pledgors, forthwith release all of the Liens and security interests granted hereunder and shall deliver all UCC termination statements and/or other documents reasonably requested by the Pledgors evidencing such termination. Notwithstanding the foregoing, all releases and indemnities provided hereunder shall survive termination of this Pledge Agreement.

(b) This Pledge Agreement shall continue to be effective or be automatically reinstated, as the case may be, if at any time payment, in whole or in part, of any of the Secured Obligations is rescinded or must otherwise be restored or returned by the Collateral Agent or any Secured Party as a preference, fraudulent conveyance or otherwise under any bankruptcy, insolvency or similar law, all as though such payment had not been made; provided that in the event payment of all or any part of the Secured Obligations is rescinded or must be restored or returned, all reasonable costs and expenses (including without limitation any reasonable legal fees and disbursements) incurred by the Collateral Agent in defending and enforcing such reinstatement shall be deemed to be included as a part of the Secured Obligations.

15. Amendments; Waivers; Modifications. This Pledge Agreement and the provisions hereof may not be amended, waived, modified, changed, discharged or terminated except as set forth in Article 9 of the Indenture.

16. Successors in Interest. This Pledge Agreement shall create a continuing security interest in the Pledged Collateral and shall be binding upon each Pledgor, its successors and assigns and shall inure, together with the rights and remedies of the Collateral Agent hereunder, to the benefit of the Collateral Agent and the Secured Parties and their successors and permitted assigns; provided that none of the Pledgors may assign its rights or delegate its duties hereunder

without the prior written consent of the Collateral Agent. To the fullest extent permitted by law, each Pledgor hereby releases the Collateral Agent, its officers, employees and agents and its successors and assigns, from any liability for any act or omission relating to this Pledge Agreement or the Pledged Collateral, except for any liability arising from the gross negligence or willful misconduct of the Collateral Agent or its officers, employees and agents, in each case as determined by a court of competent jurisdiction.

17. Notices. All notices required or permitted to be given under this Pledge Agreement shall be in conformance with Section 13.02 of the Indenture.

18. Counterparts. This Pledge Agreement may be executed in any number of counterparts, each of which where so executed and delivered shall be an original, but all of which shall constitute one and the same instrument. It shall not be necessary in making proof of this Pledge Agreement to produce or account for more than one such counterpart.

19. Headings. The headings of the sections and subsections hereof are provided for convenience only and shall not in any way affect the meaning, construction or interpretation of any provision of this Pledge Agreement.

20. Governing Law; Submission to Jurisdiction and Service of Process; Waiver of Jury Trial; Venue. THIS PLEDGE AGREEMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER SHALL BE GOVERNED BY AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK (INCLUDING SECTIONS 5-1401 AND 5-1402 OF THE NEW YORK GENERAL OBLIGATIONS LAW, BUT EXCLUDING ALL OTHER CHOICE OF LAW AND CONFLICTS OF LAW RULES). The terms of Sections 13.07 and 13.08 of the Indenture are incorporated herein by reference, *mutatis mutandis*, and the parties hereto agree to such terms.

21. Severability. If any provision of this Pledge Agreement is determined to be illegal, invalid or unenforceable, such provision shall be fully severable and the remaining provisions shall remain in full force and effect and shall be construed without giving effect to the illegal, invalid or unenforceable provisions.

22. Entirety. This Pledge Agreement, the Indenture and the other Collateral Documents represent the entire agreement of the parties hereto and thereto, and supersede all prior agreements and understandings, oral or written, if any, including any commitment letters or correspondence relating to this Pledge Agreement, the Indenture, the other Collateral Documents or the transactions contemplated herein and therein.

23. Survival. All representations and warranties of the Pledgors hereunder shall survive the execution and delivery of this Pledge Agreement, the Indenture, the other Collateral Documents and the issuance of Notes under the Indenture.

24. Joint and Several Obligations of Pledgors.

(a) Each of the Pledgors is accepting joint and several liability hereunder in consideration of the financial accommodations to be provided by the Holders under the Indenture, for the mutual benefit, directly and indirectly, of each of the Pledgors and in

consideration of the undertakings of each of the Pledgors to accept joint and several liability for the obligations of each of them.

(b) Each of the Pledgors, jointly and severally hereby irrevocably and unconditionally accepts, not merely as a surety but also as a co-debtor, joint and several liability with the other Pledgors with respect to the payment and performance of all of the Secured Obligations arising under this Pledge Agreement, the Indenture and the other Collateral Documents, it being the intention of the parties hereto that all the Secured Obligations shall be the joint and several obligations of each of the Pledgors without preferences or distinction among them.

(c) Notwithstanding any provision to the contrary contained herein or in the Indenture or any other Collateral Documents, to the extent the obligations of a Pledgor shall be adjudicated to be invalid or unenforceable for any reason (including, without limitation, because of any applicable state or federal law relating to fraudulent conveyances or transfers) then the obligations of such Pledgor hereunder shall be limited to the maximum amount that is permissible under applicable law (whether federal or state and including, without limitation, the Bankruptcy Law).

25. Pledge Agreement Provision. Notwithstanding anything herein to the contrary, in the event of any conflict between the terms of the Security Agreement and this Pledge Agreement with respect to Pledged Collateral, the terms of this Pledge Agreement shall govern.

26. Intercreditor Provision. Notwithstanding anything herein to the contrary, the lien and security interest granted to the Collateral Agent pursuant to this Pledge Agreement and the exercise of any right or remedy by the Collateral Agent hereunder are subject to the provisions of the Intercreditor Agreement, as the same may be amended, supplemented, modified or replaced from time to time. In the event of any conflict between the terms of the Intercreditor Agreement and this Pledge Agreement, the terms of the Intercreditor Agreement shall govern.

27. Control Collateral Agent. It is hereby understood and agreed that, pursuant to the Intercreditor Agreement, the Trustee has appointed Bank of America, N.A. as its collateral agent for the limited purpose perfecting the Trustee’s lien on certain Collateral described herein.

Each of the parties hereto has caused a counterpart of this Pledge Agreement to be duly executed and delivered as of the date first above written.

PLEDGORS:

UNIFI, INC.,
a New York corporation
UNIFI SALES & DISTRIBUTION, INC.,
a North Carolina corporation,
UNIFI MANUFACTURING, INC.,
a North Carolina corporation
GLENTOUCH YARN COMPANY, LLC,
a North Carolina limited liability company
UNIFI MANUFACTURING VIRGINIA, LLC,
a North Carolina limited liability company
UNIFI EXPORT SALES, LLC,
a North Carolina limited liability company
UNIFI TEXTURED POLYESTER, LLC,
a North Carolina limited liability company
UNIFI INTERNATIONAL SERVICE, INC.,
a North Carolina corporation
UNIFI KINSTON, LLC (formerly Unifi Equipment Leasing, LLC),
a North Carolina limited liability company
UNIFI TECHNICAL FABRICS, LLC,
a North Carolina limited liability company
CHARLOTTE TECHNOLOGY GROUP, INC.,
a North Carolina corporation
UTG SHARED SERVICES, INC.
a North Carolina corporation
UNIMAX AMERICAS, LLC,
a North Carolina limited liability company,
SPANCO INDUSTRIES, INC.,
a North Carolina corporation,
SPANCO INTERNATIONAL, INC.,
a North Carolina corporation

By: CHARLES F. MCCOY
Name: Charles McCoy
Title: Vice President

Accepted and agreed to as of the date first above written.

U.S. BANK NATIONAL ASSOCIATION
as Collateral Agent

By: R PROKOSCH
Name: Richard Prokosch
Title: Vice President

Schedule 2(a)
to
Pledge Agreement
dated as of May 26, 2006
in favor of U.S. Bank National Association,
as Collateral Agent

Name of Subsidiary	Number of Shares	Certificate Number	Percentage of Interest Pledged/Pledgor
Unifi Manufacturing, Inc.	1,000	1	100% - Unifi, Inc.
Unifi Sales & Distribution, Inc.	1,000	1	100% - Unifi, Inc.
Unifi International Service, Inc.	500	2	100% - Unifi, Inc.
Charlotte Technology Group, Inc.	9,828,000		
	21,996	1	100% - Unifi Sales & Distribution, Inc.
	(Total: 9,849,996)	16	
UTG Shared Services, Inc.			100% - Charlotte Technology Group Inc.
	10	1	
Spanco International, Inc.	100	2	100% - Spanco Industries, Inc.
Spanco Industries, Inc.	100	2	100% - Unifi Manufacturing, Inc.
Unifi Latin America, S.A.	213,944		
	567796	1	
	144,264	6	67.3% - Spanco International, Inc.
	159,816	8	
	492,657	10	
	(Total: 1,578,477)	11	

(uncertificated entities):

Name of Subsidiary	Percentage of Interest Pledged/Pledgor
Unifi Manufacturing Virginia, LLC	95% Unifi, Inc.
	5% Unifi Manufacturing, Inc.
Unifi Export Sales, LLC	95% Unifi, Inc.
	5% Unifi Manufacturing, Inc.
Glentouch Yarn Company, LLC	100% Unifi, Inc.
Unifi Textured Polyester, LLC	100% Unifi, Inc.
Unifi Kinston, LLC	100% Unifi, Inc.
Unifi Technical Fabrics, LLC	100% Unifi Sales & Distribution, Inc.
Unifi Holding 1 B.V.	100% Unifi, Inc.
UniMatrix Americas, LLC	100% Unifi Manufacturing, Inc.
Unifi do Brasil, LTA	99.99% Unifi, Inc.
	0.01% Unifi Manufacturing, Inc.
Unifi–SANS Technical Fibers, L.L.C.	50% Unifi Manufacturing, Inc.
Parkdale America, LLC	34% Unifi Manufacturing, Inc.

Provided, however, that with respect to the Membership Interests of any Borrower in Parkdale America, LLC, the pledge thereof shall be subject to requirements and limitations set forth in that certain Limited Consent to Permit Encumbrance of Membership Interest for Collateral Security Purposes, dated as of May 15, 2006, among Unifi Manufacturing Inc., Parkdale Mills Incorporated, the Agent and the Trustee.

Exhibit 4(a)
to
Pledge Agreement
dated as of May 26, 2006
in favor of U.S. Bank National Association
as Collateral Agent

Irrevocable Stock Power

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers to the following shares of capital stock of _____, a _____ corporation:

No. of Shares	Certificate No.

and irrevocably appoints _____ its agent and attorney-in-fact to transfer all or any part of such capital stock or equity interest and to take all necessary and appropriate action to effect any such transfer. The agent and attorney-in-fact may substitute and appoint one or more persons to act for him.

_____,
a _____ **[corporation]**

By: _____
Name: _____
Title: _____

Exhibit 4.6

GRANT OF
SECURITY INTEREST IN PATENT RIGHTS

This GRANT OF SECURITY INTEREST IN PATENT RIGHTS ("Agreement"), effective as of May 26, 2006 is made by UNIFI, INC., a New York corporation, located at 7201 West Friendly Avenue, Greensboro, NC 27410 (the "Issuer"), in favor of U.S. Bank National Association, located at 60 Livingston Avenue, St. Paul, MN 55107, as collateral agent (the "Agent") in connection with the Indenture, dated as of May 26, 2006 (as amended, supplemented or otherwise modified from time to time, the "Indenture"), among the Issuer, the guarantors party thereto and the Agent, as trustee.

W I T N E S S E T H:

WHEREAS, pursuant to the Indenture (as amended, modified or supplemented from time to time, the "Indenture"), the Issuer has issued its 11 1/2% Senior Secured Notes due 2014, and may issue from time to time additional notes in connection with the provisions of the Indenture (as the same may be amended, restated, replaced, supplemented, substituted, or otherwise modified from time to time, collectively, the "Notes") upon the terms and subject to the conditions set forth therein; and

WHEREAS, in connection with the Indenture, the Issuer has executed and delivered a Security Agreement, dated as of May 26, 2006, in favor of the Agent (together with all amendments and modifications, if any, from time to time thereafter made thereto, the "Security Agreement");

WHEREAS, pursuant to the Security Agreement, the Issuer pledged and granted to the Agent for the benefit of the secured parties thereunder (the "Secured Parties") a continuing security interest in all Intellectual Property, including the Patents; and

WHEREAS, the Issuer has duly authorized the execution, delivery and performance of this Agreement;

NOW THEREFORE, for good and valuable consideration, the receipt of which is hereby acknowledged, the Issuer agrees, for the benefit of the Agent and the Secured Parties, as follows:

SECTION 1. Definitions. Unless otherwise defined herein or the context otherwise requires, terms used in this Agreement, including its preamble and recitals, have the meanings provided or provided by reference in the Indenture and the Security Agreement.

SECTION 2. Grant of Security Interest. The Issuer hereby pledges and grants a continuing security interest in, and a right of setoff against, and agrees to assign, transfer and convey, upon demand made upon the occurrence and during the continuance of an Event of Default without requiring further action by either party and to be effective upon such demand, all of the Issuer's right, title and interest in, to and under the Patents (including, without limitation, those items listed on Schedule A hereto) (collectively, the "Patent Collateral"), to the Agent for the benefit of the Secured Parties to secure payment, performance and observance of the Secured Obligations.

SECTION 3. Purpose. This Agreement has been executed and delivered by the Issuer for the purpose of recording the grant of security interest herein with the United States Patent and Trademark Office. The security interest granted hereby has been granted to the Agent for the benefit of the Secured Parties in connection with the Security Agreement and is expressly subject to the terms and conditions thereof. The Security Agreement (and all rights and remedies of the Agent thereunder) shall remain in full force and effect in accordance with its terms.

SECTION 4. Acknowledgment. The Issuer does hereby further acknowledge and affirm that the rights and remedies of the Agent with respect to the security interest in the Patent Collateral granted hereby are more fully set forth in the Indenture and the Security Agreement, the terms and provisions of which (including the remedies provided for therein) are incorporated by reference herein as if fully set forth herein. In the event of any conflict between the terms of this Agreement and the terms of the Security Agreement, the terms of the Security Agreement shall govern.

SECTION 5. Counterparts. This Agreement may be executed in counterparts, each of which will be deemed an original, but all of which together constitute one and the same original.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered by their respective officers on this 26th day of May, 2006.

UNIFI, INC.
as Issuer

By: CHARLES F. MCCOY
Name: Charles F. McCoy
Title: Vice President

U.S. BANK NATIONAL ASSOCIATION
as Agent

By: R PROKOSCH
Name: Richard Prokosch
Title: Vice President

ACKNOWLEDGMENT OF ISSUER

STATE OF NY)
) ss
COUNTY OF NY)

On the 25 day of May, 2006, before me personally came Charles F. McCoy, who is personally known to me to be the Vice President of UNIFI, INC., a New York corporation; who, being duly sworn, did depose and say that she/he is the Vice President in such corporation, the corporation described in and which executed the foregoing instrument; that she/he executed and delivered said instrument pursuant to authority given by the Board of Directors of such corporation; and that she/he acknowledged said instrument to be the free act and deed of said corporation.

GITA TIKU
Notary Public, State of New York
No. 01TI6133463
Qualified in New York County
Commission Expires September 19, 2009

GITA TIKU
Notary Public

(PLACE STAMP AND SEAL ABOVE)

ACKNOWLEDGMENT OF AGENT

STATE OF NY)
) ss
COUNTY OF NY)

On the 25 day of May, 2006, before me personally came Richard Prokosch, who is personally known to me to be the Vice President of U.S. BANK NATIONAL ASSOCIATION, a national banking association; who, being duly sworn, did depose and say that she/he is the Vice President in such national banking association, the national banking association described in and which executed the foregoing instrument; that she/he executed and delivered said instrument pursuant to authority given by the Board of Directors of such national banking association; and that she/he acknowledged said instrument to be the free act and deed of said national banking association.

GITA TIKU
Notary Public, State of New York
No. 01TI6133463
Qualified in New York County
Commission Expires September 19, 2009

GITA TIKU
Notary Public

(PLACE STAMP AND SEAL ABOVE)

SCHEDULE A

U.S. Patents and Patent Applications

Patent Title	Patent or Patent Application Number
Continuous Constant Tension Air Covering	11/076,441
Method for Forming Polyester Yarns	11/259,447

Exhibit 4.7

GRANT OF
SECURITY INTEREST IN TRADEMARK RIGHTS

This GRANT OF SECURITY INTEREST IN TRADEMARK RIGHTS ("Agreement"), effective as of May 26, 2006 is made by UNIFI, INC., a New York corporation, located at 7201 West Friendly Avenue, Greensboro, NC 27410 (the "Issuer"), in favor of U.S. Bank National Association, located at 60 Livingston Avenue, St. Paul, MN 55107, as collateral agent (the "Agent") in connection with the Indenture, dated as of May 26, 2006 (as amended, supplemented or otherwise modified from time to time, the "Indenture"), among the Issuer, the guarantors party thereto and the Agent, as trustee.

W I T N E S S E T H:

WHEREAS, pursuant to the Indenture (as amended, modified or supplemented from time to time, the "Indenture"), the Issuer has issued its 11 1/2% Senior Secured Notes due 2014, and may issue from time to time additional notes in connection with the provisions of the Indenture (as the same may be amended, restated, replaced, supplemented, substituted, or otherwise modified from time to time, collectively, the "Notes") upon the terms and subject to the conditions set forth therein; and

WHEREAS, in connection with the Indenture, the Issuer has executed and delivered a Security Agreement, dated as of May 26, 2006, in favor of the Agent (together with all amendments and modifications, if any, from time to time thereafter made thereto, the "Security Agreement");

WHEREAS, pursuant to the Security Agreement, the Issuer pledged and granted to the Agent for the benefit of the secured parties thereunder (the "Secured Parties") a continuing security interest in all Intellectual Property, including the Trademarks; and

WHEREAS, the Issuer has duly authorized the execution, delivery and performance of this Agreement;

NOW THEREFORE, for good and valuable consideration, the receipt of which is hereby acknowledged, the Issuer agrees, for the benefit of the Agent and the Secured Parties, as follows:

SECTION 1. Definitions. Unless otherwise defined herein or the context otherwise requires, terms used in this Agreement, including its preamble and recitals, have the meanings provided or provided by reference in the Indenture and the Security Agreement.

SECTION 2. Grant of Security Interest. The Issuer hereby pledges and grants a continuing security interest in, and a right of setoff against, and agrees to assign, transfer and convey, upon demand made upon the occurrence and during the continuance of an Event of Default without requiring further action by either party and to be effective upon such demand, all of the Issuer's right, title and interest in, to and under the Trademarks (including, without limitation, those items listed on Schedule A hereto) (collectively, the "Trademark Collateral"), to the Agent for the benefit of the Secured Parties to secure payment, performance and observance of the Secured Obligations. Notwithstanding the foregoing provisions of this SECTION 2, for

the purpose of this SECTION 2, Issuer agrees to assign, transfer and convey, upon demand made upon the occurrence and during the continuance of an Event of Default any "intent to use" trademark application only to the extent (i) that the business of the Issuer, or parties thereof, to which that mark pertains is also included in the Collateral, as defined in Section 2 of the Security Agreement, and (ii) that such business is ongoing and existing.

SECTION 3. Purpose. This Agreement has been executed and delivered by the Issuer for the purpose of recording the grant of security interest herein with the United States Patent and Trademark Office. The security interest granted hereby has been granted to the Agent for the benefit of the Secured Parties in connection with the Security Agreement and is expressly subject to the terms and conditions thereof. The Security Agreement (and all rights and remedies of the Agent thereunder) shall remain in full force and effect in accordance with its terms.

SECTION 4. Acknowledgment. The Issuer does hereby further acknowledge and affirm that the rights and remedies of the Agent with respect to the security interest in the Trademark Collateral granted hereby are more fully set forth in the Indenture and the Security Agreement, the terms and provisions of which (including the remedies provided for therein) are incorporated by reference herein as if fully set forth herein. In the event of any conflict between the terms of this Agreement and the terms of the Security Agreement, the terms of the Security Agreement shall govern.

SECTION 5. Counterparts. This Agreement may be executed in counterparts, each of which will be deemed an original, but all of which together constitute one and the same original.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered by their respective officers on this 26th day of May, 2006.

UNIFI, INC.
as Issuer

By: CHARLES F. MCCOY
Name: Charles F. McCoy
Title: Vice President

U.S. BANK NATIONAL ASSOCIATION
as Agent

By: R PROKOSCH
Name: Richard Prokosch
Title: Vice President

ACKNOWLEDGMENT OF ISSUER

STATE OF NY)
) ss
COUNTY OF NY)

On the 25 day of May, 2006, before me personally came Charles F. McCoy, who is personally known to me to be the Vice President of UNIFI, INC., a New York corporation; who, being duly sworn, did depose and say that she/he is the Vice President in such corporation, the corporation described in and which executed the foregoing instrument; that she/he executed and delivered said instrument pursuant to authority given by the Board of Directors of such corporation; and that she/he acknowledged said instrument to be the free act and deed of said corporation.

HSIAO LAN HSIA
Notary Public, State of New York
No. 41-4748338
Qualified in Queens County
Certificate Filed in New York County
Commission Expires March 30, 2007

HSIAO LAN HSIA
Notary Public
(PLACE STAMP AND SEAL ABOVE)

ACKNOWLEDGMENT OF AGENT

STATE OF)
) ss
COUNTY OF)

On the 25 day of May, 2006, before me personally came Richard Prokosch, who is personally known to me to be the Vice President of U.S. BANK NATIONAL ASSOCIATION, a national banking association; who, being duly sworn, did depose and say that she/he is the Vice President in such national banking association, the national banking association described in and which executed the foregoing instrument; that she/he executed and delivered said instrument pursuant to authority given by the Board of Directors of such national banking association; and that she/he acknowledged said instrument to be the free act and deed of said national banking association.

GITA TIKU
Notary Public, State of New York
No. 01TI6133463
Qualified in New York County
Commission Expires September 19, 2009

GITA TIKU
Notary Public

(PLACE STAMP AND SEAL ABOVE)

SCHEDULE A

U.S. Trademark Registrations and Applications

Trademark	Registration or Serial Number
A.M.Y.	2738677
AIO	78/672506
AIO and design	78/666601
AUGUSTA	2737792
AVADA	2877731
CATCH MOVE RELEASE	78/670154
CIELO and design	2897488
DUO-TWIST	2430200
ECLYPSE	2716285
FYBERSERV	2856270
FYBERSERV and design	2806981
FYBERSERV STAY CONNECTED, MOVE AHEAD and design	2936585
INHIBIT	2877729
MACTEX	1511013
MERANO	2877730
MICROVISTA	2757202
MYNX	2947770
MYRIAD	2667070
NOVVA	2595801
PROVIDING INNOVATIVE FIBERS AND COMPETITIVE SOLUTIONS	2744440
REFLEXX	2877728

REPREVE	2691497
SATURA and design	2897506
SEDORA	78/686681
SORBTEK	2777116
STAY CONNECTED, MOVE AHEAD	2802860
SULTRA	2716284
TENEX	78/418955
TEXTRA	2877727
UNIFI	1872523
UNIFI	2161151

Exhibit 4.8

EXECUTION COPY

INTERCREDITOR AGREEMENT

This **INTERCREDITOR AGREEMENT** (this "**Agreement**"), is dated as of May 26, 2006, and entered into by and among Unifi, Inc. (the "**Company**"), the domestic subsidiaries of the Company listed on the signature pages hereof (together with any subsidiary that becomes a party hereto after the date hereof, the "**Company Subsidiaries**"), Bank of America, N.A., in its capacity as administrative agent under the SCF Credit Agreement, including its successors and assigns from time to time (the "**SCF Agent**"), and U.S. Bank National Association, in its capacity as trustee and collateral agent under the Indenture, including its successors and assigns from time to time (in such capacities, the "**Notes Agent**"). Capitalized terms used in this Agreement have the meanings assigned to them in Section 1 below.

RECITALS

The Company, the Company Subsidiaries, the SCF Lenders, and the SCF Agent have entered into that certain Amended and Restated Credit Agreement, dated as of May 26, 2006 (as amended, restated, supplemented, modified, replaced, or refinanced from time to time, the "**Initial SCF Credit Agreement**") in favor of the Company;

The Company has issued, or will issue, $190,000,000 11.50% senior secured notes due 2014 (the **"Initial Notes**") under an indenture, dated as of May 26, 2006 (as amended, restated, supplemented, modified, replaced, or refinanced from time to time, the "**Indenture**") among the Company, each Guarantor (as defined in the Indenture), and the Notes Agent;

In order to induce the SCF Agent and the SCF Lenders to consent to the Grantors incurring the Note Obligations and granting the Liens to the Notes Agent and in order to induce the Notes Agent and the Noteholders to consent to the Grantors incurring the SCF Obligations and granting the Liens to SCF Agent, the SCF Agent, on behalf of the SCF Lenders, and the Notes Agent, on behalf of the Noteholders, have agreed to the relative priority of their respective Liens on the Collateral and certain other rights, priorities and interests as set forth in this Agreement.

AGREEMENT

In consideration of the foregoing, the mutual covenants and obligations herein set forth and for other good and valuable consideration, the sufficiency and receipt of which are hereby acknowledged, the parties hereto, intending to be legally bound, hereby agree as follows:

I. DEFINITIONS.

1.1 Defined Terms. As used in this Agreement, the following terms shall have the following meanings:

"**Access Period**" means for each parcel of Mortgaged Premises, the period, after the commencement of an Enforcement Period, which begins on the earlier of (a) the day on which the SCF Agent provides the Notes Agent with the notice of its election to request access pursuant to Section 3.3(b) below and (b) the fifth Business Day after the

Notes Agent provides the SCF Agent with notice that the Notes Agent (or its agent) has obtained possession or control of such parcel and ends on the earliest of (i) the 120th day after the date (the "**Initial Access Date**") on which the SCF Agent initially obtains the ability to take physical possession of, remove, or otherwise control physical access to, or actually uses, the SCF Collateral located on such Mortgaged Premises plus such number of days, if any, after the Initial Access Date that it is stayed or otherwise prohibited by law or court order from exercising remedies with respect to Collateral located on such Mortgaged Premises, (ii) the date on which all or substantially all of the SCF Primary Collateral located on such Mortgaged Premises is sold, collected or liquidated, (iii) the date on which the Discharge of SCF Obligations occurs, and (iv) the date on which the SCF Default or the Note Default that was the subject of the Enforcement Notice relating to such Enforcement Period has been cured to the satisfaction of the SCF Agent or the Notes Agent, as applicable, or waived in writing.

"**Accounts**" means all now present and future "accounts" and "payment intangibles" (in each case, as defined in Article 9 of the UCC).

"**Account Agreements**" means any lockbox account agreement, pledged account agreement, blocked account agreement, securities account control agreement, or any similar deposit or securities account agreements among the Notes Agent and/or the SCF Agent, one or more Grantors and the relevant financial institution depository or securities intermediary.

"**Affiliate**" means, with respect to a specified Person, another Person that directly, or indirectly through one or more intermediaries, controls or is controlled by or is under common control with the Person specified, or which owns, directly or indirectly, ten percent (10%) or more of the outstanding equity interest of such Person. For purposes of this definition, a Person shall be deemed to "**control**" or be "**controlled by**" a Person if such Person possesses, directly or indirectly, power to direct or cause the direction of the management or policies of such Person whether through ownership of equity interests, by contract or otherwise.

"**Agents**" means the SCF Agent and the Notes Agent.

"**Agreement**" means this Intercreditor Agreement, as amended, restated, renewed, extended, supplemented or otherwise modified from time to time.

"Bank Products" means any one or more of the following types of services or facilities extended to any Grantor by any SCF Lender or any Affiliate of a SCF Lender in reliance on such SCF Lender's agreement to indemnify such Affiliate: (i) any cash management or related services (including, without limitation, automated clearinghouse transactions, return items, overdrafts and interstate depository network services); (ii) cash management, including controlled disbursement services; (iii) commercial credit card and merchant card services; (iv) products under Hedge Agreements; and (v) such other banking products or services provided by any SCF Lender or any Affiliate of any SCF Lender

as may be requested by any Grantor, excluding Letters of Credit (as defined in the SCF Credit Agreement).

"**Bankruptcy Code**" means Title 11 of the United States Code entitled "Bankruptcy," as now and hereafter in effect, or any successor statute.

"**Bankruptcy Law**" means the Bankruptcy Code and any similar federal, state or foreign law for the relief of debtors.

"**Business Day**" means a day other than a Saturday, Sunday or other day on which commercial banks in New York City are authorized or required by law to close.

"Capital Stock" means (i) in the case of a corporation, capital stock, (ii) in the case of an association or business entity, any and all shares, interests, participations, rights or other equivalents (however designated) of capital stock, (iii) in the case of a partnership, partnership interests (whether general or limited), (iv) in the case of a limited liability company, membership interests and (v) any other interest or participation that confers on a Person the right to receive a share of the profits and losses of, or distributions of assets of, the issuing Person; provided that with respect to the foregoing, Capital Stock shall exclude any debt securities convertible into Capital Stock, whether or not such debt securities include any right of vote or participation with Capital Stock.

"**Chattel Paper**" means all present and future "chattel paper" (as defined in Article 9 of the UCC).

"**Claimholder**" means any Note Claimholder or SCF Claimholder, as applicable.

"**Collateral**" means any and all of the assets and property of any Grantor, whether real, personal or mixed, constituting either SCF Primary Collateral or Note Primary Collateral.

"**Company**" has the meaning assigned to that term in the Preamble to this Agreement.

"**Company Subsidiary**" has the meaning assigned to that term in the Preamble to this Agreement.

"**Conforming Plan of Reorganization**" means any Plan of Reorganization whose provisions are consistent with the provisions of this Agreement.

"**Copyright Licenses**" means any present or future written agreement, naming any Grantor as licensor or licensee, granting any right under any Copyright.

"**Copyrights**" means (a) all registered United States copyrights in any works which are subject to copyright protection pursuant to Title 17 of the United States Code, now existing or hereafter created or acquired, all registrations and recordings thereof, and all applications

in connection therewith, including, without limitation, registrations, recordings and applications in the United States Copyright Office and (b) all renewals thereof.

"**Deposit Accounts**" means all present and future "deposit accounts" (as defined in Article 9 of the UCC).

"**DIP Financing**" has the meaning assigned to that term in Section 6.1.

"**Discharge of Note Obligations**" means, except to the extent otherwise expressly provided in Section 5.5, discharge of the Notes as provided for in Section 11.01 of the Indenture.

"**Discharge of SCF Obligations**" means, except to the extent otherwise expressly provided in Section 5.5:

(a) indefeasible payment in full in cash of the principal of and interest (including interest accruing on or after the commencement of any Insolvency or Liquidation Proceeding, whether or not such interest would be allowed in such Insolvency or Liquidation Proceeding), on all Indebtedness outstanding under the SCF Loan Documents and constituting SCF Obligations (other than contingent obligations or indemnification obligations, in each case for which no claim has been asserted);

(b) indefeasible payment in full in cash of all other SCF Obligations (other than contingent obligations or indemnification obligations, in each case for which no claim has been asserted) that are due and payable or otherwise accrued and owing at or prior to the time such principal and interest are paid;

(c) termination or expiration of all commitments, if any, to extend credit that would constitute SCF Obligations; and

(d) termination or cash collateralization (in an amount and manner reasonably satisfactory to the SCF Agent, but in no event greater than 100% of the aggregate undrawn face amount, plus commissions, fees, and expenses) of all letters of credit issued under the SCF Loan Documents and constituting SCF Obligations.

"**Disposition**" has the meaning assigned to that term in Section 5.1(b).

"**Enforcement**" means, collectively or individually for one or both of the SCF Agent and the Notes Agent, when a SCF Default or Note Default, as applicable, has occurred and is continuing, to enforce or attempt to enforce any right or power to repossess, replevy, attach, garnish, levy upon, collect the proceeds of, foreclose or realize in any manner whatsoever its Lien upon, sell, liquidate or otherwise dispose of, or otherwise restrict or interfere with the use of, or exercise any remedies with respect to, any material amount of Collateral, whether by judicial enforcement of any of the rights and remedies

under the SCF Loan Documents, the Note Documents and/or under any applicable law, by self-help repossession, by non-judicial foreclosure sale, lease, or other disposition, by set-off, by notification to account obligors of any Grantor, by any sale, lease, or other disposition implemented by any Grantor following a SCF Default or a Note Default, as applicable, in connection with which the SCF Agent or the Note Agent, as applicable, has agreed to release its Liens on the subject property, or otherwise, but in all cases excluding (i) the establishment of borrowing base reserves, collateral ineligibles, or other conditions for advances, (ii) the changing of advance rates or advance sublimits, (iii) the imposition of a default rate or late fee, (iv) the collection and application of Accounts or other monies deposited from time to time in Deposit Accounts or Securities Accounts, in each case, to the extent constituting SCF Primary Collateral, against the SCF Obligations pursuant to the provisions of the SCF Loan Documents, and (v) the cessation of lending pursuant to the provisions of the SCF Loan Documents, including upon the occurrence of a default on the existence of an overadvance.

"**Enforcement Notice**" means a written notice delivered, at a time when a SCF Default or Note Default has occurred and is continuing, by either SCF Agent or the Notes Agent to the other announcing that an Enforcement Period has commenced, specifying the relevant event of default, stating the current balance of the SCF Obligations or the Note Obligations, as applicable, and requesting the current balance of the SCF Obligations or Note Obligations, as applicable, owing to the noticed party.

"**Enforcement Period**" means the period of time following the receipt by either the SCF Agent or the Notes Agent of an Enforcement Notice from the other until the earliest of (i) in the case of an Enforcement Period commenced by the Notes Agent, the Discharge of Note Obligations, (ii) in the case of an Enforcement Period commenced by SCF Agent, the Discharge of SCF Obligations, (iii) the SCF Agent or the Notes Agent (as applicable) agrees in writing to terminate the Enforcement Period, or (iv) the date on which the SCF Default or the Note Default that was the subject of the Enforcement Notice relating to such Enforcement Period has been cured to the satisfaction of the SCF Agent or the Notes Agent, as applicable, or waived in writing.

"**Equipment**" means: (i) all "equipment" (as defined in Article 9 of the UCC), (ii) all machinery, manufacturing equipment, data processing equipment, computers, office equipment, furnishings, furniture, appliances, "fixtures" (as defined in the UCC) and tools (in each case, regardless of whether characterized as equipment under the UCC) and (iii) all accessions or additions thereto, all parts thereof, whether or not at any time of determination incorporated or installed therein or attached thereto, and all replacements therefore, wherever located, now or hereafter existing, including any fixtures.

"**General Intangibles**" means all present and future "general intangibles" (as defined in Article 9 of the UCC), but excluding "payment intangibles" (as defined in Article 9 of the UCC), Hedge Agreements and Intellectual Property and any rights thereunder.

"**Governmental Authority**" means any federal, state, municipal, national or other government, governmental department, commission, board, bureau, court, agency or instrumentality or political subdivision thereof or any entity or officer exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to any government or any court, in each case whether associated with a state of the United States, the United States, or a foreign entity or government.

"**Grantors**" means the Company, each Company Subsidiary and each other Person that has or may from time to time hereafter execute and deliver a SCF Security Document or a Note Security Document as a grantor of a security interest (or the equivalent thereof).

"**Hedge Agreements**" means any and all transactions, agreements or documents now existing or hereafter entered into, which provides for an interest rate, credit, commodity or equity swap, cap, floor, collar, forward foreign exchange transaction, currency swap, cross currency rate swap, currency option, or any combination of, or option with respect to, these or similar transactions, entered into with a Lender Counterparty for the purpose of hedging the Grantors' exposure to fluctuations in interest or exchange rates, loan, credit exchange, security or currency valuations or commodity prices.

"**Indebtedness**" means and includes all Obligations that constitute "Debt," "Indebtedness," "Obligations," "Liabilities" or any similar term within the meaning of the SCF Credit Agreement or the Indenture, as applicable.

"**Indenture**" has the meaning assigned to that term in the Recitals to this Agreement.

"**Initial Access Date**" has the meaning assigned to that term in the definition of the term "Access Period."

"**Initial Notes**" has the meaning assigned to that term in the Recitals.

"**Initial SCF Credit Agreement**" has the meaning assigned to that term in the Recitals.

"**Initial Use Date**" has the meaning assigned to that term in the definition of the term "Use Period."

"**Insolvency or Liquidation Proceeding**" means:

(a) any voluntary or involuntary case or proceeding under the Bankruptcy Code with respect to any Grantor;

(b) any other voluntary or involuntary insolvency, reorganization or bankruptcy case or proceeding, or any receivership, liquidation, reorganization or

other similar case or proceeding with respect to any Grantor or with respect to a material portion of their respective assets;

(c) any composition of liabilities or similar arrangement relating to any Grantor, whether or not under a court's jurisdiction or supervision;

(d) any liquidation, dissolution, reorganization or winding up of any Grantor, whether voluntary or involuntary, whether or not under a court's jurisdiction or supervision, and whether or not involving insolvency or bankruptcy; or

(e) any general assignment for the benefit of creditors or any other marshalling of assets and liabilities of any Grantor.

"**Instruments**" means all present and future "instruments" (as defined in Article 9 of the UCC).

"**Intellectual Property**" means, collectively, all the Copyrights, the Copyright Licenses, the Patents, the Patent Licenses, the Trademarks, the Trademark Licenses and all other intellectual property of the Grantors.

"**Inventory**" means all present and future "inventory" (as defined in Article 9 of the UCC) including, without limitation, all goods held for sale or lease or to be furnished under contracts of service or so leased or furnished, all raw materials, work in process, finished goods, and materials used or consumed in the manufacture, packing, shipping, advertising, selling, leasing, furnishing or production of such inventory; and all such goods which are returned to or repossessed by any Grantor, all computer programs embedded in any such goods and all accessions thereto and products thereof (in each case, regardless of whether characterized as inventory under the UCC).

"**Investment Property**" means all present and future "investment property" (as defined in Article 9 of the UCC), including, without limitation, all Capital Stock of Subsidiaries of the Company.

"**Lender Counterparty**" means each SCF Lender or any Affiliate of a SCF Lender counterparty to a Hedge Agreement (including any Person who is a SCF Lender (and any Affiliate thereof) as of the date hereof but subsequently, after entering into a Hedge Agreement, ceases to be a SCF Lender), including, without limitation, each such Affiliate that enters into a joinder agreement with the SCF Agent.

"**Lien**" means any lien, mortgage, pledge, assignment, security interest, charge or encumbrance of any kind (including any agreement to give any of the foregoing, any conditional sale or other title retention agreement, and any lease in the nature thereof) and any option, trust, UCC financing statement or other preferential arrangement having the practical effect of any of the foregoing.

"**Maintenance Covenant"** any maintenance or other financial covenant that is tested on an "at all times" basis in relation to the then-financial condition of the Company and/or the Company Subsidiaries.

"**Majority SCF Lenders**" means the "Majority Lenders" (as defined in the SCF Credit Agreement).

"**Mortgaged Premises**" means any real property which shall now or hereafter be subject to a Note Mortgage and/or a SCF Mortgage.

"**New Agent**" has the meaning assigned to that term in Section 5.5.

"**New Debt Notice**" has the meaning assigned to that term in Section 5.5.

"**Non-Conforming Plan of Reorganization**" any Plan of Reorganization whose provisions are inconsistent with the provisions of this Agreement, including any plan of reorganization that purports to re-order (whether by subordination, invalidation, or otherwise) or otherwise disregard, in whole or part, the provisions of Article II (including the Lien priorities of Section 2.1), the provisions of Article IV, or the provisions of Article VI.

"**Note Claimholders**" means, at any relevant time, the holders of Note Obligations at that time, including the Noteholders and the Notes Agent under the Note Documents.

"**Note Collateral**" means any and all of the assets and property of any Grantor, whether real, personal or mixed, with respect to which a Lien is granted as security for any Note Obligations.

"**Note Default**" means an "Event of Default" as defined in the Indenture.

"**Note Documents**" means the Indenture, the Notes, the purchase agreements entered thereunder with respect to issuance of the Notes, and the Collateral Agreements (as defined in the Indenture) and each of the other agreements, documents and instruments providing for or evidencing any other Note Obligation, and any other document or instrument executed or delivered at any time in connection with any Note Obligations, including any intercreditor or joinder agreement among holders of Note Obligations to the extent such are effective at the relevant time, as each may be amended, restated, supplemented, modified, renewed, extended or Refinanced from time to time in accordance with the provisions of this Agreement.

"**Note General Intangibles**" means all General Intangibles which are not SCF General Intangibles.

"Note Investment Property" means all Investment Property which is not SCF Investment Property.

"**Noteholders**" means the "Holders" under and as defined in the Indenture.

"**Note Mortgages**" means a collective reference to each mortgage, deed of trust and any other document or instrument under which any Lien on real property owned or leased by any Grantor is granted to secure any Note Obligations or under which rights or remedies with respect to any such Liens are governed.

"**Note Obligations**" means all Obligations outstanding under the Notes and the other Note Documents. "Note Obligations" shall include all interest accrued or accruing (or which would, absent commencement of an Insolvency or Liquidation Proceeding, accrue) after commencement of an Insolvency or Liquidation Proceeding in accordance with the rate specified in the relevant Note Document, whether or not the claim for such interest is allowed as a claim in such Insolvency or Liquidation Proceeding.

"**Note Primary Collateral**" means all now owned or hereafter acquired Note Collateral that constitutes: (a) Equipment; (b) Real Estate Assets; (c) Note General Intangibles; (d) Note Investment Property**;** (e) documents of title related to Equipment; (f) all letter-of-credit rights arising out of or related to any of the property or interests in property described in this definition; (g) letters of credit transferred to the Notes Agent or any Noteholder, or with respect to which the proceeds thereof have been assigned to the Notes Agent or any Noteholder, or on which the Notes Agent or any Noteholder is named as beneficiary, in each case arising out of or related to the property or interests in property described in this definition; (h) "supporting obligations" (as defined in Article 9 of the UCC), commercial tort claims or other claims and causes of action, in each case, to the extent related primarily to the foregoing; (i) Note Cash Collateral Account; and (j) substitutions, replacements, accessions, products and proceeds (including, without limitation, insurance proceeds, licenses, royalties, income, payments, claims, damages and proceeds of suit) of any or all of the foregoing.

"**Note Security Documents**" means any agreement, document or instrument pursuant to which a Lien is granted securing any Note Obligations or under which rights or remedies with respect to such Liens are governed.

"**Note Standstill Period**" has the meaning set forth in Section 3.1(a)(1).

"**Notes**" means, collectively, (a) the Initial Notes, (b) the Exchange Notes and the Additional Notes (as such terms are defined in the Indenture), and (c) any other credit agreement, loan agreement, note agreement, promissory note, indenture or other agreement or instrument evidencing or governing the terms of any indebtedness or other financial accommodation that has been incurred to increase, replace, refinance or refund in whole or in part the Obligations outstanding under the Initial Notes or any other agreement or instrument referred to in this clause, unless such agreement or instrument expressly provides that it is not intended to be and is not a Note, or such agreement or instrument is not a Permitted Refinancing Agreement. Any reference to the Notes hereunder shall be deemed a reference to any Notes then in existence.

"**Notes Agent**" has the meaning assigned to that term in the Preamble of this Agreement.

"**Obligations**" means all present and future loans, advances, liabilities, obligations, covenants, duties, and debts from time to time owing by any Grantor to any agent or trustee (including either Agent), the SCF Claimholders, the Note Claimholders or any of them or their respective Affiliates, arising from or in connection with the SCF Loan Documents, the Note Documents or Bank Products, whether for principal, interest or payments for early termination, whether or not evidenced by any note, or other instrument or document, whether arising from an extension of credit, opening of a letter of credit, acceptance, loan, guaranty, indemnification or otherwise, whether direct or indirect, absolute or contingent, due or to become due, primary or secondary, as principal or guarantor, and including all principal, interest, charges, expenses, fees, attorneys' fees, filing fees and any other sums chargeable to the Grantors, including, without limitation, the "Obligations", as defined in the SCF Credit Agreement, and the "Indebtedness", as defined in the Indenture, under the Notes.

"**Patent Licenses**" means all present and future agreements, whether written or oral, providing for the grant by or to a Grantor of any right to manufacture, use or sell any invention covered by a Patent.

"**Patents**" means (a) all letters patent of the United States or any other country and all reissues and extensions thereof and (b) all applications for letters patent of the United States or any other country and all divisions, continuations and continuations-in-part thereof.

"**Permitted Refinancing**" means any Refinancing the governing documentation of which constitutes Permitted Refinancing Agreements.

"**Permitted Refinancing Agreements**" means, with respect to either the SCF Credit Agreement or the Notes, as applicable, any credit agreement, loan agreement, note agreement, promissory note, indenture or other agreement or instrument evidencing or governing the terms of any indebtedness or other financial accommodation that has been incurred to increase, replace, refinance or refund in whole or in part the Obligations outstanding under the SCF Credit Agreement or the Notes, as such financing documentation may be amended, restated, supplemented or otherwise modified from time to time in compliance with this Agreement, but specifically excluding any such financing documentation to the extent that it contains, either initially or by amendment or other modification, any material terms, conditions, covenants or defaults other than those that (a) are permitted to exist at the time of the Permitted Refinancing in the SCF Loan Documents or the Note Documents, as applicable; or (b) could be included in the SCF Documents or the Note Documents, as applicable, by an amendment or other modification that would not be prohibited by Section 5.3(c) or Section 5.3(d), as applicable.

"**Person**" means any natural person, corporation, limited liability company, trust, joint venture, association, company, partnership, Governmental Authority or other entity.

"**Plan of Reorganization**" means any plan of reorganization, plan of liquidation, agreement for composition, or other type of plan of arrangement proposed in or in connection with any Insolvency or Liquidation Proceeding.

"**Pledged Collateral**" has the meaning set forth in Section 5.4(a).

"**Protective Advances**" means amounts expended by the SCF Agent or the Notes Agent to protect or enforce rights in the Collateral.

"**Real Estate Asset**" means, at any time of determination, any interest (fee, leasehold or otherwise) then owned by the Company or any Grantor in any real property.

"**Records**" means all present and future "records" (as defined in Article 9 of the UCC).

"**Recovery**" has the meaning set forth in Section 6.4.

"**Refinance**" means, in respect of any Indebtedness, to refinance, extend, renew, defease, amend, modify, supplement, restructure, replace, refund or repay, or to issue other indebtedness, in exchange or replacement for, such Indebtedness, in any case in whole or in part. "**Refinanced**" and "**Refinancing**" shall have correlative meanings.

"**SCF Agent**" has the meaning assigned to that term in the Recitals to this Agreement.

"**SCF Claimholders**" means, at any relevant time, the holders of SCF Obligations at that time, including the SCF Lenders and the SCF Agent under the SCF Loan Documents.

"**SCF Collateral**" means all of the assets and property of any Grantor, whether real, personal or mixed, with respect to which a Lien is granted as security for any SCF Obligations.

"**SCF Commitments**" means the "Commitments" (as defined in the SCF Credit Agreement).

"**SCF Credit Agreement**" means collectively, (a) the Initial SCF Credit Agreement and (b) any other credit agreement or credit agreements, one or more debt facilities, and/or commercial paper facilities, in each case, with banks or other institutional lenders providing for revolving credit loans, term loans, receivables financing (including through the sale of receivables to such lenders or to special purpose entities formed to borrow from (or sell such receivables to) such lenders against such receivables), letters of credit, bankers' acceptances, or other borrowings, that has been incurred to increase, replace (whether upon or after termination or otherwise), refinance or refund in whole or in part from time to time the Obligations outstanding under the Initial SCF Credit Agreement or any other agreement or instrument referred to in this clause, whether or not such increase,

replacement, refinancing or refunding occurs (i) with the original parties thereto, (ii) on one or more separate occasions or (iii) simultaneously or not with the termination or repayment of the Initial SCF Credit Agreement or any other agreement or instrument referred to in this clause, unless such agreement or instrument expressly provides that it is not intended to be and is not a SCF Credit Agreement, or such agreement or instrument is not a Permitted Refinancing Agreement. Any reference to the SCF Credit Agreement hereunder shall be deemed a reference to any SCF Credit Agreement then in existence.

"**SCF Default**" means an "Event of Default" (as defined in the SCF Credit Agreement).

"**SCF General Intangibles**" means all General Intangibles other than any uncertificated securities representing Capital Stock of any Subsidiary of the Company or the Guarantors (as defined in the Indenture) and each Person in which the Company or a Guarantor has a direct interest.

"**SCF Investment Property**" means all Investment Property other than Capital Stock of any Subsidiary of the Company or the Guarantors (as defined in the Indenture) and each Person in which the Company or a Guarantor has a direct interest.

"**SCF Lenders**" means the "Lenders" under and as defined in the SCF Loan Documents.

"**SCF Loan Documents**" means the SCF Credit Agreement and the Loan Documents (as defined in the SCF Credit Agreement), including Hedge Agreements and other Bank Products, and each of the other agreements, documents and instruments providing for or evidencing any other SCF Obligation, and any other document or instrument executed or delivered at any time in connection with any SCF Obligations, including any intercreditor or joinder agreement among holders of SCF Obligations, to the extent such are effective at the relevant time, as each may be amended, restated, supplemented, modified, renewed, extended or Refinanced from time to time in accordance with the provisions of this Agreement.

"**SCF Mortgages**" means a collective reference to each mortgage, deed of trust and other document or instrument under which any Lien on real property owned or leased by any Grantor is granted to secure any SCF Obligations or under which rights or remedies with respect to any such Liens are governed.

"**SCF Obligations**" means all Obligations outstanding under the SCF Credit Agreement and the other SCF Loan Documents, including any Bank Products. "SCF Obligations" shall include all interest accrued or accruing (or which would, absent commencement of an Insolvency or Liquidation Proceeding, accrue) after commencement of an Insolvency or Liquidation Proceeding in accordance with the rate specified in the relevant SCF Loan Document whether or not the claim for such interest is allowed as a claim in such Insolvency or Liquidation Proceeding.

"**SCF Primary Collateral**" means all now owned or hereafter acquired SCF Collateral that constitutes: (a) Accounts, other than "payment intangibles" (as defined in Article 9 of the UCC) which constitute identifiable proceeds of Note Primary Collateral; (b) all Inventory or documents of title for any Inventory; (c) Deposit Accounts, Securities Accounts (including all cash, marketable securities and other funds held in or on deposit in either of the foregoing), Instruments and Chattel Paper; provided, however, that to the extent that Instruments or Chattel Paper constitute identifiable proceeds of Note Primary Collateral or other identifiable proceeds of Note Primary Collateral are deposited or held in any such Deposit Accounts or Securities Accounts, then (as provided in Section 3.5 below) such Instruments, Chattel Paper or other identifiable proceeds shall be treated as Note Primary Collateral; (d) Intellectual Property; (e) SCF Investment Property; (f) all letter-of-credit rights arising out of or related to any of the property or interests in property described in this definition or which are otherwise included in the Borrowing Base (as defined in the SCF Credit Agreement); (g) letters of credit transferred to the SCF Agent or any SCF Lender, or with respect to which the proceeds thereof have been assigned to the SCF Agent or any SCF Lender, or on which the SCF Agent or any SCF Lender is named as beneficiary, in each case arising out of or related to the property or interests in property described in this definition or which are otherwise included in the Borrowing Base (as defined in the SCF Credit Agreement); (h) credit insurance with respect to any Accounts; (i) Records and related data processing software (owned by any Grantor or in which it has an interest); (j) "supporting obligations" (as defined in Article 9 of the UCC), commercial tort claims or other claims and causes of action, in each case, to the extent related primarily to any of the foregoing; (k) other SCF General Intangibles; and (l) substitutions, replacements, accessions, products and proceeds (including, without limitation, insurance proceeds, licenses, royalties, income, payments, claims, damages and proceeds of suit) of any or all of the foregoing.

"**SCF Security Documents**" means any agreement, document or instrument pursuant to which a Lien is granted securing any SCF Obligations or under which rights or remedies with respect to such Liens are governed.

"**SCF Standstill Period**" has the meaning set forth in Section 3.2(a)(1).

"**Secured Parties**" means the SCF Claimholders and the Note Claimholders.

"**Securities Accounts**" means all present and future "securities accounts" (as defined in Article 8 of the UCC), including all monies, "uncertificated securities," and "securities entitlements" (as defined in Article 8 of the UCC) contained therein.

"**Subsidiary**" means, with respect to any Person, any corporation, partnership, limited liability company, association, joint venture or other business entity of which more than 50% of the total voting power of shares of stock or other ownership interests entitled (without regard to the occurrence of any contingency) to vote in the election of the Person or Persons (whether directors, managers, trustees or other Persons performing similar functions) having the power to direct or cause the direction of the management

and policies thereof is at the time owned or controlled, directly or indirectly, by that Person or one or more of the other Subsidiaries of that Person or a combination thereof.

"**Trademark License**" means any present or future agreement, written or oral, providing for the grant by or to a grantor of any right to use any Trademark.

"**Trademarks**" means (a) all trademarks, trade names, corporate names, company names, business names, fictitious business names, trade styles, service marks, logos and other source or business identifiers, and the goodwill associated therewith, now existing or hereafter adopted or acquired, all registrations and recordings thereof, and all applications in connection therewith, whether in the United States Patent and Trademark Office or in any similar office or agency of the United States, any State thereof or any other country or any political subdivision thereof, or otherwise and (b) all renewals thereof.

"**UCC**" means the Uniform Commercial Code (or any similar or equivalent legislation) as in effect in any applicable jurisdiction.

"**Use Period**" means, with respect to the Note Primary Collateral (exclusive of Note Primary Collateral located on each parcel of the Mortgaged Premises), the period, after the commencement of an Enforcement Period by the SCF Agent, which begins on the earlier of (a) the day on which the SCF Agent provides the Notes Agent with an Enforcement Notice and (b) the fifth Business Day after the Notes Agent provides the SCF Agent with notice that the Notes Agent (or its agent) has obtained possession or control of such Collateral and ends on the earliest of (i) the 120th day after the date (the "**Initial Use Date**") on which the SCF Agent initially obtains the ability to take physical possession of, remove, or otherwise control physical access to, or actually uses, such Note Primary Collateral plus such number of days, if any, after the Initial Use Date that it is stayed or otherwise prohibited by law or court order from exercising remedies with respect to such Note Primary Collateral, (ii) the date on which all or substantially all of the SCF Primary Collateral is sold, collected or liquidated, (iii) the date on which the Discharge of SCF Obligations occurs, and (iv) the date on which the SCF Default that was the subject of the Enforcement Notice relating to such Enforcement Period has been cured to the satisfaction of the SCF Agent or waived in writing.

1.2 Terms Generally. The definitions of terms in this Agreement shall apply equally to the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words "include," "includes" and "including" shall be deemed to be followed by the phrase "without limitation." The word "will" shall be construed to have the same meaning and effect as the word "shall." Unless the context requires otherwise:

(a) any definition of or reference to any agreement, instrument or other document herein shall be construed as referring to such agreement, instrument or other document as from time to time amended, restated, supplemented, modified, renewed or extended;

(b) any reference herein to any Person shall be construed to include such Person's permitted successors and assigns;

(c) the words "herein," "hereof" and "hereunder," and words of similar import, shall be construed to refer to this Agreement in its entirety and not to any particular provision hereof;

(d) all references herein to Sections or Articles shall be construed to refer to Sections or Articles of this Agreement;

(e) all uncapitalized terms have the meanings, if any, given to them in the UCC, as now or hereafter enacted in the State of New York (unless otherwise specifically defined herein);

(f) the words "asset" and "property" shall be construed to have the same meaning and effect and to refer to any and all tangible and intangible assets and properties, including cash, securities, accounts and contract rights;

(g) any reference herein to a Person in a particular capacity or capacities excludes such Person in any other capacity or individually;

(h) any reference herein to any law shall be construed to refer to such law as amended, modified, codified, replaced, or re-enacted, in while or part, and in effect on the pertinent date; and

(i) in the compilation of periods of time hereunder from a specified date to a later specified date, the word "from" means "from and including" and the words "to" and "until" each means "to, but not through."

II. LIEN PRIORITIES.

2.1 Relative Priorities. Irrespective of the date, time, method, manner or order of grant, attachment or perfection of any Liens securing the Note Obligations granted on the Collateral or of any Liens securing the SCF Obligations granted on the Collateral (including, in each case, irrespective of whether any such Lien is granted (or secures Obligations relating to the period) before or after the commencement of any Insolvency or Liquidation Proceeding) and notwithstanding any provision of any UCC, or any other applicable law, or the SCF Loan Documents or the Note Documents or any defect or deficiencies in, or failure to attach or perfect, the Liens securing the SCF Obligations or the Note Obligations or any other circumstance whatsoever, the SCF Agent, on behalf of the SCF Claimholders, and the Notes Agent, on behalf of the Note Claimholders, hereby agree that:

(a) any Lien of the SCF Agent on the SCF Primary Collateral securing the SCF Obligations, whether such Lien is now or hereafter held by or on behalf of the SCF Agent or any other SCF Claimholder or any other agent or trustee therefor, regardless of how or when acquired, whether by grant, possession, statute, operation of law, subrogation

or otherwise, shall be senior in all respects and prior to any Lien on the SCF Primary Collateral securing any Note Obligations or any other Obligations owing to or otherwise in favor of the Note Claimholders; and

(b) any Lien of the Notes Agent on the Note Primary Collateral securing the Note Obligations, whether such Lien is now or hereafter held by or on behalf of the Notes Agent, any other Note Claimholder or any other agent or trustee therefor, regardless of how or when acquired, whether by grant, possession, statute, operation of law, subrogation or otherwise, shall be senior in all respects to all Liens on the Note Primary Collateral securing any SCF Obligations or any other Obligations owing to or otherwise in favor of the SCF Claimholders.

2.2 Prohibition on Contesting Liens. Each of the Notes Agent, on behalf of each Note Claimholder, and the SCF Agent, on behalf of each SCF Claimholder, consents to the granting of Liens in favor of the other to secure the SCF Obligations and the Note Obligations, as applicable, and agrees that no Claimholder will be entitled to, and it will not (and shall be deemed to have irrevocably, absolutely, and unconditionally waived any right to), contest (directly or indirectly) or support (directly or indirectly) any other Person in contesting, in any proceeding (including any Insolvency or Liquidation Proceeding): (a) the attachment, perfection, priority, validity or enforceability of any Lien in the Collateral held by or on behalf of any of the SCF Claimholders to secure the payment of the SCF Obligations or any of the Note Claimholders to secure the payment of the Note Obligations, (b) the priority, validity or enforceability of the SCF Obligations or the Note Obligations, including the allowability or priority of the Note Obligations or the SCF Obligations, as applicable, in any Insolvency or Liquidation Proceeding, or (c) the validity or enforceability of the provisions of this Agreement; provided that nothing in this Agreement shall be construed to prevent or impair the rights of the SCF Agent, on behalf of the SCF Claimholders, or the Notes Agent, on behalf of the Note Claimholders, to enforce this Agreement, including the provisions of this Agreement relating to the priority of the Liens securing the Obligations as provided in Sections 2.1, 3.1, 3.2 and 6.1.

2.3 No New Liens. So long as neither the Discharge of SCF Obligations nor the Discharge of Note Obligations has occurred, whether or not any Insolvency or Liquidation Proceeding has been commenced by or against one or more of the Company or any other Grantor, the parties hereto agree, subject to Article VI hereof, that the Company shall not, and shall not permit any other Grantor to:

(a) other than in connection with a satisfaction and discharge or defeasance of the Note Obligations pursuant to Section 8.02 or Section 11.01 of the Indenture in effect as of the date hereof, grant or permit any additional Liens on any asset or property to secure any Obligations owing to or otherwise in favor of the Note Claimholders unless it has granted or concurrently grants a Lien on such asset or property to secure the SCF Obligations; or

(b) grant or permit any additional Liens on any asset or property to secure any SCF Obligations owing to or otherwise in favor of the SCF Claimholders unless it has granted or concurrently grants a Lien on such asset or property to secure the Note Obligations.

To the extent any additional Liens are granted on any asset or property pursuant to this Section 2.3, the priority of such additional Liens shall be determined in accordance with Section 2.1. In addition, to the extent that the foregoing provisions are not complied with for any reason, without limiting any other rights and remedies available hereunder, the SCF Agent on behalf of the SCF Claimholders and the Notes Agent, on behalf of Note Claimholders, agree that any amounts received by or distributed to any of them pursuant to or as a result of Liens granted in contravention of this Section 2.3 shall be subject to Section 4.2.

2.4 Similar Liens and Agreements. The parties hereto agree that it is their intention that the SCF Collateral and the Note Collateral be identical except as provided in Article VI. In furtherance of the foregoing and of Section 8.8, the parties hereto agree, subject to the other provisions of this Agreement:

(a) upon request by the SCF Agent or the Notes Agent, to cooperate in good faith (and to direct their counsel to cooperate in good faith) from time to time in order to determine the specific items included in the SCF Collateral and the Note Collateral and the steps taken to perfect their respective Liens thereon and the identity of the respective parties obligated under the SCF Loan Documents and the Note Documents; and

(b) that the SCF Security Documents and the Note Security Documents and guarantees for the SCF Obligations and the Note Obligations, subject to Section 5.3(b), shall be in all material respects the same forms of documents in respect of the extent of the Collateral securing the respective Obligations (but for this Agreement) and the remedies in respect thereof.

III. ENFORCEMENT.

3.1 Exercise of Remedies — Restrictions on the Notes Agent and the Note Claimholders.

(a) Until the Discharge of SCF Obligations has occurred, whether or not any Insolvency or Liquidation Proceeding has been commenced by or against any Grantor, subject to the limited extent provided in Article VI, the Notes Agent and the other Note Claimholders:

(1) will not be entitled to exercise or seek to exercise, and will not exercise or seek to exercise (but instead shall be deemed to have hereby irrevocably, absolutely and unconditionally waived for the duration of the Note Standstill Period), any rights, powers, or remedies with respect to any SCF Primary Collateral (including (A) any right of set-off or any right under any Account Agreement, landlord waiver or bailee's letter or similar agreement or arrangement to which the Notes Agent or any Note Claimholder is a party, (B) any right to undertake self-help re-possession or non-judicial disposition of any such

Collateral (including any partial or complete strict foreclosure), and/or (C) any right to institute, prosecute, or otherwise maintain any action or proceeding with respect to such rights, powers or remedies (including any action of foreclosure)); provided, however, that the Notes Agent may exercise any or all of such rights, powers, or remedies after a period of at least 180 days has elapsed since the later of: (i) the date on which the Notes Agent declared the existence of a Note Default, accelerated (to the extent such amount was not already due and owing) the payment of the principal amount of all Note Obligations, and demanded payment thereof and (ii) the date on which the SCF Agent received the Enforcement Notice from the Notes Agent relating to such action; provided, further, however, that neither the Notes Agent nor any other Note Claimholder shall be entitled to exercise (and shall not exercise) any rights, powers, or remedies with respect to the SCF Primary Collateral if, notwithstanding the expiration of such 180 day period, the SCF Agent or the other SCF Claimholders (A) shall have commenced and be diligently pursuing the exercise of their rights, powers, or remedies with respect to all or any material portion of such Collateral (prompt notice of such exercise to be given to the Notes Agent), or (B) shall have been stayed by operation of law or any court order from pursuing any such exercise of remedies (the period during which the Notes Agent and the other Note Claimholders may not pursuant to this Section 3.1(a)(1) exercise any rights, powers, or remedies with respect to the SCF Primary Collateral, the "**Note Standstill Period**");

(2) will not, directly or indirectly, contest, protest or object to or hinder any judicial or non-judicial foreclosure proceeding or action (including any partial or complete strict foreclosure) brought by the SCF Agent or any other SCF Claimholder relating to the SCF Primary Collateral or any other exercise by the SCF Agent or any other SCF Claimholder of any other rights, powers and remedies relating to the SCF Primary Collateral, including any sale, lease, exchange, transfer, or other disposition of the SCF Primary Collateral, whether under the SCF Loan Documents, applicable law, or otherwise; and

(3) subject to their rights under clause (a)(1) above (and under clause (6) of Section 3.1(c)), will not object to the forbearance by the SCF Agent or the SCF Claimholders from bringing or pursuing any Enforcement with respect to the SCF Primary Collateral;

(4) except as may be permitted in Section 3.1(c), irrevocably, absolutely, and unconditionally waive any and all rights the Notes Agent or the Note Claimholders may have as a junior lien creditor or otherwise to object (and seek or be awarded any relief of any nature whatsoever based on any such objection) to the manner in which the SCF Agent or the SCF Claimholders (a) enforce or collect (or attempt to collect) the SCF Obligations or (b) realize or seek to realize upon or otherwise enforce the Liens in and to the SCF Primary Collateral securing the SCF Obligations, regardless of whether any action or failure to act by or on behalf of the SCF Agent or SCF Claimholders is adverse to the interest of the Notes Agent or the Note Claimholders. Without limiting the generality of the foregoing, the Note Claimholders shall be deemed to have hereby irrevocably, absolutely, and unconditionally waived any right to object (and seek or be awarded any relief of any nature whatsoever based on any such objection), at any time prior or subsequent to

any disposition of any of the SCF Primary Collateral, on the ground(s) that any such disposition of SCF Primary Collateral (a) would not be or was not "commercially reasonable" within the meaning of any applicable UCC and/or (b) would not or did not comply with any other requirement under any applicable UCC or under any other applicable law governing the manner in which a secured creditor (including one with a Lien on real property) is to realize on its collateral; and

(5) subject to their rights under clause (a)(1) above and except as may be permitted in Section 3.1(c), acknowledge and agree that no covenant, agreement or restriction contained in the Note Security Documents or any other Note Document (other than this Agreement) shall be deemed to restrict in any way the rights and remedies of the SCF Agent or the SCF Claimholders with respect to the SCF Primary Collateral as set forth in this Agreement and the SCF Loan Documents;

provided, however, that, in the case of (1), (2) and (3) above, the Liens granted to secure the Note Obligations of the Note Claimholders shall attach to any proceeds resulting from actions taken by the SCF Agent or any SCF Claimholder with respect to the SCF Primary Collateral in accordance with this Agreement after application of such proceeds to the extent necessary to meet the requirements of a Discharge of SCF Obligations.

(b) Until the earlier of Discharge of SCF Obligations, whether or not any Insolvency or Liquidation Proceeding has been commenced by or against any Grantor, the SCF Agent and the other SCF Claimholders shall have the right to enforce rights, exercise powers or remedies (including set-off and the right to credit bid their debt) and, in connection therewith (including voluntary Dispositions of SCF Primary Collateral by the respective Grantors after a SCF Default) make determinations regarding the release, disposition, or restrictions with respect to the SCF Primary Collateral without any consultation with or the consent of the Notes Agent or any Note Claimholder; provided, however, that the Lien securing the Note Obligations shall remain on the proceeds (other than those properly applied to the SCF Obligations in accordance with the SCF Loan Documents) of such Collateral released or disposed of subject to the relative priorities described in Section 2. In exercising rights, powers, and remedies with respect to the SCF Primary Collateral, the SCF Agent and the SCF Claimholders may enforce the provisions of the SCF Loan Documents and exercise rights, powers, and/or remedies thereunder and/or under applicable law or otherwise, all in such order and in such manner as they may determine in the exercise of their sole discretion. Such exercise and enforcement shall include the rights of an agent appointed by them to sell or otherwise dispose of the SCF Primary Collateral upon foreclosure, to incur expenses in connection with such sale or disposition, and to exercise all the rights and remedies of a secured creditor under the UCC and of a secured creditor under the Bankruptcy Laws of any applicable jurisdiction.

(c) Notwithstanding anything to the contrary contained herein, the Notes Agent and any Note Claimholder may:

(1) file a claim or statement of interest with respect to the Note Obligations; provided that an Insolvency or Liquidation Proceeding has been commenced by or against any Grantor;

(2) take any action (not adverse to the priority status of the Liens on the SCF Primary Collateral, or the rights of the SCF Agent or any of the SCF Claimholders to exercise rights, powers, and/or remedies in respect thereof, including those under Article VI) in order to create, perfect, preserve or protect (but, subject to the provisions of Section 3.1(a) hereof, not enforce) its Lien on any of the SCF Primary Collateral;

(3) file any necessary responsive or defensive pleadings in opposition to any motion, claim, adversary proceeding or other pleading made by any person objecting to or otherwise seeking the disallowance of the claims of the Note Claimholders, including any claims secured by the SCF Primary Collateral, if any, in each case in accordance with the terms of this Agreement;

(4) file any pleadings, objections, motions or agreements which assert rights or interests available to unsecured creditors of the Grantors arising under either any Insolvency or Liquidation Proceeding or applicable non-bankruptcy law, in each case not inconsistent with the terms of this Agreement or applicable law (including the Bankruptcy Laws of any applicable jurisdiction);

(5) vote on any Plan of Reorganization, file any proof of claim, make other filings and make any arguments, obligations, and motions (including in support of or opposition to, as applicable, the confirmation or approval of any Plan of Reorganization) that are, in each case, in accordance with the terms of this Agreement. Without limiting the generality of the foregoing or of the other provisions of this Agreement, any vote to accept, and any other act to support the confirmation or approval of, any Non-Conforming Plan of Reorganization shall be inconsistent with and accordingly, a violation of the terms of this Agreement, and the SCF Agent shall be entitled to have any such vote to accept a Non-Conforming Plan of Reorganization changed and any such support of any Non-Conforming Plan of Reorganization withdrawn; and

(6) exercise any of its rights or remedies with respect to any of the Collateral after the termination of the Note Standstill Period to the extent permitted by Section 3.1(a)(1).

The Notes Agent, on behalf of the Note Claimholders, agrees that any Note Claimholder will not be entitled to, and will not, take or receive any SCF Primary Collateral or any proceeds of such Collateral in connection with the exercise of any right, power, or remedy (including set-off) with respect to any such Collateral in its capacity as a creditor in violation of this Agreement. Without limiting the generality of the foregoing, unless and until the Discharge of SCF Obligations has occurred, except as expressly provided in Sections 3.1(a)(1), 6.7 and clause (6) of this Section 3.1(c), the sole right of the Notes Agent and the Note Claimholders with respect to the SCF Primary Collateral is to hold a Lien on such Collateral pursuant to the

Note Security Documents for the period and to the extent granted therein and to receive a share of the proceeds thereof, if any, after the Discharge of SCF Obligations has occurred.

(d) Except as otherwise specifically set forth in Sections 3.1(a), 3.4 and 3.5 and Article 6, the Notes Agent and the Note Claimholders may exercise rights and remedies as unsecured creditors against any Grantor and may exercise rights and remedies with respect to the Note Primary Collateral, in each case, in accordance with the terms of the Note Documents and applicable law; provided, however, that in the event that the Notes Agent or any Note Claimholder becomes a judgment Lien creditor in respect of SCF Primary Collateral as a result of its enforcement of its rights as an unsecured creditor with respect to the Note Obligations or any other Obligations, such judgment Lien shall be subject to the terms of this Agreement for all purposes (including in relation to the SCF Obligations) as the other Liens securing the Note Obligations or any other Obligations are subject to this Agreement.

(e) Except as provided in Section 5.3(d), nothing in this Agreement shall prohibit the receipt by the Notes Agent or any other Note Claimholders of the required payments of interest, principal and other amounts owed in respect of the Note Obligations so long as such receipt is not the direct or indirect result of the exercise by the Notes Agent or any Note Claimholders of rights or remedies as a secured creditor (including set-off) with respect to SCF Primary Collateral or enforcement in contravention of this Agreement of any Lien held by any of them. Nothing in this Agreement impairs or otherwise adversely affects any rights or remedies the SCF Agent or the SCF Claimholders may have against the Grantors under the SCF Loan Documents.

3.2 Exercise of Remedies — Restrictions on the SCF Agent and SCF Claimholders.

(a) Until the Discharge of Note Obligations has occurred, whether or not any Insolvency or Liquidation Proceeding has been commenced by or against any Grantor, subject to the limited extent provided in Article VI, the SCF Agent and the other SCF Claimholders:

(1) will not exercise or seek to exercise (but instead shall be deemed to have hereby irrevocably, absolutely and unconditionally waived for the duration of the SCF Standstill Period) any rights, powers, or remedies with respect to any Note Primary Collateral (including (A) any right of set-off or any right under any Account Agreement, landlord waiver or bailee's letter or similar agreement or arrangement to which the SCF Agent or any SCF Claimholder is a party, (B) any right to undertake self-help re-possession or nonjudicial disposition of such Collateral (including any partial or complete strict foreclosure), or (C) any right to institute, prosecute or otherwise maintain any action or proceeding with respect to such rights, powers, or remedies (including any action of foreclosure)); provided, however, that the SCF Agent may exercise any or all of such rights, powers, or remedies after a period of at least 180 days has elapsed since the later of: (i) the date on which the SCF Agent declared the existence of a SCF Default, accelerated

(to the extent such amount was not already due and owing) the principal amount of all SCF Obligations, and demanded payment thereof and (ii) the date on which the Notes Agent received the Enforcement Notice from the SCF Agent relating to such action; provided, further, however, that neither the Agent nor the other SCF Claimholders shall exercise any remedies with respect to the Notes Primary Collateral if, notwithstanding the expiration of such 180 day period, the Notes Agent or the Notes Claimholders (if permitted by the provisions of the Indenture) (A) shall have commenced and be diligently pursuing the exercise of their rights or remedies with respect to all or any material portion of such Collateral (prompt notice of such exercise to be given to the SCF Agent) or (B) shall have been stayed by operation of law or by any court order from pursuing any such exercise of remedies (the period during which the SCF Agent and the other SCF Claimholders may not pursue pursuant to this Section 3.2(a)(1) exercise or seek to exercise any rights, powers, or remedies with respect to the Note Primary Collateral, the "**SCF Standstill Period**"); provided, finally, however, that the SCF Agent, independent in all respects of the preceding provisos, may exercise the rights provided for in Section 3.3 (with respect to any Access Period) and Section 3.4 (with respect any Access Period or Use Period);

(2) will not, directly or indirectly, contest, protest or object to or hinder any judicial or non-judicial foreclosure proceeding or action (including any partial or complete strict foreclosure) brought by the Notes Agent or any other Note Claimholder relating to the Note Primary Collateral or any other exercise by the Notes Agent or any other Note Claimholder of any rights, powers and remedies relating to the Note Primary Collateral, including any sale, lease, exchange, transfer, or other deposition of the Note Primary Collateral, whether under the Note Documents, applicable law, or otherwise subject to the Notes Agent's and the other Note Claimholders' obligations under Sections 3.3 and 3.4; and

(3) subject to their rights under clause (a)(1) above (and clause (6) of Section 3.2(c)), will not object to the forbearance by the Notes Agent or the Note Claimholders from bringing or pursuing any Enforcement with respect to the Noteholder Primary Collateral;

(4) Subject to Sections 3.2(c) and Sections 3.3, 3.4, and 3.5, irrevocably, absolutely and unconditionally waive any and all rights the SCF Agent and SCF Claimholders may have as a junior lien creditor or otherwise to object (and seek or be awarded any relief of any nature whatsoever based on any such objection) to the manner in which the Notes Agent or the Note Claimholders (a) enforce or collect (or attempt to collect) the Note Obligations or (b) realize or seek to realize upon or otherwise enforce the Liens in and to the Note Primary Collateral securing the Note Obligations, regardless of whether any action or failure to act by or on behalf of the Notes Agent or Note Claimholders is adverse to the interest of the SCF Claimholders. Without limiting the generality of the foregoing, the SCF Claimholders shall be deemed to have hereby irrevocably, absolutely and unconditionally waived any right to object (and seek or be awarded any relief of any nature whatsoever based on any such objection), at any time prior to or subsequent to any disposition of any Note Primary Collateral, on the ground(s) that any such disposition of

Note Primary Collateral (a) would not be or was not "commercially reasonable" within the meaning of any applicable UCC and/or (b) would not or did not comply with any other requirement under any applicable UCC or under any other applicable law governing the manner in which a secured creditor (including one with a Lien on real property) is to realize on its collateral; and

(5) Subject to Sections 3.2(a) and (c) and Sections 3.3, 3.4, and 3.5, acknowledge and agree that no covenant, agreement or restriction contained in the SCF Security Documents or any other SCF Loan Document (other than this Agreement) shall be deemed to restrict in any way the rights and remedies of the Notes Agent or the Note Claimholders with respect to the Note Primary Collateral as set forth in this Agreement and the Note Documents;

provided, however, that in the case of (1), (2) and (3) above, the Liens granted to secure the Revolving Obligations of the SCF Claimholders shall attach to any proceeds resulting from actions taken by the Notes Agent or any Note Claimholder with respect to the Note Primary Collateral in accordance with this Agreement after application of such proceeds to the extent necessary to meet the requirements of a Discharge of Note Obligations.

(b) Until the Discharge of Note Obligations has occurred, whether or not any Insolvency or Liquidation Proceeding has been commenced by or against any Grantor, the Notes Agent and the Note Claimholders shall have the right to enforce rights, exercise remedies (including set-off and the right to credit bid their debt) and make, in connection therewith (including voluntary Dispositions of Note Primary Collateral by the respective Grantors after a Note Default) determinations regarding the release, disposition, or restrictions with respect to the Note Primary Collateral without any consultation with or the consent of the SCF Agent or any SCF Claimholder subject to the Notes Agent's and the Note Claimholders' obligations under Sections 3.3 and 3.4; provided, however, that the Lien securing the SCF Obligations shall remain on the proceeds (other than those properly applied to the Note Obligations in accordance with the Note Documents) of such Collateral released or disposed of subject to the relative priorities described in Section 2. In exercising rights and remedies with respect to the Note Primary Collateral, the Notes Agent and the Note Claimholders may enforce the provisions of the Note Documents and exercise remedies thereunder, all in such order and in such manner as they may determine in the exercise of their sole discretion subject to the Notes Agent's and the Note Claimholders' obligations under Sections 3.3 and 3.4. Such exercise and enforcement shall include the rights of an agent appointed by them to sell or otherwise dispose of the Note Primary Collateral upon foreclosure, to incur expenses in connection with such sale or disposition, and to exercise all the rights and remedies of a secured creditor under the UCC and of a secured creditor under the Bankruptcy Laws of any applicable jurisdiction.

(c) Notwithstanding anything to the contrary contained herein, the SCF Agent and any SCF Claimholder may:

(1) file a claim or statement of interest with respect to the SCF Obligations; provided that an Insolvency or Liquidation Proceeding has been commenced by or against any Grantor;

(2) take any action (not adverse to the priority status of the Liens on the Note Primary Collateral, or the rights of the Notes Agent or any of the Note Claimholders to exercise remedies in respect thereof) in order to create, perfect, preserve or protect (but, subject to the provisions of Section 3.2(a)(1), 3.3, and 3.4, not enforce) its Lien on any of the Note Primary Collateral;

(3) file any necessary responsive or defensive pleadings in opposition to any motion, claim, adversary proceeding or other pleading made by any person objecting to or otherwise seeking the disallowance of the claims of the SCF Claimholders, including any claims secured by the Note Primary Collateral, if any, in each case in accordance with the terms of this Agreement;

(4) file any pleadings, objections, motions or agreements which assert rights or interests available to unsecured creditors of the Grantors arising under either any Insolvency or Liquidation Proceeding or applicable non-bankruptcy law, in each case not inconsistent with the terms of this Agreement or applicable law (including the Bankruptcy Laws of any applicable jurisdiction);

(5) vote on any Plan of Reorganization, file any proof of claim, make other filings and make any arguments and motions (including in support of or opposition to, as applicable, the confirmation or approval of any Plan of Reorganization) that are, in each case, in accordance with the terms of this Agreement. Without limiting the generality of the foregoing or of the other provisions of this Agreement, any vote to accept, and any other act to support the confirmation or approval of, any Non-Conforming Plan of Reorganization shall be inconsistent with and accordingly, a violation of the terms of this Agreement, and the Notes Agent shall be entitled to have any such vote changed and any such support withdrawn; and

(6) exercise any of its rights, powers, and/or remedies with respect to any of the Collateral to the extent permitted by Sections 3.2(a)(1), 3.3, and 3.4.

The SCF Agent, on behalf of itself and the SCF Claimholders, agrees that it will not take or receive any Note Primary Collateral or any proceeds of such Collateral in connection with the exercise of any right or remedy (including set-off) with respect to any such Collateral in its capacity as a creditor in violation of this Agreement. Without limiting the generality of the foregoing, unless and until the Discharge of Note Obligations has occurred, except as expressly provided in Sections 3.2(a)(1), 3.3, 3.4, 3.5, and this clause (6) of Section 3.2(c), the sole right of the SCF Agent and the SCF Claimholders with respect to the Note Primary Collateral is to hold a Lien on such Collateral pursuant to the SCF Security Documents for the period and to the extent granted therein and to receive a share of the proceeds thereof, if any, after the Discharge of Note Obligations has occurred.

(d) Except as otherwise specifically set forth in Sections 3.2(a) and 3.5 and Article 6, the SCF Agent and the SCF Claimholders may exercise rights and remedies as unsecured creditors against any Grantor and may exercise rights and remedies with respect to the SCF Primary Collateral, in each case, in accordance with the terms of the SCF Loan Documents and applicable law; provided, however, that in the event that any SCF Claimholder becomes a judgment Lien creditor in respect of Note Primary Collateral as a result of its enforcement of its rights as an unsecured creditor with respect to the SCF Obligations, such judgment Lien shall be subject to the terms of this Agreement for all purposes (including in relation to the Note Obligations) as the other Liens securing the SCF Obligations are subject to this Agreement.

(e) Except as provided in Section 5.3(c), nothing in this Agreement shall prohibit the receipt by the SCF Agent or any SCF Claimholders of the required payments of interest, principal and other amounts owed in respect of the SCF Obligations so long as such receipt is not the direct or indirect result of the exercise by the SCF Agent or any SCF Claimholders of rights or remedies as a secured creditor (including set-off with respect to Note Primary Collateral) or enforcement in contravention of this Agreement of any Lien held by any of them. Nothing in this Agreement impairs or otherwise adversely affects any rights or remedies the Notes Agent or the Note Claimholders may have against the Grantors under the Note Documents.

3.3 Exercise of Remedies — Collateral Access Rights.

(a) The SCF Agent and the Notes Agent agree not to commence Enforcement until an Enforcement Notice has been given to the other Agent. Subject to the provisions of Sections 3.1 and 3.2 above, either Agent may join in any judicial proceedings commenced by the other Agent to enforce Liens on the Collateral, provided that neither Agent, nor the other SCF Claimholders or the other Note Claimholders, as applicable, shall interfere with the Enforcement actions of the other with respect to Collateral in which such party has the priority Lien in accordance herewith.

(b) If the Notes Agent, or any agent or representative of the Notes Agent, or any receiver, shall, after any Note Default, obtain possession or physical control of any of the Mortgaged Premises, the Notes Agent shall promptly notify the SCF Agent in writing of that fact, and the SCF Agent shall, within ten (10) Business Days thereafter, notify the Notes Agent in writing as to whether the SCF Agent desires to exercise access rights under this Agreement. In addition, if the SCF Agent, or any agent or representative or the SCF Agent, or any receiver, shall obtain possession or physical control of any of the Mortgaged Premises or any of the tangible Note Primary Collateral located on any premises other than a Mortgaged Premises or control over any intangible Note Primary Collateral, following the delivery to the Note Agent of an Enforcement Notice, then the SCF Agent shall promptly notify the Note Agent that the SCF Agent is exercising its access rights under this Agreement and its rights under Section 3.4 under either circumstance. Upon delivery of such notice by the SCF Agent to the Notes Agent, the parties shall confer in good faith to coordinate with respect to the SCF Agent's exercise of such access

rights. Consistent with the definition of “Access Period,” access rights will apply to differing parcels of Mortgaged Premises at differing times, in which case, a differing Access Period will apply to each such property.

(c) During any pertinent Access Period, the SCF Agent and its agents, representatives and designees shall have an irrevocable, non-exclusive right to have access to, and a rent-free right to use, the Note Primary Collateral for the purpose of arranging for and effecting the sale or disposition of SCF Primary Collateral located on such parcel, including the production, completion, packaging and other preparation of such SCF Primary Collateral for sale or disposition. During any such Access Period, the SCF Agent and its representatives (and persons employed on their behalf), may continue to operate, service, maintain, process and sell the SCF Primary Collateral, as well as to engage in bulk sales of SCF Primary Collateral. The SCF Agent shall take proper and reasonable care under the circumstances of any Note Primary Collateral that is used by the SCF Agent during the Access Period and repair and replace any damage (ordinary wear-and-tear excepted) caused by the SCF Agent or its agents, representatives or designees and the SCF Agent shall comply with all applicable laws in all material respects in connection with its use or occupancy of the Note Primary Collateral. The SCF Agent and the SCF Claimholders shall indemnify and hold harmless the Notes Agent and the Note Claimholders for any injury or damage to Persons or property (ordinary wear-and-tear excepted) caused by the acts or omissions of Persons under its control; provided, however, that the SCF Agent and the SCF Claimholders will not be liable for any diminution in the value of the Mortgaged Premises caused by the absence of the SCF Primary Collateral therefrom. The SCF Agent and the Notes Agent shall cooperate and use reasonable efforts to ensure that their activities during the Access Period as described above do not interfere materially with the activities of the other as described above, including the right of Notes Agent to show the Note Primary Collateral to prospective purchasers and to ready the Note Primary Collateral for sale.

(d) Consistent with the definition of the term “Access Period,” if any order or injunction is issued or stay is granted or is otherwise effective by operation of law that prohibits the SCF Agent from exercising any of its rights hereunder, then the Access Period granted to the SCF Agent under this Section 3.3 shall be stayed during the period of such prohibition and shall continue thereafter for the number of days remaining as required under this Section 3.3. If the Notes Agent shall foreclose or otherwise sell or dispose of any of the Note Primary Collateral during the Access Period, the Notes Agent will notify the buyer thereof of the existence of this Agreement and that the buyer is acquiring the Note Primary Collateral subject to the terms of this Agreement, and notwithstanding such foreclosure, sale or other disposition by the Notes Agent, the Notes Agent shall not be relieved of its obligation, but instead shall remain obligated, to ensure that the SCF Agent and the SCF Claimholders shall continue to be able to exercise their rights under this Section 3.3 and Section 3.4 during the Access Period or Use Period, as applicable.

(e) The SCF Agent and the SCF Claimholders shall have the right to bring an action to enforce their rights under this Section 3.3 and Section 3.4, including, without limitation, an action seeking possession of the applicable Collateral and/or specific performance of this Section 3.3 and Section 3.4.

3.4 Exercise of Remedies — Note General Intangibles Rights/Access to Information. The Notes Agent and each Grantor hereby grants (to the full extent of their respective rights and interests) the SCF Agent and its agents, representatives and designees (a) an irrevocable royalty-free, rent-free license and lease (which will be binding on any successor or assignee of any Note Primary Collateral) to use, all of the Note Primary Collateral, including any computer or other data processing Equipment and Note General Intangibles, to collect all Accounts, to copy, use, or preserve any and all information relating to any of the Collateral, and to complete the manufacture, packaging and sale of (i) work-in-process, (ii) raw materials and (iii) complete inventory and (b) an irrevocable royalty-free license (which will be binding on any successor or assignee of the Note General Intangibles) to use any and all Note General Intangibles at any time in connection with its Enforcement; provided, however, (A) the royalty-free, rent-free license and lease granted in clause (a) with respect to the applicable Note Primary Collateral (exclusive of any Note General Intangibles), shall immediately expire upon the end of (1) the Access Period applicable to such Note Primary Collateral located on any Mortgaged Premises and (2) the applicable Use Period with respect to any Note Primary Collateral not located on any Mortgaged Premises and (B) the royalty-free license granted in clause (b) with respect to any Note General Intangibles shall immediately expire upon the end of the applicable Use Period.

3.5 Exercise of Remedies — Set-Off and Tracing of and Priorities in Proceeds. The Notes Agent, on behalf of the Note Claimholders, acknowledges and agrees that, to the extent the Notes Agent or any Note Claimholder exercises its rights of set-off against any Grantors' Deposit Accounts, Securities Accounts or other assets, the amount of such set-off shall be deemed to be SCF Primary Collateral to be held and distributed pursuant to Section 4.3; provided, however, that the foregoing shall not apply to any set-off by the Notes Agent against any Note Primary Collateral (including the Notes Collateral Account) to the extent applied to payment of Note Obligations. The SCF Agent, for itself and on behalf of the SCF Claimholders, and the Notes Agent, for itself and on behalf of the Note Claimholders, further agree that prior to an issuance of an Enforcement Notice, any proceeds of Collateral, whether or not deposited under Account Agreements, which are used by any Grantor to acquire other property which is Collateral shall not (solely as between the Agents, the SCF Claimholders and the Note Claimholders) be treated as proceeds of Collateral for purposes of determining the relative priorities in the Collateral which was so acquired. In addition, unless and until the Discharge of SCF Obligations occurs, subject to Section 4.2, the Notes Agent and the Note Claimholders each hereby consents to the application, prior to the receipt by the SCF Agent of an Enforcement Notice issued by the Notes Agent, of cash or other proceeds of Collateral, deposited under Account Agreements to the repayment of SCF Obligations pursuant to the SCF Loan Documents.

IV. PAYMENTS.

4.1 Application of Proceeds.

(a) So long as the Discharge of SCF Obligations has not occurred, whether or not any Insolvency or Liquidation Proceeding has been commenced by or against any Grantor, all SCF Primary Collateral or proceeds thereof received in connection with the sale or other disposition of, or collection on, such Collateral upon the exercise of remedies or other Enforcement by either Agent or any SCF Claimholders or Note Claimholders, shall be delivered to the SCF Agent and shall be applied or further distributed by the SCF Agent to or on account of the SCF Obligations in such order, if any, as specified in the relevant SCF Loan Documents. Upon the Discharge of SCF Obligations, the SCF Agent shall deliver to the Notes Agent any Collateral and proceeds of Collateral held by it in the same form as received, with any necessary endorsements, to be applied by the Notes Agent to the Note Obligations in such order as specified in the Note Security Documents or as a court of competent jurisdiction may otherwise direct.

(b) So long as the Discharge of Note Obligations has not occurred, whether or not any Insolvency or Liquidation Proceeding has been commenced by or against any Grantor, all Note Primary Collateral or proceeds thereof received in connection with the sale or other disposition of, or collection on, such Collateral upon the exercise of remedies or other Enforcement by either Agent or any Note Claimholders or SCF Claimholders, shall be delivered to the Notes Agent and shall be applied by the Notes Agent to the Note Obligations in such order as specified in the relevant Note Documents. Upon the Discharge of Note Obligations, the Notes Agent shall deliver to the SCF Agent any Collateral and proceeds of Collateral held by it in the same form as received, with any necessary endorsements to be applied by the SCF Agent to the SCF Obligations in such order as specified in the SCF Security Documents or as a court of competent jurisdiction may otherwise direct.

4.2 Payments Over in Violation of Agreement. So long as neither the Discharge of SCF Obligations nor the Discharge of Note Obligations has occurred, whether or not any Insolvency or Liquidation Proceeding has been commenced by or against any Grantor, any Collateral or proceeds thereof (including assets or proceeds subject to Liens referred to in the final sentence of Section 2.3) received by either Agent or any Note Claimholders or SCF Claimholders in connection with the exercise of any right, power, or remedy (including set-off) relating to the Collateral in contravention of this Agreement shall be segregated and held in trust and forthwith paid over to the appropriate Agent for the benefit of the Note Claimholders or the SCF Claimholders, as applicable, in the same form as received, with any necessary endorsements or as a court of competent jurisdiction may otherwise direct. Each Agent is hereby authorized by the other Agent to make any such endorsements as agent for the other Agent or any Note Claimholders or SCF Claimholders, as applicable. This authorization is coupled with an interest and is irrevocable until the Discharge of SCF Obligations and Discharge of Note Obligations.

4.3 Application of Payments. Subject to the other terms of this Agreement, all payments received by (a) the SCF Agent or the SCF Claimholders may be applied, reversed and reapplied, in whole or in part, to the SCF Obligations to the extent provided for in the SCF Loan Documents and (b) the Notes Agent or the Note Claimholders may be applied, reversed and reapplied, in whole or in part, to the Note Obligations to the extent provided for in the Note Documents.

V. OTHER AGREEMENTS.

5.1 Releases.

(a) (i) If, in connection with any Enforcement by the SCF Agent (including as provided for in Section 3.1(b) or 6.9(a)), the SCF Agent, on behalf of any of the SCF Claimholders, releases any of its Liens on any part of the SCF Primary Collateral, then the Liens, if any, of the Notes Agent, for the benefit of the Note Claimholders, on the Collateral sold or disposed of in connection with such exercise, shall be automatically, unconditionally and simultaneously released. The Notes Agent, on behalf of the Note Claimholders, promptly shall execute and deliver to the SCF Agent or such Grantor such termination statements, releases and other documents as the SCF Agent or such Grantor may request to effectively confirm such release.

(ii) If, in connection with any Enforcement by the Notes Agent (including as provided for in Sections 3.2(b) or 6.9(b)), the Notes Agent, on behalf of any of the Note Claimholders, releases any of its Liens on any part of the Note Primary Collateral, then the Liens, if any, of the SCF Agent, for the benefit of the SCF Claimholders, on the Collateral sold or disposed of in connection with such exercise, shall be automatically, unconditionally and simultaneously released; provided that the provisions of Section 3.3 and 3.4, including the Notes Agent's obligation to ensure that the SCF Agent and SCF Claimholders shall be able to exercise their rights under Sections 3.3 and 3.4 during the Access Period or Use Period, as applicable, shall continue. The SCF Agent, on behalf of the SCF Claimholders, promptly shall execute and deliver to the Notes Agent or such Grantor such termination statements, releases and other documents as the Notes Agent or such Grantor may request to effectively confirm such release.

(b) If, in connection with any sale, lease, exchange, transfer or other disposition of any Collateral (collectively, a "**Disposition**") permitted under the terms of the SCF Loan Documents, including by virtue of the consent of the SCF Lenders, the Required Lenders (as such term is defined in the SCF Credit Agreement), or the Majority SCF Lenders (other than in connection with the Discharge of SCF Obligations), the SCF Agent, on behalf of any of the SCF Claimholders, releases any of its Liens on any part of the SCF Primary Collateral, then the Liens, if any, of the Notes Agent, for the benefit of the Note Claimholders, on such Collateral shall be automatically, unconditionally and simultaneously released. The Notes Agent, on behalf of the Note Claimholders, promptly shall execute and deliver to the SCF Agent or such Grantor such termination statements, releases and other documents as the SCF Agent or such Grantor may reasonably request to effectively confirm such release. If, in connection with any Disposition permitted under

the terms of the Note Documents (other than in connection with the Discharge of the Note Obligations), the Notes Agent, on behalf of any of the Note Claimholders, releases any of its Liens on any part of the Note Primary Collateral, then the Liens, if any, of the SCF Agent, for the benefit of the SCF Claimholders, on such Collateral shall be automatically, unconditionally and simultaneously released. The SCF Agent on behalf of the SCF Claimholders promptly shall execute and deliver to the Notes Agent or such Grantor such termination statements, releases and other documents as the Notes Agent or such Grantor may reasonably request to effectively confirm such release.

(c) Until the Discharge of SCF Obligations and Discharge of Note Obligations shall occur, the SCF Agent, on behalf of the SCF Claimholders, and the Notes Agent, on behalf of the Note Claimholders, as applicable, hereby irrevocably constitutes and appoints the other Agent and any officer or agent of the other Agent, with full power of substitution, as its true and lawful attorney-in-fact with full irrevocable power and authority in the place and stead of the other Agent or such holder or in the Agent's own name, from time to time in such Agent's discretion exercised in good faith, for the purpose of carrying out the terms of this Section 5.1, to take any and all appropriate action and to execute any and all documents and instruments which may be necessary to accomplish the purposes of this Section 5.1, including any endorsements or other instruments of transfer or release.

(d) Until the Discharge of SCF Obligations and Discharge of Note Obligations shall occur, to the extent that the Agents or the SCF Claimholders or the Note Claimholders (i) have released any Lien on Collateral and such Lien is later reinstated or (ii) obtain any new liens from any Grantor, then, in accordance with Section 2.3, the Grantors shall grant a Lien on any such Collateral, subject to the Lien priority provisions of this Agreement, to the other Agent, for the benefit of the SCF Claimholders or Note Claimholders, as applicable.

5.2 Insurance.

(a) Unless and until the Discharge of SCF Obligations and subject to the terms of, and the rights of the Grantors under, the SCF Loan Documents, the SCF Agent, on behalf of the SCF Claimholders, shall have the sole and exclusive right to adjust settlement for any insurance policy covering the SCF Primary Collateral in the event of any loss thereunder and to approve any award granted in any condemnation or similar proceeding (or any deed in lieu of condemnation) affecting such Collateral. Until the Discharge of SCF Obligations has occurred, (i) all proceeds of any such policy and any such award (or any payments with respect to a deed in lieu of condemnation) if in respect to such Collateral and to the extent required by the SCF Loan Documents shall be paid to the SCF Agent for the benefit of the SCF Claimholders pursuant to the terms of the SCF Loan Documents (including, without limitation, for purposes of cash collateralization of letters of credit) and thereafter, if the Discharge of SCF Obligations has occurred, and subject to the rights of the Grantors under the Note Security Documents, to the Notes Agent for the benefit of the Note Claimholders to the extent required under the Note Security

Documents and then, to the extent no Note Obligations are outstanding, to the owner of the subject property, such other Person as may be entitled thereto or as a court of competent jurisdiction may otherwise direct, and (ii) if the Notes Agent or any Note Claimholders shall, at any time, receive any proceeds of any such insurance policy or any such award or payment with respect to SCF Primary Collateral in contravention of this Agreement, it shall segregate and hold in trust and forthwith pay such proceeds over to the SCF Agent in accordance with the terms of Section 4.2.

(b) Unless and until the Discharge of Note Obligations has occurred, subject to the terms of, and the rights of the Grantors under, the Note Documents, (i) the Notes Agent, on behalf of the Note Claimholders, shall have the sole and exclusive right to adjust settlement for any insurance policy covering the Note Primary Collateral in the event of any loss thereunder and to approve any award granted in any condemnation or similar proceeding (or any deed in lieu of condemnation) affecting such Collateral; (ii) all proceeds of any such policy and any such award (or any payments with respect to a deed in lieu of condemnation) if in respect to such Collateral and to the extent required by the Note Documents shall be paid to the Notes Agent for the benefit of the Note Claimholders pursuant to the terms of the Note Documents and thereafter, if the Discharge of Note Obligations has occurred, and subject to the rights of the Grantors under the SCF Loan Documents, to the SCF Agent for the benefit of the SCF Claimholders to the extent required under the SCF Security Documents and then, to the extent no SCF Obligations are outstanding, to the owner of the subject property, such other Person as may be entitled thereto or as a court of competent jurisdiction may otherwise direct, and (iii) if the SCF Agent or any SCF Claimholders shall, at any time, receive any proceeds of any such insurance policy or any such award or payment with respect to Note Primary Collateral in contravention of this Agreement, it shall segregate and hold in trust and forthwith pay such proceeds over to the Notes Agent in accordance with the terms of Section 4.2.

(c) To effectuate the foregoing, and to the extent that the pertinent insurance company agrees to issue such endorsements, the Agents shall each receive separate lender's loss payable endorsements naming themselves as loss payee and additional insured, as their interests may appear, with respect to policies which insure Collateral hereunder.

5.3 Amendments to SCF Loan Documents and Note Documents; Refinancing.

(a) Subject to Sections 5.3(c) and 5.3(d), the SCF Loan Documents and Note Documents may be amended, supplemented or otherwise modified in accordance with their terms, all without affecting the Lien subordination or other provisions of this Agreement. The SCF Obligations may be Refinanced without notice to, or the consent of the Notes Agent or the Note Claimholders and without affecting the Lien subordination or other provisions of this Agreement, and the Note Obligations may be Refinanced without notice to, or consent of, the SCF Agent or the SCF Claimholders and without affecting the Lien subordination and other provisions of this Agreement so long as either such Refinancing of the Note Obligations is on terms and conditions no less than favorable

to the to the Borrowers than the terms and conditions to the Borrowers under the SCF Credit Agreement than the terms and conditions contained in the Indenture and in a principal amount not in excess of the principal balance of the Notes outstanding under the Indenture as of the time of such Refinancing or the SCF Agent otherwise consents; provided, however, that, in each case, the lenders or holders of such Refinancing debt bind themselves in a writing addressed to the Notes Agent and the Note Claimholders or the SCF Agent and the SCF Claimholders, as applicable, to the terms of this Agreement; provided further, however, that, if, for whatever reason, the lenders or holders of such Refinancing debt fail to comply with the requirements of the preceding proviso, the Agent for the non-Refinanced Debt in its sole and absolute discretion may proceed in whatever manner it so elects, including to elect to nonetheless bind the lenders or holders of the Refinancing debt to the provisions of this Agreement consistent with the provisions of Section 8.14. For the avoidance of doubt, the sale or other transfer of Indebtedness is not restricted by this Agreement.

(b) Subject to Sections 5.3(c) and 5.3(d), the SCF Agent and the Notes Agent shall each use good faith efforts to notify the other party of any written amendment or modification to the SCF Documents and Note Documents, but the failure to do so shall not create a cause of action against the party failing to give such notice or create any claim or right on behalf of any third party.

(c) Without the consent of the Notes Agent, the SCF Claimholders will not be entitled to agree (and will not agree) to any amendment to or modification of, or consent to any waiver of departure from, the SCF Loan Documents, whether in a Refinancing or otherwise, that: (i) increases the highest Applicable Margin (as defined in the SCF Credit Agreement in effect on the date hereof) by more than 200 basis points, except in connection with the imposition of a default rate of interest in accordance with the terms of the SCF Credit Agreement as in effect on the date of this Agreement, (ii) shortening any scheduled date upon which payments of principal or interest on the SCF Obligations are due to an earlier date, or shortening the final maturity date of the Loans (as defined in the SCF Credit Agreement) to an earlier date, except, in either case, as a result of the occurrence of a SCF Default, including any right of acceleration as a result thereof, (iii) changes or adds any event of default or any negative covenant with respect to the SCF Obligations in a manner which is more adverse to the Note Claimholders or more restrictive to the Company or its Subsidiaries, unless such amendment or modification to any negative covenant, or the addition of any event of default, is made in the Note Documents in direct response and corresponds to an adverse amendment or modification to any covenant, or the addition of any event of default, to the SCF Loan Documents (in which case the Company and their Subsidiaries shall, at the request of the Notes Agent, agree to such amendment or modification of the appropriate Note Documents); provided that in the case of any negative covenant that is financial covenant, (x) if and to the extent the Note Documents then include such a covenant, the relative differences, if any, between such covenant as reflected in the Note Documents and the SCF Loan Documents as of the date hereof or as of the date such covenant was permissibly added to the Note Documents, as applicable, shall be maintained, and in no event shall be more restrictive, and

the addition of any event of default to the Indenture shall be consistent with any event of default added to the SCF Credit Agreement and (y) no such consent of the Notes Agent, and no such amendment or modification to the Notes Documents, shall be required with respect to any change to or addition of any Maintenance Covenant, unless the SCF Agent previously or contemporaneously has consented to the inclusion of such a covenant in the Note Documents pursuant to the provisions of Section 5.3(d); or (iv) changes or adds any consensual encumbrance or restriction of any kind on the express ability of the Company or any of the Company Subsidiaries to pay any Note Obligations beyond that provided for in the SCF Loan Documents as in effect on the date hereof.

(d) Without the consent of the SCF Agent, the Notes Agent and the Note Claimholders will not be entitled to agree (and will not agree) to any amendment to or modification of, or consent to any waiver of departure from, the Note Documents, whether in a Refinancing or otherwise, that: (i) increases the interest rate on the Notes set forth in the Indenture as of the date hereof by more than 200 basis points, except in connection with the imposition of a default rate of interest in accordance with the terms of the Indenture as in effect on the date of this Agreement, (ii) changes any scheduled date upon which payments of principal or interest on the Note Obligations are due to an earlier date (including changing the final maturity date of the Notes to an earlier date) or changes or adds to the mandatory payment, prepayment or repurchase provisions of the Indenture, as in effect on the date of this Agreement, in a manner that increases the amount of, or requires additional or accelerated, prepayments or repurchases, except, in either case, as a result of the occurrence of a Note Default, including any right of acceleration as a result thereof, (iii) adds any Maintenance Covenant to the Note Documents, (iv) changes or adds any event of default or any negative covenant with respect to the Note Obligations in a manner which is more adverse to the SCF Claimholders or more restrictive to the Company, or their Subsidiaries (provided that in the case of any change to a financial covenant, the relative difference between the financial covenants, if and to the extent the Notes have any such covenant in the respective documents, will be maintained), unless such amendment or modification to any negative covenant or the addition of any event of default, is made in the SCF Loan Documents in direct response and corresponds to an adverse amendment or modification to any covenant, or the addition of any event of default, to the Note Documents (in which case the Company and their Subsidiaries shall, at the request of the SCF Agent, agree to such amendment or modification of the appropriate SCF Loan Documents); or (v) changes or adds any consensual encumbrance or restriction of any kind on the express ability of the Company or any of the Company Subsidiaries to pay and SCF Obligations beyond that provided in the Note Documents as in effect on the date hereof.

5.4 Bailees for Perfection.

(a) Each Agent agrees to hold that part of the Collateral that is in its possession or control (or in the possession or control of its agents or bailees) to the extent that possession or control thereof is taken to perfect a Lien thereon (such Collateral, which shall include without limitation Account Agreements, being the "**Pledged Collateral**") as

(i) in the case of the SCF Agent, the collateral agent for the SCF Claimholders under the SCF Loan Documents or, in the case of the Notes Agent, the collateral agent for the Note Claimholders under the Note Documents and (ii) gratuitous bailee for the benefit of the other Agent (such bailment being intended, among other things, to satisfy the requirements of Sections 8-301(a)(2) and 9-313(c) of the UCC) and any assignee solely for the purpose of perfecting the security interest granted under the SCF Loan Documents and the Note Documents, respectively, subject to the terms and conditions of this Section 5.4. The Notes Agent and the Note Claimholders hereby appoint the SCF Agent as their gratuitous bailee for the purposes of perfecting their security interest in all Deposit Accounts and Securities Accounts of the Company and their Subsidiaries. The SCF Agent hereby accepts such appointment and acknowledges and agrees that it shall act for the benefit of the Notes Agent and the other Note Claimholders under each Account Agreement and that any proceeds received by the SCF Agent under any Account Agreement shall be applied in accordance with Article IV.

(b) Neither Agent shall have any obligation whatsoever to the other Agent, to any other SCF Claimholder, or to any other Note Claimholder to ensure that the Pledged Collateral is genuine or owned by any of the Grantors or to preserve rights or benefits of any Person except as expressly set forth in this Section 5.4. The duties or responsibilities of the respective Agents under this Section 5.4 shall be limited solely to holding the Pledged Collateral as bailee in accordance with this Section 5.4 and delivering the Pledged Collateral or proceeds thereof upon a Discharge of SCF Obligations or Discharge of Note Obligations, as applicable, as provided in paragraph (d) below.

(c) Neither Agent acting pursuant to this Section 5.4 shall have by reason of the SCF Loan Documents, the Note Documents, this Agreement or any other document a fiduciary relationship in respect of the other Agent, any other SCF Claimholder or any other Note Claimholder.

(d) Upon the Discharge of SCF Obligations or the Discharge of Note Obligations, as applicable, the Agent under the credit facility that has been discharged shall deliver the remaining Pledged Collateral (if any) together with any necessary endorsements, first, to the other Agent to the extent the other Obligations remain outstanding, and second, to the applicable Grantor to the extent the Discharge of SCF Obligations and the Discharge of Note Obligations have occurred (in each case, so as to allow such Person to obtain possession or control of such Pledged Collateral). Each Agent further agrees to take all other action reasonably requested by the other Agent in connection with the other Agent obtaining a first-priority interest in the Collateral or as a court of competent jurisdiction may otherwise direct. Notwithstanding anything to the contrary contained in this Agreement, any obligation of the Agent, which has been discharged, to make any delivery to the other Agent under this Section 5.4(d) or Section 5.5 is subject to (i) the order of any court of competent jurisdiction, or (ii) any automatic stay imposed in connection with any Insolvency or Liquidation Proceeding.

(e) Subject to the terms of this Agreement, (i) so long as the Discharge of SCF Obligations has not occurred, the SCF Agent shall be entitled to deal with the Pledged Collateral or Collateral within its "control" in accordance with the terms of this Agreement and other SCF Loan Documents, but only to the extent that such Collateral constitutes SCF Primary Collateral, as if the Liens of the Notes Agent on behalf of the Note Claimholders did not exist, and (ii) so long as the Discharge of Note Obligations has not occurred, the Notes Agent shall be entitled to deal with the Pledged Collateral or Collateral within its "control" in accordance with the terms of this Agreement and other Note Documents, but only to the extent that such Collateral constitutes Note Primary Collateral, as if the Liens of the SCF Agent on behalf of the SCF Claimholders did not exist.

5.5 When Discharge of SCF Obligations and Discharge of Note Obligations Deemed to Not Have Occurred. If concurrently with the Discharge of SCF Obligations or the Discharge of Note Obligations, the Company thereafter enters into any Permitted Refinancing of any SCF Obligation or Note Obligation, as applicable, then such Discharge of SCF Obligations or the Discharge of Note Obligations shall automatically be deemed not to have occurred for all purposes of this Agreement (other than with respect to any actions taken as a result of the occurrence of such first Discharge of SCF Obligations or the Discharge of Note Obligations in order to effectuate such discharge among (i) the agent(s) and other claimholders under the facility to be discharged, (ii) the agents and other claimholders under the new facility, and (iii) the Company and the Company Subsidiaries), and, from and after the date on which the New Debt Notice is delivered to the appropriate Agent in accordance with the next sentence, the obligations under such Permitted Refinancing shall automatically be treated as SCF Obligations or Note Obligations for all purposes of this Agreement, as applicable, including for purposes of the Lien priorities and rights in respect of Collateral set forth herein, and the SCF Agent or the Notes Agent, as applicable, under such new SCF Loan Documents or Note Documents, as applicable, shall be the SCF Agent or the Notes Agent, as applicable, for all purposes of this Agreement. Upon receipt of a notice (the "**New Debt Notice**") stating that the Company has entered into new SCF Loan Documents or new Note Documents (which notice shall include a complete copy of the relevant new documents and provide the identity of the new Agent, such agent, the "**New Agent**"), the other Agent shall promptly (a) enter into such documents and agreements (including amendments or supplements to this Agreement) as the Company or such New Agent shall reasonably request in order to provide to the New Agent the rights contemplated hereby, in each case consistent in all material respects with the then terms of this Agreement and (b) deliver to the New Agent any Pledged Collateral held by it together with any necessary endorsements (or otherwise allow the New Agent to obtain control of such Pledged Collateral). In accordance with Section 5.3(a), the New Agent shall agree in a writing addressed to the other Agent and the SCF Claimholders or the Note Claimholders, as applicable, to be bound by the terms of this Agreement.

VI. INSOLVENCY OR LIQUIDATION PROCEEDINGS.

6.1 Finance and Sale Issues. The Notes Agent, on behalf of the Note Claimholders, hereby agrees that, until the Discharge of SCF Obligations has occurred, if any Grantor shall be subject to any Insolvency or Liquidation Proceeding and the SCF Agent shall desire to permit the use of "Cash Collateral" (as such term is defined in Section 363(a) of the Bankruptcy

Code), on which the SCF Agent or any other creditor has a Lien or to permit any Grantor to obtain financing, whether from the SCF Claimholders or any other Person under Section 364 of the Bankruptcy Code or any similar Bankruptcy Law ("**DIP Financing**"), then any Note Claimholder will not be entitled to raise (and will not raise), but instead shall be deemed to have hereby irrevocably and absolutely waived, any objection to, and shall not otherwise in any manner be entitled to oppose or will oppose, such Cash Collateral use or DIP Financing (including that the Note Claimholders are entitled to adequate protection of their interest in the Collateral as a condition thereto) so long as such Cash Collateral use or DIP Financing meets the following requirements: (i) it is acceptable to the court presiding over such Insolvency or Liquidation Proceeding, (ii) the Notes Agent and the other Note Claimholders retain the right to object to any ancillary agreements or arrangements regarding the Cash Collateral use or the DIP Financing that are materially prejudicial to their interests in the Note Primary Collateral in a manner inconsistent with the terms of this Agreement, and (iii) the terms of the Cash Collateral use or the DIP Financing (a) do not compel the applicable Grantor to seek confirmation of a specific Plan of Reorganization for which all or substantially all of the material terms of such plan are set forth in the Cash Collateral use or DIP Financing documentation or a related document, (b) do not expressly require the liquidation of any material portion of the Collateral prior to a default under the DIP Financing documentation or Cash Collateral order (exclusive of any slow moving, obsolete, damaged or surplus Collateral), and (c) require that any Lien on the Note Primary Collateral to secure such DIP Financing is subordinate to the Lien of the Notes Agent securing the Note Obligations with respect thereto. To the extent that the Liens securing the SCF Obligations are subordinated to or *pari passu* with any Cash Collateral use or any DIP Financing that meets the requirements of clauses (i) through (iii) of the proceeding sentence, the Notes Agent shall be required to subordinate and will subordinate its Liens in the SCF Primary Collateral to the Liens securing such DIP Financing (and all obligations relating thereto) and, consistent with the preceding provisions of this Section 6.1, will not request adequate protection or any other relief in connection therewith (except as expressly agreed by the SCF Agent in its sole and absolute discretion).

6.2 Relief from the Automatic Stay.

(a) Until the Discharge of SCF Obligations, the Notes Agent, and the other Note Claimholders, agree that none of them shall seek (or support any other Person seeking) relief from the automatic stay or any other stay in any Insolvency or Liquidation Proceeding in respect of the SCF Primary Collateral**,** without the prior written consent of the SCF Agent (given or not given in its sole and absolute discretion), unless (i) the SCF Agent already has filed a motion (which remains pending) for such relief with respect to its interest in such SCF Primary Collateral and (ii) a corresponding motion, in the reasonable judgment of the Notes Agent, must be filed for the purpose of preserving the Notes Agent's ability to receive residual distributions pursuant to Section 4.1, although the Note Claimholders shall otherwise remain subject to the Note Standstill Period following the granting of any such relief from the automatic stay.

(b) Until the Discharge of Note Obligations has occurred, the SCF Agent, on behalf of the SCF Claimholders, agrees that none of them shall seek (or support any other

Person seeking) relief from the automatic stay or any other stay in any Insolvency or Liquidation Proceeding in respect of the Note Primary Collateral (other than to the extent such relief is required to exercise its rights under Sections 3.3 and 3.4), without the prior written consent of the Notes Agent (given or not given in its sole and absolute discretion), unless (i) the Notes Agent already has filed a motion (which remains pending) for such relief with respect to its interest in the Note Primary Collateral and (ii) a corresponding motion, in the reasonable judgment of the SCF Agent, must be filed for the purpose of preserving the SCF Agent's ability to receive residual distributions pursuant to Section 4.1, although the SCF Agent shall otherwise remain subject to the SCF Standstill Period following the granting of any such relief from the automatic stay.

6.3 Adequate Protection.

(a) The Notes Agent, on behalf of itself and the Note Claimholders, agrees that none of them shall be entitled to contest and none of them shall contest (or support any other Person contesting) (but instead shall be deemed to have hereby irrevocably, absolutely, and unconditionally waived any right) to contest (or support any other Person contesting):

(1) any request by the SCF Agent or the other SCF Claimholders for relief from the automatic stay with respect to the SCF Primary Collateral; or

(2) any request by the SCF Agent or the other SCF Claimholders for adequate protection with respect to the SCF Primary Collateral; or

(3) any objection by the SCF Agent or the other SCF Claimholders to any motion, relief, action or proceeding based on the SCF Agent or the other SCF Claimholders claiming a lack of adequate protection with respect to the SCF Primary Collateral.

(b) The SCF Agent, on behalf of itself and the SCF Claimholders, agrees that none of them shall be entitled to contest and none of them shall contest (or support any other Person contesting):

(1) any request by the Notes Agent or the other Note Claimholders for relief from the automatic stay with respect to the Note Primary Collateral; or

(2) any request by the Notes Agent or the Note Claimholders for adequate protection with respect to the Note Primary Collateral; or

(3) any objection by the Notes Agent or the Note Claimholders to any motion, relief, action or proceeding based on the Notes Agent or the Note Claimholders claiming a lack of adequate protection.

(c) Consistent with the foregoing provisions in this Section 6.3, and except as provided in Sections 6.1 and 6.7, in any Insolvency or Liquidation Proceeding:

(1) no Note Claimholder shall be entitled (and each Note Claimholder shall be deemed to have hereby irrevocably, absolutely, and unconditionally waived any right) to seek or otherwise be granted any type of adequate protection with respect to its interests in the SCF Primary Collateral, whether in connection with any Cash Collateral use, any DIP Financing, or otherwise, without the express written consent of the SCF Agent (given or not given in its sole and absolute discretion). Any type of such adequate protection that might be granted in favor of any Note Claimholder with respect to any interest such Claimholder may have in the SCF Primary Collateral (even if such adequate protection shall be in the form of a Lien on property that is not of a type that otherwise would have constituted SCF Primary Collateral) will be subordinated to the Liens securing the SCF Obligations and such Cash Collateral use or DIP Financing (and all Obligations relating thereto) permitted pursuant to Section 6.1 on the same basis as the other Liens of the Notes Agent on SCF Primary Collateral; and

(2) no SCF Claimholder shall be entitled (and each SCF Claimholder shall be deemed to have hereby irrevocably, absolutely, and unconditionally waived any right) to seek or otherwise be granted any type of adequate protection in respect of Note Primary Collateral without the express written consent of the Notes Agent (given or not given in its sole and absolute discretion). Any type of such adequate protection that might be granted in favor of any SCF Claimholder with respect to any interest such Claimholder may have in the Note Primary Collateral (even if such collateral is not of a type which would otherwise have constituted Note Primary Collateral), shall be subordinated to the Liens on such collateral securing the Note Obligations, any such DIP Financing (and all Obligations relating thereto) permitted pursuant to Section 6.1 all on the same basis as the other Liens of the SCF Agent on Note Primary Collateral.

(d) Except as otherwise expressly set forth in Section 6.1 or in connection with the exercise of remedies with respect to (i) the SCF Primary Collateral, nothing herein shall limit the rights of the Notes Agent or the Note Claimholders from seeking adequate protection with respect to their rights in the Note Primary Collateral in any Insolvency or Liquidation Proceeding (including adequate protection in the form of a cash payment, periodic cash payments or otherwise) or (ii) the Note Primary Collateral, nothing herein shall limit the rights of the SCF Agent or the SCF Claimholders from seeking adequate protection with respect to their rights in the SCF Primary Collateral in any Insolvency or Liquidation Proceeding (including adequate protection in the form of a cash payment, periodic cash payments or otherwise).

6.4 Avoidance Issues. If any SCF Claimholder or Note Claimholder is required in any Insolvency or Liquidation Proceeding or otherwise to turn over or otherwise pay to the estate of the applicable Grantor any amount paid in respect of SCF Obligations or the Note Obligations, as applicable (a "**Recovery**"), then such SCF Claimholders or Note Claimholders shall be entitled to a reinstatement of SCF Obligations or the Note Obligations, as applicable, with respect to all such recovered amounts. If this Agreement shall have been terminated prior to such Recovery, this Agreement shall be reinstated in full force and effect, and such prior

termination shall not diminish, release, discharge, impair or otherwise affect the obligations of the parties hereto from such date of reinstatement.

6.5 Reorganization Securities. Subject to the ability of the SCF Claimholders and the Note Claimholders, as applicable, to support or oppose confirmation or approval of any Conforming Plan of Reorganization or to oppose confirmation or approval of any Non-Conforming Plan of Reorganization, as provided herein, if, in any Insolvency or Liquidation Proceeding, debt obligations of the reorganized debtor secured by Liens upon any property of the reorganized debtor are distributed pursuant to a Plan of Reorganization, both on account of SCF Obligations and on account of Note Obligations, then, to the extent the debt obligations distributed on account of the SCF Obligations and on account of the Note Obligations are secured by Liens upon the same property, the provisions of this Agreement will survive the distribution of such debt obligations pursuant to such plan and will apply with like effect to the debt obligations so distributed, to the Liens securing such debt obligations and the distribution of proceeds thereof.

6.6 Post-Petition Interest.

(a) Neither the Notes Agent nor any Note Claimholder shall oppose or seek to challenge any claim by the SCF Agent or any SCF Claimholder for allowance in any Insolvency or Liquidation Proceeding of SCF Obligations consisting of post-petition interest, fees or expenses to the extent of the value of the Lien securing any SCF Claimholder's claim, without regard to the existence of the Lien of the Notes Agent on behalf of the Note Claimholders on the Collateral; provided that nothing contained in this Section 6.6(a) prohibits the Notes Agent on behalf of the Note Claimholders from seeking adequate protection (to the extent it has not already done so under other provisions of this Agreement) with respect to their rights in the Note Primary Collateral in any Insolvency or Liquidation Proceeding if such Note Primary Collateral is the source of payment of post-petition interest, fees or expenses payable to the SCF Agent or any SCF Loan Claimholder.

(b) Neither the SCF Agent nor any other SCF Claimholder shall oppose or seek to challenge any claim by the Notes Agent or any Note Claimholder for allowance in any Insolvency or Liquidation Proceeding of Note Obligations consisting of post-petition interest, fees or expenses to the extent of the value of the Lien securing any Note Claimholder's claim, without regard to the existence of the Lien of the SCF Agent on behalf of the SCF Claimholders on the Collateral; provided that nothing contained in this Section 6.6(b) prohibits the SCF Agent on behalf of the SCF Claimholders from seeking adequate protection (to the extent it has not already done so under other provisions of this Agreement) with respect to their rights in the SCF Primary Collateral in any Insolvency or Liquidation Proceeding if such SCF Primary Collateral is the source of payment of post-petition interest, fees or expenses payable to the Notes Agent or any Note Claimholder.

6.7 Right to Contest Any Other Liens. Except solely as provided in Section 6.1, neither the SCF Agent, on behalf of the other SCF Claimholders, nor the Notes Agent, on behalf of the Note Claimholders, shall be under any obligation to agree to or otherwise permit any other Liens to be granted on the Collateral. Without limiting the generality of the foregoing, and except solely as provided in Section 6.1, neither Agent shall be under any obligation to agree to or otherwise permit any of its Liens in the Collateral to be subordinated (or to permit the Liens of any other Person to be *pari passu* with its Liens in the Collateral) in any Insolvency or Liquidation Proceeding (including any subordination or *pari passu* treatment that would result from the imposition of any lien pursuant to Section 364(d) of the Bankruptcy Code), and in addition to its rights under this Agreement (including Section 2.1), and notwithstanding any other provision of Article VI (other than Section 6.1) to the contrary, each Agent shall be entitled to assert (or otherwise avail itself of) any rights, powers and/or remedies, including any rights under Sections 364 and 361 of the Bankruptcy Code, in opposition to the imposition of any such other Lien, including any such attempted subordination or *pari passu* treatment, including in connection with any Cash Collateral use or DIP Financing that is inconsistent with the provisions of Section 6.1.

6.8 Separate Grants of Security and Separate Classification. The Notes Agent, on behalf of the Note Claimholders, and the SCF Agent on behalf of the SCF Claimholders, acknowledge and intend that: the grants of Liens pursuant to the SCF Security Documents and the Note Security Documents constitute two separate and distinct grants of Liens, and because of, among other things, their differing rights in the Collateral, the Note Obligations are fundamentally different from the SCF Obligations and must be separately classified in any Plan of Reorganization proposed or confirmed (or approved) in an Insolvency or Liquidation Proceeding. To further effectuate the intent of the parties as provided in the immediately preceding sentence, if it is held that the claims of the SCF Claimholders and the Note Claimholders in respect of the Collateral constitute claims in the same class (rather than separate classes of senior and junior secured claims), then the SCF Claimholders and the Note Claimholders hereby acknowledge and agree that all distributions shall be made as if there were separate classes of SCF Obligations and Note Obligations against the Grantors (with the effect being that, to the extent that the aggregate value of the SCF Primary Collateral or Note Primary Collateral is sufficient (for this purpose ignoring all claims held by the other Secured Parties for whom such Collateral is non-primary), the SCF Claimholders or the Note Claimholders, respectively, shall be entitled to receive, in addition to amounts distributed to them in respect of principal, pre-petition interest and other claims, all amounts owing in respect of post-petition interest, fees or expenses that is available from each pool of primary Collateral for each of the SCF Claimholders and the Note Claimholders, respectively, before any distribution is made in respect of the claims held by the other Secured Parties for whom such Collateral is non-primary, with such other Secured Parties hereby acknowledging and agreeing to turn over to the respective other Secured Parties amounts otherwise received or receivable by them to the extent necessary to effectuate the intent of this sentence, even if such turnover has the effect of reducing the aggregate recoveries.

6.9 Asset Dispositions in an Insolvency or Liquidation Proceeding.

(a) Without limiting the SCF Agent's and the SCF Claimholders' rights under Section 3.1(b), neither the Notes Agent nor any other Note Claimholder shall, in any

Insolvency or Liquidation Proceeding or otherwise, oppose any sale or disposition of any SCF Primary Collateral that is supported by the SCF Claimholders, and the Notes Agent and each other Note Claimholder will be deemed to have irrevocably, absolutely, and unconditionally consented under Section 363 of the Bankruptcy Code (and otherwise) to any sale of any SCF Primary Collateral supported by the SCF Claimholders and to have released their Liens on such assets; provided that to the extent the proceeds of such Collateral are not applied to reduce SCF Obligations the Notes Agent shall retain a Lien on such proceeds in accordance with the terms of this Agreement.

(b) Without limiting the Notes Agent's and the Note Claimholders' rights under Section 3.2(b), neither the SCF Agent nor any other SCF Claimholder shall, in any Insolvency Proceeding or otherwise, oppose any sale or disposition of any Note Primary Collateral that is supported by the Note Claimholders and made subject to Section 3.3(d), and the SCF Agent and each other SCF Claimholder will be deemed to have consented under Section 363 of the Bankruptcy Code (and otherwise) to any sale of any Note Primary Collateral supported by the Note Claimholders and to have released their Liens on such assets; provided that to the extent the proceeds of such Collateral are not applied to reduce Note Obligations the SCF Agent shall retain a Lien on such proceeds in accordance with the terms of this Agreement; provided further that the SCF Agent's and the SCF Claimholders' rights under Sections 3.3 and 3.4 shall survive any such sale or disposition.

VII. RELIANCE; WAIVERS; ETC.

7.1 Reliance. Other than any reliance on the terms of this Agreement, the SCF Agent, on behalf the SCF Claimholders, acknowledges that it and the other SCF Claimholders have, independently and without reliance on the Notes Agent or any Note Claimholder, and based on documents and information deemed by them appropriate, made their own credit analysis and decision to enter into SCF Loan Documents and be bound by the terms of this Agreement, and they will continue to make their own credit decision in taking or not taking any action under the SCF Loan Documents or this Agreement. The Notes Agent, on behalf the Note Claimholders, acknowledges that it and the other Note Claimholders have, independently and without reliance on the SCF Agent or any other SCF Claimholder, and based on documents and information deemed by them appropriate, made their own credit analysis and decision to enter into each of the other Note Documents and be bound by the terms of this Agreement, and they will continue to make their own credit decision in taking or not taking any action under the Note Documents or this Agreement.

7.2 No Warranties or Liability. The SCF Agent, on behalf of the SCF Claimholders, acknowledges and agrees that each of the Notes Agent and the Note Claimholders have made no express or implied representation or warranty, including with respect to the execution, validity, legality, completeness, collectibility or enforceability of any of the other Note Documents, the ownership of any Collateral or the perfection or priority of any Liens thereon. Except as otherwise provided in this Agreement, the Notes Agent and the Note Claimholders will be entitled to manage and supervise their respective loans and extensions of credit under the Note

Documents in accordance with law and as they may otherwise, in their sole discretion, deem appropriate. The Notes Agent, on behalf the Note Claimholders, acknowledges and agrees that the SCF Agent and the other SCF Claimholders have made no express or implied representation or warranty, including with respect to the execution, validity, legality, completeness, collectibility or enforceability of any of the other SCF Loan Documents, the ownership of any Collateral or the perfection or priority of any Liens thereon. Except as otherwise provided herein, the SCF Agent and the other SCF Claimholders will be entitled to manage and supervise their respective loans and extensions of credit under their respective SCF Loan Documents in accordance with law and as they may otherwise, in their sole discretion, deem appropriate. The Notes Agent and the Note Claimholders shall have no duty to the SCF Agent or any of the SCF Claimholders, and the SCF Agent and the other SCF Claimholders shall have no duty to the Notes Agent or any of the other Note Claimholders, to act or refrain from acting in a manner which allows, or results in, the occurrence or continuance of an event of default or default under any agreements any Grantor (including the SCF Loan Documents and the Note Documents), regardless of any knowledge thereof which they may have or be charged with.

7.3 No Waiver of Lien Priorities.

(a) No right of the Agents, the other SCF Claimholders or the other Note Claimholders to enforce any provision of this Agreement or any SCF Loan Document or Note Document shall at any time in any way be prejudiced or impaired by any act or failure to act on the part of any Grantor or by any act or failure to act by such Agents, SCF Claimholder or Note Claimholders or by any noncompliance by any Person with the terms, provisions and covenants of this Agreement, any of the SCF Loan Documents or any of the Note Documents, regardless of any knowledge thereof which the Agents or the SCF Claimholders or Note Claimholders, or any of them, may have or be otherwise charged with.

(b) Without in any way limiting the generality of the foregoing paragraph (but subject to the rights of the Grantors under the SCF Loan Documents and Note Documents and subject to the provisions of Sections 5.3(a), 5.3(c), and, as applicable, 5.3(d)), the Agents, the other SCF Claimholders and the other Note Claimholders may, at any time and from time to time in accordance with the SCF Loan Documents and Note Documents and/or applicable law, without the consent of, or notice to, the other Agent or the SCF Claimholder or the Note Claimholders (as applicable), without incurring any liabilities to such Persons and without impairing or releasing the Lien priorities and other benefits provided in this Agreement (even if any right of subrogation or other right or remedy is affected, impaired or extinguished thereby) do any one or more of the following:

(1) change the manner, place or terms of payment or change or extend the time of payment of, or amend, renew, exchange, increase or alter, the terms of any of the Obligations or any Lien or guaranty thereof or any liability of any Grantor, or any liability incurred directly or indirectly in respect thereof (including any increase in or extension of the Obligations, without any restriction as to the tenor or terms of any such increase or extension) or otherwise amend, renew, exchange, extend, modify or supplement

in any manner any Liens held by the Agents or any rights or remedies under any of the SCF Loan Documents or the Note Documents;

(2) sell, exchange, release, surrender, realize upon, enforce or otherwise deal with in any manner and in any order any part of the Collateral (except to the extent provided in this Agreement) or any liability of any Grantor or any liability incurred directly or indirectly in respect thereof;

(3) settle or compromise any Obligation or any other liability of any Grantor or any security therefore or any liability incurred directly or indirectly in respect thereof and apply any sums by whomsoever paid and however realized to any liability in any manner or order that is not inconsistent with the terms of this Agreement; and

(4) exercise or delay in or refrain from exercising any right or remedy against any security or any Grantor or any other Person, elect any remedy and otherwise deal freely with any Grantor.

7.4 Obligations Unconditional. All rights, interests, agreements and obligations of the SCF Claimholders and the Note Claimholders, respectively, hereunder shall remain in full force and effect irrespective of:

(a) any lack of validity or enforceability of any SCF Loan Documents or any Note Documents;

(b) except, in each case, as otherwise expressly set forth in this Agreement, any change in the time, manner or place of payment of, or in any other terms of, all or any of the SCF Obligations or Note Obligations, or any amendment or waiver or other modification, including any increase in the amount thereof, whether by course of conduct or otherwise, of the terms of any SCF Loan Document or any Note Document;

(c) except as otherwise expressly set forth in this Agreement, any exchange of any security interest in any Collateral or any other collateral, or any amendment, waiver or other modification, whether in writing or by course of conduct or otherwise, of all or any of the SCF Obligations or Note Obligations or any guaranty thereof;

(d) the commencement of any Insolvency or Liquidation Proceeding in respect of any Grantor; or

(e) any other circumstances which otherwise might constitute a defense available to, or a discharge of, any Grantor in respect of the SCF Agent, the SCF Obligations, any SCF Claimholder, the Notes Agent, the Note Obligations or any Note Claimholder in respect of this Agreement.

VIII. MISCELLANEOUS.

8.1 Conflicts. In the event of any conflict between the provisions of this Agreement and the provisions of any SCF Loan Document or any Note Document, the provisions of this Agreement shall govern and control.

8.2 Effectiveness; Continuing Nature of this Agreement; Severability. This Agreement shall become effective when executed and delivered by the parties hereto. This is a continuing agreement of Lien subordination (as opposed to an agreement of debt or claim subordination), and the SCF Claimholders and Note Claimholders may continue, at any time and without notice to the other Agent, to extend credit and other financial accommodations and lend monies to or for the benefit of any Grantor in reliance hereon. Each of the Agents, on behalf the SCF Claimholders or the Note Claimholders, as applicable, hereby irrevocably, absolutely, and unconditionally waives any right any Claimholder may have under applicable law to revoke this Agreement or any of the provisions of this Agreement. The terms of this Agreement shall survive, and shall continue in full force and effect, in any Insolvency or Liquidation Proceeding. Consistent with, but not in limitation of, the preceding sentence, each of the Agents, on behalf of the SCF Claimholders and the Note Claimholders, as applicable, irrevocably acknowledges that this Agreement constitutes a "subordination agreement" within the meaning of both New York law and Section 510(a) of the Bankruptcy Code. Any provision of this Agreement that is prohibited or unenforceable in any jurisdiction shall not invalidate the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction. All references to any Grantor shall include such Grantor as debtor and debtor-in-possession and any receiver or trustee for any Grantor (as applicable) in any Insolvency or Liquidation Proceeding. This Agreement shall terminate and be of no further force and effect:

(a) with respect to the SCF Agent, the SCF Claimholders and the SCF Obligations, the date of the Discharge of SCF Obligations, subject to the rights of the SCF Claimholders under Section 6.4; and

(b) with respect to the Notes Agent, the Note Claimholders and the Note Obligations, the date of the Discharge of Note Obligations, subject to the rights of the Note Claimholders under Section 6.4.

8.3 Amendments; Waivers. No amendment, modification or waiver of any of the provisions of this Agreement by the Notes Agent or the SCF Agent shall be deemed to be made unless the same shall be in writing signed on behalf of each party hereto or its authorized agent and each waiver, if any, shall be a waiver only with respect to the specific instance involved and shall in no way impair the rights of the parties making such waiver or the obligations of the other parties to such party in any other respect or at any other time. Notwithstanding the foregoing, no Grantor shall have any right to consent to or approve any amendment, modification or waiver of any provision of this Agreement except to the extent its rights are directly affected.

8.4 Information Concerning Financial Condition of the Company and Their Subsidiaries. The SCF Agent and the SCF Claimholders, on the one hand, and the Notes Agent and the Note Claimholders, on the other hand, shall each be responsible for keeping themselves informed of (a) the financial condition of the Company and the Company Subsidiaries and all endorsers and/or guarantors and other Grantors of the SCF Obligations or the Note Obligations and (b) all other circumstances bearing upon the risk of nonpayment of the SCF Obligations or the Note Obligations. Neither the SCF Claimholders, on the one hand, nor the Note Claimholders, on the other hand, shall have any duty to advise the other of information known to it or them regarding such condition or any such circumstances or otherwise. In the event that either the SCF Agent or any of the other SCF Claimholders, on the one hand, or the Notes Agent or any of the other Note Claimholders, on the other hand, undertakes at any time or from time to time to provide any such information to any of the others, it or they shall be under no obligation:

(a) to make, and shall not make, any express or implied representation or warranty, including with respect to the accuracy, completeness, truthfulness or validity of any such information so provided;

(b) to provide any additional information or to provide any such information on any subsequent occasion;

(c) to undertake any investigation; or

(d) to disclose any information, which pursuant to accepted or reasonable commercial finance practices, such party wishes to maintain confidential or is otherwise required to maintain confidential.

8.5 Subrogation.

(a) With respect to the value of any payments or distributions in cash, property or other assets that any of the Note Claimholders actually pays over to the SCF Agent or the SCF Claimholders under the terms of this Agreement, the Note Claimholders shall be subrogated to the rights of the SCF Claimholders; provided, however, that the Notes Agent, on behalf of the Note Claimholders, hereby agrees not to assert or enforce all such rights of subrogation it may acquire as a result of any payment hereunder until the Discharge of SCF Obligations has occurred. The Grantors acknowledge and agree that, to the extent permitted by applicable law, the value of any payments or distributions in cash, property or other assets received by the Note Claimholders that are paid over to the SCF Claimholders pursuant to this Agreement shall not reduce any of the Note Obligations. Notwithstanding the foregoing provisions of this Section 8.5(a), none of the Note Claimholders shall have any claim against any of the SCF Claimholders for any impairment of any subrogation rights herein granted to the Note Claimholders.

(b) With respect to the value of any payments or distributions in cash, property or other assets that any of the SCF Claimholders actually pays over the Note Claimholders under the terms of this Agreement, the SCF Claimholders shall be subrogated to

the rights of the Note Claimholders; provided, however, that the SCF Agent, on behalf of the SCF Claimholders, hereby agrees not to assert or enforce all such rights of subrogation it may acquire as a result of any payment hereunder until the Discharge of Note Obligations has occurred. The Grantors acknowledge and agree that, to the extent permitted by applicable law, the value of any payments or distributions in cash, property or other assets received by the SCF Claimholders that are paid over to the Note Claimholders pursuant to this Agreement shall not reduce any of the SCF Obligations. Notwithstanding the foregoing provisions of this Section 8.5(b), none of the SCF Claimholders shall have any claim against any of the Note Claimholders for any impairment of any subrogation rights herein granted to the SCF Claimholders.

8.6 SUBMISSION TO JURISDICTION; WAIVERS.

(a) ALL JUDICIAL PROCEEDINGS BROUGHT AGAINST ANY PERSON ARISING OUT OF OR RELATING HERETO MAY BE BROUGHT IN ANY STATE OR FEDERAL COURT OF COMPETENT JURISDICTION IN THE STATE, COUNTY AND CITY OF NEW YORK. BY EXECUTING AND DELIVERING THIS AGREEMENT, EACH PARTY, FOR ITSELF AND ON BEHALF OF THE NOTE CLAIMHOLDERS (IN THE CASE OF THE NOTES AGENT) AND THE SCF CLAIMHOLDERS (IN THE CASE OF THE SCF AGENT), IRREVOCABLY:

(1) AGREES THAT THE ONLY NECESSARY PARTIES TO ANY AND ALL JUDICIAL PROCEEDINGS ARISING OUT OF OR RELATING TO THIS AGREEMENT SHALL BE THE PARTIES HERETO, EXCEPT WHERE IN ANY SUCH JUDICIAL PROCEEDING RELIEF (INCLUDING INJUNCTIVE RELIEF OR THE RECOVERY OF MONEY) IS BEING SOUGHT DIRECTLY AGAINST OR FROM A PERSON THAT IS NOT A PARTY AND EXCEPT THAT, IN ANY SUCH JUDICIAL PROCEEDINGS BETWEEN THE NOTES AGENT AND THE SCF AGENT THAT DOES NOT SEEK ANY RELIEF AGAINST OR FROM THE COMPANY OR ANY OF THE COMPANY SUBSIDIARIES, THE COMPANY AND THE SUBSIDIARIES SHALL NOT BE NECESSARY PARTIES. WITHOUT LIMITING THE GENERALITY OF THE FOREGOING, AND CONSISTENT WITH THE PROVISIONS OF SECTIONS 8.14 AND 8.18, NONE OF THE SCF CLAIMHOLDERS (OTHER THAN THE SCF AGENT) OR THE NOTE CLAIMHOLDERS (OTHER THAN THE NOTES AGENT) SHALL BE NECESSARY OR OTHERWISE APPROPRIATE PARTIES TO ANY SUCH JUDICIAL PROCEEDINGS, UNLESS IN SUCH JUDICIAL PROCEEDING SUMS ARE BEING SOUGHT TO RECOVERED DIRECTLY FROM SUCH PERSONS, INCLUDING PURSUANT TO SECTION 4.2.

(2) ACCEPTS GENERALLY AND UNCONDITIONALLY THE NONEXCLUSIVE JURISDICTION AND VENUE OF SUCH COURTS;

(3) WAIVES ANY DEFENSE OF FORUM NON CONVENIENS;

(4) AGREES THAT SERVICE OF ALL PROCESS IN ANY SUCH PROCEEDING IN ANY SUCH COURT MAY BE MADE BY REGISTERED OR CERTIFIED MAIL, RETURN RECEIPT REQUESTED, TO THE APPLICABLE PERSON (AND IN THE CASE OF A PARTY, AT ITS ADDRESS PROVIDED IN ACCORDANCE WITH SECTION 8.7); AND

(5) AGREES THAT SERVICE AS PROVIDED IN CLAUSE (3) ABOVE IS SUFFICIENT TO CONFER PERSONAL JURISDICTION OVER THE APPLICABLE PERSON IN ANY SUCH PROCEEDING IN ANY SUCH COURT, AND OTHERWISE CONSTITUTES EFFECTIVE AND BINDING SERVICE IN EVERY RESPECT.

(b) WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS AGREEMENT, ANY OF THE SCF LOAN DOCUMENTS OR ANY OF THE NOTE DOCUMENTS. EACH OF THE PARTIES HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT, THE SCF LOAN DOCUMENTS AND THE NOTE DOCUMENTS, AS APPLICABLE, BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION 8.6.

8.7 Notices. All notices permitted or required under this Agreement need be sent only to the Notes Agent and the SCF Agent, as applicable, in order to be effective and otherwise binding on any applicable Claimholder. If any notice is sent for whatever reason to the other Note Claimholders or the SCF Claimholders, such notice shall also be sent to the applicable Agent. Unless otherwise specifically provided herein, any notice hereunder shall be in writing and may be personally served, telexed or sent by telefacsimile or United States mail or courier service and shall be deemed to have been given when delivered in person or by overnight courier service and signed for against receipt thereof, upon receipt of telefacsimile or telex during normal business hours, or three Business Days after depositing it in the United States certified mails (return receipt requested) with postage prepaid and properly addressed. For the purposes hereof, the addresses of the parties hereto shall be as set forth below each party's name on the signature pages hereto, or, as to each party, at such other address as may be designated by such party in a written notice to all of the other parties.

8.8 Further Assurances. The SCF Agent, on behalf of the SCF Claimholders, and the Notes Agent, on behalf of the Note Claimholders, and the Grantors, agree that each of them shall take such further action and shall execute and deliver such additional documents and instruments (in recordable form, if requested) as the SCF Agent or the Notes Agent may reasonably request to effectuate the terms of and the Lien priorities contemplated by this Agreement.

8.9 APPLICABLE LAW. THIS AGREEMENT SHALL BE GOVERNED BY, AND SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

8.10 Specific Performance. Each of the SCF Agent and the Notes Agent may demand specific performance of this Agreement. The SCF Agent, on behalf of itself and the SCF Claimholders, and the Notes Agent, on behalf of itself and the Note Claimholders, hereby irrevocably waive any defense based on the adequacy of a remedy at law and any other defense which might be asserted to bar the remedy of specific performance in any action which may be brought by the SCF Agent or the other SCF Claimholders or the Notes Agent or the other Note Claimholders, as applicable. Without limiting the generality of the foregoing or of the other provisions of this Agreement, in seeking specific performance in any Insolvency or Liquidation Proceeding, an Agent may seek such relief as if it were the "holder" of the claims of the other Agent's Claimholders under Section 1126(a) of the Bankruptcy Code or otherwise had been granted an irrevocable power of attorney by the other Agent's Claimholders.

8.11 Headings. Section headings in this Agreement are included herein for convenience of reference only and shall not constitute a part of this Agreement for any other purpose or be given any substantive effect.

8.12 Counterparts. This Agreement may be executed in counterparts (and by different parties hereto in different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. Delivery of an executed counterpart of a signature page of this Agreement or any document or instrument delivered in connection herewith by telecopy shall be effective as delivery of a manually executed counterpart of this Agreement or such other document or instrument, as applicable.

8.13 Authorization. By its signature, each party hereto represents and warrants to the other parties hereto that the individual signing this Agreement on its behalf is duly authorized to execute this Agreement. The Notes Agent hereby represents that it is authorized to, and by its signature hereon does, bind the other Note Claimholders to the terms of this Agreement. The SCF Agent hereby represents that it is authorized to, and by its signature hereon does, bind the other SCF Claimholders to the terms of this Agreement.

8.14 No Third Party Beneficiaries. This Agreement and the rights and benefits hereof shall inure to the benefit of each of the parties hereto and its respective successors and assigns and shall inure to the benefit of (and shall be binding upon) each of the Agents, the other SCF Claimholders and the other Note Claimholders and their respective successors and assigns. Without limiting the generality of the foregoing, each of the Indenture and the SCF Credit Agreement shall expressly refer to this Agreement and acknowledge that its provisions shall be binding on the Notes Agents, and the other Note Claimholders (and their respective successors and assigns) and on the SCF Agent and the other SCF Claimholders (and their respective successors and assigns), as applicable, and, in any event, this Agreement shall be binding on the Agents, the other SCF Claimholders, and the other Note Claimholders and their respective

successors and assigns as if its provisions were set forth in their entirety in the SCF Credit Agreement and the Indenture. the obligations of the Grantors.

8.15 Provisions Solely to Define Relative Rights. The provisions of this Agreement are and are intended solely for the purpose of defining the relative rights of the SCF Claimholders on the one hand and the Note Claimholders on the other hand. No Grantor or any other creditor thereof shall have any rights hereunder, and no Grantor may rely on the terms hereof. Nothing in this Agreement is intended to or shall impair as between the Grantors and the SCF Agent and the other SCF Claimholders, or as between the Grantors and the Notes Agent and the other Note Claimholders, the obligations of any Grantor, which are absolute and unconditional, to pay principal, interest, fees and other amounts as provided in the other SCF Loan Documents and the other Note Documents, respectively, including as and when the same shall become due and payable in accordance with their terms.

8.16 Marshalling of Assets. The Notes Agent, on behalf of the Note Claimholders, hereby irrevocably, absolutely, and unconditionally waives any and all rights or powers any Note Claimholder may have at any time under applicable law or otherwise to have the SCF Primary Collateral, or any part thereof, marshaled upon any foreclosure or other enforcement of the SCF Agent's Liens. The SCF Agent, on behalf of the SCF Claimholders, hereby waives irrevocably, absolutely, and unconditionally any and all rights any SCF Claimholder may have at any time under applicable law or otherwise to have the Note Primary Collateral, or any part thereof, marshaled upon any foreclosure or other enforcement of the Notes Agent's Liens.

8.17 No Purchase Option in Favor of Note Claimholders. Without in any manner limiting the other provisions of this Agreement (including as to the enforcement of the rights, powers, and/or remedies of the SCF Agent or the other SCF Claimholders in and to the Collateral), nothing herein is intended to grant the Note Claimholders the option to purchase the aggregate amount (or any other portion) of outstanding SCF Obligations, whether at par or at any other price or under any other terms or conditions.

8.18 Exclusive Means of Exercising Rights under this Agreement. The Note Claimholders shall be deemed to have irrevocably appointed the Notes Agent, and the SCF Claimholders shall be deemed to have irrevocably appointed the SCF Agent, as their respective and exclusive agents hereunder. Consistent with such appointment, the Note Claimholders and the SCF Claimholders further shall be deemed to have agreed that only their respective Agent (and not any individual Claimholder or group of Claimholders) shall have the exclusive right to exercise any rights, powers, and/or remedies under or in connection with this Agreement (including bringing any action to interpret or otherwise enforce the provisions of this Agreement) or the Collateral; provided, that (i) SCF Claimholders holding obligations in respect to Bank Products or Obligations in respect of Hedging Agreements may exercise customary netting rights with respect thereto, (ii) cash collateral may be held pursuant to the terms of the SCF Loan Documents (including any relating to Bank Products or Hedging Agreements) and any such individual SCF Claimholder may act against such Collateral, and (iii) SCF Claimholders may exercise customary rights of setoff against depository or other accounts maintained with them. Specifically, but without limiting the generality of the foregoing, each Noteholder or group of Noteholders, and

each SCF Lender or group of SCF Lenders, shall not be entitled to take or file, but instead shall be precluded from taking or filing (whether in any Insolvency or Liquidation Proceeding or otherwise), any action, judicial or otherwise, to enforce any right or power or pursue any remedy under this Agreement (including any declaratory judgment or other action to interpret or otherwise enforce the provisions of this Agreement) or in otherwise relation to the Collateral, except solely as provided in the proviso in the preceding sentence.

8.19 Interpretation. This Agreement is a product of negotiations among representatives of, and has been reviewed by counsel to, the Notes Agent, the SCF Agent, the Company, and the Company Subsidiaries and is the product of those Persons on behalf of themselves and the Note Claimholders (in the case of the Notes Agent) and the SCF Claimholders (in the case of the SCF Claimholders). Accordingly, this Agreement's provisions shall not be construed against, or in favor of, any part or other Person merely by virtue of that party or other Person's involvement, or lack of involvement, in the preparation of this Agreement and of any of its specific provisions.

[Signature Pages Follow]

IN WITNESS WHEREOF, the parties hereto have executed this Intercreditor Agreement as of the date first written above.

SCF Agent

BANK OF AMERICA, N.A.,
as SCF Agent

By: ANDREW A. DOHERTY
Name: Andrew A. Doherty
Title: SVP

Notice Address:

Bank of America, N.A.
300 Galleria Parkway, Suite 800
Atlanta, Georgia 30339
Attention: Business Capital - Account Executive
Telecopy No.: (770) 857-2947

with a copy to:

Bank of America, N.A.
6100 Fairview Road
Suite 200
Charlotte, NC 28210
Attention: Operations Manager
Telecopy No.: (704) 553-6738

Notes Agent

U.S. BANK NATIONAL ASSOCIATION,
as Notes Agent

By: R PROKOSCH
Name: Richard Prokosch
Title: Vice President

Notice Address:

U.S Bank National Association
60 Livingston Avenue
St. Paul, MN 55107
Attention: Richard Prokosch
Telecopy No.: (651) 495-8097

Acknowledged and Agreed to by:

UNIFI, INC.,
a New York corporation
UNIFI SALES & DISTRIBUTION, INC.,
a North Carolina corporation,
UNIFI MANUFACTURING, INC.,
a North Carolina corporation
GLENTOUCH YARN COMPANY, LLC,
a North Carolina limited liability company
UNIFI MANUFACTURING VIRGINIA, LLC,
a North Carolina limited liability company
UNIFI EXPORT SALES, LLC,
a North Carolina limited liability company
UNIFI TEXTURED POLYESTER, LLC,
a North Carolina limited liability company
UNIFI INTERNATIONAL SERVICES, INC.,
a North Carolina corporation
UNIFI TECHNICAL FABRICS, LLC,
a North Carolina limited liability company
CHARLOTTE TECHNOLOGY GROUP, INC.,
a North Carolina corporation
UTG SHARED SERVICES, INC.
a North Carolina corporation
UNIMATRIX AMERICAS, LLC,
a North Carolina limited liability company,
SPANCO INDUSTRIES, INC.,
a North Carolina corporation,
SPANCO INTERNATIONAL, INC.,
a North Carolina corporation

By: CHARLES F. MCCOY
Name: Charles McCoy
Title: Vice President

Notice Address:

Unifi, Inc.
7201 West Friendly Avenue
Greensboro, North Carolina 27410
Attention: William M. Lowe
Telephone: (336) 316-5664
Telecopy: (336) 294-4751

with a copy to:

Unifi, Inc.
7201 West Friendly Avenue
Greensboro, North Carolina 27410
Attention: Charles McCoy, Esq.

Exhibit 4.9

EXECUTION COPY

AMENDED AND RESTATED CREDIT AGREEMENT

Dated as of May 26, 2006

Among

THE FINANCIAL INSTITUTIONS NAMED HEREIN,

as the Lenders

and

BANK OF AMERICA, N.A.,

as the Administrative Agent

and

UNIFI, INC.

and

ITS DOMESTIC SUBSIDIARIES,

as the Borrowers

BANC OF AMERICA SECURITIES LLC,
as Sole Lead Arranger And Sole Book Manager

TABLE OF CONTENTS

TABLE OF CONTENTS
(continued)

ANNEXES, EXHIBITS AND SCHEDULES

ANNEX A	-	DEFINED TERMS
EXHIBIT A	-	FORM OF REVOLVING LOAN NOTE
EXHIBIT B	-	FORM OF BORROWING BASE CERTIFICATE
EXHIBIT C	-	FINANCIAL STATEMENTS
EXHIBIT D	-	FORM OF NOTICE OF BORROWING
EXHIBIT D-1	-	FORM OF NOTICE OF BORROWING FOR EX-IM BANK REVOLVING LOANS (BORROWING BASE CERTIFICATE)
EXHIBIT E	-	FORM OF NOTICE OF CONTINUATION/CONVERSION
EXHIBIT F	-	FORM OF ASSIGNMENT AND ACCEPTANCE AGREEMENT
EXHIBIT G	-	FORM OF JOINDER AGREEMENT
EXHIBIT H	-	FORM OF MONTHLY MANAGEMENT REPORT
SCHEDULE 1.1	-	ASSIGNED CONTRACTS
SCHEDULE 1.2	-	LENDERS' COMMITMENTS
SCHEDULE 6.4		CORPORATE NAME; PRIOR TRANSACTIONS
SCHEDULE 6.5	-	ORGANIZATION AND QUALIFICATION
SCHEDULE 6.7	-	CAPITALIZATION
SCHEDULE 6.9	-	DEBT
SCHEDULE 6.11	-	REAL ESTATE; LEASES
SCHEDULE 6.12	-	PROPRIETARY RIGHTS
SCHEDULE 6.13	-	TRADE NAMES
SCHEDULE 6.14	-	LITIGATION
SCHEDULE 6.15	-	LABOR DISPUTES
SCHEDULE 6.16	-	ENVIRONMENTAL LAW
SCHEDULE 6.19	-	ERISA COMPLIANCE
SCHEDULE 6.26	-	MATERIAL AGREEMENTS
SCHEDULE 6.27	-	BANK ACCOUNTS
SCHEDULE 7.28	-	FACTORING AGREEMENTS

AMENDED AND RESTATED CREDIT AGREEMENT

THIS AMENDED AND RESTATED CREDIT AGREEMENT, dated as of May 26, 2006 (this "Agreement"), among the financial institutions from time to time parties hereto (such financial institutions, together with their respective successors and assigns, are referred to hereinafter each individually as a "Lender" and collectively as the "Lenders"), Bank of America, N.A. with an office at 300 Galleria Parkway, Suite 800, Atlanta, Georgia 30339, as administrative agent for the Lenders (in its capacity as administrative agent, the "Agent" or the "Administrative Agent"), Unifi, Inc., a New York corporation, with offices at 7201 West Friendly Avenue, Greensboro, North Carolina 27410 (the "Parent") and the subsidiaries of the Parent listed on the signature pages hereto and such other subsidiaries of the Parent that become parties hereto from time to time after the date hereof, (the Parent and each such subsidiary is individually hereinafter referred to as a "Borrower" and the Parent together with all such subsidiaries are hereinafter collectively referred to as the "Borrowers").

W I T N E S S E T H:

WHEREAS, the Borrowers, the several banks and other financial institutions party thereto and the Administrative Agent are parties to the Credit Agreement dated as of December 7, 2001 (as amended, restated, modified or supplemented prior to the date hereof, the "Existing Credit Agreement"); and

WHEREAS, the Borrowers have requested, and the Lenders have agreed, to amend and restate the Existing Credit Agreement hereby and to extend a revolving credit facility to the Borrowers on the terms and conditions set forth in this Agreement;

WHEREAS, capitalized terms used in this Agreement and not otherwise defined herein shall have the meanings ascribed thereto in Annex A which is attached hereto and incorporated herein; the rules of construction contained therein shall govern the interpretation of this Agreement, and all Annexes, Exhibits and Schedules attached hereto are incorporated herein by reference;

NOW, THEREFORE, in consideration of the mutual conditions and agreements set forth in this Agreement, and for good and valuable consideration, the receipt of which is hereby acknowledged, the Lenders, the Agent, and the Borrowers hereby agree as follows.

ARTICLE 1
LOANS AND LETTERS OF CREDIT

1.1 Total Facility

Subject to all of the terms and conditions of this Agreement, the Lenders agree to make available a total credit facility of up to $100,000,000 (the "Total Facility") to the Borrowers from time to time during the term of this Agreement, which amount may be increased in accordance with Section 1.5. The Total Facility shall be composed of a revolving line of credit consisting of Revolving Loans and Letters of Credit described herein.

1.2 Revolving Loans

(a) (i) Amounts. Subject to the satisfaction of the conditions precedent set forth in Article 8, each Lender severally, but not jointly, agrees, upon a Borrower's request from time to time on any Business Day during the period from the Closing Date to the Termination Date, to make revolving loans (the "Revolving Loans") to the Borrowers (including Ex-Im Bank Revolving Loans; provided, however, no Lender shall have any obligation to extend an Ex-Im Bank Revolving Loan to any Borrower after May 26, 2009) in amounts not to exceed such Lender's Pro Rata Share of Availability, except for Non-Ratable Loans and Agent Advances and, as otherwise set forth herein, with respect to Ex-Im Bank Revolving Loans. The Lenders, however, in their unanimous discretion, may elect to make Revolving Loans or issue or arrange to have issued Letters of Credit in excess of the Borrowing Base on one or more occasions, but if they do so, neither the Agent nor the Lenders shall be deemed thereby to have changed the limits of the Borrowing Base or to be obligated to exceed such limits on any other occasion. If any Borrowing would exceed Availability, the Lenders may refuse to make or may otherwise restrict the making of Revolving Loans as the Lenders determine until such excess has been eliminated, subject to the Agent's authority, in its sole discretion, to make Agent Advances pursuant to the terms of Section 1.2(i).

(ii) At the request of Agent, the Borrowers shall execute and deliver to each Lender that so requests a note to evidence the Revolving Loan of that Lender. Each such note shall be in the principal amount of the Lender's Pro Rata Share of the Commitments, dated the date hereof and substantially in the form of Exhibit A (each a "Revolving Loan Note" and, collectively, the "Revolving Loan Notes") This Agreement and each Revolving Loan Note, if applicable, shall evidence the obligation of the Borrowers to pay the outstanding and utilized amount of each Lender's Pro Rata Share of the Commitments, or, if less, such Lender's Pro Rata Share of the aggregate unpaid principal amount of all Revolving Loans to the Borrowers together with interest thereon as prescribed in Section 1.2. The entire unpaid balance of the Revolving Loan and all other non-contingent Obligations shall be immediately due and payable in full in immediately available funds on the Termination Date.

(b) Procedure for Borrowing.

(i) Each Borrowing shall be made upon a Borrower's irrevocable written notice delivered to the Agent in the form of a notice of borrowing ("Notice of Borrowing"), which must be received by the Agent prior to (x) 12:00 noon (New York, New York time) three Business Days prior to the requested Funding Date, in the case of LIBOR Rate Loans and (y) 11:00 a.m. (New York, New York time) on the requested Funding Date, in the case of Base Rate Loans, specifying:

(A) the amount of the Borrowing, which in the case of a LIBOR Rate Loan must equal or exceed $3,000,000 (and increments of $1,000,000 in excess of such amount);

(B) the requested Funding Date, which must be a Business Day;

(C) whether the Revolving Loans requested are to be Base Rate Revolving Loans or LIBOR Revolving Loans (and if not specified, it shall be deemed a request for a Base Rate Revolving Loan); and

(D) the duration of the Interest Period for LIBOR Revolving Loans (and if not specified, it shall be deemed a request for an Interest Period of one month);

provided, however, that with respect to the Borrowing to be made on the Closing Date, such Borrowings will consist of Base Rate Revolving Loans only.

(ii) In lieu of delivering a Notice of Borrowing, a Borrower may give the Agent telephonic notice of such request for advances to the Designated Account on or before the deadline set forth above. The Agent at all times shall be entitled to rely on such telephonic notice in making such Revolving Loans, regardless of whether any written confirmation is received.

(iii) No Borrower shall have the right to request a LIBOR Rate Loan while a Default or Event of Default has occurred and is continuing.

(iv) Notwithstanding any language to the contrary in this Section, each Borrowing that is to be an Ex-Im Bank Revolving Loan must be requested in writing on the form of borrowing notice attached hereto as Exhibit D-1 and must be delivered to the Agent's Export Finance Department at the address set forth in Section 14.8 hereof.

(c) Reliance upon Authority. Prior to the Closing Date, the Borrowers shall deliver to the Agent, a notice setting forth the account of the Borrowers ("Designated Account") to which the Agent is authorized to transfer the proceeds of the Revolving Loans requested hereunder. The Borrowers may designate a replacement account from time to time by written notice. All such Designated Accounts must be reasonably satisfactory to the Agent. The Agent is entitled to rely conclusively on any person's request for Revolving Loans on behalf of the Borrowers, so long as the proceeds thereof are to be transferred to the Designated Account. The Agent has no duty to verify the identity of any individual representing himself or herself as a person authorized by the Borrowers to make such requests on its behalf.

(d) No Liability. The Agent shall not incur any liability to the Borrowers as a result of acting upon any notice referred to in Sections 1.2(b) and (c), which the Agent believes in good faith to have been given by an officer or other person duly authorized by the Borrowers to request Revolving Loans on its behalf. The crediting of Revolving Loans to the Designated Account conclusively establishes the obligation of the Borrowers to repay such Revolving Loans as provided herein.

(e) Notice Irrevocable. Any Notice of Borrowing (or telephonic notice in lieu thereof) made pursuant to Section 1.2(b) shall be irrevocable. The Borrowers shall be bound to borrow the funds requested therein in accordance therewith.

(f) Agent's Election. Promptly after receipt of a Notice of Borrowing (or telephonic notice in lieu thereof), the Agent shall elect to have the terms of Section 1.2(g) or the terms of Section 1.2(h) apply to such requested Borrowing. If the Bank declines in its sole discretion to make a Non-Ratable Loan pursuant to Section 1.2(h) or an Ex-Im Bank Revolving Loan pursuant to Section 1.2(j), the terms of Section 1.2(g) shall apply to the requested Borrowing.

(g) Making of Revolving Loans. If Agent elects to have the terms of this Section 1.2(g) apply to a requested Borrowing, then promptly after receipt of a Notice of Borrowing or telephonic notice in lieu thereof, the Agent shall notify the Lenders by telecopy, telephone or e-mail of the requested Borrowing. Each Lender shall transfer its Pro Rata Share of the requested Borrowing available to the Agent in immediately available funds, to the account from time to time designated by Agent, not later than 12:00 noon (New York, New York time) on the applicable Funding Date. After the Agent's receipt of all proceeds of such Revolving Loans, the Agent shall make the proceeds of such Revolving Loans available to the Borrowers on the applicable Funding Date by transferring same day funds to the Borrowers' Designated Account; provided, however, that the amount of Revolving Loans so made on any date, shall not exceed the Availability on such date.

(h) Making of Non-Ratable Loans.

(i) If Agent elects, with the consent of the Bank, to have the terms of this Section 1.2(h) apply to a requested Borrowing, the Bank shall make a Revolving Loan in the amount of that Borrowing available to the Borrowers on the applicable Funding Date by transferring same day funds to Borrowers' Designated Account. Each Revolving Loan made solely by the Bank pursuant to this Section is herein referred to as a "Non-Ratable Loan", and such Revolving Loans are collectively referred to as the "Non-Ratable Loans." Each Non-Ratable Loan shall be subject to all the terms and conditions applicable to other Revolving Loans except that all payments thereon shall be payable to the Bank solely for its own account. The aggregate amount of Non-Ratable Loans outstanding at any time shall not exceed $5,000,000. The Agent shall not request the Bank to make any Non-Ratable Loan if (A) the Agent has received written notice from any Lender that one or more of the applicable conditions precedent set forth in Article 8 will not be satisfied on the requested Funding Date for the applicable Borrowing, or (B) the requested Borrowing would exceed Availability on that Funding Date.

(ii) The Non-Ratable Loans shall be secured by the Agent's Liens in and to the Collateral and shall constitute Base Rate Revolving Loans and Obligations hereunder. Upon Settlement of such Non-Ratable Loans pursuant to Section 12.15 hereof, such Loans shall constitute Revolving Loans for all purposes hereunder, including, without limitation, Section 2.2(a)(i) hereof.

(i) Agent Advances.

(i) Subject to the limitations set forth below, the Agent is authorized by the Borrowers and the Lenders, from time to time in the Agent's sole discretion, (A) after the occurrence of a Default or an Event of Default, or (B) at any time that any of the other conditions precedent set forth in Article 8 have not been satisfied, to make Base Rate Revolving Loans to the Borrowers on behalf of the Lenders in an aggregate amount outstanding at any time not to exceed 10% of the Borrowing Base but not in excess of the Maximum Revolver Amount which the Agent, in its reasonable business judgment, deems necessary or desirable (1) to preserve or protect the Collateral, or any portion thereof or (2) to pay any other amount chargeable to the Borrowers pursuant to the terms of this Agreement, including costs, fees and expenses as described in Section 14.7 (any of such advances are herein referred to as "Agent Advances"); provided, that the Majority Lenders may at any time revoke the Agent's authorization to make Agent Advances. Any such revocation must be in writing and shall become effective prospectively upon the Agent's receipt thereof. Agent Advances shall not be made as Ex-Im Bank Revolving Loans.

(ii) The Agent Advances shall be secured by the Agent's Liens in and to the Collateral and shall constitute Base Rate Revolving Loans and Obligations hereunder.

(j) Making of Ex-Im Bank Revolving Loans.

(i) If Agent elects, with the consent of the Bank, to have the terms of this Section 1.2(j) apply to a requested Borrowing and if all other conditions precedent thereto, including without limitation, the qualification of such Revolving Loan as an Ex-Im Bank Guaranteed Loan under the Ex-Im Bank Working Capital Guarantee Program, have been satisfied, the Bank shall make a Revolving Loan in the amount of that Borrowing available to the Borrowers on the applicable Funding Date by transferring same day funds to the Borrowers' Designated Account. Each Revolving Loan made solely by the Bank pursuant to this Section, or any Revolving Loan made under this Agreement that qualifies as an Ex-Im Bank Guaranteed Loan under the Borrowers' Ex-Im Agreement, is herein referred to as an "Ex-Im Bank Revolving Loan", and such Revolving Loans are collectively referred to as the "Ex-Im Bank Revolving Loans". Each Ex-Im Bank Revolving Loan shall be subject to all the terms and conditions applicable to other Revolving Loans, except to the extent of the provisions of the Borrowers' Ex-Im Agreement, which shall control in the event of any inconsistency. The aggregate amount of Ex-Im Bank Revolving Loans outstanding at any time shall not exceed the limitation set forth in clause (a)(v) of the definition of "Borrowing Base". The Agent shall not request the Bank to make any Ex-Im Bank Revolving Loan if (1) the Agent has received written notice from any Lender that one or more of the applicable conditions precedent set forth

in Article 8 will not be satisfied on the requested Funding Date for the applicable Borrowing, or (2) the requested Borrowing would exceed Availability on that Funding Date.

(ii) The Ex-Im Bank Revolving Loans shall be secured by the Agent's Liens in and to the Collateral and shall constitute Base Rate Revolving Loans or LIBOR Rate Loans, as the case may be, and Obligations hereunder and shall be guaranteed by the Ex-Im Bank to the extent provided in the Borrowers' Ex-Im Bank Agreement.

1.3 Letters of Credit

(a) Agreement to Issue or Cause To Issue. Subject to the terms and conditions of this Agreement, the Agent agrees (i) to cause the Letter of Credit Issuer to issue for the account of the Borrowers one or more commercial/documentary and standby letters of credit ("Letter of Credit") and/or (ii) to provide credit support or other enhancement to a Letter of Credit Issuer acceptable to Agent, which issues a Letter of Credit for the account of the Borrowers (any such credit support or enhancement being herein referred to as a "Credit Support") from time to time during the term of this Agreement.

(b) Amounts; Outside Expiration Date. The Agent shall not have any obligation to issue or cause to be issued any Letter of Credit or to provide Credit Support for any Letter of Credit at any time if: (i) the maximum face amount of the requested Letter of Credit is greater than the Unused Letter of Credit Subfacility at such time; (ii) the maximum undrawn amount of the requested Letter of Credit and all commissions, fees, and charges due from the Borrowers in connection with the opening thereof would exceed Availability at such time; or (iii) such Letter of Credit has an expiration date less than 30 days prior to the Stated Termination Date or more than 12 months from the date of issuance for standby letters of credit and 180 days for documentary letters of credit. With respect to any Letter of Credit which contains any "evergreen" or automatic renewal provision, each Lender shall be deemed to have consented to any such extension or renewal unless any such Lender shall have provided to the Agent, written notice that it declines to consent to any such extension or renewal at least thirty (30) days prior to the date on which the Letter of Credit Issuer is entitled to decline to extend or renew the Letter of Credit. If all of the requirements of this Section 1.3 are met and no Default or Event of Default has occurred and is continuing, no Lender shall decline to consent to any such extension or renewal.

(c) Other Conditions. In addition to conditions precedent contained in Article 8, the obligation of the Agent to issue or to cause to be issued any Letter of Credit or to provide Credit Support for any Letter of Credit is subject to the following conditions precedent having been satisfied in a manner reasonably satisfactory to the Agent:

(i) The Borrowers shall have delivered to the Letter of Credit Issuer, at such times and in such manner as such Letter of Credit Issuer may prescribe, an application in form and substance satisfactory to such Letter of

Credit Issuer and reasonably satisfactory to the Agent for the issuance of the Letter of Credit and such other documents as may be required pursuant to the terms thereof, and the form, terms and purpose of the proposed Letter of Credit shall be reasonably satisfactory to the Agent and the Letter of Credit Issuer; and

(ii) As of the date of issuance, no order of any court, arbitrator or Governmental Authority shall purport by its terms to enjoin or restrain money center banks generally from issuing letters of credit of the type and in the amount of the proposed Letter of Credit, and no law, rule or regulation applicable to money center banks generally and no request or directive (whether or not having the force of law) from any Governmental Authority with jurisdiction over money center banks generally shall prohibit, or request that the proposed Letter of Credit Issuer refrain from, the issuance of letters of credit generally or the issuance of such Letters of Credit.

(d) Issuance of Letters of Credit.

(i) Request for Issuance. A Borrower requesting a Letter of Credit must notify the Agent of a requested Letter of Credit at least three (3) Business Days prior to the proposed issuance date. Such notice shall be irrevocable and must specify the original face amount of the Letter of Credit requested, the Business Day of issuance of such requested Letter of Credit, whether such Letter of Credit may be drawn in a single or in partial draws, the Business Day on which the requested Letter of Credit is to expire, the purpose for which such Letter of Credit is to be issued, and the beneficiary of the requested Letter of Credit. The Borrowers shall attach to such notice the proposed form of the Letter of Credit. All Letters of Credit hereunder shall be issued in Dollars, or, with the Letter of Credit Issuer's consent, another currency in which the Letter of Credit Issuer shall be willing to issue Letters of Credit. All letters of credit issued under the Existing Credit Agreement and outstanding on the Closing Date shall constitute Letters of Credit issued under this Agreement.

(ii) Responsibilities of the Agent; Issuance. As of the Business Day immediately preceding the requested issuance date of the Letter of Credit, the Agent shall determine the amount of the applicable Unused Letter of Credit Subfacility and Availability. If (x) the face amount of the requested Letter of Credit is less than the Unused Letter of Credit Subfacility and (y) the amount of such requested Letter of Credit and all commissions, fees, and charges due from the Borrowers in connection with the opening thereof would not exceed Availability, the Agent shall cause the Letter of Credit Issuer to issue the requested Letter of Credit on the requested issuance date so long as the other conditions hereof are met.

(iii) No Extensions or Amendment. The Agent shall not be obligated to cause the Letter of Credit Issuer to extend or amend any Letter

of Credit issued pursuant hereto unless the requirements of this Section 1.3 are met as though a new Letter of Credit were being requested and issued.

(e) Payments Pursuant to Letters of Credit. Each Borrower agrees to reimburse immediately the Letter of Credit Issuer for any draw under any Letter of Credit and the Agent for the account of the Lenders upon any payment pursuant to any Credit Support in Dollars (or, if payment of the draw thereunder was made by the Letter of Credit Issuer or the Agent in a currency other than Dollars, an amount equal to the Dollar equivalent of such currency, as determined by the Letter of Credit Issuer or the Agent, as of the time of the Letter of Credit Issuer 's or Agent's payment of such draw under such Letter of Credit or payment under such Credit Support, in each case), and to pay the Letter of Credit Issuer the amount of all other charges and fees payable to the Letter of Credit Issuer in connection with any Letter of Credit immediately when due, irrespective of any claim, setoff, defense or other right which any Borrower may have at any time against the Letter of Credit Issuer or any other Person. Unless otherwise reimbursed directly by the Borrowers, each drawing under any Letter of Credit shall constitute a request by a Borrower to the Agent for a Borrowing of a Base Rate Revolving Loan in the amount of such drawing, in which case, the amounts to be reimbursed if the Letter of Credit was issued in a currency other than Dollars, shall be immediately converted into Dollars. The Funding Date with respect to such borrowing shall be the date of such drawing.

(f) Indemnification; Exoneration; Power of Attorney.

(i) Indemnification. In addition to amounts payable as elsewhere provided in this Section 1.3, the Borrowers agrees to protect, indemnify, pay and save the Lenders and the Agent harmless from and against any and all claims, demands, liabilities, damages, losses, costs, charges and expenses (including reasonable outside attorneys' fees) which any Lender or the Agent (other than a Lender in its capacity as Letter of Credit Issuer) may incur or be subject to as a consequence, direct or indirect, of the issuance of any Letter of Credit or the provision of any Credit Support or enhancement in connection therewith. The Borrowers' obligations under this Section shall survive payment of all other Obligations.

(ii) Assumption of Risk by the Borrowers. As among the Borrowers, the Lenders, and the Agent, the Borrowers assume all risks of the acts and omissions of, or misuse of any of the Letters of Credit by, the respective beneficiaries of such Letters of Credit. In furtherance and not in limitation of the foregoing, the Lenders and the Agent shall not be responsible for: (A) the form, validity, sufficiency, accuracy, genuineness or legal effect of any document submitted by any Person in connection with the application for and issuance of and presentation of drafts with respect to any of the Letters of Credit, even if it should prove to be in any or all respects invalid, insufficient, inaccurate, fraudulent or forged; (B) the validity or sufficiency of any instrument transferring or assigning or purporting to transfer or assign any Letter of Credit or the rights or benefits thereunder or proceeds thereof, in whole or in part, which may prove to be invalid or

ineffective for any reason; (C) the failure of the beneficiary of any Letter of Credit to comply duly with conditions required in order to draw upon such Letter of Credit; (D) errors, omissions, interruptions, or delays in transmission or delivery of any messages, by mail, cable, telegraph, telex or otherwise, whether or not they be in cipher; (E) errors in interpretation of technical terms; (F) any loss or delay in the transmission or otherwise of any document required in order to make a drawing under any Letter of Credit or of the proceeds thereof; (G) the misapplication by the beneficiary of any Letter of Credit of the proceeds of any drawing under such Letter of Credit; (H) any consequences arising from causes beyond the control of the Lenders or the Agent, including any act or omission, whether rightful or wrongful, of any present or future de jure or de facto Governmental Authority or (I) the Letter of Credit Issuer's honor of a draw for which the draw or any certificate fails to comply in any respect with the terms of the Letter of Credit. None of the foregoing shall affect, impair or prevent the vesting of any rights or powers of the Agent or any Lender under this Section 1.4(f).

(iii) Exoneration. Without limiting the foregoing, no action or omission whatsoever by Agent or any Lender (excluding any Lender in its capacity as a Letter of Credit Issuer) shall result in any liability of Agent or any Lender to the Borrowers, or relieve the Borrowers of any of their obligations hereunder to any such Person.

(iv) Rights Against Letter of Credit Issuer. Nothing contained in this Agreement is intended to limit the Borrowers' rights, if any, with respect to the Letter of Credit Issuer which arise as a result of the letter of credit application and related documents executed by and between the Borrowers and the Letter of Credit Issuer.

(v) Account Party. The Borrowers hereby authorize and direct any Letter of Credit Issuer to name any requesting Borrower as the "Account Party" therein and to deliver to the Agent all instruments, documents and other writings and Property received by the Letter of Credit Issuer pursuant to the Letter of Credit, and to accept and rely upon the Agent's instructions and agreements with respect to all matters arising in connection with the Letter of Credit or the application therefor.

(g) Supporting Letter of Credit; Cash Collateral. If, notwithstanding the provisions of Section 1.3(b) and Section 10.1, any Letter of Credit or Credit Support is outstanding upon the termination of this Agreement, then upon such termination the Borrowers shall deposit with the Agent, for the ratable benefit of the Agent and the Lenders, with respect to each Letter of Credit or Credit Support then outstanding, either (i) cash in a cash collateral account in an amount equal to 100% of the greatest amount for which such Letter of Credit or such Credit Support may be drawn plus any commissions, fees and expenses associated with such Letter of Credit or such Credit Support, under which collateral account the Agent is entitled to draw amounts necessary to reimburse the Agent and the Lenders for payments to be made by the Agent and the

Lenders under such Letter of Credit or Credit Support and any fees and expenses associated with such Letter of Credit or Credit Support or (ii) a standby letter of credit (a "Supporting Letter of Credit") in form and substance satisfactory to the Agent, issued by an issuer satisfactory to the Agent in an amount equal to 100% of the greatest amount for which such Letter of Credit or such Credit Support may be drawn plus any commissions, fees and expenses associated with such Letter of Credit or such Credit Support, under which Supporting Letter of Credit the Agent is entitled to draw amounts necessary to reimburse the Agent and the Lenders for payments to be made by the Agent and the Lenders under such Letter of Credit or Credit Support and any fees and expenses associated with such Letter of Credit or Credit Support. Such cash collateral account or Supporting Letter of Credit shall be held by the Agent, for the ratable benefit of the Agent and the Lenders, as security for, and to provide for the payment of, the aggregate undrawn amount of such Letters of Credit or such Credit Support remaining outstanding.

1.4 Bank Products

A Borrower may request and the Agent may, in its sole and absolute discretion, arrange for such Borrower to obtain from the Bank or the Bank's Affiliates Bank Products although such Borrower is not required to do so. If Bank Products are provided by an Affiliate of the Bank, the Borrowers agree to indemnify and hold the Agent, the Bank and the Lenders harmless from any and all costs and obligations now or hereafter incurred by the Agent, the Bank or any of the Lenders which arise from any indemnity given by the Agent to its Affiliates related to such Bank Products; provided, however, nothing contained herein is intended to limit any Borrower's rights, with respect to the Bank or its Affiliates, if any, which arise as a result of the execution of documents by and between any such Borrower or Borrowers and the Bank which relate to Bank Products. The agreement contained in this Section shall survive termination of this Agreement. The Borrowers acknowledge and agree that the obtaining of Bank Products from the Bank or the Bank's Affiliates (a) is in the sole and absolute discretion of the Bank or the Bank's Affiliates, and (b) is subject to all rules and regulations of the Bank or the Bank's Affiliates. Each Borrower agrees that the Bank is not obligated to provide such services. This paragraph in no way prohibits any of the Borrowers from obtaining other products from other Lenders so long as such transaction does not otherwise violate this Agreement.

1.5 Increase of the Commitments.

(a) Requests for Increase by Borrowers. The Borrowers may request that the Commitments be increased by up to $50,000,000 (each such proposed increase being a "Commitment Increase") and, upon such request, the Borrowers (or upon the request of the Borrowers, the Agent) may solicit additional financial institutions to become Lenders for purposes of this Agreement, or to encourage any Lender to increase its Commitment (each an "Increasing Lender"), provided that:

(i) the minimum amount of the Commitment Increase shall be $10,000,000 or a larger multiple of $5,000,000 in excess thereof;

(ii) immediately after giving effect to such Commitment Increase, the total Commitments of all of the Lenders hereunder shall not exceed $150,000,000;

(iii) each Lender which is a party to this Agreement prior to such increase shall have the first option, and may elect to fund its Pro Rata Share of the amount of the increase in the Commitments (or any such greater amount in the event that one or more Lenders does not elect to fund its respective Pro Rata Share of the amount of the increase in the Commitments), thereby increasing its Commitment hereunder, but no Lender shall have the obligation to do so;

(iv) in the event that it becomes necessary to include a new financial institution to fund the amount of the increase in the Commitments, each such financial institution shall be an Eligible Assignee that is reasonably acceptable to the Agent and Parent and each such financial institution shall become a Lender hereunder and agree to become party to, and shall assume and agree to be bound by, this Agreement, subject to all terms and conditions hereof (each an "Assuming Lender");

(v) no Default or Event of Default shall have occurred and be continuing on such Commitment Increase Date or shall result from the proposed Commitment Increase;

(vi) the representations and warranties contained in this Agreement which are qualified by an exception for Material Adverse Effect shall be true and correct on and as of the Commitment Increase Date as if made on and as of such date (or, if any such representation or warranty is expressly stated to have been made as of a specific date, as of such specific date) and all other representations and warranties contained in this Agreement shall be true and correct in all material respects on and as of the Commitment Increase Date as if made on and as of such date (or, if any such representation or warranty is expressly stated to have been made as of a specific date, as of such specific date);

(vii) the conditions set forth in Section 8.2 shall be satisfied;

(viii) the Commitment Increase shall constitute permitted "Credit Agreement" debt under Section 4.09(1) of the Senior Secured Notes Indenture and shall be secured by "Permitted Liens" described under clause (1) of the definition thereof in the Senior Secured Notes Indenture;

(ix) the Borrowers shall pay to the Administrative Agent, for the benefit of the Lenders, such fees as may be agreed to by the parties; and

(x) the Borrowers shall execute such Revolving Loan Notes as are necessary to reflect the increase in the Commitments.

(b) Effectiveness of Commitment Increase by the Borrowers. Each Assuming Lender, if any, shall become a Lender hereunder as of the Commitment Increase Date established pursuant to Section 1.5(d) and the Commitment of any Increasing Lender and such Assuming Lender shall be increased as of such Commitment Increase Date; provided that:

(i) the Administrative Agent shall have received on or prior to 11:00 a.m., New York, New York time, on such Commitment Increase Date, a certificate of a duly authorized officer of the Parent stating that each of the applicable conditions to such Commitment Increase set forth in the foregoing paragraph (a) has been satisfied; and

(ii) each Assuming Lender or Increasing Lender shall have delivered to the Administrative Agent, on or prior to 11:00 a.m., New York, New York time, on such Commitment Increase Date, an agreement, in form and substance reasonably satisfactory to the Borrowers and the Administrative Agent, pursuant to which such Lender shall, effective as of such Commitment Increase Date, acquire a Commitment or an increase of Commitment, duly executed by such Assuming Lender or Increasing Lender and the Borrowers and acknowledged by the Administrative Agent. Any Assuming Lender shall be required to have a Commitment of not less than $10,000,000 (unless otherwise agreed by the Agent and the Parent in their discretion).

(c) Recordation. Upon its receipt of an agreement referred to in clause (b)(ii) above executed by an Assuming Lender or any Increasing Lender, together with the certificate referred to in clause (b)(i) above, the Administrative Agent shall, if such agreement has been completed, (x) accept such agreement, (y) record the information contained therein in its records maintained for such purpose in accordance with Section 3.10 and (z) give prompt notice thereof to the Borrowers. This Agreement shall be amended by the Agent and the Borrowers to reflect the addition of each Assuming Lender or each increase in Commitment of an Increasing Lender.

(d) Commitment Increase Date; Adjustments of Borrowings upon Effectiveness of Increase. If any requested increase in the Commitments is agreed to in accordance with this Section 1.5, the Agent and the Borrowers shall determine the effective date of such increase (the "Commitment Increase Date"). The Agent, with the consent and approval of the Borrowers, shall promptly confirm in writing to the Lenders the final allocation of such Commitment Increase and the Commitment Increase Date. On the date of such Commitment Increase, the Borrowers shall (A) prepay the outstanding Revolving Loans (if any) in full, (B) simultaneously borrow new Revolving Loans (which Revolving Loans shall be Base Rate Loans) hereunder in an amount equal to such prepayment; provided that with respect to subclauses (A) and (B), (x) the prepayment to, and borrowing from, any existing Lender shall be effected by book entry to the extent that any portion of the amount prepaid to such Lender will be subsequently borrowed from such Lender and (y) the existing Lenders, the Increasing Lenders and the Assuming Lenders shall make and receive payments among themselves, in a manner

acceptable to the Administrative Agent, so that, after giving effect thereto, the Loans are held ratably by the Lenders in accordance with the respective Commitments of such Lenders (after giving effect to such Commitment Increase) and (C) pay to the Lenders the amounts, if any, payable under Section 4.4 as a result of any such prepayment. Concurrently therewith, the Lenders shall be deemed to have adjusted their participation interests in any outstanding Letters of Credit or Credit Support so that such interests are held ratably in accordance with their Pro Rata Shares in respect of the Commitments as so increased.

ARTICLE 2
INTEREST AND FEES

2.1 Interest

(a) Interest Rates. All outstanding Obligations shall bear interest on the unpaid principal amount thereof (including, to the extent permitted by law, on interest thereon not paid when due) from the date made until paid in full in immediately available funds at a rate determined by reference to the Base Rate or the LIBOR Rate plus the Applicable Margins as set forth below, but not to exceed the Maximum Rate. If at any time Loans are outstanding with respect to which a Borrower has not delivered to the Agent a notice specifying the basis for determining the interest rate applicable thereto in accordance herewith, those Loans shall bear interest at a rate determined by reference to the Base Rate until notice to the contrary has been given to the Agent in accordance with this Agreement and such notice has become effective. Except as otherwise provided herein, the outstanding Obligations shall bear interest as follows:

(i) For all Base Rate Revolving Loans and other Obligations (other than LIBOR Rate Loans) at a fluctuating per annum rate equal to the Base Rate plus the Applicable Margin;

(ii) For all LIBOR Revolving Loans at a per annum rate equal to the LIBOR Rate plus the Applicable Margin.

Each change in the Base Rate shall be reflected in the interest rate applicable to Base Rate Loans as of the effective date of such change. All interest charges shall be computed on the basis of a year of 360 days and actual days elapsed (which results in more interest being paid than if computed on the basis of a 365-day year). The Borrowers shall pay to the Agent, for the ratable benefit of Lenders, interest accrued on all Base Rate Loans in arrears on the first day of each month hereafter and on the Termination Date. The Borrowers shall pay to the Agent, for the ratable benefit of Lenders, interest on all LIBOR Rate Loans in arrears on each LIBOR Interest Payment Date.

(b) Default Rate. If any Default or Event of Default occurs and is continuing and the Agent or the Required Lenders in their discretion so elect, then, while any such Default or Event of Default is continuing, all of the Obligations shall bear interest at the Default Rate applicable thereto, except in the case of an Event of Default under

Section 9.1(e), (f), (g) or (h) of this Agreement in each of which cases all of the Obligations shall automatically and immediately bear interest at the Default Rate applicable thereto.

2.2 Continuation and Conversion Elections

(a) The Borrowers may:

(i) elect, as of any Business Day, in the case of Base Rate Loans to convert any Base Rate Loans (or any part thereof in an amount not less than $3,000,000, or that is in an integral multiple of $1,000,000 in excess thereof) into LIBOR Rate Loans; or

(ii) elect, as of the last day of the applicable Interest Period, to continue any LIBOR Rate Loans having Interest Periods expiring on such day (or any part thereof in an amount not less than $1,000,000, or that is in an integral multiple of $1,000,000 in excess thereof);

provided, that if at any time the aggregate amount of LIBOR Rate Loans in respect of any Borrowing is reduced, by payment, prepayment, or conversion of part thereof to be less than $1,000,000, such LIBOR Rate Loans shall automatically convert into Base Rate Loans; provided further that if the notice shall fail to specify the duration of the Interest Period, such Interest Period shall be one month.

(b) The Borrowers shall deliver a notice of continuation/conversion ("Notice of Continuation/Conversion") to the Agent not later than 12:00 noon (New York, New York time) at least three (3) Business Days in advance of the Continuation/Conversion Date, if the Loans are to be converted into or continued as LIBOR Rate Loans and specifying:

(i) the proposed Continuation/Conversion Date;

(ii) the aggregate amount of Loans to be converted or renewed;

(iii) the type of Loans resulting from the proposed conversion or continuation; and

(iv) the duration of the requested Interest Period, provided, however, the Borrowers may not select an Interest Period that ends after the Stated Termination Date.

(c) If upon the expiration of any Interest Period applicable to LIBOR Rate Loans, the Borrowers have failed to select timely a new Interest Period to be applicable to LIBOR Rate Loans or if any Default or Event of Default then exists, the Borrowers shall be deemed to have elected to convert such LIBOR Rate Loans into Base Rate Loans effective as of the expiration date of such Interest Period.

(d) The Agent will promptly notify each Lender of its receipt of a Notice of Continuation/Conversion. All conversions and continuations shall be made ratably according to the respective outstanding principal amounts of the Loans with respect to which the notice was given held by each Lender.

(e) There may not be more than six (6) different LIBOR Rate Loans in effect hereunder at any time.

2.3 Maximum Interest Rate

In no event shall any interest rate provided for hereunder exceed the maximum rate legally chargeable by any Lender under applicable law for such Lender with respect to loans of the type provided for hereunder (the "Maximum Rate"). If, in any month, any interest rate, absent such limitation, would have exceeded the Maximum Rate, then the interest rate for that month shall be the Maximum Rate, and, if in future months, that interest rate would otherwise be less than the Maximum Rate, then that interest rate shall remain at the Maximum Rate until such time as the amount of interest paid hereunder equals the amount of interest which would have been paid if the same had not been limited by the Maximum Rate. In the event that, upon payment in full of the Obligations, the total amount of interest paid or accrued under the terms of this Agreement is less than the total amount of interest which would, but for this Section 2.3, have been paid or accrued if the interest rate otherwise set forth in this Agreement had at all times been in effect, then the Borrowers shall, to the extent permitted by applicable law, pay the Agent, for the account of the Lenders, an amount equal to the excess of (a) the lesser of (i) the amount of interest which would have been charged if the Maximum Rate had, at all times, been in effect or (ii) the amount of interest which would have accrued had the interest rate otherwise set forth in this Agreement, at all times, been in effect over (b) the amount of interest actually paid or accrued under this Agreement. If a court of competent jurisdiction determines that the Agent and/or any Lender has received interest and other charges hereunder in excess of the Maximum Rate, such excess shall be deemed received on account of, and shall automatically be applied to reduce, the Obligations other than interest, in the inverse order of maturity, and if there are no Obligations outstanding, the Agent and/or such Lender shall refund to the Borrowers such excess.

2.4 Agent Fees

The Borrowers agree to pay the Agent on the Closing Date the fees (the "Agent Fees") as set forth in the Fee Letter.

2.5 Unused Line Fee

On the first day of each month and on the Termination Date the Borrowers agree to pay to the Agent, for the account of the Lenders, in accordance with their respective Pro Rata Shares, an unused line fee (the "Unused Line Fee") equal to the amount by which the Maximum Revolver Amount exceeded the sum of the average daily outstanding amount of Revolving Loans and the average daily undrawn face amount of outstanding Letters of Credit, during the immediately preceding month or shorter period if calculated for the first month hereafter or on the Termination Date times the Applicable Margin. The Unused Line Fee shall be computed on

the basis of a 360-day year for the actual number of days elapsed. All principal payments received by the Agent shall be deemed to be credited to the Borrowers' Loan Account immediately upon receipt for purposes of calculating the Unused Line Fee pursuant to this Section 2.5.

2.6 Letter of Credit Fee

The Borrowers agree to pay to the Agent, for the account of the Lenders, in accordance with their respective Pro Rata Shares, for each Letter of Credit, a fee (the "Letter of Credit Fee") equal to the Letter of Credit Fee Percentage per annum in effect from time to time and to Agent for the benefit of the Letter of Credit Issuer a fronting fee of one eighth of one percent (0.125%) per annum of the undrawn face amount of each Letter of Credit, and to the Letter of Credit Issuer, all out-of-pocket costs, fees and expenses incurred by the Letter of Credit Issuer in connection with the application for, processing of, issuance of, or amendment to any Letter of Credit, which costs, fees and expenses shall include a "fronting fee" payable to the Letter of Credit Issuer. The Letter of Credit Fee shall be payable monthly in arrears on the first day of each month following any month in which a Letter of Credit is outstanding and on the Termination Date. The Letter of Credit Fee shall be computed on the basis of a 360-day year for the actual number of days elapsed.

ARTICLE 3
PAYMENTS AND PREPAYMENTS

3.1 Revolving Loans

The Borrowers shall repay the outstanding principal balance of the Revolving Loans, plus all accrued but unpaid interest thereon, on the Termination Date. The Borrowers may prepay Revolving Loans at any time without premium or penalty, and reborrow subject to the terms of this Agreement. In addition, and without limiting the generality of the foregoing, upon demand the Borrowers shall pay to the Agent, for account of the Lenders, the amount, without duplication, by which the Aggregate Revolver Outstandings exceeds the lesser of the Borrowing Base or the Maximum Revolver Amount.

3.2 Termination of Facility

The Borrowers may terminate this Agreement upon at least twenty (20) Business Days' notice to the Agent and the Lenders, upon (a) the payment in full of all outstanding Revolving Loans, together with accrued interest thereon, and the cancellation and return of all outstanding Letters of Credit or issuance of a supporting letter of credit, in form and substance acceptable to the Agent and the Letter of Credit Issuer in their sole discretion, pursuant to Section 1.3(g), (b) the payment in full in immediately available funds of all reimbursable expenses and other Obligations, and (c) with respect to any LIBOR Rate Loans prepaid, payment of the amounts due under Section 4.4, if any.

3.3 [Reserved]

3.4 [Reserved]

3.5 LIBOR Rate Loan Prepayments

In connection with any prepayment, if any LIBOR Rate Loans are prepaid prior to the expiration date of the Interest Period applicable thereto, the Borrowers shall pay to the Lenders the amounts described in Section 4.4, unless the Lenders agree to waive such payment.

3.6 Payments by the Borrowers

(a) All payments to be made by the Borrowers shall be made without set-off, recoupment or counterclaim. Except as otherwise expressly provided herein, all payments by the Borrowers shall be made to the Agent for the account of the Lenders, at the account designated by the Agent and shall be made in Dollars and in immediately available funds, no later than 12:00 noon (New York, New York time) on the date specified herein. Any payment received by the Agent after such time shall be deemed (for purposes of calculating interest only) to have been received on the following Business Day and any applicable interest shall continue to accrue.

(b) Subject to the provisions set forth in the definition of "Interest Period", whenever any payment is due on a day other than a Business Day, such payment shall be due on the following Business Day, and such extension of time shall in such case be included in the computation of interest or fees, as the case may be.

3.7 Payments as Revolving Loans

At the election of Agent, all payments of principal, interest, reimbursement obligations in connection with Letters of Credit and Credit Support for Letters of Credit, fees, premiums, reimbursable expenses and other sums payable hereunder, may be paid from the proceeds of Revolving Loans made hereunder. The Borrowers hereby irrevocably authorize the Agent to charge the Loan Account for the purpose of paying all amounts from time to time due hereunder and agrees that all such amounts charged shall constitute Revolving Loans (including Ex-Im Bank Revolving Loans, Non-Ratable Loans and Agent Advances).

3.8 Apportionment, Application and Reversal of Payments

Principal and interest payments shall be apportioned ratably among the Lenders (according to the unpaid principal balance of the Loans to which such payments relate held by each Lender) and payments of the fees shall, as applicable, be apportioned ratably among the Lenders, except for fees payable solely to Agent and the Letter of Credit Issuer and except as provided in Section 11.1(b). All payments shall be remitted to the Agent and all such payments not relating to principal or interest of specific Loans, or not constituting payment of specific fees, and all proceeds of Accounts or other Collateral received by the Agent, shall be applied, ratably, subject to the provisions of this Agreement and the Intercreditor Agreement, first, to pay any fees, indemnities or expense reimbursements then due to the Agent from the Borrowers; second, to pay any fees or expense reimbursements then due to the Lenders from the Borrowers; third, to pay interest due in respect of all Loans, including Ex-Im Bank Revolving Loans, Non-Ratable Loans and Agent Advances; fourth, to pay or prepay principal of the Non-Ratable Loans and Agent Advances and Ex-Im Bank Revolving Loans; fifth, to pay or prepay principal of the Revolving Loans (other than Ex-Im Bank Revolving Loans, Non-Ratable Loans and Agent

Advances) and unpaid reimbursement obligations in respect of Letters of Credit; sixth, to pay an amount to Agent equal to all outstanding Letter of Credit Obligations to be held as cash collateral for such Obligations; and seventh, to the payment of any other Obligation including any amounts relating to Bank Products due to the Agent or any Lender or any affiliate of a Lender by any Borrower. Notwithstanding anything to the contrary contained in this Agreement, unless so directed by a Borrower, or unless an Event of Default has occurred and is continuing, neither the Agent nor any Lender shall apply any payments which it receives to any LIBOR Rate Loan, except (a) on the expiration date of the Interest Period applicable to any such LIBOR Rate Loan, or (b) in the event, and only to the extent, that there are no outstanding Base Rate Loans and, in any event, the Borrowers shall pay LIBOR breakage losses in accordance with Section 4.4. The Agent and the Lenders shall have the continuing and exclusive right to apply and reverse and reapply any and all such proceeds and payments to any portion of the Obligations.

3.9 Indemnity for Returned Payments

If after receipt of any payment which is applied to the payment of all or any part of the Obligations, the Agent, any Lender, the Bank or any Affiliate of the Bank is for any reason compelled to surrender such payment or proceeds to any Person because such payment or application of proceeds is invalidated, declared fraudulent, set aside, determined to be void or voidable as a preference, impermissible setoff, or a diversion of trust funds, or for any other reason, then the Obligations or part thereof intended to be satisfied shall be revived and continued and this Agreement shall continue in full force as if such payment or proceeds had not been received by the Agent or such Lender and the Borrowers shall be liable to pay to the Agent and the Lenders, and hereby does indemnify the Agent and the Lenders and hold the Agent and the Lenders harmless for the amount of such payment or proceeds surrendered. The provisions of this Section 3.9 shall be and remain effective notwithstanding any contrary action which may have been taken by the Agent or any Lender in reliance upon such payment or application of proceeds, and any such contrary action so taken shall be without prejudice to the Agent's and the Lenders' rights under this Agreement and shall be deemed to have been conditioned upon such payment or application of proceeds having become final and irrevocable. The provisions of this Section 3.9 shall survive the termination of this Agreement.

3.10 Agent's and Lenders' Books and Records; Monthly Statements

The Agent shall record the principal amount of the Loans owing to each Lender, the undrawn face amount of all outstanding Letters of Credit and the aggregate amount of unpaid reimbursement obligations outstanding with respect to the Letters of Credit from time to time on its books. In addition, each Lender may note the date and amount of each payment or prepayment of principal of such Lender's Loans in its books and records. Failure by Agent or any Lender to make such notation shall not affect the obligations of the Borrowers with respect to the Loans or the Letters of Credit. The Borrowers agree that the Agent's and each Lender's books and records showing the Obligations and the transactions pursuant to this Agreement and the other Loan Documents shall be admissible in any action or proceeding arising therefrom, and shall constitute rebuttably presumptive proof thereof, irrespective of whether any Obligation is also evidenced by a promissory note or other instrument. The Agent will provide to the Borrowers a monthly statement of Loans, payments, and other transactions pursuant to this Agreement. Such statement shall be deemed correct, accurate, and binding on the Borrowers and

an account stated (except for reversals and reapplications of payments made as provided in Section 3.8 and corrections of errors discovered by the Agent), unless a Borrower notifies the Agent in writing to the contrary within thirty (30) days after such statement is rendered. In the event a timely written notice of objections is given by any Borrower, only the items to which exception is expressly made will be considered to be disputed by the Borrowers.

ARTICLE 4
TAXES, YIELD PROTECTION AND ILLEGALITY

4.1 Taxes

(a) Any and all payments by or on behalf of the Borrowers to each Lender or the Agent under this Agreement and any other Loan Document shall be made free and clear of, and without deduction or withholding for any Taxes. In addition, the Borrowers shall pay all Other Taxes.

(b) The Borrowers agree to indemnify and hold harmless each Lender and the Agent for the full amount of Taxes or Other Taxes (including any Taxes or Other Taxes imposed by any jurisdiction on amounts payable under this Section) paid by any Lender or the Agent in connection with this Agreement or any Loan Document and any liability (including penalties, interest, additions to tax and expenses) arising therefrom or with respect thereto, whether or not such Taxes or Other Taxes were correctly or legally asserted. Payment under this indemnification shall be made within 30 days after the date such Lender or the Agent makes written demand therefor.

(c) If the Borrowers shall be required by law to deduct or withhold any Taxes or Other Taxes from or in respect of any sum payable hereunder to any Lender or the Agent, then:

(i) the sum payable shall be increased as necessary so that after making all required deductions and withholdings (including deductions and withholdings applicable to additional sums payable under this Section) such Lender or the Agent, as the case may be, receives an amount equal to the sum it would have received had no such deductions or withholdings been made;

(ii) the Borrowers shall make such deductions and withholdings;

(iii) the Borrowers shall pay the full amount deducted or withheld to the relevant taxing authority or other authority in accordance with applicable law; and

(iv) the Borrowers shall also pay to each Lender or the Agent for the account of such Lender, at the time interest is paid, all additional amounts which the respective Lender specifies as necessary to preserve the after-tax yield such Lender would have received if such Taxes or Other Taxes had not been imposed.

(d) At the Agent's request, within 30 days after the date of any payment by any Borrower of Taxes or Other Taxes, such Borrower shall furnish the Agent the original or a certified copy of a receipt evidencing payment thereof, or other evidence of payment satisfactory to the Agent.

(e) If the Borrowers are required to pay additional amounts to any Lender or the Agent pursuant to subsection (c) of this Section, then such Lender shall use reasonable efforts (consistent with legal and regulatory restrictions) to change the jurisdiction of its lending office so as to eliminate any such additional payment by the Borrowers which may thereafter accrue, if such change in the judgment of such Lender is not otherwise disadvantageous to such Lender.

4.2 Illegality

(a) If any Lender determines that the introduction of any Requirement of Law, or any change in any Requirement of Law, or in the interpretation or administration of any Requirement of Law, has made it unlawful, or that any central bank or other Governmental Authority has asserted that it is unlawful, for any Lender or its applicable lending office to make LIBOR Rate Loans, then, on notice thereof by that Lender to the Borrowers through the Agent, any obligation of that Lender to make LIBOR Rate Loans shall be suspended until that Lender notifies the Agent and the Borrowers that the circumstances giving rise to such determination no longer exist.

(b) If a Lender determines that it is unlawful to maintain any LIBOR Rate Loan, the Borrowers shall, upon its receipt of notice of such fact and demand from such Lender (with a copy to the Agent), prepay in full such LIBOR Rate Loans of that Lender then outstanding, together with interest accrued thereon, either on the last day of the Interest Period thereof, if that Lender may lawfully continue to maintain such LIBOR Rate Loans to such day, or immediately, if that Lender may not lawfully continue to maintain such LIBOR Rate Loans. If the Borrowers are required to so prepay any LIBOR Rate Loans, then concurrently with such prepayment, the Borrowers shall borrow from the affected Lender, in the amount of such repayment, a Base Rate Loan.

4.3 Increased Costs and Reduction of Return

(a) If any Lender determines that due to either (i) the introduction of or any change in the interpretation of any law or regulation or (ii) the compliance by that Lender with any guideline or request from any central bank or other Governmental Authority (whether or not having the force of law), there shall be any increase in the cost to such Lender of agreeing to make or making, funding or maintaining any LIBOR Rate Loans, then the Borrowers shall be liable for, and shall from time to time, upon demand (with a copy of such demand to be sent to the Agent), pay to the Agent for the account of such Lender, additional amounts as are sufficient to compensate such Lender for such increased costs.

(b) If any Lender shall have determined that (i) the introduction of any Capital Adequacy Regulation, (ii) any change in any Capital Adequacy Regulation, (iii) any

change in the interpretation or administration of any Capital Adequacy Regulation by any central bank or other Governmental Authority charged with the interpretation or administration thereof, or (iv) compliance by such Lender or any corporation or other entity controlling such Lender with any Capital Adequacy Regulation, affects or would affect the amount of capital required or expected to be maintained by such Lender or any corporation or other entity controlling such Lender and (taking into consideration such Lender's or such corporation's or other entity's policies with respect to capital adequacy and such Lender's desired return on capital) determines that the amount of such capital is increased as a consequence of its Commitments, loans, credits or obligations under this Agreement, then, upon demand of such Lender to any Borrower through the Agent, the Borrowers shall pay to such Lender, from time to time as specified by such Lender, additional amounts sufficient to compensate such Lender for such increase.

4.4 Funding Losses

The Borrowers shall reimburse each Lender and hold each Lender harmless from any loss or expense which such Lender may sustain or incur as a consequence of:

(a) the failure of any Borrower to make on a timely basis any payment of principal of any LIBOR Rate Loan;

(b) the failure of any Borrower to borrow, continue or convert a Loan after such Borrower has given (or is deemed to have given) a Notice of Borrowing or a Notice of Continuation/Conversion; or

(c) the prepayment or other payment (including after acceleration thereof) of any LIBOR Rate Loans on a day that is not the last day of the relevant Interest Period, except in connection with prepayments or other payments made pursuant to Section 4.2 hereof;

including any such loss of anticipated profit and any loss or expense arising from the liquidation or reemployment of funds obtained by it to maintain its LIBOR Rate Loans or from fees payable to terminate the deposits from which such funds were obtained.

4.5 Inability to Determine Rates

If the Agent determines that for any reason adequate and reasonable means do not exist for determining the LIBOR Rate for any requested Interest Period with respect to a proposed LIBOR Rate Loan, or that the LIBOR Rate for any requested Interest Period with respect to a proposed LIBOR Rate Loan does not adequately and fairly reflect the cost to the Lenders of funding such Loan, the Agent will promptly so notify the Borrowers and each Lender. Thereafter, the obligation of the Lenders to make or maintain LIBOR Rate Loans hereunder shall be suspended until the Agent revokes such notice in writing. Upon receipt of such notice, the Borrowers may revoke any Notice of Borrowing or Notice of Continuation/Conversion then submitted by it. If the Borrowers do not revoke such Notice, the Lenders shall make, convert or continue the Loans, as proposed by the Borrowers, in the amount specified in the applicable notice submitted by the Borrowers, but such Loans shall be made, converted or continued as Base Rate Loans instead of LIBOR Rate Loans.

4.6 Certificates of Agent

If any Lender claims reimbursement or compensation under this Article 4, Agent shall determine the amount thereof and shall deliver to the Borrowers (with a copy to the affected Lender) a certificate setting forth in reasonable detail the amount payable to the affected Lender, and such certificate shall be conclusive and binding on the Borrowers in the absence of manifest error.

4.7 Survival

The agreements and obligations of the Borrowers in this Article 4 shall survive the payment of all other Obligations.

4.8 Mitigation; Mandatory Assignment

Each Lender shall use reasonable efforts to avoid or mitigate any increased cost or suspension of the availability of an interest rate under Sections 4.1 through 4.5 above to the greatest extent practicable (including transferring the Loans to another lending office or Affiliate of a Lender) unless, in the reasonable opinion of such Lender, such efforts would be likely to have an adverse effect upon it. In the event a Lender makes a request to the Borrowers for additional payments in accordance with Section 4.1, 4.2, 4.3 or 4.4, then, provided that no Default or Event of Default has occurred and is continuing at such time, the Borrowers may, at their own expense (such expense to include, without limitation, any transfer fee payable to the Agent under Section 11.2(a)) and in its sole discretion, require such Lender to transfer and assign in whole (but not in part), without recourse (in accordance with and subject to the terms and conditions of Section 11.2(a)), all of its interests, rights and obligations under this Agreement to an Eligible Assignee which shall assume such assigned obligations (which assignee may be another Lender, if a Lender accepts such assignment); provided that (a) such assignment shall not conflict with any law, rule or regulation or order of any court or other Governmental Authority and (b) the Borrowers or such assignee shall have paid to the assigning Lender in immediately available funds the principal of and interest accrued to the date of such payment on the portion of the Loans hereunder held by such assigning Lender and all other amounts owed to such assigning Lender hereunder, including amounts owed pursuant to Sections 4.1 through 4.5 hereof.

ARTICLE 5
BOOKS AND RECORDS; FINANCIAL INFORMATION; NOTICES

5.1 Books and Records

Each Borrower shall maintain, at all times, correct and complete books, records and accounts in which complete, correct and timely entries are made of its transactions in accordance with GAAP applied consistently with the audited Financial Statements required to be delivered pursuant to Section 5.2(a). Each Borrower shall, by means of appropriate entries, reflect in such accounts and in all Financial Statements proper liabilities and reserves for all taxes and proper provision for depreciation and amortization of Property and bad debts, all in accordance with GAAP. Each Borrower shall maintain at all times books and records pertaining to the Collateral in such detail, form and scope as the Agent or any Lender shall reasonably require, including, but

not limited to, records of (a) all payments received and all credits and extensions granted with respect to the Accounts; (b) the return, rejection, repossession, stoppage in transit, loss, damage, or destruction of any Inventory; and (c) all other dealings affecting the Collateral.

5.2 Financial Information

The Borrowers shall promptly furnish to each Lender, all such financial information as the Agent shall reasonably request. Without limiting the foregoing, the Borrowers will furnish to the Agent, in sufficient copies for distribution by the Agent to each Lender, in such detail as the Agent or the Lenders shall request, the following:

(a) As soon as available, but in any event not later than ninety (90) days after the close of each Fiscal Year, consolidated audited balance sheets, and income statements, cash flow statements and changes in stockholders' equity for the Parent and its consolidated Subsidiaries for such Fiscal Year, and the accompanying notes thereto, setting forth in each case in comparative form figures for the previous Fiscal Year, all in reasonable detail, fairly presenting the financial position and the results of operations of the Parent and its consolidated Subsidiaries as at the date thereof and for the Fiscal Year then ended, and prepared in accordance with GAAP. Such statements shall be examined in accordance with generally accepted auditing standards by and, in the case of such statements performed on a consolidated basis, accompanied by a report thereon unqualified in any respect of independent certified public accountants selected by the Parent and reasonably satisfactory to the Agent. The Borrowers hereby authorize the Agent, during the existence of a Default or an Event of Default, to communicate directly with their certified public accountants and, by this provision, authorize those accountants to disclose to the Agent any and all financial statements and other supporting financial documents and schedules relating to the Borrowers and to discuss directly with the Agent the finances and affairs of the Borrowers.

(b) As soon as available, and in any event within 45 days after the close of each fiscal quarter of the Parent and its consolidated Subsidiaries, a consolidated balance sheet and income statement of the Parent and its consolidated Subsidiaries, as of the end of such fiscal quarter, together with related consolidated statements of operations and retained earnings and of cash flows for such fiscal quarter, in each case setting forth in comparative form consolidated figures for the corresponding period of the preceding Fiscal Year, all such financial information described above to be in reasonable form and detail and reasonably acceptable to the Agent, and accompanied by a certificate of the chief financial officer of the Parent to the effect that such quarterly financial statements fairly present in all material respects the financial condition of the Parent and its consolidated Subsidiaries and have been prepared in accordance with GAAP, subject to changes resulting from normal year-end audit adjustments.

(c) As soon as available, but in any event not later than thirty (30) days after the end of each of month, consolidated unaudited income statements for the Parent and its consolidated Subsidiaries in the form of the monthly management report attached hereto as Exhibit H, for such month and for the period from the beginning of the Fiscal Year to the end of such month, all in reasonable detail, fairly presenting the financial position and

results of operations of the Parent and its consolidated Subsidiaries as at the date thereof and for such periods, and, in each case, in comparable form, figures for the corresponding period in the Borrowers' budget, and prepared in accordance with GAAP applied consistently with the audited Financial Statements required to be delivered pursuant to Section 5.2(a) and subject to quarterly and year end adjustments.

(d) With each of the audited Financial Statements delivered pursuant to Section 5.2(a), a certificate of the independent certified public accountants that examined such statement to the effect that they have reviewed and are familiar with this Agreement and that, in examining such Financial Statements, they did not become aware of any fact or condition which then constituted a Default or Event of Default with respect to a financial covenant, except for those, if any, described in reasonable detail in such certificate.

(e) With each of the annual audited Financial Statements delivered pursuant to Section 5.2(a), and within forty-five (45) days after the end of each fiscal quarter, a certificate of the chief financial officer of the Parent setting forth in reasonable detail the calculations required to establish that the Borrowers were in compliance with the covenants set forth in Sections 7.22 through 7.24 during the period covered in such Financial Statements and as at the end thereof. Within thirty (30) days after the end of each quarter, a certificate of the chief financial officer of the Parent stating that, except as explained in reasonable detail in such certificate, (A) all of the representations and warranties of the Borrowers contained in this Agreement and the other Loan Documents are correct and complete in all material respects as at the date of such certificate as if made at such time, except for those that speak as of a particular date, (B) the Borrowers are, at the date of such certificate, in compliance in all material respects with all of its respective covenants and agreements in this Agreement and the other Loan Documents, (C) no Default or Event of Default then exists or existed during the period covered by the Financial Statements for such month, (D) describing and analyzing in reasonable detail all material trends, changes, and developments in each and all Financial Statements; and (E) explaining the variances of the figures in the corresponding budgets and prior Fiscal Year financial statements; provided, however, notwithstanding the foregoing, it is understood and agreed that delivery of the Parent's Form 10K or applicable Form 10-Q within the time period specified above shall satisfy the requirements of clauses (D) and (E) above. If such certificate discloses that a representation or warranty is not correct or complete, or that a covenant has not been complied with, or that a Default or Event of Default existed or exists, such certificate shall set forth what action the Borrowers have taken or propose to take with respect thereto.

(f) (i) Within sixty (60) days following the Closing Date, an annual forecast (to include forecasted consolidated balance sheets, income statements and cash flow statements) for the Parent and its Subsidiaries as at the end of and for each fiscal month and fiscal quarter of the Fiscal Year ending in 2007 and (ii) no sooner than sixty (60) days and not less than thirty (30) days prior to the beginning of each Fiscal Year thereafter, annual forecasts (to include forecasted consolidated balance sheets, income statements and cash flow statements) for the Parent and its Subsidiaries as at the end of and for each fiscal month and fiscal quarter of each such Fiscal Year.

(g) [Reserved]

(h) Promptly upon the filing thereof, copies of all reports, if any, to or other documents filed by any of the Borrowers with the Securities and Exchange Commission under the Exchange Act, and all reports, notices, or statements sent or received by any of the Borrowers to or from the holders of any equity interests of the Parent (other than routine non-material correspondence and reports sent by shareholders of the Parent to the Parent) or any such Subsidiary or of any Debt of any of the Borrowers registered under the Securities Act of 1933 or to or from the trustee under any indenture under which the same is issued.

(i) As soon as available, but in any event not later than 30 days after any Borrower's receipt thereof, a copy of all management reports and management letters prepared for the Borrowers by any independent certified public accountants of the Borrowers.

(j) Promptly after their preparation, copies of any and all proxy statements, financial statements, and reports which the Parent makes available to its shareholders.

(k) If requested by the Agent, promptly after filing with the IRS, a copy of each tax return filed by the Parent or by any of the other Borrowers.

(l) (i) As soon as available for each month, but in any event by the 30th day of the following month, a Borrowing Base Certificate for such month and concurrently therewith, or more frequently if reasonably requested by the Agent, a schedule of each Borrower's Accounts created, credits given, cash collected and other adjustments to Accounts made since the date of the last such schedule and the related Borrowing Base Certificate or (ii) notwithstanding the foregoing, if Availability is less than $35,000,000 for any five (5) consecutive day period or upon the occurrence and during the continuance of an Event of Default, the Borrowing Base Certificate shall be delivered no less frequently than weekly by Friday following the end of each week; provided, however, if thereafter, Availability shall be at least $35,000,000 for a period of three (3) consecutive months, then, so long as no Event of Default has occurred and is continuing, the Borrowers may resume providing the Borrowing Base Certificate on monthly basis as described in clause (i) immediately above, subject to any recurrence of the conditions described in this clause (ii).

(m) On a monthly basis, by the 30th day of the following month or, during the existence of a Default or an Event of Default, more frequently if requested by the Agent, an aging of each of the Borrowers' Accounts, together with a reconciliation to the corresponding Borrowing Base and to each of the Borrowers' general ledger.

(n) On a monthly basis by the 30th day of the following month or, during the existence of a Default or an Event of Default, more frequently if requested by the Agent, an aging of each of the Borrowers' accounts payable.

(o) Upon request, a statement of the balance of each of the Intercompany Accounts.

(p) Such other reports as to the Collateral of the Borrowers as the Agent shall reasonably request from time to time.

(q) With the delivery of each of the foregoing items in clauses (l) through (p), a certificate of the Parent executed by a Responsible Officer certifying as to the accuracy and completeness thereof.

(r) Such additional information as the Agent and/or any Lender may from time to time reasonably request regarding the financial and business affairs of any Borrower or any Subsidiary.

5.3 Notices to the Lenders

Each Borrower shall notify the Agent and the Lenders in writing of the following matters at the following times:

(a) Immediately after becoming aware of any Default or Event of Default;

(b) Immediately after becoming aware of the assertion by the holder of any capital stock of any Borrower or the holder of any Debt of any Borrower in a face amount in excess of $1,000,000 that a default exists with respect thereto or that such Borrower is not in compliance with the terms thereof, or the threat or commencement by such holder of any enforcement action because of such asserted default or non-compliance;

(c) Immediately after becoming aware of any event or circumstance which could have a Material Adverse Effect;

(d) Immediately after becoming aware of any pending or threatened action, suit, or proceeding, by any Person, or any pending or threatened investigation by a Governmental Authority, which could reasonably be expected to have a Material Adverse Effect;

(e) Immediately after becoming aware of any pending or threatened strike, work stoppage, unfair labor practice claim, or other labor dispute affecting the Parent or any of the other Borrowers in a manner which could reasonably be expected to have a Material Adverse Effect;

(f) Immediately after becoming aware of any violation of any law, statute, regulation, or ordinance of a Governmental Authority affecting the Parent or any other Borrower which could reasonably be expected to have a Material Adverse Effect;

(g) Immediately after receipt of any notice of any violation by the Parent or any of its Subsidiaries of any Environmental Law which could reasonably be expected to have a Material Adverse Effect or that any Governmental Authority has asserted in writing that the Parent or any other Borrower is not in compliance with any Environmental Law or is investigating the Parent's or such other Borrower's compliance therewith;

(h) Immediately after receipt of any written notice that the Parent or any of its Subsidiaries is or may be liable to any Person as a result of the Release or threatened Release of any Contaminant or that the Parent or any other Borrower is subject to investigation by any Governmental Authority evaluating whether any remedial action is needed to respond to the Release or threatened Release of any Contaminant which, in either case, is reasonably likely to give rise to liability in excess of $1,000,000;

(i) Immediately after receipt of any written notice of the imposition of any Environmental Lien against any Property of the Parent or any of its Subsidiaries;

(j) Any change in any Borrower's name as it appears in the state of its incorporation or other organization, state of incorporation or organization, type of entity, organizational identification number, locations of Collateral, or form of organization, trade names under which such Borrower will sell Inventory or create Accounts, or to which instruments in payment of Accounts may be made payable, in each case at least thirty (30) days prior thereto;

(k) Within fifteen (15) Business Days after the Parent or any ERISA Affiliate knows or has reason to know, that a non-exempt prohibited transaction (as defined in Sections 406 of ERISA and 4975 of the Code) or violation of the fiduciary responsibility rules with respect to any Plan has occurred or will occur, and, when known, any action taken or threatened by the IRS, the DOL or the PBGC with respect thereto;

(l) Upon request, or, in the event that such document reflects a significant change with respect to the matters covered thereby, within three (3) Business Days after the filing thereof with, or the issuance thereof by, the PBGC, the DOL or the IRS, as applicable, copies of the following: (i) each annual report (form 5500 series) filed with the PBGC, the DOL or the IRS with respect to each Plan, (ii) a copy of each other filing or notice filed with the PBGC, the DOL or the IRS, with respect to each Plan by either the Parent or any ERISA Affiliate, and (iii) any determination letter from the IRS regarding the qualification of a Plan under Section 401(a) of the Code;

(m) Within fifteen (15) Business Days after any changes in the benefits of any existing Plan which increase any Borrower's annual costs with respect thereto by an amount in excess of $2,500,000, or the establishment of any new Plan or the commencement of contributions to any Plan to which the Parent or any ERISA Affiliate was not previously contributing;

(n) Promptly after becoming aware of any commercial tort claim (as defined in the UCC) acquired by it;

(o) Promptly after becoming aware of any event or fact which could give rise to a material claim by such Borrower for indemnification under any of the Assigned Contracts;

(p) Immediately if such Borrower knows or has reason to know that any application or registration relating to any material patent, trademark or copyright (now or hereafter existing) may become abandoned or dedicated, or of any adverse determination

or development (including the institution of, or any such determination or development in, any proceeding in the United States Patent and Trademark Office, the United States Copyright Office or any court) regarding such Borrower's ownership of any material patent, trademark or copyright, its right to register the same, or to keep and maintain the same;

(q) Promptly after becoming aware that any of the material patent, trademark or copyright Collateral is infringed upon, or misappropriated or diluted by a third party.

Each notice given under this Section shall describe the subject matter thereof in reasonable detail, and shall set forth the action that the Parent, any other Borrower, or any ERISA Affiliate, as applicable, has taken or proposes to take with respect thereto.

ARTICLE 6
GENERAL WARRANTIES AND REPRESENTATIONS

Each Borrower warrants and represents to the Agent and the Lenders as follows:

6.1 Authorization, Validity, and Enforceability of this Agreement and the Loan Documents

The Borrowers have the power and authority to execute, deliver and perform this Agreement and the other Loan Documents to which it is a party, to incur the Obligations, and to grant to the Agent Liens upon and security interests in the Collateral. The Borrowers have taken all necessary action (including obtaining approval of its stockholders if necessary) to authorize its execution, delivery, and performance of this Agreement and the other Loan Documents to which it is a party. This Agreement and the other Loan Documents to which it is a party have been duly executed and delivered by each Borrower, and constitute the legal, valid and binding obligations of each Borrower, enforceable against it in accordance with their respective terms. The Borrowers' execution, delivery, and performance of this Agreement and the other Loan Documents to which it is a party do not and will not conflict with, or constitute a violation or breach of, or result in the imposition of any Lien upon the Property of the Parent or any of its Subsidiaries, by reason of the terms of (a) any contract, mortgage, lease, agreement, indenture, or instrument to which any Borrower is a party or which is binding upon it, (b) any Requirement of Law applicable to any Borrower or any of its Subsidiaries, or (c) the certificate or articles of incorporation or by-laws or the limited liability company or limited partnership agreement of any Borrower.

6.2 Validity and Priority of Security Interest

The provisions of this Agreement and the other Loan Documents create legal and valid Liens on all the Collateral in favor of the Agent, for the ratable benefit of the Agent and the Lenders, and such Liens constitute perfected and continuing Liens on all the Collateral, having priority over all other Liens on the Collateral, except for those Liens identified in clauses (c), (d) and (e) and certain of the Liens identified in clause (m) (to the extent provided in the Intercreditor Agreement) of the definition of Permitted Liens securing all the Obligations, and enforceable against the Borrowers and all third parties.

6.3 [Reserved]

6.4 Corporate Name; Prior Transactions

Each Borrower has not, during the past five (5) years, been known by or used any other corporate or fictitious name, or been a party to any merger or consolidation, or acquired all or substantially all of the assets of any Person, or acquired any of its Property outside of the ordinary course of business, except as set forth on Schedule 6.4.

6.5 Organization and Qualification

Schedule 6.5 is a correct and complete list of the name and relationship to the Parent of each and all of its Subsidiaries. The Borrowers are (a) duly incorporated or organized and validly existing in good standing under the laws of its state of incorporation or organization set forth on Schedule 6.5, and (b) qualified to do business and in good standing in each jurisdiction in which the failure to so qualify or be in good standing could reasonably be expected to have a material adverse effect on any such Borrowers' business, operations, prospects, Property, or condition (financial or otherwise) and (c) has all requisite power and authority to conduct its business and own its Property.

6.6 Financial Statements and Projections

(a) The Parent has delivered to the Agent and the Lenders the audited balance sheet and related statements of income, retained earnings, cash flows, and changes in stockholders equity for the Parent and its consolidated Subsidiaries as of June 26, 2005, and for the Fiscal Year then ended, accompanied by the report thereon of the Parent's independent certified public accountants, Ernst & Young LLP. The Parent has also delivered to the Agent and the Lenders the unaudited balance sheet and related statements of income and cash flows for the Parent and its consolidated Subsidiaries as of March 25, 2006. Such financial statements are attached hereto as Exhibit C. All such financial statements have been prepared in accordance with GAAP and present accurately and fairly in all material respects the financial position of the Parent and its consolidated Subsidiaries as at the dates thereof and their results of operations for the periods then ended.

(b) The Latest Projections when submitted to the Lenders as required herein represent the Borrowers' best estimate of the future financial performance of the Parent and its consolidated Subsidiaries for the periods set forth therein. The Latest Projections have been prepared on the basis of the assumptions set forth therein, which the Borrowers believe are fair and reasonable in light of current and reasonably foreseeable business conditions at the time submitted to the Lenders.

(c) The pro forma balance sheet of the Parent as at March 25, 2006, attached hereto as Exhibit C, presents fairly and accurately the Borrowers' financial condition as at such date after giving effect to the transactions contemplated hereby and assuming the Closing Date had been such date, and has been prepared in accordance with GAAP.

6.7 Capitalization

The Parent's authorized capital stock consists of 500,000,000 shares of common stock, par value $0.10 per share, of which 52,195,434 shares are validly issued and outstanding, fully paid and non-assessable and are owned beneficially and of record on April 26, 2006. Capitalization for each Subsidiary is set forth on Schedule 6.7, attached hereto.

6.8 Solvency

Based upon the financial statements for the fiscal year ended June 26, 2005 and the adjustments made in response thereto, each of the Borrowers is Solvent prior to and after giving effect to the Borrowings to be made on the Closing Date and the issuance of the Letters of Credit to be issued on the Closing Date. The Borrowers, on a consolidated basis, are Solvent prior to and after giving effect to the Borrowings to be made on the Closing Date and the issuance of the Letters of Credit to be issued on the Closing Date and shall remain Solvent during the term of this Agreement. Each Borrower is able and expects to be able to pay its debts (including contingent debts and other commitments) as they mature.

6.9 Debt

After giving effect to the making of the Revolving Loans to be made on the Closing Date, the Borrowers have no Debt, except (a) the Obligations, (b) Debt described on Schedule 6.9 and (c) the Senior Secured Notes. None of the holders of Debt owed by any Subsidiary which is not a Borrower has recourse against any Borrower.

6.10 Distributions

Since June 26, 2005, no Distribution has been declared, paid, or made upon or in respect of any capital stock or other securities of the Borrowers, other than Distributions to any Borrower or as permitted by Section 7.10.

6.11 Real Estate; Leases

Schedule 6.11 sets forth, as of the Closing Date, a correct and complete list of all Real Estate owned by the Parent and all Real Estate owned by any other Borrower, all leases and subleases of real or personal Property held by any Borrower as lessee or sublessee (other than leases of personal Property as to which any Borrower is lessee or sublessee for which the value of such personal Property in the aggregate is less than $2,000,000), and all leases and subleases of real or personal Property held by any Borrower as lessor, or sublessor. Each of such leases and subleases is valid and enforceable in accordance with its terms and is in full force and effect, and no default by any party to any such lease or sublease exists. The Borrowers have good and marketable title in fee simple to the Real Estate identified on Schedule 6.11 as owned by the Borrowers, or valid leasehold interests in all Real Estate designated therein as "leased" by the Borrowers and the Borrowers have good, indefeasible, and merchantable title to all of its other Property reflected on the June 26, 2005 Financial Statements delivered to the Agent and the Lenders, except as disposed of in the ordinary course of business since the date thereof, free of all Liens except Permitted Liens.

6.12 Proprietary Rights

Schedule 6.12 sets forth a correct and complete list of all of the Borrowers' Proprietary Rights. None of the Proprietary Rights is subject to any licensing agreement or similar arrangement except as set forth on Schedule 6.12. To the best of each Borrower's knowledge, none of the Proprietary Rights infringes on or conflicts with any other Person's Property, and no other Person's Property infringes on or conflicts with the Proprietary Rights. The Proprietary Rights described on Schedule 6.12 constitute all of the Property of such type necessary to the current and anticipated future conduct of the businesses of the Borrowers.

6.13 Trade Names

All trade names or styles under which the Parent or any other Borrower will sell Inventory or create Accounts, or to which instruments in payment of Accounts may be made payable, are listed on Schedule 6.13.

6.14 Litigation

Except as set forth on Schedule 6.14, there is no pending, or to the best of each Borrower's knowledge threatened, action, suit, proceeding, or counterclaim by any Person, or to the best of each Borrower's knowledge, investigation by any Governmental Authority or arbitrator, or any basis for any of the foregoing, which could reasonably be expected to have a Material Adverse Effect.

6.15 Labor Disputes

Except as set forth on Schedule 6.15, as of the Closing Date (a) there is no collective bargaining agreement or other labor contract covering employees of the Borrowers, (b) no such collective bargaining agreement or other labor contract is scheduled to expire during the term of this Agreement, (c) no union or other labor organization is seeking to organize, or to be recognized as, a collective bargaining unit of employees of the Borrowers or for any similar purpose, and (d) there is no pending or (to the best of each Borrower's knowledge) threatened, strike, work stoppage, material unfair labor practice claim, or other material labor dispute against or affecting the Parent or any of the other Borrowers or their employees.

6.16 Environmental Laws

Except as otherwise disclosed on Schedule 6.16 or except as otherwise would not result in or would not be expected to result in a Material Adverse Effect:

(a) The Parent and its Domestic Subsidiaries have complied in all material respects with all Environmental Laws and neither the Parent nor any Domestic Subsidiary nor any of its presently owned or leased real Property or presently conducted operations, nor its previously owned or leased real Property or prior operations, is subject to any enforcement order from or liability agreement with any Governmental Authority or private Person respecting (i) compliance with any Environmental Law or (ii) any potential liabilities and costs or remedial action arising from the Release or threatened Release of a Contaminant.

(b) The Parent and its Domestic Subsidiaries have obtained all permits necessary for their current operations under Environmental Laws, and all such permits are in good standing and the Parent and its Domestic Subsidiaries are in compliance with all material terms and conditions of such permits.

(c) Neither the Parent nor any of its Domestic Subsidiaries, nor, to the best of the Borrowers' knowledge, any of its predecessors in interest, has in violation of applicable law stored, treated or disposed of any hazardous waste.

(d) Neither the Parent nor any of its Domestic Subsidiaries has received any summons, complaint, order or similar written notice indicating that it is not currently in compliance with, or that any Governmental Authority is investigating its compliance with, any Environmental Laws or that it is or may be liable to any other Person as a result of a Release or threatened Release of a Contaminant.

(e) To the best of each Borrower's knowledge, none of the present or past owned or leased real property or operations of the Parent and its Domestic Subsidiaries is the subject of any investigation by any Governmental Authority evaluating whether any remedial action is needed to respond to a Release or threatened Release of a Contaminant.

(f) There is not now, nor to the best of each Borrower's knowledge has there ever been on or in the Real Estate:

(i) any underground storage tanks or surface impoundments,

(ii) any asbestos-containing material, or

(iii) any polychlorinated biphenyls (PCBs) used in hydraulic oils, electrical transformers or other equipment,

the presence of which has had or could reasonably be expected to have a Material Adverse Effect.

(g) Neither the Parent nor any of its Domestic Subsidiaries has filed any notice under any requirement of Environmental Law reporting a spill or accidental and unpermitted Release or discharge of a Contaminant into the environment.

(h) Neither the Parent nor any of its Domestic Subsidiaries has entered into any negotiations or settlement agreements with any Person (including the prior owner of its Property) imposing material obligations or liabilities on the Parent or any of its Domestic Subsidiaries with respect to any remedial action in response to the Release of a Contaminant or environmentally related claim.

(i) None of the products manufactured, distributed or sold by the Parent or any of its Domestic Subsidiaries contain asbestos containing material.

(j) No Environmental Lien has attached to the Real Estate.

6.17 No Violation of Law

None of the Borrowers is in violation of any law, statute, regulation, ordinance, judgment, order, or decree applicable to it which violation could reasonably be expected to have a Material Adverse Effect.

6.18 No Default

None of the Borrowers is in default with respect to any note, indenture, loan agreement, mortgage, lease, deed, or other agreement to which such Borrower is a party or by which it is bound, which default could reasonably be expected to have a Material Adverse Effect.

6.19 ERISA Compliance

Except as specifically disclosed on Schedule 6.19:

(a) Each Plan is in compliance in all material respects with the applicable provisions of ERISA, the Code and other federal or state law. Each Plan which is intended to qualify under Section 401(a) of the Code has received a favorable determination letter from the IRS and to the best knowledge of the Borrowers, nothing has occurred which would cause the loss of such qualification.

(b) Neither the Parent not any ERISA Affiliate sponsors, maintains or is obligated to make contributions to any Pension Plan or Multi-employer Plan nor has the parent or any ERISA Affiliate sponsored, maintained or contributed to any Pension Plan or Multi-employer Plan at any time during the six (6) year period ending on the date of this Agreement.

(c) There are no pending or, to the best knowledge of the Parent or its Domestic Subsidiaries, threatened claims, actions or lawsuits, or action by any Governmental Authority, with respect to any Plan which has resulted or could reasonably be expected to result in a Material Adverse Effect. There has been no non-exempt prohibited transaction (as defined in Sections 406 of ERISA and 4975 of the Code) or violation of the fiduciary responsibility rules with respect to any Plan which has resulted or could reasonably be expected to result in a Material Adverse Effect.

6.20 Taxes

The Borrowers have filed all federal and other tax returns and reports required to be filed, and have paid all federal and other taxes, assessments, fees and other governmental charges levied or imposed upon them or their properties, income or assets otherwise due and payable unless such unpaid taxes and assessments would constitute a Permitted Lien.

6.21 Regulated Entities

No Borrower and no Person controlling any Borrower, is an “Investment Company” within the meaning of the Investment Company Act of 1940. No Borrower is subject to regulation under the Federal Power Act, the Interstate Commerce Act, any state public utilities

code or law, or any other federal or state statute or regulation limiting its ability to incur indebtedness.

6.22 Use of Proceeds; Margin Regulations

The proceeds of the Loans are to be used solely to refinance existing Debt, to issue standby and commercial letters of credit and for working capital purposes. Neither the Parent nor any other Borrower is engaged in the business of purchasing or selling Margin Stock or extending credit for the purpose of purchasing or carrying Margin Stock.

6.23 Copyrights, Patents, Trademarks and Licenses, etc

Except as set forth on Schedule 6.14, the Borrowers own or are licensed or otherwise have the right to use all of the patents, trademarks, service marks, trade names, copyrights, contractual franchises, licenses, rights of way, authorizations and other rights that are reasonably necessary for the operation of their businesses, without conflict with the rights of any other Person. To the best knowledge of each Borrower, no slogan or other advertising device, product, process, method, substance, part or other material now employed, or now contemplated to be employed, by the Parent or any other Borrower infringes upon any rights held by any other Person. No claim or litigation regarding any of the foregoing is pending or threatened, and no patent, invention, device, application, principle or any statute, law, rule, regulation, standard or code is pending or, to the knowledge of each Borrower, proposed, which, in either case, could reasonably be expected to have a Material Adverse Effect.

6.24 No Material Adverse Change

No Material Adverse Effect has occurred since the latest date of the annual audited Financial Statements previously delivered to the Lenders.

6.25 Full Disclosure

None of the representations or warranties made by the Parent or any other Borrower in the Loan Documents as of the date such representations and warranties are made or deemed made, and none of the statements contained in any exhibit, report, statement or certificate furnished by or on behalf of the Parent or any other Borrower in connection with the Loan Documents (including the offering and disclosure materials delivered by or on behalf of the Borrowers to the Lenders prior to the Closing Date), contains any untrue statement of a material fact or omits any material fact required to be stated therein or necessary to make the statements made therein, in light of the circumstances under which they are made, not misleading as of the time when made or delivered.

6.26 Material Agreements

Schedule 6.26 hereto sets forth as of the Closing Date all material agreements and contracts to which the Parent or any of the other Borrowers is a party or is bound as of the date hereof.

6.27 Bank Accounts

Schedule 6.27 contains as of the Closing Date a complete and accurate list of all bank accounts maintained by each Borrower with any bank or other financial institution, identifying the account number, type of account and depository institution.

6.28 Governmental Authorization

No approval, consent, exemption, authorization, or other action by, or notice to, or filing with, any Governmental Authority or other Person is necessary or required in connection with the execution, delivery or performance by, or enforcement against, the Borrowers of this Agreement or any other Loan Document.

ARTICLE 7
AFFIRMATIVE AND NEGATIVE COVENANTS

Each Borrower covenants to the Agent and each Lender that so long as any of the Obligations remain outstanding or this Agreement is in effect:

7.1 Taxes and Other Obligations

Each Borrower shall, and shall cause each of its Domestic Subsidiaries to, (a) file when due all tax returns and other reports which it is required to file; (b) pay, or provide for the payment, when due, of all taxes, fees, assessments and other governmental charges against it or upon its Property, income and franchises, make all required withholding and other tax deposits, and establish adequate reserves for the payment of all such items, and provide to the Agent and the Lenders, upon request, satisfactory evidence of its timely compliance with the foregoing; and (c) pay when due all Debt owed by it and all claims of materialmen, mechanics, carriers, warehousemen, landlords, processors and other like Persons, and all other indebtedness owed by it and perform and discharge in a timely manner all other obligations undertaken by it; provided, however, so long as the Parent has notified the Agent in writing, neither the Parent nor any of its Subsidiaries need pay any tax, fee, assessment, or governmental charge (i) it is contesting in good faith by appropriate proceedings diligently pursued, (ii) as to which the Parent or any Subsidiary, as the case may be, has established proper reserves as required under GAAP, and (iii) the nonpayment of which does not result in the imposition of a Lien (other than a Permitted Lien).

7.2 Legal Existence and Good Standing

Each Borrower shall, and shall cause each of its Domestic Subsidiaries to, maintain its legal existence and its qualification and good standing in all jurisdictions in which the failure to maintain such existence and qualification or good standing could reasonably be expected to have a Material Adverse Effect.

7.3 Compliance with Law and Agreements; Maintenance of Licenses

Each Borrower shall comply, and shall cause each Domestic Subsidiary to comply, in all material respects with all Requirements of Law of any Governmental Authority having jurisdiction over it or its business (including the Federal Fair Labor Standards Act and all Environmental Laws). Each Borrower shall obtain and maintain all licenses, permits, franchises, and governmental authorizations necessary to own its Property and to conduct its business as conducted on the Closing Date. No Borrower shall modify, amend or alter its certificate or articles of incorporation, or its limited liability company operating agreement or limited partnership agreement, as applicable, other than in a manner which does not adversely affect the rights of the Lenders or the Agent.

7.4 Maintenance of Property; Inspection of Property

(a) Each Borrower shall, and shall cause each of its Domestic Subsidiaries to, maintain all of its Property necessary and useful in the conduct of its business, in good operating condition and repair, ordinary wear and tear excepted.

(b) Each Borrower shall permit representatives and independent contractors of the Agent (at the expense of such Borrower not to exceed (i) three (3) times per year for each year of this Agreement during which Availability is at any time less than $25,000,000, (ii) two (2) times per year for each year of this Agreement during which Availability is at any time greater than or equal to $25,000,000 but less than $75,000,000, and (iii) one (1) time per year for each year of this Agreement during which Availability is at any time greater than or equal to $75,000,000) to visit and inspect any of its properties, to examine its corporate, financial and operating records, and make copies thereof or abstracts therefrom and to discuss its affairs, finances and accounts with its officers and independent public accountants, at such reasonable times during normal business hours and as soon as may be reasonably desired, upon reasonable advance notice to such Borrower; provided, however, when an Event of Default exists, the Agent or any Lender may do any of the foregoing at the expense of the Borrowers at any time during normal business hours and without advance notice.

7.5 Insurance

(a) The Parent shall maintain, and shall cause each of the Borrowers to maintain, with financially sound and reputable insurers having a rating of at least A+ or better by Best Rating Guide, insurance against loss or damage by fire with extended coverage; theft and loss in transit; public liability and third party Property damage; fraud or other criminal liability; business interruption; public liability and third party Property damage; and such other hazards or of such other types as is customary for Persons engaged in the same or similar business and, with respect to any insurance covering any Collateral, in amounts and under policies reasonably acceptable to the Agent and without exclusions for acts of terrorism or other exclusions not acceptable to the Agent. The Agent acknowledges that, as of the Closing Date, the Borrowers' existing insurance policies and the amounts of coverage provided for therein are acceptable.

(b) The Borrowers shall cause the Agent, for the ratable benefit of the Agent and the Lenders, to be named as an additional insured and as secured party and loss payee

on each insurance policy, in each case in a manner acceptable to the Agent. Each policy of insurance shall contain a clause or endorsement requiring the insurer to give not less than thirty (30) days' prior written notice to the Agent in the event of cancellation of the policy for any reason whatsoever and a clause or endorsement stating that the interest of the Agent shall not be impaired or invalidated by any act or neglect of the Parent or any Borrower or the owner of any Real Estate for purposes more hazardous than are permitted by such policy and shall contain such other terms and conditions as Agent shall reasonably require. All premiums for such insurance shall be paid by the Borrowers when due, and certificates of insurance and, if requested by the Agent or any Lender, photocopies of the policies, shall be delivered to the Agent, in each case in sufficient quantity for distribution by the Agent to each of the Lenders. If the Borrowers fail to procure such insurance or to pay the premiums therefor when due, the Agent may, and at the direction of the Required Lenders shall, do so from the proceeds of Revolving Loans.

7.6 Insurance and Condemnation Proceeds

The Borrowers shall promptly notify the Agent and the Lenders of any loss, damage, or destruction to the Collateral, whether or not covered by insurance in excess of $1,000,000. The Agent is hereby authorized to collect all insurance and condemnation proceeds in respect of Collateral directly and to apply or remit them as follows: With respect to insurance and condemnation proceeds relating to Collateral, after deducting from such proceeds the reasonable expenses, if any, incurred by the Agent in the collection or handling thereof, the Agent shall apply such proceeds, ratably, to the reduction of the Obligations in the order provided for in Section 3.8.

7.7 Environmental Laws

(a) Each Borrower shall, and shall cause each of its Domestic Subsidiaries to, conduct its business in compliance with all Environmental Laws applicable to it, including those relating to the generation, handling, use, storage, and disposal of any Contaminant. Each Borrower shall, and shall cause each of its Domestic Subsidiaries to, take prompt and appropriate action to respond to any non-compliance with Environmental Laws and shall regularly report to the Agent on such response.

(b) The Agent or any Lender may request copies of technical reports prepared by the Borrowers and their communications with any Governmental Authority to determine whether the Borrowers are proceeding reasonably to correct, cure or contest in good faith any alleged non-compliance or environmental liability. The Borrowers shall, at the Agent's or the Required Lenders' request and at the Borrowers' expense, (i) retain an independent environmental engineer acceptable to the Agent to evaluate the site, including tests if appropriate, where the non-compliance or alleged non-compliance with Environmental Laws has occurred and prepare and deliver to the Agent, in sufficient quantity for distribution by the Agent to the Lenders, a report setting forth the results of such evaluation, a proposed plan for responding to any environmental problems described therein, and an estimate of the costs thereof, and (ii) provide to the Agent and the Lenders a supplemental report of such engineer whenever the scope of the environmental

problems, or the response thereto or the estimated costs thereof, shall increase in any material respect.

7.8 Compliance with ERISA; Pension and Multi-employer Plans

Each Borrower shall, and shall cause each of its ERISA Affiliates to: (a) maintain each Plan in compliance in all material respects with the applicable provisions of ERISA, the Code and other federal or state law; (b) cause each Plan which is qualified under Section 401(a) of the Code to maintain such qualification; and (c) not engage in a non-exempt prohibited transaction (as defined in Sections 406 of ERISA and 4975 of the Code) or violation of the fiduciary responsibility rules with respect to any Plan which could not reasonably be expected to result in a Material Adverse Effect. Neither the Parent nor any ERISA Affiliate shall adopt, sponsor, maintain or become obligated to make contributions to any Pension Plan or Multi-employer Plan.

7.9 Mergers, Consolidations or Sales

No Borrower shall enter into any transaction of merger, reorganization, or consolidation, or transfer, sell, assign, lease, or otherwise dispose of all or any part of its Property, or wind up, liquidate or dissolve, or agree to do any of the foregoing, except (a) for sales of Inventory in the ordinary course of its business, (b) for sales or other dispositions of Equipment and other assets (other than Collateral included in the Borrowing Base and the proceeds thereof) in the ordinary course of business that are obsolete or no longer used or required by such Borrower in its business, (c) for mergers or consolidations of one Borrower with or into another Borrower, (d) for mergers or consolidations of any Subsidiary with or into another Subsidiary; provided that if one of such Subsidiaries is a Borrower, then such Borrower shall be the surviving entity, and (e) for sales of Accounts to Factors pursuant to the Factoring Agreements.

7.10 Distributions; Capital Change; Restricted Investments

No Borrower shall (a) directly or indirectly declare or make, or incur any liability to make Distributions (provided, however, (x) Distributions may be made to the Parent or any Borrower from any of its Subsidiaries and (y) Distributions may be made by the Parent so long as (i)(A) Thirty Day Average Excess Availability determined on a pro forma basis was at least $25,000,000 for the thirty (30) day period most recently ended prior to the declaration of any such Distributions, and (B) Availability after giving effect thereto is at least $25,000,000 and (ii) no Default or Event of Default shall exist prior to or immediately after the making of any such Distributions), (b) make any change in its capital structure which could have a Material Adverse Effect or (c) make any Restricted Investments. For purposes of this Section 7.10, "pro forma basis" shall mean that compliance with the Thirty Day Average Excess Availability test referred to immediately above shall be determined giving effect to the making of such Distributions as if it occurred on the first day of such thirty (30) day period.

7.11 Transactions Affecting Collateral or Obligations

No Borrower shall enter into any transaction which would be reasonably expected to have a Material Adverse Effect.

7.12 Guaranties

Without the prior consent of the Majority Lenders, no Borrower shall make, issue, or become liable on any Guaranty, except (i) Guaranties of the Obligations in favor of the Agent, (ii) Guaranties of another Borrower in favor of suppliers and/or vendors of Unimatrix Americas, LLC, in form and substance satisfactory to the Agent, incurred in the ordinary course of business in an aggregate amount not to exceed $10,000,000 at any one time outstanding, and (iii) Guaranties of the Senior Secured Notes provided by the Domestic Subsidiaries of the Parent.

7.13 Debt

No Borrower shall incur or maintain any Debt, other than:

(a) the Obligations;

(b) Debt described on Schedule 6.9;

(c) Capital Leases of Equipment and purchase money secured Debt incurred to purchase Equipment provided that (i) Liens securing the same attach only to the Equipment acquired by the incurrence of such Debt, and (ii) the aggregate amount of such Debt (including Capital Leases) outstanding does not exceed $45,000,000 at any time;

(d) Debt evidencing a refunding, renewal or extension of the Debt described on Schedule 6.9; provided that (i) the principal amount thereof is not increased, (ii) the Liens, if any, securing such refunded, renewed or extended Debt do not attach to any assets in addition to those assets, if any, securing the Debt to be refunded, renewed or extended, (iii) no Person that is not an obligor or guarantor of such Debt as of the Closing Date shall become an obligor or guarantor thereof, and (iv) the terms of such refunding, renewal or extension are no less favorable to the Borrowers, the Agent or the Lenders than the original Debt;

(e) Derivative Obligations of the Borrowers in respect of Hedging Agreements entered into in order to manage existing or anticipated interest rate or exchange rate risks and not for speculative purposes;

(f) the Senior Secured Notes in an aggregate principal amount not to exceed $225,000,000 at any one time during the term of this Agreement and renewals and refinancings thereof on terms and conditions no less favorable to the Borrowers than the terms and conditions contained in the Senior Secured Notes Indenture and in a principal amount not in excess of the principal balance of the Senior Secured Notes outstanding under the Senior Secured Notes Indenture at the time of such refinancing,

(g) [reserved];

(h)(i) unsecured Debt in connection with Permitted Acquisitions on terms and conditions satisfactory to the Agent and (ii) secured Debt in connection with Permitted Acquisitions that is fully subordinated to the Obligations hereunder, is secured only by Property newly-acquired in connection with the related Permitted Acquisition and is otherwise on terms and conditions satisfactory to the Agent, provided, however, that in either case no such Debt shall be permitted unless (A) except as provided in the proviso immediately below, (x) Thirty Day Average Excess Availability determined on a pro forma basis was at least $25,000,000 for the thirty (30) day

period most recently ended prior to the incurrence of any such Debt, and (y) Availability after giving effect thereto is at least $25,000,000, (B) the Fixed Charge Coverage Ratio shall not be less than 1.0 to 1.0, after giving effect to the incurrence of such Debt on a pro forma basis and (C) no Default or Event of Default shall exist prior to or immediately after the incurrence of any such Debt; provided, further, that if (i) Thirty Day Average Excess Availability determined on a pro forma basis was less than $25,000,000 but greater than or equal to $10,000,000 for the thirty (30) day period most recently ended prior to the incurrence of any such Debt, and (ii) Availability after giving effect thereto is less than $25,000,000 but greater than or equal to $10,000,000 after giving effect to the incurrence of such Debt, notwithstanding the foregoing, such Debt may be incurred in accordance with and subject to the other requirements of this clause (h)(i) or (ii) if after giving effect to the incurrence thereof, the Fixed Charge Coverage Ratio would not be less than 1.10 to 1.0 and the Leverage Ratio would not be greater than 5.0 to 1.0, determined on a pro forma basis; and

(i) Debt in the form of Guaranties permitted by 7.12 hereof.

For purposes of clause (h) of this Section 7.13, "pro forma basis" in reference to the Thirty Day Average Excess Availability test therein, shall mean that compliance with such test shall be determined giving effect to the incurrence of such Debt and the consummation of the related Permitted Acquisition as if they occurred on the first day of such thirty (30) day period.

For purposes of clause (h) of this Section 7.13, "pro forma basis" in reference to the Fixed Charge Coverage Ratio and Leverage Ratio therein, shall mean that compliance with such financial covenant tests shall be determined on the basis of the financial statements and related numbers for the four consecutive fiscal quarters ending with the fiscal quarter immediately preceding the date on which any such Debt is to be incurred and giving effect to the incurrence of such Debt and the consummation of the related Permitted Acquisition as if they occurred on the first day of the four consecutive fiscal quarters ending with such fiscal quarter.

7.14 Payments of Other Debt

No Borrower shall voluntarily prepay any Debt, except (a) the Obligations in accordance with the terms of this Agreement, (b) provided that no Default or Event of Default exists prior to or immediately after the making of such prepayments, Debt payments not to exceed $2,000,000 in the aggregate in any fiscal year, (c) provided that no Default or Event of Default exists prior to or immediately after the making of such repurchase, the Borrowers may repurchase the Senior Secured Notes from time to time from unrestricted cash on hand so long as (i) there are no Revolving Loans outstanding and the Obligations arising in connection with Letters of Credit hereunder are less than $10,000,000 in the aggregate or (ii) if there are Revolving Loans outstanding or the Obligations arising in connection with Letters of Credit hereunder are equal to or greater than $10,000,000 in the aggregate (A) Thirty Day Average Excess Availability determined on a pro forma basis was at least $25,000,000 for the thirty (30) day period most recently ended prior to any such repurchase, (B) Availability after giving effect to any such repurchase is at least $25,000,000, and (C) all such repurchases do not exceed $15,000,000 in the aggregate, and (d) provided that no Default or Event of Default exists prior to or immediately after the making of such repurchase, the Borrowers may repurchase the Existing Senior Notes not tendered on or prior to the Closing Date, in an aggregate amount not to exceed $2,000,000 so

long as (i) Thirty Day Average Excess Availability determined on a pro forma basis was at least $25,000,000 for the thirty (30) day period most recently ended prior to any such repurchase and (ii) Availability after giving effect to any such repurchase is at least $25,000,000. For purposes of this Section 7.14, "pro forma basis" shall mean that compliance with the Thirty Day Average Excess Availability test referred to immediately above shall be determined giving effect to such repurchase as if it occurred on the first day of such thirty (30) day period. The Borrowers shall not make any payments or prepayments of the Senior Secured Notes, except (1) as provided above, (2) regularly scheduled payments of interest in respect of the Senior Secured Notes, and (3) mandatory prepayments of the Senior Secured Notes as required pursuant to the Senior Secured Notes Indenture in connection with the disposition of assets that constitute "First Priority Collateral," as such term is defined in the Senior Secured Notes Indenture as in effect on the date hereof.

7.15 Transactions with Affiliates

Except as set forth below, no Borrower shall, sell, transfer, distribute, or pay any money or Property, including, but not limited to, any fees or expenses of any nature (including, but not limited to, any fees or expenses for management services), to any Affiliate, or lend or advance money or Property to any Affiliate, or invest in (by capital contribution or otherwise) or purchase or repurchase any stock or indebtedness, or any Property, of any Affiliate, or become liable on any Guaranty of the indebtedness, dividends, or other obligations of any Affiliate. Notwithstanding the foregoing, while no Event of Default has occurred and is continuing, any Borrower may engage in transactions with Affiliates in the ordinary course of business consistent with past practices, in amounts and upon terms no less favorable to such than would be obtained in a comparable arm's-length transaction with a third party who is not an Affiliate. Upon the occurrence of an Event of Default and during the continuation thereof, no Borrower shall engage in such affiliate transactions unless such Borrower has previously notified the Agent and obtained the Agent's prior consent to such transaction, such consent not to be unreasonably withheld.

7.16 Investment Banking and Finder's Fees

No Borrower shall pay or agree to pay, or reimburse any other party with respect to, any investment banking or similar or related fee, underwriter's fee, finder's fee, or broker's fee to any Person in connection with this Agreement. The Borrowers shall defend and indemnify the Agent and the Lenders against and hold them harmless from all claims of any Person that the Borrowers are obligated to pay for any such fees, and all costs and expenses (including attorneys' fees) incurred by the Agent and/or any Lender in connection therewith.

7.17 Business Conducted

Without the prior consent of the Majority Lenders, no Borrower shall engage directly or indirectly, in any line of business other than the businesses in which the Borrowers are engaged on the Closing Date and any other similar or related businesses.

7.18 Liens

No Borrower shall create, incur, assume, or permit to exist any Lien on any Property now owned or hereafter acquired by any of them, except Permitted Liens, and Liens, if any, in effect as of the Closing Date described in Schedule 6.9 securing Debt described in Schedule 6.9 and Liens securing Capital Leases and purchase money Debt permitted in Section 7.13.

7.19 Sale and Leaseback Transactions

No Borrower shall, directly or indirectly, enter into any arrangement with any Person providing for such Borrower to lease or rent Property that the Parent or any of its Subsidiaries has sold or will sell or otherwise transfer to such Person unless no Default or Event of Default has occurred and is continuing or would occur as a result of such transaction.

7.20 Subsidiaries

Each Borrower shall cause any Domestic Subsidiary acquired or formed after the Closing Date to promptly (and in any event within thirty (30) days after such Domestic Subsidiary is formed or acquired (or such longer period of time as agreed to by the Administrative Agent in its reasonable discretion)) become a Borrower hereunder and to pledge its assets constituting Collateral in favor of the Agent as provided in the Security Agreement and the Pledge Agreement by becoming a party to a Joinder Agreement and if such Domestic Subsidiary owns or leases any Real Estate having a fair market value in excess of $1,000,000, to grant a Mortgage thereon in favor of the Agent. The Obligations shall be secured by, among other things, a first priority perfected security interest in the Collateral of such new Borrower and a pledge of 100% of the Capital Stock of such new Borrower and its Domestic Subsidiaries and 65% of the voting Capital Stock and 100% of the non-voting Capital Stock of its first-tier Foreign Subsidiaries, subject to the Intercreditor Agreement. In connection with the foregoing, the Borrowers shall deliver to the Administrative Agent, with respect to each new Borrower to the extent applicable, substantially the same documentation required pursuant to Section 8.1(f), and such other documents or agreements as the Administrative Agent may reasonably request. In lieu of the foregoing, at the option of the Agent, such Borrower shall cause such Domestic Subsidiary to execute and deliver to the Agent (i) a guarantee in form and substance satisfactory to the Agent causing such Domestic Subsidiary to become guarantor of the Obligations, (ii) security and pledge agreements with the same effect set forth above, and (iii) if such Domestic Subsidiary owns or leases any Real Estate having a fair market value in excess of $1,000,000, a Mortgage thereon in favor of the Agent, and to deliver such additional documentation of the types described in this Section 7.20, all as the Agent reasonably shall request.

7.21 Fiscal Year

No Borrower shall change its Fiscal Year.

7.22 Capital Expenditures

The Borrowers shall not make or incur any Capital Expenditure unless (a) after giving effect thereto, the aggregate amount of all Capital Expenditures by the Borrowers on a consolidated basis would not exceed during any Fiscal Year the sum of (i) $30,000,000 less any maintenance Capital Expenditures made in such Fiscal Year pursuant to the proviso immediately below, plus (ii) seventy-five percent (75%) of the unused amount available for Capital

Expenditures under this Section 7.22 for the immediately preceding Fiscal Year (excluding any carry forward available from prior Fiscal Years), (b) Thirty Day Average Excess Availability determined on a pro forma basis was at least $25,000,000 for the thirty (30) day period most recently ended prior to the making or incurrence of any such Capital Expenditure, and (c) Availability after giving effect thereto is at least $25,000,000; provided, however, that so long as no Default or Event of Default exists prior to or immediately after the making of any such Capital Expenditures, the Borrowers may, notwithstanding the foregoing limitation, make maintenance Capital Expenditures on a consolidated basis not to exceed $5,000,000 during any Fiscal Year. For purposes of this Section 7.22, "pro forma basis" shall mean that compliance with the Thirty Day Average Excess Availability test referred to immediately above shall be determined giving effect to the incurrence of such Capital Expenditure as if it occurred on the first day of such thirty (30) day period.

7.23 Fixed Charge Coverage Ratio

If Availability on any day shall be less than $25,000,000 (any such event being a "Covenant Trigger"), the Borrower shall be required to maintain a Fixed Charge Coverage Ratio of at least 1.10 to 1.0 as of the immediately preceding fiscal quarter end for which financial statements have been (or were required to be) delivered hereunder and as of each subsequent fiscal quarter end thereafter; provided, however, that (a) a breach of such covenant when so tested shall not be cured by a subsequent increase of Availability above the applicable limit set forth above, and (b) following a Covenant Trigger, the requirement to comply with the Fixed Charge Coverage Ratio shall no longer apply if Availability on each day during any period of three (3) consecutive months commencing after the date of such Covenant Trigger shall be at least $25,000,000, after which time the requirement to comply with the Fixed Charge Coverage Ratio shall not apply unless a subsequent Covenant Trigger occurs. If the Borrowers fail to deliver financial statements on the due date therefor (without giving effect to any cure periods), such that the Fixed Charge Coverage Ratio cannot be calculated, the Fixed Charge Coverage Ratio shall be deemed to be less than 1.10 to 1.0 until such time as the required financial statements are actually delivered.

7.24 [Reserved]

7.25 Use of Proceeds

No Borrower shall, or shall suffer or permit any Subsidiary to, use any portion of the Loan proceeds, directly or indirectly, (a) to purchase or carry Margin Stock, (b) to repay or otherwise refinance indebtedness of a Borrower or others incurred to purchase or carry Margin Stock, (iii) to extend credit for the purpose of purchasing or carrying any Margin Stock, or (iv) to acquire any security in any transaction that is subject to Section 13 or 14 of the Exchange Act.

7.26 [Reserved]

7.27 Bank Accounts

Without the prior consent of the Agent, neither the Parent nor any other Borrower shall open, maintain or otherwise have any checking, savings or other accounts at any bank or other financial institution, or any other account where money is or may be deposited or maintained

with any Person, other than the accounts set forth on Schedule 6.27 hereto, on and after the Closing Date, except for such other accounts which are subject to a tri-party lockbox or other Account Control Agreement satisfactory to the Agent or which do not have a balance in excess of $100,000 in the aggregate at any time. All such deposit accounts, other than payroll accounts, shall be under the sole dominion and control of the Agent in accordance with the provisions of the Security Agreement.

7.28 Factoring Credit Balances and Inventory

As of the date of each Borrowing Base Certificate delivered to Agent, each Factoring Credit Balance listed thereon as an Eligible Factoring Credit Balance shall be an Eligible Factoring Credit Balance and all Inventory listed thereon as Eligible Inventory shall be Eligible Inventory. No Borrower has made, or will make, any agreement with any Factor for any extension of time for the payment of any Factoring Credit Balance, any compromise or settlement for less than the full amount thereof, any release of any Factor from liability therefor, or any deduction therefrom except a discount or allowance for prompt or early payment allowed by such Borrower in the ordinary course of its business consistent with historical practice and as previously disclosed to Agent in writing. Schedule 7.28 sets forth each contract of each Borrower with any Factor which gives such Factor the right (under such contract, under common law or otherwise) to offset any Accounts for Borrowers' failure to perform under such contract and each Borrower has obtained an offset waiver for each such contract in form and substance satisfactory to Agent. With respect to the Factoring Credit Balances pledged as collateral pursuant to any Loan Document (a) the amounts shown on all invoices, statements and reports which may be delivered to the Agent with respect thereto are actually and absolutely owing to the relevant party as indicated thereon and are not in any way contingent; (b) no payments have been or shall be made thereon except payments immediately delivered to the applicable accounts described in Schedule 6.27 or the Agent as required hereunder or under the Security Agreement; and (c) to each Borrower's knowledge all Factors have the capacity to contract. A Borrower shall notify Agent promptly of any event or circumstance which to such Borrower's knowledge would cause Agent to consider any then existing Factoring Credit Balance or Inventory as no longer constituting Eligible Factoring Credit Balances or Eligible Inventory, as the case may be.

7.29 Modification of Agreements

(a) The Parent shall not, nor shall it permit any other Borrower to, amend, restate, supplement, modify or terminate the Senior Secured Notes Indenture or any agreement, document or instrument relating thereto without the prior written consent of the Agent and the Majority Lenders. The Parent shall not, nor shall it permit any other Borrower to, terminate any Factoring Agreement without the prior written consent of the Agent and the Majority Lenders. The Parent shall not, nor shall it permit any other Borrower to, amend or modify any Factoring Agreement or any agreement, document or instrument relating thereto in any material respect that would adversely affect the interests of the Lenders hereunder without the prior written consent of the Agent and the Majority Lenders. For purposes of this Agreement, but without limiting the foregoing, a change in the rate of interest or commissions, fees or collection days charged by a Factor under a Factoring Agreement shall not be deemed a material term of such Factoring Agreement.

(b) No Borrower will amend, supplement or otherwise modify the terms of its organizational documents in any manner adverse to the Lenders without the prior written consent of the Agent and the Majority Lenders.

7.30 Restrictions on Subsidiary Distributions

The Parent will not, and will not permit any of its Subsidiaries to, directly or indirectly, create or otherwise cause or suffer to exist or become effective any encumbrance or restriction on the ability of any such Subsidiary to (a) pay dividends or make any other distributions on its capital stock or any other interest or participation in its profits owned by the Parent or any Subsidiary, or pay any Debt owed to the Parent or any Subsidiary, (b) make loans or advances to the Parent or any of its Subsidiaries, or (c) transfer any of its properties or assets to a Borrower, except for such encumbrances or restrictions existing under or by reason of applicable laws or the Agreement.

7.31 Factors

The Borrowers shall not change any of their Factors without the prior written consent of the Agent, such consent not to be unreasonably withheld.

7.32 Further Assurances

The Borrowers shall execute and deliver, or cause to be executed and delivered, to the Agent and/or the Lenders such documents and agreements, and shall take or cause to be taken such actions, as the Agent or any Lender may, from time to time, request to carry out the terms and conditions of this Agreement and the other Loan Documents. Upon the purchase or acquisition after the Closing Date by any Borrower of any Real Estate with a fair market value in excess of $1,000,000, such Borrower will provide to the Agent within 30 days of such purchase or acquisition, a Mortgage with respect to such Real Estate and the Related Real Estate Documents.

7.33 Post Closing Matters

(a) Within sixty (60) days of the Closing Date, the Agent shall have received all surveys and other information described in clause (c) of the definition of Related Real Estate Documents with respect to any Real Estate subject to a Closing Date Mortgage;

(b) within ninety (90) days of the Closing Date, the Agent shall have received all title insurance policies and other information described in clause (a) of the definition of Related Real Estate Documents with respect to any Real Estate subject to a Closing Date Mortgage; and

(c) within ninety (90) days of the Closing Date, the Agent shall have received an inventory appraisal (paid for by the Borrowers), prepared by an appraiser satisfactory to the Agent, with results satisfactory to the Agent.

ARTICLE 8
CONDITIONS OF LENDING

8.1 Conditions Precedent to Making of Loans on the Closing Date

The obligation of the Lenders to make the initial Revolving Loans on the Closing Date, and the obligation of the Agent to cause the Letter of Credit Issuer to issue any Letter of Credit on the Closing Date, are subject to the following conditions precedent having been satisfied in a manner satisfactory to the Agent and each Lender:

(a) This Agreement and the other Loan Documents (other than the Borrowers' Ex-Im Agreement and other documents relating specifically to Ex-Im Bank Revolving Loans) shall have been executed and delivered by each party thereto and the Borrowers shall have performed and complied with all covenants, agreements and conditions contained herein and the other Loan Documents which are required to be performed or complied with by the Borrowers before or on such Closing Date.

(b) Upon making the Revolving Loans (including such Revolving Loans made to finance the Agent Fees or otherwise as reimbursement for fees, costs and expenses then payable under this Agreement), and the consummation of the transactions contemplated hereby (including the refinancing of the Existing Senior Notes and the payment of all interest, premiums and other amounts due thereon), and with all of the Borrowers' obligations current in accordance with historical practices, the Borrowers shall have Availability of at least $35,000,000.

(c) All representations and warranties made hereunder and in the other Loan Documents shall be true and correct as if made on such date.

(d) No Default or Event of Default shall have occurred and be continuing after giving effect to the Loans to be made and the Letters of Credit to be issued on the Closing Date.

(e) The Agent and the Lenders shall have received such opinions of counsel for the Borrowers as the Agent or any Lender shall request, each such opinion to be in a form, scope, and substance satisfactory to the Agent, the Lenders, and their respective counsel and shall include among other things, an opinion that this Agreement does not cause a violation under the Senior Secured Notes Indenture.

(f) The Agent (or the Control Collateral Agent, as noted below) shall have received:

(i) acknowledgment copies of proper financing statements, duly filed on or before the Closing Date under the UCC of all jurisdictions that the Agent may deem necessary or desirable in order to perfect the Agent's Liens;

(ii) duly executed UCC-3 Termination Statements and such other instruments, in form and substance satisfactory to the Agent, as shall be

necessary to terminate and satisfy all Liens on the Property of the Borrowers except Permitted Liens;

(iii) the Related Real Estate Documents (except for those documents referred to in Section 7.33) for each parcel of Real Estate subject to a Mortgage;

(iv) searches of UCC filings in the jurisdiction of the chief executive office and state of incorporation of each Borrower and each jurisdiction where any Collateral is located or where a filing would need to be made in order to perfect the Administrative Agent's security interest in the Collateral, copies of the financing statements on file in such jurisdictions and evidence that no Liens exist other than Permitted Liens;

(v) searches of ownership of intellectual property in the appropriate governmental offices;

(vi) such patent/trademark/copyright filings as requested by the Administrative Agent in order to perfect the Administrative Agent's security interest in intellectual property;

(vii) all stock certificates, if any, evidencing the Capital Stock pledged to the Administrative Agent pursuant to the Pledge Agreement, together with duly executed in blank undated stock powers attached thereto shall have been delivered to the Control Collateral Agent;

(viii) all instruments and chattel paper in the possession of any of the Credit Parties, together with allonges or assignments as may be necessary or appropriate to perfect the Administrative Agent's security interest in the Collateral;

(ix) duly executed consents as are necessary, in the Administrative Agent's sole discretion, to perfect the Lenders' security interest in the Collateral;

(x) in the case of any personal property Collateral of $100,000 or greater located at premises leased by a Borrower, such estoppel letters, consents and waivers from the landlords on such real property or bailees as may be required by the Administrative Agent; and

(xi) duly executed Account Control Agreements with respect to Collateral for which a control agreement is required for perfection of the Administrative Agent's security interest under the UCC.

(g) The Borrowers shall have paid all fees and expenses of the Agent and the Attorney Costs incurred in connection with any of the Loan Documents and the transactions contemplated thereby to the extent invoiced.

(h) The Agent shall have received evidence, in form, scope, and substance, reasonably satisfactory to the Agent, of all insurance coverage as required by this Agreement with satisfactory insurance certificates naming the Agent as loss payee or additional insured, as appropriate.

(i) [Reserved]

(j) All proceedings taken in connection with the execution of this Agreement, all other Loan Documents and all documents and papers relating thereto shall be satisfactory in form, scope, and substance to the Agent and the Lenders.

(k) The completion by the Agent of its due diligence in connection with the Loan Documents, with the results thereof being acceptable to the Agent.

(l) The Agent shall have received evidence satisfactory to it that all of the tendered Existing Senior Notes (including any accrued interest and premiums, if any) in the amount of $253,891,539.85 have been paid in full and all documents executed or delivered in connection therewith have been terminated.

(m) The Senior Secured Notes shall have been issued pursuant to the Senior Secured Notes Indenture which shall be reasonably satisfactory to the Agent in all material respects and the Parent shall have received gross proceeds of at least $190,000,000 from the issuance of the Senior Secured Notes.

(n) The Intercreditor Agreement shall have been executed and delivered by the parties thereto and shall be satisfactory in all respects to the Agent.

(o) There shall not have occurred a material adverse change (i) in the business, assets, Properties, liabilities (actual or contingent), operations or condition (financial or otherwise) of the Borrowers and their Subsidiaries, taken as a whole, since June 26, 2005 or (ii) in the facts and information regarding such entities as represented through the date hereof.

(p) There shall not exist any pending or threatened litigation, investigation, bankruptcy or insolvency, injunction, order or claim affecting or relating to any Borrower, this Agreement and the other Loan Documents, the Senior Secured Notes or the Senior Secured Notes Indenture, that has not been settled, dismissed, vacated, discharged or terminated prior to the Closing Date which could reasonably be expected to have a Material Adverse Effect.

(q) The Agent shall have received (i) a statement of sources and uses of funds covering all payments reasonably expected to be made by the Borrowers in connection with the transactions contemplated by the Loan Documents to be consummated on the Closing Date, including an itemized estimate of all fees, expenses and other closing costs and (ii) payment instructions with respect to each wire transfer to be made by the Agent on behalf of the Lenders or the Borrowers on the Closing Date setting forth the amount of such transfer, the purpose of such transfer, the name and number of the account to which such transfer is to be made, the name and ABA number of the bank or other financial

institution where such account is located and the name and telephone number of an individual that can be contacted to confirm receipt of such transfer.

(r) [Reserved].

(s) Without limiting the generality of the items described above, the Borrowers and each Person guarantying or securing payment of the Obligations shall have delivered or caused to be delivered to the Agent (in form and substance reasonably satisfactory to the Agent), the financial statements, instruments, resolutions, documents, agreements, certificates, opinions and other items set forth on the "Closing Checklist" delivered by the Agent to the Borrowers prior to the Closing Date.

The acceptance by the Borrowers of any Loans made or Letters of Credit issued on the Closing Date shall be deemed to be a representation and warranty made by the Borrowers to the effect that all of the conditions precedent to the making of such Loans or the issuance of such Letters of Credit have been satisfied, with the same effect as delivery to the Agent and the Lenders of a certificate signed by a Responsible Officer of the Parent on behalf of the Borrowers, dated the Closing Date, to such effect.

Execution and delivery to the Agent by a Lender of a counterpart of this Agreement shall be deemed confirmation by such Lender that (i) all conditions precedent in this Section 8.1 have been fulfilled to the satisfaction of such Lender, (ii) the decision of such Lender to execute and deliver to the Agent an executed counterpart of this Agreement was made by such Lender independently and without reliance on the Agent or any other Lender as to the satisfaction of any condition precedent set forth in this Section 8.1, and (iii) all documents sent to such Lender for approval consent, or satisfaction were acceptable to such Lender.

8.2 Conditions Precedent to Each Loan

The obligation of the Lenders to make each Loan, including the initial Revolving Loans on the Closing Date, and any Commitment Increase, and the obligation of the Agent to cause the Letter of Credit Issuer to issue any Letter of Credit shall be subject to the further conditions precedent that on and as of the date of any such extension of credit:

(a) The following statements shall be true, and the acceptance by the Borrowers of any extension of credit shall be deemed to be a statement to the effect set forth in clauses (i), (ii) and (iii) with the same effect as the delivery to the Agent and the Lenders of a certificate signed by a Responsible Officer, dated the date of such extension of credit, stating that:

(i) The representations and warranties contained in this Agreement and the other Loan Documents which are qualified by an exception for Material Adverse Effect are true and correct on and as of the date of such extension of credit as though made on and as of such date and all other representations and warranties contained in this Agreement and the other Loan Documents are true and correct in all material respects on and as of the date of such extension of credit as though made on and as of such date, other than any such representation or warranty which relates to a specified

prior date and except to the extent the Agent and the Lenders have been notified in writing by the Borrowers that any representation or warranty is not correct and the Required Lenders have explicitly waived in writing compliance with such representation or warranty;

(ii) No event has occurred and is continuing, or would result from such extension of credit, which constitutes a Default or an Event of Default; and

(iii) Any extension of credit under this Agreement shall constitute permitted "Credit Agreement" debt under Section 4.09(1) of the Senior Secured Notes Indenture and shall be secured by "Permitted Liens" described under clause (1) of the definition thereof in the Senior Secured Notes Indenture.

(b) No such Borrowing shall exceed Availability, provided, however, that the foregoing conditions precedent are not conditions to each Lender participating in or reimbursing the Bank or the Agent for such Lenders' Pro Rata Share of any Ex-Im Bank Revolving Loans, Non-Ratable Loan or Agent Advance made in accordance with the provisions of Sections 1.2(h) and (i).

ARTICLE 9
DEFAULT; REMEDIES

9.1 Events of Default

It shall constitute an event of default ("Event of Default") if any one or more of the following shall occur for any reason:

(a) any failure by any Borrower to pay the principal of or interest or premium on any of the Obligations or any fee or other amount owing hereunder when due, whether upon demand or otherwise and, with respect only to the failure to pay interest, such failure shall continue for three (3) days or more;

(b) any representation or warranty made or deemed made by any Borrower in this Agreement or by any Borrower in any of the other Loan Documents, any Financial Statement, or any certificate furnished by the Parent or any other Borrower at any time to the Agent or any Lender shall prove to be untrue in any material respect as of the date on which made, deemed made, or furnished;

(c) (i) any default shall occur in the observance or performance of any of the covenants and agreements contained in Sections 7.2, 7.5, 7.9-7.27 or Section 11 of the Security Agreement, (ii) any default shall occur in the observance or performance of any of the covenants and agreements contained in Sections 5.2 or 5.3 and such default shall continue for five (5) days or more, or, if such default is capable of being cured, five (5) days following the Borrowers' receipt of notice of the occurrence of any such Event of Default from any Lender or the Agent or following the date on which any Borrower obtained knowledge thereof; or (iii) any default shall occur in the observance or

performance of any of the other covenants or agreements contained in any other Section of this Agreement or any other Loan Document, any other Loan Documents, or any other agreement entered into at any time to which any Borrower and the Agent or any Lender are party (including in respect of any Bank Products) and such default shall continue for fifteen (15) days or more, or, if such default is capable of being cured, fifteen (15) days following the Borrowers' receipt of notice of the occurrence of any such Event of Default from any Lender or the Agent or following the date on which any Borrower obtained knowledge thereof;

(d) any default shall occur with respect to any Debt (other than the Obligations) of any Borrower in an outstanding principal amount which exceeds $5,000,000, or under any agreement or instrument under or pursuant to which any such Debt may have been issued, created, assumed, or guaranteed by any Borrower, and such default shall continue for more than the period of grace, if any, therein specified, if the effect thereof (with or without the giving of notice or further lapse of time or both) is to accelerate, or to permit the holders of any such Debt to accelerate, the maturity of any such Debt; or any such Debt shall be declared due and payable or be required to be prepaid (other than by a regularly scheduled required prepayment) prior to the stated maturity thereof;

(e) the Parent or any other Borrower shall (i) file a voluntary petition in bankruptcy or file a voluntary petition or an answer or otherwise commence any action or proceeding seeking reorganization, arrangement or readjustment of its debts or for any other relief under the federal Bankruptcy Code, as amended, or under any other bankruptcy or insolvency act or law, state or federal, now or hereafter existing, or consent to, approve of, or acquiesce in, any such petition, action or proceeding; (ii) apply for or acquiesce in the appointment of a receiver, assignee, liquidator, sequestrator, custodian, monitor, trustee or similar officer for it or for all or any part of its Property; (iii) make an assignment for the benefit of creditors; or (iv) be unable generally to pay its debts as they become due;

(f) an involuntary petition shall be filed or an action or proceeding otherwise commenced seeking reorganization, arrangement, consolidation or readjustment of the debts of the Parent or any other Borrower or for any other relief under the federal Bankruptcy Code, as amended, or under any other bankruptcy or insolvency act or law, state or federal, now or hereafter existing and such petition or proceeding shall not be dismissed within thirty (30) days after the filing or commencement thereof or an order of relief shall be entered with respect thereto;

(g) a receiver, assignee, liquidator, sequestrator, custodian, monitor, trustee or similar officer for the Parent or any other Borrower or for all or any part of its Property shall be appointed or a warrant of attachment, execution or similar process shall be issued against any part of the Property of the Parent or any other Borrower;

(h) the Parent or any other Borrower shall file a certificate of dissolution under applicable state law or shall be liquidated, dissolved or wound-up or shall

commence or have commenced against it any action or proceeding for dissolution, winding-up or liquidation, or shall take any corporate action in furtherance thereof;

(i) all or any material part of the Property of the Parent or any other Borrower shall be nationalized, expropriated or condemned, seized or otherwise appropriated, or custody or control of such Property or of the Parent or such other Borrower shall be assumed by any Governmental Authority or any court of competent jurisdiction at the instance of any Governmental Authority, except where contested in good faith by proper proceedings diligently pursued where a stay of enforcement is in effect;

(j) any Loan Document shall be terminated, revoked or declared void or invalid or unenforceable or challenged by any Borrower;

(k) one or more judgments, orders, decrees or arbitration awards is entered against any Borrower involving in the aggregate liability (to the extent not covered by independent third-party insurance as to which the insurer does not dispute coverage) as to any single or related or unrelated series of transactions, incidents or conditions, in an amount equal to the lesser of fifty percent (50%) of Availability or $5,000,000, and the same shall remain unsatisfied, unvacated and unstayed pending appeal for a period of thirty (30) days after the entry thereof;

(l) any loss, theft, damage or destruction of any item or items of Collateral or other Property of the Parent or any Borrower occurs which could reasonably be expected to cause a Material Adverse Effect and is not adequately covered by insurance;

(m) there is filed against the Parent or any other Borrower any action, suit or proceeding under any federal or state racketeering statute (including the Racketeer Influenced and Corrupt Organization Act of 1970), which action, suit or proceeding (i) is not dismissed within one hundred twenty (120) days, and (ii) could reasonably be expected to result in the confiscation or forfeiture of any material portion of the Collateral;

(n) for any reason other than the failure of the Agent to take any action available to it to maintain perfection of the Agent's Liens, pursuant to the Loan Documents, any Loan Document ceases to be in full force and effect or any Lien with respect to any material portion of the Collateral intended to be secured thereby ceases to be, or is not, valid, perfected and prior to all other Liens (other than Permitted Liens) or is terminated, revoked or declared void; or

(o) there occurs a Change of Control.

9.2 Remedies

(a) If a Default or an Event of Default exists, the Agent may, in its discretion, and shall, at the direction of the Required Lenders, do one or more of the following at any time or times and in any order, upon notice to or demand on any Borrower: (i) reduce the Maximum Revolver Amount, or the advance rates against Eligible Accounts and/or Eligible Inventory used in computing the Borrowing Base, or reduce one or more of the

other elements used in computing the Borrowing Base; (ii) restrict the amount of or refuse to make Revolving Loans; and (iii) restrict or refuse to provide Letters of Credit or Credit Support. If an Event of Default exists, the Agent shall, at the direction of the Required Lenders, do one or more of the following, in addition to the actions described in the preceding sentence, at any time or times and in any order, upon notice to or demand on the Borrowers: (A) terminate the Commitments and this Agreement; (B) declare any or all Obligations to be immediately due and payable; provided, however, that upon the occurrence of any Event of Default described in Sections 9.1(e), 9.1(f), 9.1(g), or 9.1(h), the Commitments shall automatically and immediately expire and all Obligations shall automatically become immediately due and payable without notice or demand of any kind; (C) require the Borrowers to cash collateralize all outstanding Letter of Credit Obligations; and (D) pursue its other rights and remedies under the Loan Documents and applicable law.

(b) If an Event of Default has occurred and is continuing: (i) the Agent shall have for the benefit of the Lenders, in addition to all other rights of the Agent and the Lenders, the rights and remedies of a secured party under the Loan Documents and the UCC; (ii) the Agent may, at any time, take possession of the Collateral and keep it on any Borrower's premises, at no cost to the Agent or any Lender, or remove any part of it to such other place or places as the Agent may desire, or the Borrowers shall, upon the Agent's demand, at the Borrowers' cost, assemble the Collateral and make it available to the Agent at a place reasonably convenient to the Agent; and (iii) the Agent may sell and deliver any Collateral at public or private sales, for cash, upon credit or otherwise, at such prices and upon such terms as the Agent deems advisable, in its sole discretion, and may, if the Agent deems it reasonable, postpone or adjourn any sale of the Collateral by an announcement at the time and place of sale or of such postponed or adjourned sale without giving a new notice of sale. Without in any way requiring notice to be given in the following manner, each Borrower agrees that any notice by the Agent of sale, disposition or other intended action hereunder or in connection herewith, whether required by the UCC or otherwise, shall constitute reasonable notice to each Borrower if such notice is mailed by registered or certified mail, return receipt requested, postage prepaid, or is delivered personally against receipt, at least five (5) Business Days prior to such action to each Borrower's address specified in or pursuant to Section 14.8. If any Collateral is sold on terms other than payment in full at the time of sale, no credit shall be given against the Obligations until the Agent or the Lenders receive payment, and if the buyer defaults in payment, the Agent may resell the Collateral without further notice to any Borrower. In the event the Agent seeks to take possession of all or any portion of the Collateral by judicial process, each Borrower irrevocably waives: (A) the posting of any bond, surety or security with respect thereto which might otherwise be required; (B) any demand for possession prior to the commencement of any suit or action to recover the Collateral; and (C) any requirement that the Agent retain possession and not dispose of any Collateral until after trial or final judgment. Each Borrower agrees that the Agent has no obligation to preserve rights to the Collateral or marshal any Collateral for the benefit of any Person. The Agent is hereby granted a license or other right to use, without charge, the Borrowers' labels, patents, copyrights, name, trade secrets, trade names, trademarks, and advertising matter, or any similar Property, in completing production of, advertising or selling any Collateral, and the Borrowers' rights under all licenses and all

franchise agreements shall inure to the Agent's benefit for such purpose. The proceeds of sale shall be applied first to all expenses of sale, including attorneys' fees, and then to the Obligations. The Agent will return any excess to the Borrowers and the Borrowers shall remain liable for any deficiency.

(c) If an Event of Default occurs, each Borrower hereby waives all rights to notice and hearing prior to the exercise by the Agent of the Agent's rights to repossess the Collateral without judicial process or to reply, attach or levy upon the Collateral without notice or hearing.

ARTICLE 10
TERM AND TERMINATION

10.1 Term and Termination

The term of this Agreement shall end on the Stated Termination Date unless sooner terminated in accordance with the terms hereof. The Agent upon direction from the Required Lenders may terminate this Agreement upon the occurrence of an Event of Default by the giving of such notice as may be required pursuant to Section 9.2(a). Upon the effective date of termination of this Agreement for any reason whatsoever, all Obligations (including all unpaid principal, accrued and unpaid interest and any early termination or prepayment fees or penalties) shall become immediately due and payable and the Borrowers shall immediately arrange for the cancellation and return of Letters of Credit then outstanding. Notwithstanding the termination of this Agreement, until all Obligations are indefeasibly paid and performed in full in immediately available funds, the Borrowers shall remain bound by the terms of this Agreement and shall not be relieved of any of its Obligations hereunder or under any other Loan Document, and the Agent and the Lenders shall retain all their rights and remedies hereunder (including the Agent's Liens in and all rights and remedies with respect to all then existing and after-arising Collateral).

ARTICLE 11
AMENDMENTS; WAIVERS; PARTICIPATIONS; ASSIGNMENTS; SUCCESSORS

11.1 Amendments and Waivers

(a) No amendment or waiver of any provision of this Agreement or any other Loan Document, and no consent with respect to any departure by the Borrowers therefrom, shall be effective unless the same shall be in writing and signed by the Majority Lenders (or by the Agent at the written request of the Majority Lenders) and the Borrowers and then any such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given; provided, however, that no such waiver, amendment, or consent shall, unless in writing and signed by all the Lenders and the Borrowers and acknowledged by the Agent, do any of the following:

(i) increase or extend the Commitment of any Lender;

(ii) postpone or delay any date fixed by this Agreement or any other Loan Document for any payment of principal, interest, fees or other

amounts due to the Lenders (or any of them) hereunder or under any other Loan Document;

(iii) reduce the principal of, or the rate of interest specified herein on any Loan, or any fees or other amounts payable hereunder or under any other Loan Document;

(iv) change the percentage of the Commitments or of the aggregate unpaid principal amount of the Loans which is required for the Lenders or any of them to take any action hereunder;

(v) increase any of the percentages set forth in the definition of the Borrowing Base;

(vi) amend this Section or any provision of this Agreement providing for consent or other action by all Lenders;

(vii) release any Guaranties of the Obligations or release Collateral other than as permitted by Section 12.11;

(viii) change the definitions of "Majority Lenders" or "Required Lenders"; or

(ix) increase the Maximum Revolver Amount or Letter of Credit Subfacility;

provided, however, the Agent may, in its sole discretion and notwithstanding the limitations contained in clauses (v) and (ix) above and any other terms of this Agreement, make Agent Advances in accordance with Section 1.2(i) and, provided further, that no amendment, waiver or consent shall, unless in writing and signed by the Agent, affect the rights or duties of the Agent under this Agreement or any other Loan Document and provided further, that Schedule 1.2 hereto (Commitments) may be amended from time to time by Agent alone to reflect assignments of Commitments in accordance herewith. Notwithstanding the limitations contained in Section 11.1(a) above, the Lenders acknowledge that the Borrowers intend to apply to the Ex-Im Bank for qualification under the Ex-Im Bank Working Capital Guarantee Program after the Closing Date. To the extent the Agent approves the form of the documents governing Borrowers' application, Lenders to this Agreement as of the date of such approval shall execute any amendments without any amendment fee that may be necessary in the reasonable discretion of Agent to this Agreement and to the other Loan Documents to enable the Agent and the Lenders to make Ex-Im Bank Revolving Loans to the Borrowers on the terms contained herein and in the Borrowers' Ex-Im Agreement (provided, however, that in no event shall the provisions of such documents amend or eliminate the ten percent (10%) reserve requirement relating to Ex-Im Bank Revolving Loans set forth in clause (i) in the definition of "Reserves").

(b) If any fees are paid to the Lenders as consideration for amendments, waivers or consents with respect to this Agreement, at Agent's election, such fees may be paid only to those Lenders that agree to such amendments, waivers or consents within the time specified for submission thereof.

(c) If, in connection with any proposed amendment, waiver or consent (a "Proposed Change"):

(i) requiring the consent of all Lenders, the consent of Required Lenders is obtained, but the consent of other Lenders is not obtained (any such Lender whose consent is not obtained as described in this clause (i) and in clause (ii) below being referred to as a "Non-Consenting Lender"), or

(ii) requiring the consent of Required Lenders, the consent of Majority Lenders is obtained,

then, so long as the Agent is not a Non-Consenting Lender, at the Borrowers' request, the Agent or an Eligible Assignee shall have the right (but not the obligation) with the Agent's approval, to purchase from the Non-Consenting Lenders, and the Non-Consenting Lenders agree that they shall sell, all the Non-Consenting Lenders' Commitments for an amount equal to the principal balances thereof and all accrued interest and fees with respect thereto through the date of sale pursuant to Assignment and Acceptance Agreement(s), without premium or discount.

11.2 Assignments; Participations

(a) Any Lender may, with the written consent of the Agent (which consent shall not be unreasonably withheld), assign and delegate to one or more Eligible Assignees (provided that no consent of the Agent shall be required in connection with any assignment and delegation by a Lender to an Affiliate of such Lender) (each an "Assignee") all, or any ratable part of all, of the Loans, the Commitments and the other rights and obligations of such Lender hereunder, in a minimum amount of $10,000,000 (provided that, unless an assignor Lender has assigned and delegated all of its Loans and Commitments, no such assignment and/or delegation shall be permitted unless, after giving effect thereto, such assignor Lender retains a Commitment in a minimum amount of $10,000,000; provided, however, that the Borrowers and the Agent may continue to deal solely and directly with such Lender in connection with the interest so assigned to an Assignee until (i) written notice of such assignment, together with payment instructions, addresses and related information with respect to the Assignee, shall have been given to the Borrowers and the Agent by such Lender and the Assignee; (ii) such Lender and its Assignee shall have delivered to the Borrowers and the Agent an Assignment and Acceptance in the form of Exhibit F ("Assignment and Acceptance") together with any note or notes subject to such assignment and (iii) the assignor Lender or Assignee has paid to the Agent a processing fee in the amount of $3,500. The Borrowers agree to promptly execute and deliver new promissory notes and replacement promissory notes as reasonably requested by the Agent to evidence assignments of the Loans and Commitments in accordance herewith.

(b) From and after the date that the Agent notifies the assignor Lender that it has received an executed Assignment and Acceptance and payment of the above-referenced processing fee, (i) the Assignee thereunder shall be a party hereto and, to the extent that rights and obligations, including, but not limited to, the obligation to

participate in Letters of Credit and Credit Support have been assigned to it pursuant to such Assignment and Acceptance, shall have the rights and obligations of a Lender under the Loan Documents, and (ii) the assignor Lender shall, to the extent that rights and obligations hereunder and under the other Loan Documents have been assigned by it pursuant to such Assignment and Acceptance, relinquish its rights and be released from its obligations under this Agreement (and in the case of an Assignment and Acceptance covering all or the remaining portion of an assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a party hereto).

(c) By executing and delivering an Assignment and Acceptance, the assigning Lender thereunder and the Assignee thereunder confirm to and agree with each other and the other parties hereto as follows: (i) other than as provided in such Assignment and Acceptance, such assigning Lender makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with this Agreement or the execution, legality, validity, enforceability, genuineness, sufficiency or value of this Agreement or any other Loan Document furnished pursuant hereto or the attachment, perfection, or priority of any Lien granted by the Borrowers to the Agent or any Lender in the Collateral; (ii) such assigning Lender makes no representation or warranty and assumes no responsibility with respect to the financial condition of the Borrowers or the performance or observance by the Borrowers of any of its obligations under this Agreement or any other Loan Document furnished pursuant hereto; (iii) such Assignee confirms that it has received a copy of this Agreement, together with such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into such Assignment and Acceptance; (iv) such Assignee will, independently and without reliance upon the Agent, such assigning Lender or any other Lender, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement; (v) such Assignee appoints and authorizes the Agent to take such action as agent on its behalf and to exercise such powers under this Agreement as are delegated to the Agent by the terms hereof, together with such powers, including the discretionary rights and incidental power, as are reasonably incidental thereto; and (vi) such Assignee agrees that it will perform in accordance with their terms all of the obligations which by the terms of this Agreement are required to be performed by it as a Lender.

(d) Immediately upon satisfaction of the requirements of Section 11.2(a), this Agreement shall be deemed to be amended to the extent, but only to the extent, necessary to reflect the addition of the Assignee and the resulting adjustment of the Commitments arising therefrom. The Commitment allocated to each Assignee shall reduce such Commitments of the assigning Lender pro tanto.

(e) Any Lender may at any time sell to one or more commercial banks, financial institutions, or other Persons not Affiliates of the Borrowers (a "Participant") participating interests in any Loans, the Commitment of that Lender and the other interests of that Lender (the "originating Lender") hereunder and under the other Loan Documents; provided, however, that (i) the originating Lender's obligations under this Agreement shall remain unchanged, (ii) the originating Lender shall remain solely

responsible for the performance of such obligations, (iii) the Borrowers and the Agent shall continue to deal solely and directly with the originating Lender in connection with the originating Lender's rights and obligations under this Agreement and the other Loan Documents, and (iv) no Lender shall transfer or grant any participating interest under which the Participant has rights to approve any amendment to, or any consent or waiver with respect to, this Agreement or any other Loan Document except the matters set forth in Section 11.1(a) (i), (ii) and (iii), and all amounts payable by the Borrowers hereunder shall be determined as if such Lender had not sold such participation.

(f) Notwithstanding any other provision in this Agreement, any Lender may at any time create a security interest in, or pledge, all or any portion of its rights under and interest in this Agreement in favor of any Federal Reserve Bank in accordance with Regulation A of the FRB or U.S. Treasury Regulation 31 CFR §203.14, and such Federal Reserve Bank may enforce such pledge or security interest in any manner permitted under applicable law.

ARTICLE 12
THE AGENT

12.1 Appointment and Authorization

Each Lender hereby designates and appoints Bank as its Agent under this Agreement and the other Loan Documents and each Lender hereby irrevocably authorizes the Agent to take such action on its behalf under the provisions of this Agreement and each other Loan Document and to exercise such powers and perform such duties as are expressly delegated to it by the terms of this Agreement or any other Loan Document, together with such powers as are reasonably incidental thereto. The Agent agrees to act as such on the express conditions contained in this Article 12. The provisions of this Article 12 are solely for the benefit of the Agent and the Lenders and the Borrowers shall have no rights as a third party beneficiary of any of the provisions contained herein. Notwithstanding any provision to the contrary contained elsewhere in this Agreement or in any other Loan Document, the Agent shall not have any duties or responsibilities, except those expressly set forth herein, nor shall the Agent have or be deemed to have any fiduciary relationship with any Lender, and no implied covenants, functions, responsibilities, duties, obligations or liabilities shall be read into this Agreement or any other Loan Document or otherwise exist against the Agent. Without limiting the generality of the foregoing sentence, the use of the term "agent" in this Agreement with reference to the Agent is not intended to connote any fiduciary or other implied (or express) obligations arising under agency doctrine of any applicable law. Instead, such term is used merely as a matter of market custom, and is intended to create or reflect only an administrative relationship between independent contracting parties. Except as expressly otherwise provided in this Agreement, the Agent shall have and may use its sole discretion with respect to exercising or refraining from exercising any discretionary rights or taking or refraining from taking any actions which the Agent is expressly entitled to take or assert under this Agreement and the other Loan Documents, including (a) the determination of the applicability of ineligibility criteria with respect to the calculation of the Borrowing Base, (b) the making of Agent Advances pursuant to Section 1.2(i), and (c) the exercise of remedies pursuant to Section 9.2, and any action so taken or not taken shall be deemed consented to by the Lenders.

12.2 Delegation of Duties

The Agent may execute any of its duties under this Agreement or any other Loan Document by or through agents, employees or attorneys-in-fact and shall be entitled to advice of counsel concerning all matters pertaining to such duties. The Agent shall not be responsible for the negligence or misconduct of any agent or attorney-in-fact that it selects as long as such selection was made without gross negligence or willful misconduct.

12.3 Liability of Agent

None of the Agent-Related Persons shall (i) be liable for any action taken or omitted to be taken by any of them under or in connection with this Agreement or any other Loan Document or the transactions contemplated hereby (except for its own gross negligence or willful misconduct), or (ii) be responsible in any manner to any of the Lenders for any recital, statement, representation or warranty made by the Borrowers or Affiliate of any Borrower, or any officer thereof, contained in this Agreement or in any other Loan Document, or in any certificate, report, statement or other document referred to or provided for in, or received by the Agent under or in connection with, this Agreement or any other Loan Document, or the validity, effectiveness, genuineness, enforceability or sufficiency of this Agreement or any other Loan Document, or for any failure of any Borrower or any other party to any Loan Document to perform its obligations hereunder or thereunder. No Agent-Related Person shall be under any obligation to any Lender to ascertain or to inquire as to the observance or performance of any of the agreements contained in, or conditions of, this Agreement or any other Loan Document, or to inspect the properties, books or records of the Borrowers or any of the Borrowers' Affiliates.

12.4 Reliance by Agent

The Agent shall be entitled to rely, and shall be fully protected in relying, upon any writing, resolution, notice, consent, certificate, affidavit, letter, telegram, facsimile, telex or telephone message, statement or other document or conversation believed by it to be genuine and correct and to have been signed, sent or made by the proper Person or Persons, and upon advice and statements of legal counsel (including counsel to the Borrowers), independent accountants and other experts selected by the Agent. The Agent shall be fully justified in failing or refusing to take any action under this Agreement or any other Loan Document unless it shall first receive such advice or concurrence of the Required Lenders as it deems appropriate and, if it so requests, it shall first be indemnified to its satisfaction by the Lenders against any and all liability and expense which may be incurred by it by reason of taking or continuing to take any such action. The Agent shall in all cases be fully protected in acting, or in refraining from acting, under this Agreement or any other Loan Document in accordance with a request or consent of the Required Lenders (or all Lenders if so required by Section 11.1) and such request and any action taken or failure to act pursuant thereto shall be binding upon all of the Lenders.

12.5 Notice of Default

The Agent shall not be deemed to have knowledge or notice of the occurrence of any Default or Event of Default, unless the Agent shall have received written notice from a Lender or the Borrowers referring to this Agreement, describing such Default or Event of Default and

stating that such notice is a "notice of default." The Agent will notify the Lenders of its receipt of any such notice. The Agent shall take such action with respect to such Default or Event of Default as may be requested by the Required Lenders in accordance with Section 9; provided, however, that unless and until the Agent has received any such request, the Agent may (but shall not be obligated to) take such action, or refrain from taking such action, with respect to such Default or Event of Default as it shall deem advisable.

12.6 Credit Decision

Each Lender acknowledges that none of the Agent-Related Persons has made any representation or warranty to it, and that no act by the Agent hereinafter taken, including any review of the affairs of the Borrowers and their Affiliates, shall be deemed to constitute any representation or warranty by any Agent-Related Person to any Lender. Each Lender represents to the Agent that it has, independently and without reliance upon any Agent-Related Person and based on such documents and information as it has deemed appropriate, made its own appraisal of and investigation into the business, prospects, operations, Property, financial and other condition and creditworthiness of the Borrowers and their Affiliates, and all applicable bank regulatory laws relating to the transactions contemplated hereby, and made its own decision to enter into this Agreement and to extend credit to the Borrowers. Each Lender also represents that it will, independently and without reliance upon any Agent-Related Person and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit analysis, appraisals and decisions in taking or not taking action under this Agreement and the other Loan Documents, and to make such investigations as it deems necessary to inform itself as to the business, prospects, operations, Property, financial and other condition and creditworthiness of the Borrowers. Except for notices, reports and other documents expressly herein required to be furnished to the Lenders by the Agent, the Agent shall not have any duty or responsibility to provide any Lender with any credit or other information concerning the business, prospects, operations, Property, financial and other condition or creditworthiness of the Borrowers which may come into the possession of any of the Agent-Related Persons.

12.7 Indemnification

Whether or not the transactions contemplated hereby are consummated, the Lenders shall indemnify upon demand the Agent-Related Persons (to the extent not reimbursed by or on behalf of the Borrowers and without limiting the obligation of the Borrowers to do so), in accordance with their Pro Rata Shares, from and against any and all Indemnified Liabilities as such term is defined in Section 14.11; provided, however, that no Lender shall be liable for the payment to the Agent-Related Persons of any portion of such Indemnified Liabilities resulting solely from such Person's gross negligence or willful misconduct. Without limitation of the foregoing, each Lender shall reimburse the Agent upon demand for its Pro Rata Share of any costs or out-of-pocket expenses (including Attorney Costs) incurred by the Agent in connection with the preparation, execution, delivery, administration, modification, amendment or enforcement (whether through negotiations, legal proceedings or otherwise) of, or legal advice in respect of rights or responsibilities under, this Agreement, any other Loan Document, or any document contemplated by or referred to herein, to the extent that the Agent is not reimbursed for such expenses by or on behalf of the Borrowers. The undertaking in this Section shall survive the payment of all Obligations hereunder and the resignation or replacement of the Agent.

12.8 Agent in Individual Capacity

The Bank and its Affiliates may make loans to, issue letters of credit for the account of, accept deposits from, acquire equity interests in and generally engage in any kind of banking, trust, financial advisory, underwriting or other business with the Parent and its Subsidiaries and Affiliates as though the Bank were not the Agent hereunder and without notice to or consent of the Lenders. The Bank or its Affiliates may receive information regarding the Parent, each Borrower, its Affiliates and Account Debtors (including information that may be subject to confidentiality obligations in favor of Parent or any other Borrower) and the Lenders acknowledge that the Bank shall be under no obligation to provide such information to them. With respect to its Loans, the Bank shall have the same rights and powers under this Agreement as any other Lender and may exercise the same as though it were not the Agent, and the terms "Lender" and "Lenders" include the Bank in its individual capacity.

12.9 Successor Agent

The Agent may resign as Agent upon at least 30 days' prior notice to the Lenders and the Borrowers, such resignation to be effective upon the acceptance of a successor agent to its appointment as Agent. In the event the Bank sells all of its Commitment and Revolving Loans as part of a sale, transfer or other disposition by the Bank of substantially all of its loan portfolio, the Bank shall resign as Agent and such purchaser or transferee shall become the successor Agent hereunder. Subject to the foregoing, if the Agent resigns under this Agreement, the Required Lenders shall appoint a successor agent which shall be (a) a Lender or an Affiliate of a Lender; or (b) a commercial bank that is organized under the laws of the United States or any state or district thereof, has a combined capital surplus of at least $200,000,000. If no successor agent is appointed prior to the effective date of the resignation of the Agent, the Agent may appoint, after consulting with the Lenders and the Borrowers, a successor agent from among the Lenders. Upon the acceptance of its appointment as successor agent hereunder, such successor agent shall succeed to all the rights, powers and duties of the retiring Agent and the term "Agent" shall mean such successor agent and the retiring Agent's appointment, powers and duties as Agent shall be terminated. After any retiring Agent's resignation hereunder as Agent, the provisions of this Article 12 shall continue to inure to its benefit as to any actions taken or omitted to be taken by it while it was Agent under this Agreement.

12.10 Withholding Tax

(a) If any Lender is a "foreign corporation, partnership or trust" within the meaning of the Code and such Lender claims exemption from, or a reduction of, U.S. withholding tax under Sections 1441 or 1442 of the Code, such Lender agrees with and in favor of the Agent, to deliver to the Agent:

(i) if such Lender claims an exemption from, or a reduction of, withholding tax under a United States of America tax treaty, properly completed IRS Forms W-8BEN or W-8ECI, as applicable, before the payment of any interest in the first calendar year and before the payment of any interest in each third succeeding calendar year during which interest may be paid under this Agreement;

(ii) if such Lender claims that interest paid under this Agreement is exempt from United States of America withholding tax because it is effectively connected with a United States of America trade or business of such Lender, two properly completed and executed copies of IRS Form W-8ECI before the payment of any interest is due in the first taxable year of such Lender and in each succeeding taxable year of such Lender during which interest may be paid under this Agreement, and IRS Form W-9; and

(iii) such other form or forms as may be required under the Code or other laws of the United States of America as a condition to exemption from, or reduction of, United States of America withholding tax.

Such Lender agrees to promptly notify the Agent of any change in circumstances which would modify or render invalid any claimed exemption or reduction.

(b) If any Lender claims exemption from, or reduction of, withholding tax under a United States of America tax treaty by providing IRS Form FW-8BEN and such Lender sells, assigns, grants a participation in, or otherwise transfers all or part of the Obligations owing to such Lender, such Lender agrees to notify the Agent of the percentage amount in which it is no longer the beneficial owner of Obligations of the Borrowers to such Lender. To the extent of such percentage amount, the Agent will treat such Lender's IRS Form W-8BEN as no longer valid.

(c) If any Lender claiming exemption from United States of America withholding tax by filing IRS Form W-8ECI with the Agent sells, assigns, grants a participation in, or otherwise transfers all or part of the Obligations owing to such Lender, such Lender agrees to undertake sole responsibility for complying with the withholding tax requirements imposed by Sections 1441 and 1442 of the Code.

(d) If any Lender is entitled to a reduction in the applicable withholding tax, the Agent may withhold from any interest payment to such Lender an amount equivalent to the applicable withholding tax after taking into account such reduction. If the forms or other documentation required by subsection (a) of this Section are not delivered to the Agent, then the Agent may withhold from any interest payment to such Lender not providing such forms or other documentation an amount equivalent to the applicable withholding tax.

(e) If the IRS or any other Governmental Authority of the United States of America or other jurisdiction asserts a claim that the Agent did not properly withhold tax from amounts paid to or for the account of any Lender (because the appropriate form was not delivered, was not properly executed, or because such Lender failed to notify the Agent of a change in circumstances which rendered the exemption from, or reduction of, withholding tax ineffective, or for any other reason) such Lender shall indemnify the Agent fully for all amounts paid, directly or indirectly, by the Agent as tax or otherwise, including penalties and interest, and including any taxes imposed by any jurisdiction on the amounts payable to the Agent under this Section, together with all costs and expenses

(including Attorney Costs). The obligation of the Lenders under this subsection shall survive the payment of all Obligations and the resignation or replacement of the Agent.

12.11 Collateral Matters

(a) The Lenders hereby irrevocably authorize the Agent, at its option and in its sole discretion, to release any Agent's Liens upon any Collateral (i) upon the termination of the Commitments and payment and satisfaction in full by Borrowers of all Loans and reimbursement obligations in respect of Letters of Credit and Credit Support, and the termination of all outstanding Letters of Credit (whether or not any of such obligations are due) and all other Obligations; (ii) constituting Property being distributed, transferred, sold or otherwise disposed of in compliance with Section 7.9; provided, that the Borrowers shall promptly notify the Agent of any distribution, transfer, sale or other disposition of such Property having a value in excess of $2,000,000, (iii) constituting Property in which the Borrowers owned no interest at the time the Lien was granted or at any time thereafter; or (iv) constituting Property leased to a Borrower under a lease which has expired or been terminated in a transaction permitted under this Agreement. Except as provided above, the Agent will not release any of the Agent's Liens without the prior written authorization of the Lenders; provided that the Agent may, in its discretion, release the Agent's Liens on Collateral valued in the aggregate not in excess of $500,000 during each Fiscal Year without the prior written authorization of the Lenders, the Agent may release the Agent's Liens on Collateral valued in the aggregate not in excess of $1,000,000 during each Fiscal Year with the prior written authorization of Required Lenders, and the Agent may release the Agent's Liens on Collateral which constitutes "First Priority Collateral", as such term is defined in the Senior Secured Notes Indenture as in effect on the date hereof, if required pursuant to the Intercreditor Agreement. Upon request by the Agent or the Borrowers at any time, the Lenders will confirm in writing the Agent's authority to release any Agent's Liens upon particular types or items of Collateral pursuant to this Section 12.11.

(b) Upon receipt by the Agent of any authorization required pursuant to Section 12.11(a) from the Lenders of the Agent's authority to release Agent's Liens upon particular types or items of Collateral, and upon at least five (5) Business Days prior written request by the Borrowers, the Agent shall (and is hereby irrevocably authorized by the Lenders to) execute such documents as may be necessary to evidence the release of the Agent's Liens upon such Collateral; provided, however, that (i) the Agent shall not be required to execute any such document on terms which, in the Agent's opinion, would expose the Agent to liability or create any obligation or entail any consequence other than the release of such Liens without recourse or warranty, and (ii) such release shall not in any manner discharge, affect or impair the Obligations or any Liens (other than those expressly being released) upon (or obligations of the Borrowers in respect of) all interests retained by the Borrowers, including the proceeds of any sale, all of which shall continue to constitute part of the Collateral.

(c) The Agent shall have no obligation whatsoever to any of the Lenders to assure that the Collateral exists or is owned by the Borrowers or is cared for, protected or insured or has been encumbered, or that the Agent's Liens have been properly or

sufficiently or lawfully created, perfected, protected or enforced or are entitled to any particular priority, or to exercise at all or in any particular manner or under any duty of care, disclosure or fidelity, or to continue exercising, any of the rights, authorities and powers granted or available to the Agent pursuant to any of the Loan Documents, it being understood and agreed that in respect of the Collateral, or any act, omission or event related thereto, the Agent may act in any manner it may deem appropriate, in its sole discretion given the Agent's own interest in the Collateral in its capacity as one of the Lenders and that the Agent shall have no other duty or liability whatsoever to any Lender as to any of the foregoing.

12.12 Set-Off; Sharing of Payments

(a) The Agent, the Lenders and their Affiliates are each authorized by the Borrowers at any time during an Event of Default, without notice to the Borrowers or any other Person, to set off and to appropriate and apply any deposits (general or special), funds, claims, obligations, liabilities or other Debt at any time held or owing by the Agent, any Lender or any such Affiliate to or for the account of any Borrower against any Obligations, whether or not demand for payment of such Obligation has been made, any Obligations have been declared due and payable, are then due, or are contingent or unmatured, or the Collateral or any guaranty or other security for the Obligations is adequate.

(b) If at any time or times any Lender shall receive (i) by payment, foreclosure, setoff or otherwise, any proceeds of Collateral or any payments with respect to the Obligations of the Borrowers to such Lender arising under, or relating to, this Agreement or the other Loan Documents, except for any such proceeds or payments received by such Lender from the Agent pursuant to the terms of this Agreement, or (ii) payments from the Agent in excess of such Lender's ratable portion of all such distributions by the Agent, such Lender shall promptly (A) turn the same over to the Agent, in kind, and with such endorsements as may be required to negotiate the same to the Agent, or in same day funds, as applicable, for the account of all of the Lenders and for application to the Obligations in accordance with the applicable provisions of this Agreement, or (B) purchase, without recourse or warranty, an undivided interest and participation in the Obligations owed to the other Lenders so that such excess payment received shall be applied ratably as among the Lenders in accordance with their Pro Rata Shares; provided, however, that if all or part of such excess payment received by the purchasing party is thereafter recovered from it, those purchases of participations shall be rescinded in whole or in part, as applicable, and the applicable portion of the purchase price paid therefor shall be returned to such purchasing party, but without interest except to the extent that such purchasing party is required to pay interest in connection with the recovery of the excess payment.

12.13 Agency for Perfection

Each Lender hereby appoints each other Lender as agent for the purpose of perfecting the Agent's security interest in assets which, in accordance with Article 9 of the UCC can be perfected only by possession. Should any Lender (other than the Agent) obtain possession of

any such Collateral, such Lender shall notify the Agent thereof, and, promptly upon the Agent's request therefor shall deliver such Collateral to the Agent or in accordance with the Agent's instructions.

12.14 Payments by Agent to Lenders

All payments to be made by the Agent to the Lenders shall be made by bank wire transfer or internal transfer of immediately available funds to each Lender pursuant to wire transfer instructions delivered in writing to the Agent on or prior to the Closing Date (or if such Lender is an Assignee, on the applicable Assignment and Acceptance), or pursuant to such other wire transfer instructions as each party may designate for itself by written notice to the Agent. Concurrently with each such payment, the Agent shall identify whether such payment (or any portion thereof) represents principal, premium or interest on the Revolving Loans or otherwise. Unless the Agent receives notice from the Borrowers prior to the date on which any payment is due to the Lenders that the Borrowers will not make such payment in full as and when required, the Agent may assume that the Borrowers have made such payment in full to the Agent on such date in immediately available funds and the Agent may (but shall not be so required), in reliance upon such assumption, distribute to each Lender on such due date an amount equal to the amount then due such Lender. If and to the extent the Borrowers have not made such payment in full to the Agent, each Lender shall repay to the Agent on demand such amount distributed to such Lender, together with interest thereon at the Federal Funds Rate for each day from the date such amount is distributed to such Lender until the date repaid.

12.15 Settlement

(a) (i) Each Lender's funded portion of the Revolving Loans is intended by the Lenders to be equal at all times to such Lender's Pro Rata Share of the outstanding Revolving Loans. Notwithstanding such agreement, the Agent, the Bank, and the other Lenders agree (which agreement shall not be for the benefit of or enforceable by the Borrowers) that in order to facilitate the administration of this Agreement and the other Loan Documents, settlement among them as to the Revolving Loans, including the Ex-Im Bank Revolving Loans, the Non-Ratable Loans and the Agent Advances shall take place on a periodic basis in accordance with the following provisions:

(ii) The Agent shall request settlement ("Settlement") with the Lenders on at least a weekly basis, or on a more frequent basis at Agent's election, (A) on behalf of the Bank, with respect to each outstanding Non-Ratable Loan, (B) Ex-Im Bank Revolving Loans, (C) for itself, with respect to each Agent Advance, and (D) with respect to collections received, in each case, by notifying the Lenders of such requested Settlement by telecopy, telephone or other similar form of transmission, of such requested Settlement, no later than 12:00 noon (New York, New York time) on the date of such requested Settlement (the "Settlement Date"). Each Lender (other than the Bank, in the case of Ex-Im Bank Revolving Loans, Non-Ratable Loans and the Agent in the case of Agent Advances) shall transfer the amount of such Lender's Pro Rata Share of the outstanding principal amount of the Ex-Im Bank Revolving Loans, Non-Ratable Loans

and Agent Advances with respect to each Settlement to the Agent, to Agent's account, not later than 2:00 p.m. (New York, New York time), on the Settlement Date applicable thereto. Settlements may occur during the continuation of a Default or an Event of Default and whether or not the applicable conditions precedent set forth in Article 8 have then been satisfied. Such amounts made available to the Agent shall be applied against the amounts of the applicable Ex-Im Bank Revolving Loans, Non-Ratable Loan or Agent Advance and, together with the portion of such Ex-Im Bank Revolving Loans, Non-Ratable Loan or Agent Advance representing the Bank's Pro Rata Share thereof, shall constitute Revolving Loans of such Lenders. If any such amount is not transferred to the Agent by any Lender on the Settlement Date applicable thereto, the Agent shall be entitled to recover such amount on demand from such Lender together with interest thereon at the Federal Funds Rate for the first three (3) days from and after the Settlement Date and thereafter at the Interest Rate then applicable to the Revolving Loans (A) on behalf of the Bank, with respect to each outstanding Ex-Im Bank Revolving Loan or Non-Ratable Loan, and (B) for itself, with respect to each Agent Advance.

(iii) Notwithstanding the foregoing, not more than one (1) Business Day after demand is made by the Agent (whether before or after the occurrence of a Default or an Event of Default and regardless of whether the Agent has requested a Settlement with respect to a Ex-Im Bank Revolving Loan, Non-Ratable Loan or Agent Advance), each other Lender (A) shall irrevocably and unconditionally purchase and receive from the Bank or the Agent, as applicable, without recourse or warranty, an undivided interest and participation in such Ex-Im Bank Revolving Loan, Non-Ratable Loan or Agent Advance equal to such Lender's Pro Rata Share of such Ex-Im Bank Revolving Loan, Non-Ratable Loan or Agent Advance and (B) if Settlement has not previously occurred with respect to such Ex-Im Bank Revolving Loans, Non-Ratable Loans or Agent Advances, upon demand by Bank or Agent, as applicable, shall pay to Bank or Agent, as applicable, as the purchase price of such participation an amount equal to one-hundred percent (100%) of such Lender's Pro Rata Share of such Ex-Im Bank Revolving Loans, Non-Ratable Loans or Agent Advances. If such amount is not in fact made available to the Agent by any Lender, the Agent shall be entitled to recover such amount on demand from such Lender together with interest thereon at the Federal Funds Rate for the first three (3) days from and after such demand and thereafter at the Interest Rate then applicable to Base Rate Revolving Loans.

(iv) From and after the date, if any, on which any Lender purchases an undivided interest and participation in any Ex-Im Bank Revolving Loan, Non-Ratable Loan or Agent Advance pursuant to clause (iii) above, the Agent shall promptly distribute to such Lender, such Lender's Pro Rata Share of all payments of principal and interest and all

proceeds of Collateral received by the Agent in respect of such Ex-Im Bank Revolving Loan, Non-Ratable Loan or Agent Advance.

(v) Between Settlement Dates, the Agent, to the extent no Agent Advances are outstanding, may pay over to the Bank any payments received by the Agent, which in accordance with the terms of this Agreement would be applied to the reduction of the Revolving Loans, for application to the Bank's Revolving Loans including Ex-Im Bank Revolving Loans and Non-Ratable Loans. If, as of any Settlement Date, collections received since the then immediately preceding Settlement Date have been applied to the Bank's Revolving Loans (other than to Ex-Im Bank Revolving Loans, Non-Ratable Loans or Agent Advances in which such Lender has not yet funded its purchase of a participation pursuant to clause (iii) above), as provided for in the previous sentence, the Bank shall pay to the Agent for the accounts of the Lenders, to be applied to the outstanding Revolving Loans of such Lenders, an amount such that each Lender shall, upon receipt of such amount, have, as of such Settlement Date, its Pro Rata Share of the Revolving Loans. During the period between Settlement Dates, the Bank with respect to Ex-Im Bank Revolving Loans and Non-Ratable Loans, the Agent with respect to Agent Advances, and each Lender with respect to the Revolving Loans other than Ex-Im Bank Revolving Loans, Non-Ratable Loans and Agent Advances, shall be entitled to interest at the applicable rate or rates payable under this Agreement on the actual average daily amount of funds employed by the Bank, the Agent and the other Lenders.

(vi) Unless the Agent has received written notice from a Lender to the contrary, the Agent may assume that the applicable conditions precedent set forth in Article 8 have been satisfied and the requested Borrowing will not exceed Availability on any Funding Date for a Revolving Loan, Ex-Im Bank Revolving Loan or Non-Ratable Loan.

(b) Lenders' Failure to Perform. All Revolving Loans (other than Ex-Im Bank Revolving Loans, Non-Ratable Loans and Agent Advances) shall be made by the Lenders simultaneously and in accordance with their Pro Rata Shares. It is understood that (i) no Lender shall be responsible for any failure by any other Lender to perform its obligation to make any Revolving Loans hereunder, nor shall any Commitment of any Lender be increased or decreased as a result of any failure by any other Lender to perform its obligation to make any Revolving Loans hereunder, (ii) no failure by any Lender to perform its obligation to make any Revolving Loans hereunder shall excuse any other Lender from its obligation to make any Revolving Loans hereunder, and (iii) the obligations of each Lender hereunder shall be several, not joint and several.

(c) Defaulting Lenders. Unless the Agent receives notice from a Lender on or prior to the Closing Date or, with respect to any Borrowing after the Closing Date, at least one Business Day prior to the date of such Borrowing, that such Lender will not make available as and when required hereunder to the Agent that Lender's Pro Rata Share of a Borrowing, the Agent may assume that each Lender has made such amount

available to the Agent in immediately available funds on the Funding Date. Furthermore, the Agent may, in reliance upon such assumption, make available to the Borrowers on such date a corresponding amount. If any Lender has not transferred its full Pro Rata Share to the Agent in immediately available funds and the Agent has transferred the corresponding amount to the Borrowers on the Business Day following such Funding Date that Lender shall make such amount available to the Agent, together with interest at the Federal Funds Rate for that day. A notice by the Agent submitted to any Lender with respect to amounts owing shall be conclusive, absent manifest error. If each Lender's full Pro Rata Share is transferred to the Agent as required, the amount transferred to the Agent shall constitute that Lender's Revolving Loan for all purposes of this Agreement. If that amount is not transferred to the Agent on the Business Day following the Funding Date and the Agent has provided such funds to the Borrowers, the Agent will notify the Borrowers of such failure to fund and, upon demand by the Agent, the Borrowers shall pay such amount to the Agent for the Agent's account, together with interest thereon for each day elapsed since the date of such Borrowing, at a rate per annum equal to the Interest Rate applicable at the time to the Revolving Loans comprising that particular Borrowing. The failure of any Lender to make any Revolving Loan on any Funding Date (any such Lender, prior to the cure of such failure, being hereinafter referred to as a "Defaulting Lender") shall not relieve any other Lender of its obligation hereunder to make a Revolving Loan on that Funding Date. No Lender shall be responsible for any other Lender's failure to advance such other Lenders' Pro Rata Share of any Borrowing.

(d) Retention of Defaulting Lender's Payments. The Agent shall not be obligated to transfer to a Defaulting Lender any payments made by Borrowers to the Agent for the Defaulting Lender's benefit; nor shall a Defaulting Lender be entitled to the sharing of any payments hereunder. Amounts payable to a Defaulting Lender shall instead be paid to or retained by the Agent. In its discretion, the Agent may loan Borrowers the amount of all such payments received or retained by it for the account of such Defaulting Lender. Any amounts so loaned to the Borrowers shall bear interest at the rate applicable to Base Rate Revolving Loans and for all other purposes of this Agreement shall be treated as if they were Revolving Loans, provided, however, that for purposes of voting or consenting to matters with respect to the Loan Documents and determining Pro Rata Shares, such Defaulting Lender shall be deemed not to be a "Lender". Until a Defaulting Lender cures its failure to fund its Pro Rata Share of any Borrowing (A) such Defaulting Lender shall not be entitled to any portion of the Unused Line Fee and (B) the Unused Line Fee shall accrue in favor of the Lenders which have funded their respective Pro Rata Shares of such requested Borrowing and shall be allocated among such performing Lenders ratably based upon their relative Commitments. This Section shall remain effective with respect to such Lender until such time as the Defaulting Lender shall no longer be in default of any of its obligations under this Agreement. The terms of this Section shall not be construed to increase or otherwise affect the Commitment of any Lender, or relieve or excuse the performance by the Borrowers of their duties and obligations hereunder.

(e) Removal of Defaulting Lender. At the Borrowers' request, the Agent or an Eligible Assignee reasonably acceptable to the Agent and the Borrowers shall have the right (but not the obligation) to purchase from any Defaulting Lender, and each

Defaulting Lender shall, upon such request, sell and assign to the Agent or such Eligible Assignee, all of the Defaulting Lender's outstanding Commitments hereunder. Such sale shall be consummated promptly after Agent has arranged for a purchase by Agent or an Eligible Assignee pursuant to an Assignment and Acceptance, and at a price equal to the outstanding principal balance of the Defaulting Lender's Loans, plus accrued interest and fees, without premium or discount.

12.16 Letters of Credit; Intra-Lender Issues

(a) Notice of Letter of Credit Balance. On each Settlement Date the Agent shall notify each Lender of the issuance of all Letters of Credit since the prior Settlement Date.

(b) Participations in Letters of Credit.

(i) Purchase of Participations. Immediately upon issuance of any Letter of Credit in accordance with Section 1.4(d), each Lender shall be deemed to have irrevocably and unconditionally purchased and received without recourse or warranty, an undivided interest and participation equal to such Lender's Pro Rata Share of the face amount of such Letter of Credit or the Credit Support provided through the Agent to the Letter of Credit Issuer, if not the Bank, in connection with the issuance of such Letter of Credit (including all obligations of the Borrowers with respect thereto, and any security therefor or guaranty pertaining thereto).

(ii) Sharing of Reimbursement Obligation Payments. Whenever the Agent receives a payment from any Borrower on account of reimbursement obligations in respect of a Letter of Credit or Credit Support as to which the Agent has previously received for the account of the Letter of Credit Issuer thereof payment from a Lender, the Agent shall promptly pay to such Lender such Lender's Pro Rata Share of such payment from such Borrower. Each such payment shall be made by the Agent on the next Settlement Date.

(iii) Documentation. Upon the request of any Lender, the Agent shall furnish to such Lender copies of any Letter of Credit, Credit Support for any Letter of Credit, reimbursement agreements executed in connection therewith, applications for any Letter of Credit, and such other documentation as may reasonably be requested by such Lender.

(iv) Obligations Irrevocable. The obligations of each Lender to make payments to the Agent with respect to any Letter of Credit or with respect to their participation therein or with respect to any Credit Support for any Letter of Credit or with respect to the Revolving Loans made as a result of a drawing under a Letter of Credit and the obligations of the Borrower for whose account the Letter of Credit or Credit Support was issued to make payments to the Agent, for the account of the Lenders, shall be irrevocable

and shall not be subject to any qualification or exception whatsoever, including any of the following circumstances:

(A) any lack of validity or enforceability of this Agreement or any of the other Loan Documents;

(B) the existence of any claim, setoff, defense or other right which the Borrowers may have at any time against a beneficiary named in a Letter of Credit or any transferee of any Letter of Credit (or any Person for whom any such transferee may be acting), any Lender, the Agent, the issuer of such Letter of Credit, or any other Person, whether in connection with this Agreement, any Letter of Credit, the transactions contemplated herein or any unrelated transactions (including any underlying transactions between the Borrowers or any other Person and the beneficiary named in any Letter of Credit);

(C) any draft, certificate or any other document presented under the Letter of Credit proving to be forged, fraudulent, invalid or insufficient in any respect or any statement therein being untrue or inaccurate in any respect;

(D) the surrender or impairment of any security for the performance or observance of any of the terms of any of the Loan Documents;

(E) the occurrence of any Default or Event of Default; or

(F) the failure of the Borrowers to satisfy the applicable conditions precedent set forth in Article 8.

(c) Recovery or Avoidance of Payments; Refund of Payments In Error. In the event any payment by or on behalf of the Borrowers received by the Agent with respect to any Letter of Credit or Credit Support provided for any Letter of Credit and distributed by the Agent to the Lenders on account of their respective participations therein is thereafter set aside, avoided or recovered from the Agent in connection with any receivership, liquidation or bankruptcy proceeding, the Lenders shall, upon demand by the Agent, pay to the Agent their respective Pro Rata Shares of such amount set aside, avoided or recovered, together with interest at the rate required to be paid by the Agent upon the amount required to be repaid by it. Unless the Agent receives notice from the Borrowers prior to the date on which any payment is due to the Lenders that the Borrowers will not make such payment in full as and when required, the Agent may assume that the Borrowers have made such payment in full to the Agent on such date in immediately available funds and the Agent may (but shall not be so required), in reliance upon such assumption, distribute to each Lender on such due date an amount equal to the amount then due such Lender. If and to the extent the Borrowers have not made such payment in full to the Agent, each Lender shall repay to the Agent on demand such amount distributed to such Lender, together with interest thereon at the Federal Funds

Rate for each day from the date such amount is distributed to such Lender until the date repaid.

(d) Indemnification by Lenders. To the extent not reimbursed by the Borrowers and without limiting the obligations of the Borrowers hereunder, the Lenders agree to indemnify the Letter of Credit Issuer ratably in accordance with their respective Pro Rata Shares, for any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses (including attorneys' fees) or disbursements of any kind and nature whatsoever that may be imposed on, incurred by or asserted against the Letter of Credit Issuer in any way relating to or arising out of any Letter of Credit or the transactions contemplated thereby or any action taken or omitted by the Letter of Credit Issuer under any Letter of Credit or any Loan Document in connection therewith; provided that no Lender shall be liable for any of the foregoing to the extent it arises from the gross negligence or willful misconduct of the Person to be indemnified. Without limitation of the foregoing, each Lender agrees to reimburse the Letter of Credit Issuer promptly upon demand for its Pro Rata Share of any costs or expenses payable by the Borrowers to the Letter of Credit Issuer, to the extent that the Letter of Credit Issuer is not promptly reimbursed for such costs and expenses by the Borrowers. The agreement contained in this Section shall survive payment in full of all other Obligations.

12.17 Concerning the Collateral and the Related Loan Documents

Each Lender authorizes and directs the Agent to enter into the other Loan Documents, for the ratable benefit and obligation of the Agent and the Lenders. Each Lender agrees that any action taken by the Agent, Majority Lenders or Required Lenders, as applicable, in accordance with the terms of this Agreement or the other Loan Documents, and the exercise by the Agent, the Majority Lenders, or the Required Lenders, as applicable, of their respective powers set forth therein or herein, together with such other powers that are reasonably incidental thereto, shall be binding upon all of the Lenders. The Lenders acknowledge that the Revolving Loans, Agent Advances, Non-Ratable Loans, Ex-Im Bank Revolving Loans, Bank Products and all interest, fees and expenses hereunder constitute one Debt, secured pari passu by all of the Collateral.

12.18 Field Audit and Examination Reports; Disclaimer by Lenders

By signing this Agreement, each Lender:

(a) is deemed to have requested that the Agent furnish such Lender, promptly after it becomes available, a copy of each field audit or examination report (each a "Report" and collectively, "Reports") prepared by or on behalf of the Agent;

(b) expressly agrees and acknowledges that neither the Bank nor the Agent (i) makes any representation or warranty as to the accuracy of any Report, or (ii) shall be liable for any information contained in any Report;

(c) expressly agrees and acknowledges that the Reports are not comprehensive audits or examinations, that the Agent or the Bank or other party performing any audit or examination will inspect only specific information regarding the

Borrowers and will rely significantly upon the Borrowers' books and records, as well as on representations of the Borrowers' personnel;

(d) agrees to keep all Reports confidential and strictly for its internal use, and not to distribute except to its participants, or use any Report in any other manner; and

(e) without limiting the generality of any other indemnification provision contained in this Agreement, agrees: (i) to hold the Agent and any such other Lender preparing a Report harmless from any action the indemnifying Lender may take or conclusion the indemnifying Lender may reach or draw from any Report in connection with any loans or other credit accommodations that the indemnifying Lender has made or may make to the Borrowers, or the indemnifying Lender's participation in, or the indemnifying Lender's purchase of, a loan or loans of the Borrowers; and (ii) to pay and protect, and indemnify, defend and hold the Agent and any such other Lender preparing a Report harmless from and against, the claims, actions, proceedings, damages, costs, expenses and other amounts (including Attorney Costs) incurred by the Agent and any such other Lender preparing a Report as the direct or indirect result of any third parties who might obtain all or part of any Report through the indemnifying Lender.

12.19 Relation Among Lenders

The Lenders are not partners or co-venturers, and no Lender shall be liable for the acts or omissions of, or (except as otherwise set forth herein in case of the Agent) authorized to act for, any other Lender.

12.20 Intercreditor Agreement.

Each of the Lenders hereby acknowledges that it has received and reviewed the Intercreditor Agreement and agrees to be bound by the terms thereof. Each Lender (and each Person that becomes a Lender hereunder pursuant to Section 11.2 hereby (i) acknowledges that Bank of America is acting under the Intercreditor Agreement in multiple capacities as the Administrative Agent and as agent for U.S. Bank National Association in connection with certain collateral for the Senior Secured Notes and (ii) waives any conflict of interest, now contemplated or arising hereafter, in connection therewith and agrees not to assert against Bank of America any claims, causes of action, damages or liabilities of whatever kind or nature relating thereto. Each Lender (and each Person that becomes a Lender hereunder pursuant to Section 11.2) hereby authorizes and directs Bank of America to enter into the Intercreditor Agreement on behalf of such Lender and agrees that Bank of America, in its various capacities thereunder, may take such actions on its behalf as is contemplated by the terms of the Intercreditor Agreement.

ARTICLE 13
LIABILITY OF BORROWERS

13.1 Concerning Joint and Several Liability of the Borrowers

(a) Each of the Borrowers is accepting joint and several liability hereunder in consideration of the financial accommodation to be provided by the Lenders under this Agreement, for the mutual benefit, directly and indirectly, of each of the Borrowers and in consideration of the undertakings of each of the Borrowers to accept joint and several liability for the obligations of each of them.

(b) Each of the Borrowers jointly and severally hereby irrevocably and unconditionally accepts, not merely as a surety but also as a co-debtor, joint and several liability with the other Borrowers with respect to the payment and performance of all of the Obligations, it being the intention of the parties hereto that all the Obligations shall be the joint and several obligations of each of the Borrowers without preferences or distinction among them.

(c) If and to the extent that any of the Borrowers shall fail to make any payment with respect to any of the Obligations as and when due or to perform any of the Obligations in accordance with the terms thereof, then in each such event, the other Borrowers will make such payment with respect to, or perform, such Obligations.

(d) The obligations of each Borrower under the provisions of this Section 13.1 constitute full recourse obligations of such Borrower, enforceable against it to the full extent of its properties and assets, irrespective of the validity, regularity or enforceability of this Agreement or any other circumstances whatsoever.

(e) Except as otherwise expressly provided herein, each Borrower hereby waives notice of acceptance of its joint and several liability, notice of any Loan made under this Agreement, notice of occurrence of any Event of Default, or of any demand for any payment under this Agreement, notice of any action at any time taken or omitted by any Lender under or in respect of any of the Obligations, any requirement of diligence and, generally, all demands, notices and other formalities of every kind in connection with this Agreement. Each Borrower hereby assents to, and waives notice of, any extension or postponement of the time for the payment of any of the Obligations, the acceptance of any partial payment thereon, any waiver, consent or other action or acquiescence by any Lender at any time or times in respect of any default by any Borrower in the performance or satisfaction of any term, covenant, condition or provision of this Agreement, any and all other indulgences whatsoever by any Lender in respect of any of the Obligations, and the taking, addition, substitution or release, in whole or in part, at any time or times, of any security for any of the Obligations or in part, at any time or times, of any security for any of the Obligations or the addition, substitution or release, in whole or in part, of any Borrower. Without limiting the generality of the foregoing, each Borrower assents to any other action or delay in acting or failure to act on the part of any Lender, including, without limitation, any failure strictly or diligently to assert any right or to pursue any remedy or to comply fully with the applicable laws or regulations thereunder which might, but for the provisions of this Section 13.1, afford grounds for terminating, discharging or relieving such Borrower, in whole or in part, from any of its obligations under this Section 13.1, it being the intention of each Borrower that, so long as any of the Obligations remain unsatisfied, the obligations of such Borrower under this Section 13.1 shall not be discharged except by performance and then only to the extent of

such performance. The Obligations of each Borrower under this Section 13.1 shall not be diminished or rendered unenforceable by any winding up, reorganization, arrangement, liquidation, reconstruction or similar proceeding with respect to any Borrower or any Lender. The joint and several liability of the Borrowers hereunder shall continue in full force and effect notwithstanding any absorption, merger, amalgamation or any other change whatsoever in the name, membership, constitution or place of formation of any Borrower or any Lender.

(f) The provisions of this Section 13.1 are made for the benefit of the Lenders and their respective successors and assigns, and may be enforced by any such Person from time to time against any of the Borrowers as often as occasion therefor may arise and without requirement on the part of any Lender first to marshal any of its claims or to exercise any of its rights against any of the other Borrowers or to exhaust any remedies available to it against any of the other Borrowers or to resort to any other source or means of obtaining payment of any of the Obligations or to elect any other remedy. The provisions of this Section 13.1 shall remain in effect until all the Obligations shall have been paid in full or otherwise fully satisfied. If at any time, any payment, or any part thereof, made in respect of any of the Obligations, is rescinded or must otherwise be restored or returned by any Lender upon the insolvency, bankruptcy or reorganization of any of the Borrowers, or otherwise, the provisions of this Section 13.1 will forthwith be reinstated in effect, as though such payment had not been made.

(g) Notwithstanding any provision to the contrary contained herein or in any other of the Loan Documents, the obligations of each Borrower hereunder shall be limited to an aggregate amount equal to the largest amount that would not render its obligations hereunder subject to avoidance under section 548 of the Bankruptcy Code or any comparable provisions of any applicable state law.

(h) The Borrowers hereby agree, as among themselves, that if any Borrower shall become an Excess Funding Borrower (as defined below), each other Borrower shall, on demand of such Excess Funding Borrower (but subject to the next sentence hereof and to subsection (B) below), pay to such Excess Funding Borrower an amount equal to such Borrower's Pro Rata Share (as defined below and determined, for this purpose, without reference to the properties, assets, liabilities and debts of such Excess Funding Borrower) of such Excess Payment (as defined below). The payment obligation of any Borrower to any Excess Funding Borrower under this Section 13.1(h) shall be subordinate and subject in right of payment to the prior payment in full of the Obligations of such Borrower under the other provisions of this Agreement, and such Excess Funding Borrower shall not exercise any right or remedy with respect to such excess until payment and satisfaction in full of all of such Obligations. For purposes hereof, (i) "Excess Funding Borrower" shall mean, in respect of any Obligations arising under the other provisions of this Agreement (hereafter, the "Joint Obligations"), a Borrower that has paid an amount in excess of its Pro Rata Share of the Joint Obligations; (ii) "Excess Payment" shall mean, in respect of any Joint Obligations, the amount paid by an Excess Funding Borrower in excess of its Pro Rata Share of such Joint Obligations; and (iii) "Pro Rata Share", for the purposes of this Section 13.1(h), shall mean, for any Borrower, the ratio (expressed as a percentage) of (A) the amount by which the aggregate present fair salable value of all of its assets and

properties exceeds the amount of all debts and liabilities of such Borrower (including contingent, subordinated, unmatured, and unliquidated liabilities, but excluding the obligations of such Borrower hereunder) to (B) the amount by which the aggregate present fair salable value of all assets and other properties of such Borrower and all of the other Borrowers exceeds the amount of all of the debts and liabilities (including contingent, subordinated, unmatured, and unliquidated liabilities, but excluding the obligations of such Borrower and the other Borrowers hereunder) of such Borrower and all of the other Borrowers, all as of the Closing Date (if any Borrower becomes a party hereto subsequent to the Closing Date, then for the purposes of this Section 13.1(h) such subsequent Borrower shall be deemed to have been a Borrower as of the Closing Date and the information pertaining to, and only pertaining to, such Borrower as of the date such Borrower became a Borrower shall be deemed true as of the Closing Date).

13.2 Agency of Parent for each other Borrower

Each of the other Borrowers appoints Parent as its agent for all purposes relevant to this Agreement, including (without limitation) the giving and receipt of notices, the request for Revolving Loans and the execution and delivery of all documents, instruments and certificates contemplated herein and all modifications hereto. Any acknowledgment, consent, direction, certification or other action which might otherwise be valid or effective only if given or taken by all of the Borrowers acting singly or jointly, or both, shall be valid and effective if given or taken only by Parent, whether or not any of the other Borrowers joins therein.

ARTICLE 14
MISCELLANEOUS

14.1 No Waivers; Cumulative Remedies

No failure by the Agent or any Lender to exercise any right, remedy, or option under this Agreement or any present or future supplement thereto, or in any other agreement between or among the Borrowers and the Agent and/or any Lender, or delay by the Agent or any Lender in exercising the same, will operate as a waiver thereof. No waiver by the Agent or any Lender will be effective unless it is in writing, and then only to the extent specifically stated. No waiver by the Agent or the Lenders on any occasion shall affect or diminish the Agent's and each Lender's rights thereafter to require strict performance by the Borrowers of any provision of this Agreement. The Agent and the Lenders may proceed directly to collect the Obligations without any prior recourse to the Collateral. The Agent's and each Lender's rights under this Agreement will be cumulative and not exclusive of any other right or remedy which the Agent or any Lender may have.

14.2 Severability

The illegality or unenforceability of any provision of this Agreement or any Loan Document or any instrument or agreement required hereunder shall not in any way affect or impair the legality or enforceability of the remaining provisions of this Agreement or any instrument or agreement required hereunder.

14.3 Governing Law; Choice of Forum; Service of Process

(a) THIS AGREEMENT SHALL BE INTERPRETED AND THE RIGHTS AND LIABILITIES OF THE PARTIES HERETO DETERMINED IN ACCORDANCE WITH THE INTERNAL LAWS (AS OPPOSED TO THE CONFLICT OF LAWS PROVISIONS PROVIDED THAT PERFECTION ISSUES WITH RESPECT TO ARTICLE 9 OF THE UCC MAY GIVE EFFECT TO APPLICABLE CHOICE OR CONFLICT OF LAW RULES SET FORTH IN ARTICLE 9 OF THE UCC) OF THE STATE OF NEW YORK; PROVIDED THAT THE AGENT AND THE LENDERS SHALL RETAIN ALL RIGHTS ARISING UNDER FEDERAL LAW.

(b) ANY LEGAL ACTION OR PROCEEDING WITH RESPECT TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT MAY BE BROUGHT IN THE COURTS OF THE STATE OF NEW YORK OR OF THE UNITED STATES OF AMERICA LOCATED IN NEW YORK COUNTY, NEW YORK, AND BY EXECUTION AND DELIVERY OF THIS AGREEMENT, EACH OF THE BORROWERS, THE AGENT AND THE LENDERS CONSENTS, FOR ITSELF AND IN RESPECT OF ITS PROPERTY, TO THE NON-EXCLUSIVE JURISDICTION OF THOSE COURTS. EACH OF THE BORROWERS, THE AGENT AND THE LENDERS IRREVOCABLY WAIVES ANY OBJECTION, INCLUDING ANY OBJECTION TO THE LAYING OF VENUE OR BASED ON THE GROUNDS OF FORUM NON CONVENIENS, WHICH IT MAY NOW OR HEREAFTER HAVE TO THE BRINGING OF ANY ACTION OR PROCEEDING IN SUCH JURISDICTION IN RESPECT OF THIS AGREEMENT OR ANY DOCUMENT RELATED HERETO. NOTWITHSTANDING THE FOREGOING: (1) THE AGENT AND THE LENDERS SHALL HAVE THE RIGHT TO BRING ANY ACTION OR PROCEEDING AGAINST THE BORROWERS OR THEIR PROPERTY IN THE COURTS OF ANY OTHER JURISDICTION THE AGENT OR THE LENDERS DEEM NECESSARY OR APPROPRIATE IN ORDER TO REALIZE ON THE COLLATERAL OR OTHER SECURITY FOR THE OBLIGATIONS AND (2) EACH OF THE PARTIES HERETO ACKNOWLEDGES THAT ANY APPEALS FROM THE COURTS DESCRIBED IN THE IMMEDIATELY PRECEDING SENTENCE MAY HAVE TO BE HEARD BY A COURT LOCATED OUTSIDE THOSE JURISDICTIONS.

(c) THE BORROWERS HEREBY WAIVE PERSONAL SERVICE OF ANY AND ALL PROCESS UPON IT AND CONSENTS THAT ALL SUCH SERVICE OF PROCESS MAY BE MADE BY REGISTERED MAIL (RETURN RECEIPT REQUESTED) DIRECTED TO THE BORROWERS AT ITS ADDRESS SET FORTH IN SECTION 14.8 AND SERVICE SO MADE SHALL BE DEEMED TO BE COMPLETED FIVE (5) BUSINESS DAYS AFTER THE SAME SHALL HAVE BEEN SO DEPOSITED IN THE U.S. MAILS POSTAGE PREPAID. NOTHING CONTAINED HEREIN SHALL AFFECT THE RIGHT OF AGENT OR THE LENDERS TO SERVE LEGAL PROCESS BY ANY OTHER MANNER PERMITTED BY LAW.

14.4 WAIVER OF JURY TRIAL

THE BORROWERS, THE LENDERS AND THE AGENT EACH IRREVOCABLY WAIVE THEIR RESPECTIVE RIGHTS TO A TRIAL BY JURY OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF OR RELATED TO THIS AGREEMENT, THE OTHER LOAN DOCUMENTS, OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY, IN ANY ACTION, PROCEEDING OR OTHER LITIGATION OF ANY TYPE BROUGHT BY ANY OF THE PARTIES AGAINST ANY OTHER PARTY OR ANY AGENT-RELATED PERSON, PARTICIPANT OR ASSIGNEE, WHETHER WITH RESPECT TO CONTRACT CLAIMS, TORT CLAIMS, OR OTHERWISE. THE BORROWERS, THE LENDERS AND THE AGENT EACH AGREE THAT ANY SUCH CLAIM OR CAUSE OF ACTION SHALL BE TRIED BY A COURT TRIAL WITHOUT A JURY. WITHOUT LIMITING THE FOREGOING, THE PARTIES FURTHER AGREE THAT THEIR RESPECTIVE RIGHT TO A TRIAL BY JURY IS WAIVED BY OPERATION OF THIS SECTION AS TO ANY ACTION, COUNTERCLAIM OR OTHER PROCEEDING WHICH SEEKS, IN WHOLE OR IN PART, TO CHALLENGE THE VALIDITY OR ENFORCEABILITY OF THIS AGREEMENT OR THE OTHER LOAN DOCUMENTS OR ANY PROVISION HEREOF OR THEREOF. THIS WAIVER SHALL APPLY TO ANY SUBSEQUENT AMENDMENTS, RENEWALS, SUPPLEMENTS OR MODIFICATIONS TO THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS.

14.5 Survival of Representations and Warranties

All of the Borrowers' representations and warranties contained in this Agreement shall survive the execution, delivery, and acceptance thereof by the parties, notwithstanding any investigation by the Agent or the Lenders or their respective agents.

14.6 Other Security and Guaranties

The Agent, may, without notice or demand and without affecting the Borrowers' obligations hereunder, from time to time: (a) accept from any Person and hold collateral (other than the Collateral) for the payment of all or any part of the Obligations and exchange, enforce or release such collateral or any part thereof; and (b) accept and hold any endorsement or guaranty of payment of all or any part of the Obligations and release or substitute any such endorser or guarantor, or any Person who has given any Lien in any other collateral as security for the payment of all or any part of the Obligations, or any other Person in any way obligated to pay all or any part of the Obligations.

14.7 Fees and Expenses

The Borrowers agree to pay to the Agent, for its benefit, on demand, all costs and expenses that Agent pays or incurs in connection with the negotiation, preparation, syndication, consummation, administration, enforcement, and termination of this Agreement or any of the other Loan Documents, including: (a) Attorney Costs; (b) costs and expenses (including outside attorneys' and paralegals' fees and disbursements) for any amendment, supplement, waiver, consent, or subsequent closing in connection with the Loan Documents and the transactions contemplated thereby; (c) costs and expenses of lien searches; (d) taxes, fees and other charges for filing financing statements and continuations, and other actions to perfect, protect, and continue the Agent's Liens (including costs and expenses paid or incurred by the Agent in

connection with the consummation of Agreement); (e) sums paid or incurred to pay any amount or take any action required of the Borrowers under the Loan Documents that the Borrowers fail to pay or take; (f) costs of appraisals, inspections, and verifications of the Collateral, including travel, lodging, and meals for inspections of the Collateral and the Borrowers' operations by the Agent plus the Agent's then customary charge for field examinations and audits and the preparation of reports thereof (such charge is currently $850 per day (or portion thereof) for each Person retained or employed by the Agent with respect to each field examination or audit); (g) costs and expenses of forwarding loan proceeds, collecting checks and other items of payment, and establishing and maintaining Payment Accounts and lock boxes, and costs and expenses of preserving and protecting the Collateral and (h)(i) in any calendar year so long as no Default or Event of Default exists and if Average Revolver Usage for the immediately prior calendar year exceeded $10,000,000, costs and expenses of one inventory appraisal for the current calendar year, such appraisals to be conducted by an appraisal firm satisfactory to the Agent and at any reasonable time selected by the Agent and (ii) at any time during the existence of a Default or an Event of Default, costs and expenses of all inventory appraisals requested by the Agent, such appraisals to be conducted by an appraisal firm satisfactory to the Agent and at any reasonable time selected by the Agent. In addition, the Borrowers agree to pay costs and expenses incurred by the Agent (including Attorneys' Costs) to the Agent, for its benefit, on demand, and to the other Lenders for their benefit, on demand, and all reasonable fees, expenses and disbursements incurred by such other Lenders for one law firm retained by such other Lenders, in each case, paid or incurred to obtain payment of the Obligations, enforce the Agent's Liens, sell or otherwise realize upon the Collateral, and otherwise enforce the provisions of the Loan Documents, or to defend any claims made or threatened against the Agent or any Lender arising out of the transactions contemplated hereby (including preparations for and consultations concerning any such matters). The foregoing shall not be construed to limit any other provisions of the Loan Documents regarding costs and expenses to be paid by the Borrowers. All of the foregoing costs and expenses shall be charged to the Borrowers' Loan Account as Revolving Loans as described in Section 3.7.

14.8 Notices

(a) Except as otherwise provided herein, all notices, demands and requests that any party is required or elects to give to any other shall be in writing, or by a telecommunications device capable of creating a written record, and any such notice shall become effective (a) upon personal delivery thereof, including, but not limited to, delivery by overnight mail and courier service, (b) five (5) Business Days after it shall have been mailed by United States mail, first class, certified or registered, with postage prepaid, or (c) in the case of notice by such a telecommunications device, when properly transmitted, in each case addressed to the party to be notified as follows:

If to the Agent or to the Bank:

Bank of America, N.A.
300 Galleria Parkway, Suite 800
Atlanta, Georgia 30339
Attention: Business Capital-Account Executive
Telecopy No.: (770) 857-2947

with copies to:

Bank of America, N.A.
6100 Fairview Road
Suite 200
Charlotte, NC 28210
Attn: Operations Manager
Telecopy No.: (704) 553-6738

If to the Borrowers:

Unifi, Inc.
7201 West Friendly Avenue
Greensboro, North Carolina 27410
Attention: William M. Lowe
Telephone: (336) 316-5664
Telecopy: (336) 294-4751

with a copy to:

Unifi, Inc.
7201 West Friendly Avenue
Greensboro, North Carolina 27410
Attention: Charles McCoy, Esq.

or to such other address as each party may designate for itself by like notice. Failure or delay in delivering copies of any notice, demand, request, consent, approval, declaration or other communication to the persons designated above to receive copies shall not adversely affect the effectiveness of such notice, demand, request, consent, approval, declaration or other communication.

(b) Electronic mail and internet websites may be used only for routine communications, such as financial statements, Borrowing Base Certificates and other information required by Sections 5.1, 5.2 and 5.3, administrative matters, distribution of Loan Documents for execution, and matters permitted under Sections 1.2, 1.5 and 2.2. the Agent and Lenders make no assurances as to the privacy and security of electronic communications. Electronic and voice mail may not be used as effective notice under the Loan Documents.

14.9 Waiver of Notices

Unless otherwise expressly provided herein, the Borrowers waive presentment, and notice of demand or dishonor and protest as to any instrument, notice of intent to accelerate the Obligations and notice of acceleration of the Obligations, as well as any and all other notices to which it might otherwise be entitled. No notice to or demand on the Borrowers which the Agent

or any Lender may elect to give shall entitle the Borrowers to any or further notice or demand in the same, similar or other circumstances.

14.10 Binding Effect

The provisions of this Agreement shall be binding upon and inure to the benefit of the respective representatives, successors, and assigns of the parties hereto; provided, however, that no interest herein may be assigned by any Borrower without prior written consent of the Agent and each Lender. The rights and benefits of the Agent and the Lenders hereunder shall, if such Persons so agree, inure to any party acquiring any interest in the Obligations or any part thereof.

14.11 Indemnity of the Agent and the Lenders by the Borrowers

(a) The Borrowers agree to defend, indemnify and hold the Agent-Related Persons, and each Lender and each of its respective officers, directors, employees, counsel, representatives, agents and attorneys-in-fact (each, an "Indemnified Person") harmless from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, charges, expenses and disbursements (including Attorney Costs) of any kind or nature whatsoever which may at any time (including at any time following repayment of the Loans and the termination, resignation or replacement of the Agent or replacement of any Lender) be imposed on, incurred by or asserted against any such Person in any way relating to or arising out of this Agreement or any document contemplated by or referred to herein, or the transactions contemplated hereby, or any action taken or omitted by any such Person under or in connection with any of the foregoing, including with respect to any investigation, litigation or proceeding (including any Insolvency Proceeding or appellate proceeding) related to or arising out of this Agreement, any other Loan Document, or the Loans or the use of the proceeds thereof, whether or not any Indemnified Person is a party thereto (all the foregoing, collectively, the "Indemnified Liabilities"); provided, that the Borrowers shall have no obligation hereunder to any Indemnified Person with respect to Indemnified Liabilities resulting solely from the willful misconduct of such Indemnified Person. The agreements in this Section shall survive payment of all other Obligations.

(b) The Borrowers agree to indemnify, defend and hold harmless the Agent and the Lenders from any loss or liability directly or indirectly arising out of the use, generation, manufacture, production, storage, release, threatened release, discharge, disposal or presence of a hazardous substance relating to the Borrowers' operations, business or Property. This indemnity will apply whether the hazardous substance is on, under or about the Property or operations of any Borrower or Property leased to any Borrower. The indemnity includes but is not limited to Attorneys Costs. The indemnity extends to the Agent and the Lenders, their parents, affiliates, subsidiaries and all of their directors, officers, employees, agents, successors, attorneys and assigns. "Hazardous substances" means any substance, material or waste that is or becomes designated or regulated as "toxic," "hazardous," "pollutant," or "contaminant" or a similar designation or regulation under any federal, state or local law (whether under common law, statute, regulation or otherwise) or judicial or administrative interpretation of such, including petroleum or natural gas. This indemnity will survive repayment of all other Obligations.

14.12 Limitation of Liability

NO CLAIM MAY BE MADE BY ANY BORROWER, ANY LENDER OR OTHER PERSON AGAINST THE AGENT, ANY LENDER, OR THE AFFILIATES, DIRECTORS, OFFICERS, EMPLOYEES, COUNSEL, REPRESENTATIVES, AGENTS OR ATTORNEYS-IN-FACT OF ANY OF THEM FOR ANY SPECIAL, INDIRECT, CONSEQUENTIAL OR PUNITIVE DAMAGES IN RESPECT OF ANY CLAIM FOR BREACH OF CONTRACT OR ANY OTHER THEORY OF LIABILITY ARISING OUT OF OR RELATED TO THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT, OR ANY ACT, OMISSION OR EVENT OCCURRING IN CONNECTION THEREWITH, AND EACH BORROWER AND EACH LENDER HEREBY WAIVE, RELEASE AND AGREE NOT TO SUE UPON ANY CLAIM FOR SUCH DAMAGES, WHETHER OR NOT ACCRUED AND WHETHER OR NOT KNOWN OR SUSPECTED TO EXIST IN ITS FAVOR.

14.13 Final Agreement

This Agreement and the other Loan Documents are intended by the Borrowers, the Agent and the Lenders to be the final, complete, and exclusive expression of the agreement between them. This Agreement supersedes any and all prior oral or written agreements relating to the subject matter hereof except for the Fee Letter and the Commitment Letter, among the Borrowers and the Agent. No modification, rescission, waiver, release, or amendment of any provision of this Agreement or any other Loan Document shall be made, except by a written agreement signed by the Borrowers and a duly authorized officer of each of the Agent and the requisite Lenders.

14.14 Counterparts

This Agreement may be executed in any number of counterparts, and by the Agent, each Lender and the Borrowers in separate counterparts, each of which shall be an original, but all of which shall together constitute one and the same agreement; signature pages may be detached from multiple separate counterparts and attached to a single counterpart so that all signature pages are physically attached to the same document.

14.15 Captions

The captions contained in this Agreement are for convenience of reference only, are without substantive meaning and should not be construed to modify, enlarge, or restrict any provision.

14.16 Right of Setoff

In addition to any rights and remedies of the Lenders provided by law, if an Event of Default exists or the Loans have been accelerated, each Lender is authorized at any time and from time to time, without prior notice to the Borrowers, any such notice being waived by the Borrowers to the fullest extent permitted by law, to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held by, and other indebtedness at any time owing by, such Lender or any Affiliate of such Lender to or for the

credit or the account of the Borrowers against any and all Obligations owing to such Lender, now or hereafter existing, irrespective of whether or not the Agent or such Lender shall have made demand under this Agreement or any Loan Document and although such Obligations may be contingent or unmatured. Each Lender agrees promptly to notify the Borrowers and the Agent after any such set-off and application made by such Lender; provided, however, that the failure to give such notice shall not affect the validity of such set-off and application. NOTWITHSTANDING THE FOREGOING, NO LENDER SHALL EXERCISE ANY RIGHT OF SET-OFF, BANKER'S LIEN, OR THE LIKE AGAINST ANY DEPOSIT ACCOUNT OR PROPERTY OF THE BORROWERS HELD OR MAINTAINED BY SUCH LENDER WITHOUT THE PRIOR WRITTEN UNANIMOUS CONSENT OF THE LENDERS.

14.17 Confidentiality

(a) The Borrowers hereby agrees that the Agent and each Lender, upon the prior consent of the Borrowers (such consent not to be unreasonably withheld), may issue and disseminate to the public general information describing the credit accommodation entered into pursuant to this Agreement, including the name and address of the Borrowers and a general description of the Borrowers' business and may use any Borrower's name in advertising and other promotional material.

(b) Each Lender severally agrees to take normal and reasonable precautions and exercise due care to maintain the confidentiality of all information identified as "confidential" or "secret" by the Borrowers and provided to the Agent or such Lender by or on behalf of the Borrowers, under this Agreement or any other Loan Document, except to the extent that such information (i) was or becomes generally available to the public other than as a result of disclosure by the Agent or such Lender, or (ii) was or becomes available on a nonconfidential basis from a source other than the Borrowers, provided that such source is not bound by a confidentiality agreement with the Borrowers known to the Agent or such Lender; provided, however, that the Agent and any Lender may, upon prior written notice to the Borrowers (to the extent not prohibited by applicable law), disclose such information (1) at the request or pursuant to any requirement of any Governmental Authority to which the Agent or such Lender is subject or in connection with an examination of the Agent or such Lender by any such Governmental Authority; (2) pursuant to subpoena or other court process; (3) when required to do so in accordance with the provisions of any applicable Requirement of Law; (4) to the extent reasonably required in connection with any litigation or proceeding (including, but not limited to, any bankruptcy proceeding) to which the Agent, any Lender or their respective Affiliates may be party; (5) to the extent reasonably required in connection with the exercise of any remedy hereunder or under any other Loan Document; (6) to the Agent's or such Lender's independent auditors, accountants, attorneys and other professional advisors; (7) to any prospective Participant or Assignee under any Assignment and Acceptance, actual or potential, provided that such prospective Participant or Assignee agrees to keep such information confidential to the same extent required of the Agent and the Lenders hereunder; (8) as expressly permitted under the terms of any other document or agreement regarding confidentiality to which the Borrowers are party or are deemed party with the Agent or such Lender, and (9) to its Affiliates.

14.18 Conflicts with Other Loan Documents

Unless otherwise expressly provided in this Agreement (or in another Loan Document by specific reference to the applicable provision contained in this Agreement), if any provision contained in this Agreement conflicts with any provision of any other Loan Document, the provision contained in this Agreement shall govern and control.

14.19 Accounting Terms

Any accounting term used in the Agreement shall have, unless otherwise specifically provided herein, the meaning customarily given in accordance with GAAP, and all financial computations in the Agreement shall be computed, unless otherwise specifically provided therein, in accordance with GAAP as consistently applied and using the same method for inventory valuation as used in the preparation of the Financial Statements.

14.20 Patriot Act Notice

The Agent and the Lenders hereby notify Borrowers that pursuant to the requirements of the Patriot Act, Agent and Lenders are required to obtain, verify and record information that identifies each Borrower, including its legal name, address, tax ID number and other information that will allow Agent and Lenders to identify it in accordance with the Patriot Act. The Agent and Lenders will also require information regarding each personal guarantor, if any, and may require information regarding Borrowers' management and owners, such as legal name, address, social security number and date of birth.

14.21 Amendment and Restatement

This Agreement amends and restates the Existing Credit Agreement. All rights, benefits, indebtedness, interests, liabilities and obligations of the parties to the Existing Credit Agreement are hereby renewed, amended, restated and superseded in their entirety according to the terms and provisions set forth herein. This Agreement does not constitute, nor shall it result in, a waiver of or release, discharge or forgiveness of any amount payable pursuant to the Existing Credit Agreement or any indebtedness, liabilities or obligations of the Borrowers thereunder, all of which are renewed and continued (except as otherwise provided hereunder) and are hereafter payable and to be performed in accordance with this Agreement and the other Loan Documents. Neither this Agreement nor any other Loan Document extinguishes the indebtedness or liabilities outstanding in connection with the Existing Credit Agreement, nor do they constitute a novation with respect thereto. All security interests, pledges, assignments and other Liens previously granted by any Borrower pursuant to the Existing Credit Agreement and the other Loan Documents are hereby renewed and continued, and all such security interests, pledges, assignments and other Liens shall remain in full force and effect as security for the Obligations except as modified by the provisions hereof. Amounts in respect of interest, fees and other amounts payable to or for the account of the Agent, the Letter of Credit Issuer and the Lenders shall be calculated (i) in accordance with the provisions of the Existing Credit Agreement with respect to any period (or a portion of any period) ending prior to the Closing Date, and (ii) in accordance with the provisions of this Agreement with respect to any period (or a portion of any period) commencing on or after the Closing Date.

14.22 Interpretive Provisions

(a) The meanings of defined terms are equally applicable to the singular and plural forms of the defined terms.

(b) The words “hereof,” “herein,” “hereunder” and similar words refer to the Agreement as a whole and not to any particular provision of the Agreement; and Subsection, Section, Schedule and Exhibit references are to the Agreement unless otherwise specified.

(c) (i) The term “documents” includes any and all instruments, documents, agreements, certificates, indentures, notices and other writings, however evidenced.

(ii) The term “including” is not limiting and means “including without limitation.”

(iii) In the computation of periods of time from a specified date to a later specified date, the word “from” means “from and including,” the words “to” and “until” each mean “to but excluding” and the word “through” means “to and including.”

(iv) The word “or” is not exclusive.

(d) Any pronoun used shall be deemed to cover all genders.

(e) A Default or an Event of Default shall be deemed to exist at all times during the period commencing on the date that such Default or Event of Default occurs to the date on which such Default or Event of Default is waived in writing by the Agent (acting with the consent or at the direction of the Lenders, the Majority Lenders or the Required Lenders, as applicable) pursuant to this Agreement.

(f) All Loans shall be funded in Dollars and all Obligations shall be repaid in Dollars (except as otherwise provided herein for Letters of Credit made in currencies other than Dollars). In the event that any Letter of Credit is issued hereunder in a foreign currency, for purposes of calculating the amount of the Aggregate Revolver Outstandings, the foreign currency amount of such Letter of Credit shall be converted to Dollars by the Agent using such exchange rates as the Agent reasonably deems appropriate under the circumstances at such time.

(g) Unless otherwise expressly provided herein, (i) references to agreements (including the Agreement) and other contractual instruments shall be deemed to include all subsequent amendments and other modifications thereto, but only to the extent such amendments and other modifications are not prohibited by the terms of any Loan Document, and (ii) references to any statute or regulation are to be construed as including all statutory and regulatory provisions consolidating, amending, replacing, supplementing or interpreting the statute or regulation.

(h) The captions and headings of the Agreement and other Loan Documents are for convenience of reference only and shall not affect the interpretation of the Agreement.

(i) The Agreement and other Loan Documents may use several different limitations, tests or measurements to regulate the same or similar matters. All such limitations, tests and measurements are cumulative and shall each be performed in accordance with their terms.

(j) For purposes of Section 9.1, a breach of a financial covenant contained in Sections 7.22-7.24 shall be deemed to have occurred as of any date of determination of such breach or upon the date that such breach is first known by any Borrower or the Agent, regardless of when the Financial Statements reflecting such breach are delivered to the Agent.

(k) The Agreement and the other Loan Documents are the result of negotiations among and have been reviewed by counsel to the Agent, the Borrowers and the other parties, and are the products of all parties. Accordingly, they shall not be construed against the Lenders or the Agent merely because of the Agent's or Lenders' involvement in their preparation.

IN WITNESS WHEREOF, the parties have entered into this Agreement on the date first above written.

"BORROWERS"

UNIFI, INC., a New York corporation

UNIFI SALES & DISTRIBUTION, INC.,
a North Carolina corporation,

UNIFI MANUFACTURING, INC.,
a North Carolina corporation,

GLENTOUCH YARN COMPANY, LLC,
a North Carolina limited liability company,

UNIFI MANUFACTURING VIRGINIA, LLC,
a North Carolina limited liability company,

UNIFI EXPORT SALES, LLC,
a North Carolina limited liability company,

UNIFI TEXTURED POLYESTER, LLC,
a North Carolina limited liability company,

UNIFI INTERNATIONAL SERVICE, INC.,
a North Carolina corporation,

UNIFI KINSTON, LLC (formerly Unifi Equipment Leasing, LLC),
a North Carolina limited liability company,

UNIFI TECHNICAL FABRICS, LLC,
a North Carolina limited liability company,

CHARLOTTE TECHNOLOGY GROUP, INC.,
a North Carolina corporation

UTG SHARED SERVICES, INC.
a North Carolina corporation

UNIMATRIX AMERICAS, LLC,
a North Carolina limited liability company,

SPANCO INDUSTRIES, INC.,
a North Carolina corporation,

SPANCO INTERNATIONAL, INC.,
a North Carolina corporation

By: CHARLES F. MCCOY
Name: Charles McCoy
Title: Vice President

"AGENT"

BANK OF AMERICA, N.A.,
as Administrative Agent

By: ANDREW A. DOHERTY

Name: Andrew A. Doherty

Title: SVP

"LENDERS"

BANK OF AMERICA, N.A., as a Lender

By: ANDREW A. DOHERTY

Name: Andrew A. Doherty

Title: SVP

ANNEX A
to
Credit Agreement

Definitions

Capitalized terms used in the Loan Documents shall have the following respective meanings (unless otherwise defined therein), and all section references in the following definitions shall refer to sections of the Agreement:

"Accounts" means all of the Borrowers' now owned or hereafter acquired or arising accounts, as defined in the UCC, including any rights to payment for the sale or lease of goods or rendition of services, whether or not they have been earned by performance.

"Account Control Agreement" means an agreement among one or more of the Borrowers, the Agent and a Clearing Bank, in form and substance reasonably satisfactory to the Agent, concerning the collection of payments which represent the proceeds of Accounts or of any other Collateral and which agreement establishes "control" over such payments under the UCC.

"Account Debtor" means each Person obligated in any way on or in connection with an Account, Chattel Paper or General Intangibles (including a payment intangible).

"Account Designation Letter" means a notice of account designation dated the Closing Date designating the Designated Account.

"ACH Transactions" means any cash management or related services including the automatic clearing house transfer of funds by the Bank for the account of the Borrowers pursuant to agreement or overdrafts.

"Adjusted Net Earnings from Operations" means, with respect to any fiscal period of the Parent, net income of the Parent and its Domestic Subsidiaries on a consolidated basis after provision for income taxes for such fiscal period, as determined in accordance with GAAP and reported on the Financial Statements for such period, excluding any and all of the following included in such net income: (a) gain or loss arising from the sale of any capital assets; (b) gain arising from any write-up in the book value of any asset; (c) earnings of any Person, substantially all the assets of which have been acquired by the Parent or any of its Domestic Subsidiaries in any manner, to the extent realized by such other Person prior to the date of acquisition; (d) earnings of any Person in which the Parent or any of its Domestic Subsidiaries has an ownership interest unless (and only to the extent) such earnings shall actually have been received by the Parent or any of its Domestic Subsidiary in the form of cash distributions; (e) earnings of any Person who is not a Borrower to which assets of the Parent or any of its Domestic Subsidiaries shall have been sold, transferred or disposed of, or into which the Parent or any of its Domestic Subsidiaries shall have been merged, or which has been a party with the Parent or any of its Domestic Subsidiaries to any consolidation or other form of reorganization, prior to the date of such transaction; (f) gain arising from the acquisition of debt or equity securities of the Parent or any of its Domestic Subsidiaries or from cancellation or forgiveness of Debt; and

(g) non-cash gain or loss arising from extraordinary items, as determined in accordance with GAAP.

"Affiliate" means, as to any Person, any other Person which, directly or indirectly, is in control of, is controlled by, or is under common control with, such Person or which owns, directly or indirectly, ten percent (10%) or more of the outstanding equity interest of such Person. A Person shall be deemed to control another Person if the controlling Person possesses, directly or indirectly, the power to direct or cause the direction of the management and policies of the other Person, whether through the ownership of voting securities, by contract, or otherwise.

"Agent" or "Administrative Agent" has the meaning specified in the Preamble of the Agreement and any successor agent permitted hereunder.

"Agent Advances" has the meaning specified in Section 1.2(i).

"Agent Fees" has the meaning specified in Section 2.4.

"Agent's Liens" means the Liens in the Collateral granted to the Agent, for the benefit of the Lenders, Bank, and Agent pursuant to this Agreement and the other Loan Documents.

"Agent-Related Persons" means the Agent, together with its Affiliates, and the officers, directors, employees, counsel, representatives, agents and attorneys-in-fact of the Agent and such Affiliates.

"Aggregate Revolver Outstandings" means, at any date of determination: the sum of (a) the unpaid balance of Revolving Loans, (b) the aggregate amount of Pending Revolving Loans, (c) one hundred percent (100%) of the aggregate undrawn face amount of all outstanding Letters of Credit, and (d) the aggregate amount of any unpaid reimbursement obligations in respect of Letters of Credit.

"Agreement" means the Credit Agreement to which this Annex A is attached, as from time to time amended, modified or restated.

"Anniversary Date" means each anniversary of the Closing Date.

"Anti-Terrorism Laws" means any laws relating to terrorism or money laundering, including the Patriot Act.

"Applicable Margin" means, for any calendar quarter, for each of LIBOR Revolving Loans, Base Rate Revolving Loans and Unused Line Fee, the applicable percentage (calculated on a per annum basis) set forth in the table below based on the Quarterly Average Excess Availability for the immediately preceding calendar quarter.

Tier	Quarterly Average Excess Availability	Applicable Margin for LIBOR Revolving Loans	Applicable Margin for Base Rate Revolving Loans	Applicable Margin for Unused Line Fee
1	Less than $25,000,000	2.25%	0.50%	0.25%
2	Greater than or equal to $25,000,000 but less than $50,000,000	2.00%	0.25%	0.30%
3	Greater than or equal to $50,000,000 but less than $75,000,000	1.75%	0.00%	0.30%
4	Greater than or equal to $75,000,000	1.50%	0.00%	0.35%

The Applicable Margin shall be calculated and established once each fiscal quarter of the Borrowers, on the 5th day of such fiscal quarter (the "Calculation Date") based on the Quarterly Average Excess Availability for the immediately preceding fiscal quarter, commencing with fiscal quarter ending June 25, 2006, and shall remain in effect until adjusted thereafter (if at all) on the next Calculation Date. Commencing with the Closing Date and until the first Calculation Date, the Applicable Margin shall be the percentages set forth in Tier 4 of the table above. Notwithstanding the Applicable Margin for LIBOR Revolving Loans in the table above, if the Fixed Charge Coverage Ratio shall be greater than 1.50 to 1.0 for the four fiscal quarters ending immediately prior to a Calculation Date, then the Applicable Margin for LIBOR Revolving Loans determined on any such Calculation Date shall be decreased by 0.25%.

The Parent shall deliver to the Agent and the Lenders a certificate, signed by its chief financial officer, setting forth in reasonable detail the basis for the continuance of, or any change in, the Applicable Margins on the applicable Calculation Date. Failure to timely deliver such certificate shall, in addition to any other remedy provided for in this Agreement, result in an increase in the Applicable Margins to the highest level set forth in the foregoing table, until the first day of the first calendar month following the delivery of such certificate demonstrating that such an increase is not required. If a Default or Event of Default has occurred and is continuing at the time any reduction in the Applicable Margins is to be implemented, no reduction may occur until the first day of the first calendar month following the date on which such Default or Event of Default is waived or cured.

"Assigned Contracts" means, collectively, all of the Borrowers' rights and remedies under, and all moneys and claims for money due or to become due to the Borrowers under those contracts set forth on Schedule 1.1, and any other material contracts, and any and all amendments, supplements, extensions, and renewals thereof including all rights and claims of the Borrowers now or hereafter existing: (i) under any insurance, indemnities, warranties, and guarantees provided for or arising out of or in connection with any of the foregoing agreements; (ii) for any damages arising out of or for breach or default under or in connection with any of the foregoing contracts; (iii) to all other amounts from time to time paid or payable under or in

connection with any of the foregoing agreements; or (iv) to exercise or enforce any and all covenants, remedies, powers and privileges thereunder.

"Assignee" has the meaning specified in Section 11.2(a).

"Assignment and Acceptance" has the meaning specified in Section 11.2(a).

"Attorney Costs" means and includes all reasonable fees, expenses and disbursements of any law firm or other counsel engaged by the Agent or, to the extent provided in the Agreement, by the Lenders.

"Availability" means, at any time (a) the lesser of (i) the Maximum Revolver Amount or (ii) the Borrowing Base, minus (b) the Aggregate Revolver Outstandings.

"Average Revolver Usage" means, for any period of calculation, the average daily outstanding amount of Revolving Loans and the average daily undrawn face amount of outstanding Letters of Credit, for such period, as calculated by the Agent (which shall be conclusive absent manifest error).

"Bank" means Bank of America, N.A., a national banking association, or any successor entity thereto.

"Bank Products" means any one or more of the following types of services or facilities extended to the Borrowers by any Lender or any Affiliate of a Lender in reliance on such Lender's agreement to indemnify such affiliate: (i) ACH Transactions; (ii) cash management, including controlled disbursement services; (iii) commercial credit card and merchant card services; (iv) products under Hedge Agreements; and (v) such other banking products or services provided by any Lender or any Affiliate of any Lender as may be requested by any Borrower, excluding Letters of Credit.

"Bank Product Reserves" means all reserves which the Agent from time to time establishes in its reasonable discretion for the Bank Products then provided or outstanding.

"Bankruptcy Code" means Title 11 of the United States Code (11 U.S.C. § 101 et seq.).

"Base Rate" means, for any day, the rate of interest in effect for such day as publicly announced from time to time by the Bank in Charlotte, North Carolina as its "prime rate" (the "prime rate" being a rate set by the Bank based upon various factors including the Bank's costs and desired return, general economic conditions and other factors, and is used as a reference point for pricing some loans, which may be priced at, above, or below such announced rate). Any change in the prime rate announced by the Bank shall take effect at the opening of business on the day specified in the public announcement of such change. Each Interest Rate based upon the Base Rate shall be adjusted simultaneously with any change in the Base Rate.

"Base Rate Loans" means the Base Rate Revolving Loans.

"Base Rate Revolving Loan" means a Revolving Loan during any period in which it bears interest based on the Base Rate.

"Borrowers" has the meaning specified in the Preamble of the Agreement.

"Borrowers' Ex-Im Agreement" means the Export-Import Bank of the United States Working Capital Guarantee Program Borrower Agreement entered into after the Closing Date by the Borrowers in favor of the Ex-Im Bank and the Agent relating to Ex-Im Bank Guaranteed Loans.

"Borrowing" means a borrowing hereunder consisting of Revolving Loans made on the same day by the Lenders to any Borrower or by Bank in the case of a Borrowing funded by Ex-Im Bank Revolving Loans, Non-Ratable Loans or by the Agent in the case of a Borrowing consisting of an Agent Advance, or the issuance of Letters of Credit hereunder.

"Borrowing Base" means, at any time, an amount equal to

(a) the sum of:

(i) the lesser of (a) $100,000,000 or (b) ninety percent (90%) of the Eligible Factoring Credit Balances; plus

(ii) eighty-five percent (85%) of the Net Amount of Eligible Accounts; plus

(iii) the lesser of (a) $10,000,000 or (b) eighty percent (80%) of the Net Amount of Eligible Foreign Accounts; plus

(iv) the lesser of (a) sixty-five percent (65%) of the value of Eligible Inventory or (b) eighty-five percent (85%) of the Net Orderly Liquidation Value of Eligible Inventory; plus

(v) the lesser of (a) $10,000,000 or (b) ninety percent (90%) of the Eligible Export-Related Accounts Receivable Value with respect only to Ex-Im Bank Revolving Loans, subject to the availability that exists pursuant to the terms of Borrowers' Ex-Im Agreement under the Export-Related Borrowing Base (as that term is defined in the Borrowers' Ex-Im Agreement); minus

(b) Reserves from time to time established by the Agent in its reasonable credit judgment;

provided that the aggregate Revolving Loans advanced against Eligible Inventory shall not exceed the Maximum Inventory Loan Amount; provided, further, that any and all items of Collateral acquired pursuant to a Permitted Acquisition shall not be included in the Borrowing Base until such time as the Agent shall have had the opportunity to conduct a field exam and/or an appraisal of such Collateral with results satisfactory to the Agent.

"Borrowing Base Certificate" means a certificate by a Responsible Officer of the Parent, substantially in the form of Exhibit B (or another form acceptable to the Agent) setting forth the calculation of the Borrowing Base, including a calculation of each component thereof, all in such

detail as shall be reasonably satisfactory to the Agent. All calculations of the Borrowing Base in connection with the preparation of any Borrowing Base Certificate shall originally be made by the Parent and certified to the Agent; provided, that the Agent shall have the right to review and adjust, in the exercise of its reasonable credit judgment, any such calculation (1) to reflect its reasonable estimate of declines in value of any of the Collateral described therein, and (2) to the extent that such calculation is not in accordance with this Agreement.

"Business Day" means (a) any day that is not a Saturday, Sunday, or a day on which banks in Charlotte, North Carolina or New York, New York are required or permitted to be closed, and (b) with respect to all notices, determinations, fundings and payments in connection with the LIBOR Rate or LIBOR Rate Loans, any day that is a Business Day pursuant to clause (a) above and that is also a day on which trading in Dollars is carried on by and between banks in the London interbank market.

"Capital Adequacy Regulation" means any guideline, request or directive of any central bank or other Governmental Authority, or any other law, rule or regulation, whether or not having the force of law, in each case, regarding capital adequacy of any bank or of any corporation controlling a bank.

"Capital Expenditures" means, for any period, all capital expenditures of the Borrowers on a consolidated basis for such period, as determined in accordance with GAAP.

"Capital Lease" means any lease of Property by any Borrower which, in accordance with GAAP, should be reflected as a capital lease on the balance sheet of such Borrower.

"Capital Stock" means (i) in the case of a corporation, capital stock, (ii) in the case of an association or business entity, any and all shares, interests, participations, rights or other equivalents (however designated) of capital stock, (iii) in the case of a partnership, partnership interests (whether general or limited), (iv) in the case of a limited liability company, membership interests and (v) any other interest or participation that confers on a Person the right to receive a share of the profits and losses of, or distributions of assets of, the issuing Person.

"CERCLA" means the Comprehensive Environmental Response Compensation and Liability Act (42 U.S.C. § 9601 et seq.).

"Change of Control" means the occurrence of any of the following events: (i) any Person or two or more Persons acting in concert shall have acquired "beneficial ownership," directly or indirectly, of, or shall have acquired by contract or otherwise, or shall have entered into a contract or arrangement that, upon consummation, will result in its or their acquisition of, control over, Voting Stock of the Parent (or other securities convertible into such Voting Stock) representing 25% or more of the combined voting power of all Voting Stock of the Parent, or (ii) during any period of up to 24 consecutive months, commencing after the Closing Date, individuals who at the beginning of such 24 month period were directors of the Parent (together with any new director whose election by the Parent's Board of Directors or whose nomination for election by the Parent's shareholders was approved by a vote of at least two-thirds of the directors then still in office who either were directors at the beginning of such period or whose election or nomination for election was previously so approved) cease for any reason to

constitute a majority of the directors of the Parent then in office. As used herein, "beneficial ownership" shall have the meaning provided in Rule 13d-3 of the Securities and Exchange Commission under the Securities Act of 1934.

"Chattel Paper" means all of the Borrowers' now owned or hereafter acquired chattel paper, as defined in the UCC, including electronic chattel paper.

"Clearing Bank" means the Bank or any other banking institution with whom a Payment Account has been established pursuant to an Account Control Agreement.

"Closing Date" means the date of this Agreement.

"Closing Date Mortgages" means the Mortgages required to be executed and delivered on the Closing Date.

"Code" means the Internal Revenue Code of 1986.

"Collateral" means all of the Borrowers' real and personal Property and all other assets of any Person from time to time subject to Agent's Liens securing payment or performance of the Obligations.

"Commitment" means, at any time with respect to a Lender, the principal amount set forth beside such Lender's name under the heading "Commitment" on Schedule 1.2 attached to the Agreement or on the signature page of the Assignment and Acceptance pursuant to which such Lender became a Lender hereunder in accordance with the provisions of Section 11.2, as such Commitment may be adjusted from time to time in accordance with the provisions of Section 3.2 and Section 11.2, and "Commitments" means, collectively, the aggregate amount of the commitments of all of the Lenders.

"Commitment Increase" has the meaning specified in Section 1.5(a).

"Commitment Letter" means that certain commitment letter dated May 5, 2006 among Bank of America, N.A., Banc of America Securities LLC and Unifi, Inc.

"Contaminant" means any waste, pollutant, hazardous substance, toxic substance, hazardous waste, special waste, petroleum or petroleum-derived substance or waste, asbestos in any form or condition, polychlorinated biphenyls ("PCBs"), or any constituent of any such substance or waste.

"Continuation/Conversion Date" means the date on which a Loan is converted into or continued as a LIBOR Rate Loan.

"Control Collateral Agent" means U.S. Bank National Association.

"Credit Support" has the meaning specified in Section 1.3(a).

"CWA" means the Clean Water Act (33 U.S.C. §§ 1251 et seq.).

"Debt" means, as to any Person and whether recourse is secured by or is otherwise available against all or only a portion of the assets of such Person and whether or not contingent, but without duplication:

(a) every obligation of such Person for money borrowed;

(b) every obligation of such Person evidenced by bonds, debentures, notes or other similar instruments, including obligations incurred in connection with the acquisition of Property, assets or businesses;

(c) every reimbursement obligation of such Person with respect to letters of credit, bankers' acceptances or similar facilities issued for the account of such Person;

(d) every obligation of such Person issued or assumed as the deferred purchase price of Property or services including securities repurchase agreements but excluding trade accounts payable or accrued liabilities arising in the ordinary course of business which are not overdue or which are being contested in good faith;

(e) every obligation of such Person under any Capital Lease;

(f) every obligation of such Person under any Synthetic Lease;

(g) every obligation of such Person (an "equity related purchase obligation") to purchase, redeem, retire or otherwise acquire for value any shares of capital stock of any class issued by such Person, any warrants, options or other rights to acquire any such shares, or any rights measured by the value of such shares, warrants, options or other rights;

(h) Derivative Obligations of such Person;

(i) every obligation in respect of Debt of any other entity (including any partnership in which such Person is a general partner) to the extent that such Person is liable therefor as a result of such Person's ownership interest in or other relationship with such entity, except to the extent that the terms of such Debt provide that such Person is not liable therefor and such terms are enforceable under applicable law;

(j) every obligation, contingent or otherwise, of such Person guarantying, or having the economic effect of guarantying or otherwise acting as surety for, any obligation of a type described in any of clauses (a) through (i) (the "primary obligation") of another Person (the "primary obligor"), in any manner, whether directly or indirectly, and including, without limitation, any obligation of such Person (i) to purchase or pay (or advance or supply funds for the purchase of) any security for the payment of such primary obligation, (ii) to purchase Property, securities or services for the purpose of assuring the payment of such primary obligation, or (iii) to maintain working capital, equity capital or other financial statement condition or liquidity of the primary obligor so as to enable the primary obligor to pay such primary obligation.

The "amount" or "principal amount" of any Debt at any time of determination represented by (A) any Debt, issued at a price that is less than the principal amount at maturity

thereof, shall be the amount of the liability in respect thereof determined in accordance with GAAP, (B) any Capital Lease shall be the principal component of the aggregate of the rentals obligation under such Capital Lease payable over the term thereof that is not subject to termination by the lessee, and (C) any equity related purchase obligation shall be the maximum fixed redemption or purchase price thereof inclusive of any accrued and unpaid dividends to be comprised in such redemption or purchase price.

"Default" means any event or circumstance which, with the giving of notice, the lapse of time, or both, would (if not cured, waived, or otherwise remedied during such time) constitute an Event of Default.

"Default Rate" means a fluctuating per annum interest rate at all times equal to (i) for Loans and other extensions of credit, the sum of (a) the otherwise applicable Interest Rate plus (b) two percent (2%) per annum, and (ii) for all other payments due, the sum of (a) the Base Rate plus (b) the Applicable Margin for Base Rate Loans plus (c) two percent (2%) per annum. Each Default Rate shall be adjusted simultaneously with any change in the applicable Interest Rate. In addition, the Default Rate shall result in an increase in the Letter of Credit Fee by two (2) percentage points per annum.

"Defaulting Lender" has the meaning specified in Section 12.15(c).

"Deposit Accounts" means all "deposit accounts" as such term is defined in the UCC, now or hereafter held in the name of any Borrower.

"Derivative Obligations" means the net obligations of a Person under any Hedge Agreement.

"Designated Account" has the meaning specified in Section 1.2(c).

"Distribution" means, in respect of any corporation: (a) the payment or making of any dividend or other distribution of Property in respect of capital stock (or any options or warrants for, or other rights with respect to, such stock) of such corporation, other than distributions in capital stock (or any options or warrants for such stock) of the same class; or (b) the redemption or other acquisition by such corporation of any capital stock (or any options or warrants for such stock) of such corporation.

"Documents" means all documents as such term is defined in the UCC, including bills of lading, warehouse receipts or other documents of title, now owned or hereafter acquired by the Borrowers.

"DOL" means the United States Department of Labor or any successor department or agency.

"Dollar" and "$" means dollars in the lawful currency of the United States. Unless otherwise specified, all payments under the Agreements shall be made in Dollars.

"Domestic Subsidiary" means any Subsidiary of the Parent other than a Foreign Subsidiary.

"EBITDA" means, with respect to any fiscal period of the Parent and its Domestic Subsidiaries, on a consolidated basis, Adjusted Net Earnings from Operations, plus, to the extent deducted in the determination of Adjusted Net Earnings from Operations for that fiscal period, interest expenses, Federal, state, local and foreign income taxes, depreciation, amortization and other non-cash charges (excluding the effect of non-cash income or loss from any Person (other than Domestic Subsidiaries) in which the Parent or any of its Domestic Subsidiaries has an ownership interest, but including non-cash accruals from any such Person until they are paid as cash charges), minus, without duplication, non-cash income. Unless otherwise specified herein, the applicable period of computation shall be for the four (4) consecutive fiscal quarters ending as of the date of determination.

"Eligible Accounts" means the Accounts which the Agent in the exercise of its reasonable commercial discretion determines to be Eligible Accounts. Without limiting the discretion of the Agent to establish other criteria of ineligibility, Eligible Accounts shall not, unless the Agent in its sole discretion elects, include any Account:

(a) with respect to which more than 90 days (or, with the prior consent of the Agent, 120 days) have elapsed since the date of the original invoice therefor or which is more than 60 days past due;

(b) with respect to which any of the representations, warranties, covenants, and agreements contained in the Security Agreement are incorrect or have been breached;

(c) with respect to which Account (or any other Account due from such Account Debtor), in whole or in part, a check, promissory note, draft, trade acceptance or other instrument for the payment of money has been received, presented for payment and returned uncollected for any reason;

(d) which represents a progress billing (as hereinafter defined) or as to which a Borrower has extended the time for payment without the consent of the Agent; for the purposes hereof, "progress billing" means any invoice for goods sold or leased or services rendered under a contract or agreement pursuant to which the Account Debtor's obligation to pay such invoice is conditioned upon a Borrower's completion of any further performance under the contract or agreement;

(e) with respect to which any one or more of the following events has occurred to the Account Debtor on such Account: death or judicial declaration of incompetency of an Account Debtor who is an individual; the filing by or against the Account Debtor of a request or petition for liquidation, reorganization, arrangement, adjustment of debts, adjudication as a bankrupt, winding-up, or other relief under the bankruptcy, insolvency, or similar laws of the United States, any state or territory thereof, or any foreign jurisdiction, now or hereafter in effect; the making of any general assignment by the Account Debtor for the benefit of creditors; the appointment of a receiver or trustee for the Account Debtor or for any of the assets of the Account Debtor, including, without limitation, the appointment of or taking possession by a "custodian," as defined in the Federal Bankruptcy Code; the institution by or against the Account Debtor of any other type of insolvency proceeding (under the bankruptcy laws of the

United States or otherwise) or of any formal or informal proceeding for the dissolution or liquidation of, settlement of claims against, or winding up of affairs of, the Account Debtor; the sale, assignment, or transfer of all or any material part of the assets of the Account Debtor; the nonpayment generally by the Account Debtor of its debts as they become due; or the cessation of the business of the Account Debtor as a going concern;

(f) if fifty percent (50%) or more of the aggregate Dollar amount of outstanding Accounts owed at such time by the Account Debtor thereon is classified as ineligible under clause (a) above;

(g) which constitutes an Eligible Foreign Account or an Eligible Export-Related Account Receivable or is otherwise owned owed by an Account Debtor which: (i) does not maintain its chief executive office in the United States of America or Canada (other than the Province of Newfoundland); or (ii) is not organized under the laws of the United States of America or Canada or any state or province thereof; or (iii) is the government of any foreign country or sovereign state, or of any state, province, municipality, or other political subdivision thereof, or of any department, agency, public corporation, or other instrumentality thereof;

(h) owed by an Account Debtor which is an Affiliate or employee of any Borrower;

(i) except as provided in clause (k) below, with respect to which either the perfection, enforceability, or validity of the Agent's Liens in such Account, or the Agent's right or ability to obtain direct payment to the Agent of the proceeds of such Account, is governed by any federal, state, or local statutory requirements other than those of the UCC;

(j) owed by an Account Debtor to which the Parent or any other Borrower, is indebted in any way, or which is subject to any right of setoff or recoupment by the Account Debtor, unless the Account Debtor has entered into an agreement acceptable to the Agent to waive setoff rights; or if the Account Debtor thereon has disputed liability or made any claim with respect to any other Account due from such Account Debtor; but in each such case only to the extent of such indebtedness, setoff, recoupment, dispute, or claim;

(k) owed by the government of the United States of America, or any department, agency, public corporation, or other instrumentality thereof, unless the Federal Assignment of Claims Act of 1940, as amended (31 U.S.C. § 3727 et seq.), and any other steps necessary to perfect the Agent's Liens therein, have been complied with to the Agent's satisfaction with respect to such Account;

(l) owed by any state, municipality, or other political subdivision of the United States of America, or any department, agency, public corporation, or other instrumentality thereof and as to which the Agent determines that its Lien therein is not or cannot be perfected;

(m) which represents a sale on a bill-and-hold, guaranteed sale, sale and return, sale on approval, consignment, or other repurchase or return basis;

(n) which is evidenced by a promissory note or other instrument or by chattel paper;

(o) if the Agent believes, in the exercise of its reasonable judgment, that the prospect of collection of such Account is impaired or that the Account may not be paid by reason of the Account Debtor's financial inability to pay;

(p) with respect to which the Account Debtor is located in any state requiring the filing of a Notice of Business Activities Report or similar report in order to permit a Borrower to seek judicial enforcement in such State of payment of such Account, unless such Borrower has qualified to do business in such state or has filed a Notice of Business Activities Report or equivalent report for the then current year;

(q) which arises out of a sale not made in the ordinary course of a Borrower's business;

(r) with respect to which the goods giving rise to such Account have not been shipped and delivered to and accepted by the Account Debtor or the services giving rise to such Account have not been performed by a Borrower, and, if applicable, accepted by the Account Debtor, or the Account Debtor revokes its acceptance of such goods or services;

(s) owed by an Account Debtor which is obligated to a Borrower respecting Accounts the aggregate unpaid balance of which exceeds twenty-five percent (25%) of the aggregate unpaid balance of all Accounts owed such Borrower at such time by all of such Borrower's Account Debtors, but only to the extent of such excess; or

(t) which is not subject to a first priority and perfected security interest in favor of the Agent for the benefit of the Lenders.

If any Account at any time ceases to be an Eligible Account, then such Account shall promptly be excluded from the calculation of Eligible Accounts.

"Eligible Assignee" means (a) a commercial bank, commercial finance company or other asset based lender, having total assets in excess of $1,000,000,000; (b) any Lender listed on the signature page of this Agreement; (c) any Affiliate of any Lender; and (d) if an Event of Default has occurred and is continuing, any Person reasonably acceptable to the Agent.

"Eligible Export-Related Accounts Receivable" has the meaning set forth in Borrowers' Ex-Im Agreement, but in no event will include any Eligible Foreign Accounts or Accounts that are insured or payable by a letter of credit.

"Eligible Export-Related Accounts Receivable Value" has the meaning set forth in Borrowers' Ex-Im Agreement.

"Eligible Foreign Accounts" means Accounts owed by an Account Debtor which: (a)(i) does not maintain its chief executive office in the United States of America or Canada (other than the Province of Newfoundland); or (ii) is not organized under the laws of the United States of America or Canada or any state or province thereof; or (iii) is the government of any foreign country or sovereign state, or of any state, province, municipality, or other political subdivision thereof, or of any department, agency, public corporation, or other instrumentality thereof (a "Foreign Account Debtor"); (b)(i) such Account is secured or payable by a letter of credit satisfactory to the Agent in its discretion or (ii) such Account is insured to the satisfaction of the Agent; (c) would qualify as an Account eligible for financing under the Ex-Im Bank Working Capital Guarantee Program; (d) would qualify as an "Eligible Account" but for the fact that it is owed by a foreign Account Debtor and (e) complies with applicable laws; but in no event will Eligible Foreign Accounts include any Eligible Export-Related Accounts Receivable.

If any Account at any time ceases to be an Eligible Foreign Account, then such Account shall promptly be excluded from the calculation of Eligible Foreign Accounts.

"Eligible Factoring Credit Balances" means as at any date of determination , all Factoring Credit Balances in respect of Factored Accounts upon which the Factor shall have assumed the risk of credit loss minus the sum of any such Factored Accounts that are disputed, any deductions from payment thereon or any other fees, and any commissions, reserves or other charges due from a Borrower to a Factor, all as reflected in the Borrowing Base Certificates delivered to Lender in accordance with Section 5.2(k).

"Eligible Inventory" means Inventory, valued at the lower of cost (on a first-in, first-out basis) or market, which the Agent, in its reasonable discretion, determines to be Eligible Inventory. Without limiting the discretion of the Agent to establish other criteria of ineligibility, Eligible Inventory shall not, unless the Agent in its sole discretion elects, include any Inventory:

(a) that is not owned by a Borrower;

(b) that is not subject to the Agent's Liens, which are perfected as to such Inventory, or that are subject to any other Lien whatsoever (other than the Liens described in clause (d) of the definition of Permitted Liens provided that such Permitted Liens (i) are junior in priority to the Agent's Liens or subject to Reserves and (ii) do not impair directly or indirectly the ability of the Agent to realize on or obtain the full benefit of the Collateral);

(c) that does not consist of finished goods, raw materials, work-in-process, chemicals, samples, prototypes, supplies, or packing and shipping materials;

(d) that is not in good condition, is unmerchantable, or does not meet all standards imposed by any Governmental Authority, having regulatory authority over such goods, their use or sale;

(e) that is not currently either usable or salable, at prices approximating at least cost, in the normal course of a Borrower's business, or that is slow moving or stale (i.e., aged greater than one year);

(f) that is obsolete or returned or repossessed or used goods taken in trade;

(g) that is located outside the United States of America or Canada (or that is in-transit from vendors or suppliers);

(h) that is located in a public warehouse or in possession of a bailee or in a facility leased by a Borrower, if the warehouseman, or the bailee, or the lessor has not delivered to the Agent, if requested by the Agent, a subordination agreement in form and substance satisfactory to the Agent or if permitted by the Agent in lieu of such a subordination agreement, a Reserve for rents or storage charges (not to exceed three months) has not been established for Inventory at that location;

(i) that contains or bears any Proprietary Rights (other than Dacron® and other trademarked products supplied by Dupont or the Parent) licensed to a Borrower by any Person, if the Agent is not satisfied that it may sell or otherwise dispose of such Inventory in accordance with the terms of the Security Agreement and Section 9.2 without infringing the rights of the licensor of such Proprietary Rights or violating any contract with such licensor (and without payment of any royalties other than any royalties due with respect to the sale or disposition of such Inventory pursuant to the existing license agreement), and, as to which a Borrower has not delivered to the Agent a consent or sublicense agreement from such licensor in form and substance acceptable to the Agent if requested;

(j) that is not reflected in the details of a current perpetual inventory report; or

(k) that is Inventory placed on consignment.

If any Inventory at any time ceases to be Eligible Inventory, such Inventory shall promptly be excluded from the calculation of Eligible Inventory.

"Environmental Claims" means all claims, however asserted, by any Governmental Authority or other Person alleging any possible noncompliance with, investigation of a possible violation of, litigation relating to, or potential fine or liability under any Environmental Law, or for a Release, environmental pollution or hazardous materials, including any complaint, summons, citation, order, claim, demand or request for correction, remediation or otherwise.

"Environmental Compliance Reserve" means any reserve which the Agent establishes in its reasonable discretion after prior written notice to the Borrowers from time to time for amounts that are reasonably likely to be expended by a Borrower in order for such Borrower and its operations and Property (a) to comply with any notice from a Governmental Authority asserting material non-compliance with Environmental Laws, or (b) to correct any such material non-compliance identified in a report delivered to the Agent and the Lenders pursuant to Section 7.7.

"Environmental Laws" means all federal, state or local laws, statutes, common law duties, rules, programs, regulations, ordinances and codes, together with all administrative orders, directed duties, licenses, authorizations, guidance promulgated by regulatory agencies and permits of, and agreements with, any Governmental Authority, in each case relating to

public health (but excluding occupational safety and health, to the extent regulated by OSHA), safety and land use matters, and the protection or pollution of the environment, including CERCLA, RCRA and CWA.

"Environmental Lien" means a Lien in favor of any Governmental Authority for (a) any liability under Environmental Laws, or (b) damages arising from, or costs incurred by such Governmental Authority in response to, a Release or threatened Release of a Contaminant into the environment.

"Equipment" means all of the Borrowers' now owned and hereafter acquired machinery, equipment, furniture, furnishings, fixtures, and other tangible personal Property (except Inventory), including embedded software, motor vehicles with respect to which a certificate of title has been issued, aircraft, dies, tools, jigs, molds and office equipment, as well as all of such types of Property leased by the Borrowers and all of the Borrowers' rights and interests with respect thereto under such leases (including, without limitation, options to purchase); together with all present and future additions and accessions thereto, replacements therefor, component and auxiliary parts and supplies used or to be used in connection therewith, and all substitutes for any of the foregoing, and all manuals, drawings, instructions, warranties and rights with respect thereto; wherever any of the foregoing is located.

"ERISA" means the Employee Retirement Income Security Act of 1974, and regulations promulgated thereunder.

"ERISA Affiliate" means any trade or business (whether or not incorporated) under common control with the Borrowers within the meaning of Section 414(b) or (c) of the Code.

"Event of Default" has the meaning specified in Section 9.1.

"Exchange Act" means the Securities Exchange Act of 1934, and regulations promulgated thereunder.

"Ex-Im Bank" means the Export-Import Bank of the United States.

"Ex-Im Bank Guaranteed Loan" means a loan contemplated under and evidenced by the Borrowers' Ex-Im Agreement that qualifies as an eligible loan under the Ex-Im Bank Working Capital Guarantee Program and is subject to a Master Ex-Im Bank Guarantee.

"Ex-Im Bank Revolving Loan" has the meaning specified in Section 1.2(j).

"Existing Credit Agreement" has the meaning specified in the WHEREAS clauses.

"Existing Senior Notes" means the 6.5% Senior Unsecured Notes due 2008 issued by the Parent pursuant to that certain Indenture dated February 5, 1998 between the Parent and First Union National Bank, as trustee, as amended, modified or supplemented prior to the date hereof.

"Factor" means each factor with which a Borrower may hereafter enter into a Factoring Agreement and who has executed a Factor Assignment and Intercreditor Agreement, in each case as approved by the Agent.

"Factor Assignment and Intercreditor Agreement" means each Collateral Assignment of Factoring Credit Balances and Intercreditor Agreement among a Borrower, a Factor and the Agent, pursuant to which, among other things, such Borrower collaterally assigns to the Agent, as security for the Obligations, and such Factor acknowledges the collateral assignment to the Agent of all sums at any time or times due to or become due to such Borrower from such Factor under its Factoring Agreement with such Borrower, and establishes the relative priorities of the respective Liens of such Factor and the Lender with respect to the Collateral, in each case as approved by the Agent.

"Factored Account" means an Account of a Borrower that is sold, assigned or otherwise transferred to a Factor pursuant to a Factoring Agreement.

"Factoring Agreements" means one or more factoring agreements among one or more Borrowers and a Factor, in each case as approved by the Agent.

"Factoring Credit Balances" means the monies and credit balances due or to become due to any Borrower from any Factor under its Factoring Agreement with a Borrower arising from the sale by a Borrower of Factored Accounts to such Factor as calculated and determined under the Factoring Agreements.

"FDIC" means the Federal Deposit Insurance Corporation, and any Governmental Authority succeeding to any of its principal functions.

"Federal Funds Rate" means, for any day, the rate per annum (rounded upwards, if necessary, to the nearest 1/100 of 1%) equal to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers on such day, as published by the Federal Reserve Bank of New York on the Business Day next succeeding such day; provided that (a) if such day is not a Business Day, the Federal Funds Rate for such day shall be such rate on such transactions on the next preceding Business Day as so published on the next succeeding Business Day, and (b) if no such rate is so published on such next succeeding Business Day, the Federal Funds Rate for such day shall be the average rate charged to the Bank on such day on such transactions as determined by the Agent.

"Federal Reserve Board" or "FRB" means the Board of Governors of the Federal Reserve System or any successor thereto.

"Fee Letter" means that certain fee letter dated May 5, 2006 among Bank of America, N.A., Banc of America Securities LLC and Unifi, Inc.

"Financial Statements" means, according to the context in which it is used, the financial statements referred to in Sections 5.2 and 6.6 or any other financial statements required to be given to the Lenders pursuant to this Agreement.

"Fiscal Year" means the Parent's fiscal year for financial accounting purposes. The current Fiscal Year of the Parent will end on June 25, 2006.

"Fixed Assets" means the Equipment and Real Estate of the Borrowers.

"Fixed Charge Coverage Ratio" means, with respect to any fiscal period of the Parent and its Domestic Subsidiaries, the ratio of (a) EBITDA for such period minus Capital Expenditures made by the Parent or any of its Domestic Subsidiaries during such period plus cash payments (excluding cash distribution of earnings) made during such period from Persons in which the Parent or any of its Domestic Subsidiaries has an ownership interest minus cash payments made during such period by the Parent or any of its Domestic Subsidiaries to Persons in which the Parent or any of its Domestic Subsidiaries has an ownership interest plus cash proceeds from asset sales received by the Parent or any of its Domestic Subsidiaries during such period minus Distributions paid by the Parent during such period minus share repurchases made by the Parent of its Capital Stock during such period minus cash invested (including by way of loans) in joint ventures and in Permitted Acquisitions during such period minus cash taxes paid for such period plus tax refunds received in cash for such period to (b) Fixed Charges. Unless otherwise specified herein, the applicable period of computation shall be for the four (4) consecutive fiscal quarters ending as of the date of determination.

"Fixed Charges" means, with respect to any fiscal period of the Parent and its Domestic Subsidiaries on a consolidated basis, without duplication, cash interest expense and scheduled principal payments of Funded Debt, determined in accordance with GAAP.

"Foreign Subsidiary" means any Subsidiary of the Parent that is incorporated, formed or registered or whose principal place of business or headquarters is not in the United States.

"Funded Debt" means, as of any date of determination with respect to any fiscal period then ended, an amount equal to the aggregate principal amount then outstanding in respect of all interest-bearing Debt of the Parent and its Domestic Subsidiaries on a consolidated basis.

"Funding Date" means the date on which a Borrowing occurs.

"GAAP" means generally accepted accounting principles in the United States of America and applied on a consistent basis with the Financial Statements.

"General Intangibles" means all of the Borrowers' now owned or hereafter acquired general intangibles, choses in action and causes of action and all other intangible personal Property of the Borrowers of every kind and nature (other than Accounts), including, without limitation, all contract rights, payment intangibles, Proprietary Rights, corporate or other business records, inventions, designs, blueprints, plans, specifications, patents, patent applications, trademarks, service marks, trade names, trade secrets, goodwill, copyrights, computer software, customer lists, registrations, licenses, franchises, tax refund claims, any funds which may become due to the Borrowers in connection with the termination of any Plan or other employee benefit plan or any rights thereto and any other amounts payable to the Borrowers from any Plan or other employee benefit plan, rights and claims against carriers and shippers, rights to indemnification, business interruption insurance and proceeds thereof, Property, casualty or any similar type of insurance and any proceeds thereof, proceeds of insurance covering the lives of key employees on which a Borrower is beneficiary, rights to receive dividends, distributions, cash, Instruments and other Property in respect of or in exchange for pledged equity interests or Investment Property and any letter of credit, guarantee, claim, security interest or other security held by or granted to a Borrower.

"Goods" means all "goods" as defined in the UCC, now owned or hereafter acquired by a Borrower, wherever located, including embedded software to the extent included in "goods" as defined in the UCC, manufactured homes, standing timber that is cut and removed for sale and unborn young of animals.

"Governmental Authority" means any nation or government, any state or other political subdivision thereof, any central bank (or similar monetary or regulatory authority) thereof, any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government, and any corporation or other entity owned or controlled, through stock or capital ownership or otherwise, by any of the foregoing.

"Guaranty" means, with respect to any Person, all obligations of such Person which in any manner directly or indirectly guarantee or assure, or in effect guarantee or assure, the payment or performance of any indebtedness, dividend or other obligations of any other Person (the "guaranteed obligations"), or assure or in effect assure the holder of the guaranteed obligations against loss in respect thereof, including any such obligations incurred through an agreement, contingent or otherwise: (a) to purchase the guaranteed obligations or any Property constituting security therefor; (b) to advance or supply funds for the purchase or payment of the guaranteed obligations or to maintain a working capital or other balance sheet condition; or (c) to lease Property or to purchase any debt or equity securities or other Property or services.

"Hedge Agreement" means any and all transactions, agreements or documents now existing or hereafter entered into, which provides for an interest rate, credit, commodity or equity swap, cap, floor, collar, forward foreign exchange transaction, currency swap, cross currency rate swap, currency option, or any combination of, or option with respect to, these or similar transactions, for the purpose of hedging the Borrowers' exposure to fluctuations in interest or exchange rates, loan, credit exchange, security or currency valuations or commodity prices.

"Instruments" means all instruments as such term is defined in the UCC, now owned or hereafter acquired by any Borrower.

"Intercreditor Agreement" means the Intercreditor Agreement, dated as of the Closing Date, among the Borrowers, the Senior Secured Notes Collateral Agent, on behalf of itself, the Senior Secured Notes Trustee and the holders of the Senior Secured Notes, and the Agent, on behalf of itself and the Lenders, in form and substance satisfactory in all respects to the Agent, as the same may be amended, supplemented or otherwise modified from time to time.

"Interest Period" means, as to any LIBOR Rate Loan, the period commencing on the Funding Date of such Loan or on the Continuation/Conversion Date on which the Loan is converted into or continued as a LIBOR Rate Loan, and ending on the date one, two, three or six months thereafter as selected by the Borrower in its Notice of Borrowing, in the form attached hereto as Exhibit D, or Notice of Continuation/Conversion, in the form attached hereto as Exhibit E, provided that:

(a) if any Interest Period would otherwise end on a day that is not a Business Day, that Interest Period shall be extended to the following Business Day unless the

result of such extension would be to carry such Interest Period into another calendar month, in which event such Interest Period shall end on the preceding Business Day;

(b) any Interest Period pertaining to a LIBOR Rate Loan that begins on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period) shall end on the last Business Day of the calendar month at the end of such Interest Period; and

(c) no Interest Period shall extend beyond the Stated Termination Date.

"Interest Rate" means each or any of the interest rates, including the Default Rate, set forth in Section 2.1.

"Inventory" means all of the Borrowers' now owned and hereafter acquired inventory, goods and merchandise, wherever located, to be furnished under any contract of service or held for sale or lease, all returned goods, raw materials, work-in-process, finished goods (including embedded software), other materials and supplies of any kind, nature or description which are used or consumed in the Borrowers' business or used in connection with the packing, shipping, advertising, selling or finishing of such goods, merchandise, and all documents of title or other Documents representing them.

"Investment Property" means all of the Borrowers' right title and interest in and to any and all: (a) securities whether certificated or uncertificated; (b) securities entitlements; (c) securities accounts; (d) commodity contracts; or (e) commodity accounts.

"IRS" means the Internal Revenue Service and any Governmental Authority succeeding to any of its principal functions under the Code.

"Latest Projections" means: (a) on the Closing Date and thereafter until the Agent receives new projections pursuant to Section 5.2(e), the projections of the Borrowers' financial condition, results of operations, and cash flows, for the period commencing on June 25, 2006 and ending on June 27, 2010 and delivered to the Agent prior to the Closing Date; and (b) thereafter, the projections most recently received by the Agent pursuant to Section 5.2(f).

"Lender" and "Lenders" have the meanings specified in the introductory paragraph hereof and shall include the Agent to the extent of any Agent Advance outstanding and the Bank to the extent of any Ex-Im Bank Revolving Loan or Non-Ratable Loan outstanding; provided that no such Agent Advance or Ex-Im Bank Revolving Loan or Non-Ratable Loan shall be taken into account in determining any Lender's Pro Rata Share.

"Letter of Credit" has the meaning specified in Section 1.3(a).

"Letter of Credit Fee" has the meaning specified in Section 2.6.

"Letter of Credit Fee Percentage" means a per annum percent equal to the Applicable Margin for LIBOR Rate Loans.

"Letter of Credit Issuer" means the Bank or any affiliate of the Bank.

"Letter of Credit Obligations" means all debts, liabilities, reimbursement obligations and other obligations now or hereafter arising from or in connection with the Letters of Credit, including the undrawn amount of any Letter of Credit.

"Letter-of-Credit Rights" means "letter-of-credit rights" as such term is defined in the UCC, now owned or hereafter acquired by any Borrower, including rights to payment or performance under a letter of credit, whether or not such Borrower, as beneficiary, has demanded or is entitled to demand payment or performance.

"Letter of Credit Subfacility" means $20,000,000.

"Leverage Ratio" means, with respect to any fiscal period of the Parent and its Domestic Subsidiaries, the ratio of (a) Funded Debt to (b) EBITDA.

"LIBOR Interest Payment Date" means, with respect to a LIBOR Rate Loan, the Termination Date and the last day of each Interest Period applicable to such Loan or, with respect to each Interest Period of greater than three months in duration, the last day of the third month of such Interest Period and the last day of such Interest Period.

"LIBOR Rate" means, for any Interest Period, with respect to LIBOR Rate Loans, the rate of interest per annum determined pursuant to the following formula:

$$\text{LIBOR Rate} = \frac{\text{Offshore Base Rate}}{\text{1.00 - Eurodollar Reserve Percentage}}$$

Where,

"Offshore Base Rate" means the rate per annum appearing on Telerate Page 3750 (or any successor page) as the London interbank offered rate for deposits in Dollars at approximately 11:00 a.m. (London time) two Business Days prior to the first day of such Interest Period for a term comparable to such Interest Period. If for any reason such rate is not available, the Offshore Base Rate shall be, for any Interest Period, the rate per annum appearing on Reuters Screen LIBO Page as the London interbank offered rate for deposits in Dollars at approximately 11:00 a.m. (London time) two Business Days prior to the first day of such Interest Period for a term comparable to such Interest Period; provided, however, if more than one rate is specified on Reuters Screen LIBO Page, the applicable rate shall be the arithmetic mean of all such rates. If for any reason none of the foregoing rates is available, the Offshore Base Rate shall be, for any Interest Period, the rate per annum determined by Agent as the rate of interest at which dollar deposits in the approximate amount of the LIBOR Rate Loan comprising part of such Borrowing would be offered by the Bank's London Branch to major banks in the offshore dollar market at their request at or about 11:00 a.m. (London time) two Business Days prior to the first day of such Interest Period for a term comparable to such Interest Period.

"Eurodollar Reserve Percentage" means, for any day during any Interest Period, the reserve percentage (expressed as a decimal, rounded upward to the next 1/100th of 1%) in effect on such day applicable to member banks under

regulations issued from time to time by the Federal Reserve Board for determining the maximum reserve requirement (including any emergency, supplemental or other marginal reserve requirement) with respect to Eurocurrency funding (currently referred to as "Eurocurrency liabilities"). The Offshore Rate for each outstanding LIBOR Rate Loan shall be adjusted automatically as of the effective date of any change in the Eurodollar Reserve Percentage.

"LIBOR Rate Loans" means the LIBOR Revolving Loans.

"LIBOR Revolving Loan" means a Revolving Loan during any period in which it bears interest based on the LIBOR Rate.

"Lien" means: (a) any interest in Property securing an obligation owed to, or a claim by, a Person other than the owner of the Property, whether such interest is based on the common law, statute, or contract, and including a security interest, charge, claim, or lien arising from a mortgage, deed of trust, encumbrance, pledge, hypothecation, assignment, deposit arrangement, agreement, security agreement, conditional sale or trust receipt or a lease, consignment or bailment for security purposes; (b) to the extent not included under clause (a), any reservation, exception, encroachment, easement, right-of-way, covenant, condition, restriction, lease or other title exception or encumbrance affecting Property; and (c) any contingent or other agreement to provide any of the foregoing.

"Loan Account" means the loan account of the Borrowers, which account shall be maintained by the Agent.

"Loan Documents" means this Agreement, the Factor Assignment and Intercreditor Agreements, the Security Agreement, the Pledge Agreement, the Mortgages, the Account Control Agreements, the Related Real Estate Documents, the Intercreditor Agreement, the Borrowers' Ex-Im Agreement, and any other agreements, instruments, and documents heretofore, executed and delivered, now or hereafter evidencing, securing, guaranteeing or otherwise relating to the Obligations, the Collateral, or any other aspect of the transactions contemplated by this Agreement, as the same may be amended, supplemented or otherwise modified from time to time in accordance with the terms hereof and thereof.

"Loans" means, collectively, all loans and advances provided for in Article 1.

"Majority Lenders" means at any date of determination Lenders whose Pro Rata Shares aggregate more than 50%.

"Margin Stock" means "margin stock" as such term is defined in Regulation T, U or X of the Federal Reserve Board.

"Master Ex-Im Bank Guarantee" means an Export-Import Bank of the United States Working Capital Guarantee Program Master Guarantee Agreement executed by Ex-Im Bank and the Agent pertaining to the Ex-Im Bank Working Capital Guarantee Program.

"Material Adverse Effect" means (a) a material adverse change in, or a material adverse effect upon, the operations, business, properties, condition (financial or otherwise) or prospects

of the Borrowers and their Subsidiaries taken as a whole, (b) a material adverse change in, or a material adverse effect upon the Collateral; (c) a material impairment of the ability of the Borrowers to perform under any Loan Document to which it is a party; or (d) a material adverse effect upon the legality, validity, binding effect or enforceability against any Borrower of any Loan Document to which it is a party.

"Maximum Inventory Loan Amount" means $50,000,000.

"Maximum Revolver Amount" means $100,000,000, or such lesser amount as determined pursuant to the provisions of Section 3.2, or such greater amount as determined pursuant to the provisions of Section 1.5.

"Mortgages" means each mortgage, deed of trust or deed to secure debt pursuant to which a Borrower grants to the Agent, for the benefit of itself and the Lenders, Liens upon any Real Estate owned by such Borrower, as security for the Obligations.

"Multi-employer Plan" means a "multi-employer plan" as defined in Section 4001(a)(3) of ERISA.

"Net Amount of Eligible Accounts" means, at any time, the gross amount of Eligible Accounts less sales, excise or similar taxes, and less returns, discounts, claims, credits and allowances accrued rebates, offsets, deductions, counterclaims, disputes and other defenses of any nature at any time issued, owing, granted, outstanding, available or claimed.

"Net Amount of Eligible Foreign Accounts" means, at any time, the gross amount of Eligible Foreign Accounts less sales, excise or similar taxes, and less returns, discounts, claims, credits and allowances accrued rebates, offsets, deductions, counterclaims, disputes and other defenses of any nature at any time issued, owing, granted, outstanding, available or claimed.

"Net Orderly Liquidation Value" means the appraised orderly liquidation value of Eligible Inventory, net of all costs, fees and expenses of such liquidation as determined by an appraiser acceptable to Agent in its sole discretion.

"Net Proceeds" has the meaning specified in Section 3.4(b).

"Non-Ratable Loan" and "Non-Ratable Loans" have the meanings specified in Section 1.2(h).

"Notice of Borrowing" has the meaning specified in Section 1.2(b).

"Notice of Continuation/Conversion" has the meaning specified in Section 2.2(b).

"Obligations" means all present and future loans, advances, liabilities, obligations, covenants, duties, and debts owing by any Borrower to the Agent and/or any Lender, arising under or pursuant to this Agreement or any of the other Loan Documents, whether or not evidenced by any note, or other instrument or document, whether arising from an extension of credit, opening of a letter of credit, acceptance, loan, guaranty, indemnification or otherwise, whether direct or indirect, absolute or contingent, due or to become due, primary or secondary,

as principal or guarantor, and including all principal, interest, charges, expenses, fees, attorneys' fees, filing fees and any other sums chargeable to the Borrowers hereunder or under any of the other Loan Documents. "Obligations" includes, without limitation, (a) all Letter of Credit Obligations and (b) all debts, liabilities and obligations now or hereafter arising from or in connection with Bank Products.

"Obligor" means any Borrower, and "Obligors" means the Borrowers, collectively.

"Other Taxes" means any present or future stamp or documentary taxes or any other excise or Property taxes, charges or similar levies which arise from any payment made hereunder or from the execution, delivery or registration of, or otherwise with respect to, this Agreement or any other Loan Documents.

"Parent" has the meaning specified in the Preamble of the Agreement.

"Participant" means any Person who shall have been granted the right by any Lender to participate in the financing provided by such Lender under this Agreement, and who shall have entered into a participation agreement in form and substance satisfactory to such Lender.

"Patriot Act" means the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001, Pub. L. No. 107-56, 115 Stat. 272 (2001).

"Payment Account" means each bank account established pursuant to the Security Agreement, to which the proceeds of Accounts and other Collateral are deposited or credited, and which is maintained in the name of the Agent or any Borrower, as the Agent may determine, on terms acceptable to the Agent.

"PBGC" means the Pension Benefit Guaranty Corporation or any Governmental Authority succeeding to the functions thereof.

"Pending Revolving Loans" means, at any time, the aggregate principal amount of all Revolving Loans requested in any Notice of Borrowing received by the Agent which have not yet been advanced.

"Pension Plan" means a "pension plan" as defined in Section 3(2) of ERISA which is subject to Title IV of ERISA and which is not a Multi-employer Plan.

"Permitted Acquisition" means the acquisition in a single transaction or series of related transactions of the Property and assets or Capital Stock or a business unit of another Person by any Borrower (including any such acquisition by merger to the extent no Change of Control shall occur) so long as (1) such acquired assets are in the same or a similar line of business in compliance with Section 7.17 hereof, (2) such acquisition is in compliance with the definition of Restricted Investments, and (3) in the case of an acquisition of Capital Stock, all liabilities of the target company to be assumed by the Borrowers shall have been approved by the Required Lenders.

"Permitted Liens" means:

(a) Liens for taxes not delinquent or statutory Liens for taxes in an amount not to exceed $1,000,000 provided that the payment of such taxes which are due and payable is being contested in good faith and by appropriate proceedings diligently pursued and as to which adequate financial reserves have been established on a Borrower's books and records and a stay of enforcement of any such Lien is in effect;

(b) the Agent's Liens;

(c) Liens consisting of deposits made in the ordinary course of business in connection with, or to secure payment of, obligations under worker's compensation, unemployment insurance, social security and other similar laws, or to secure the performance of bids, tenders or contracts (other than for the repayment of Debt) or to secure indemnity, performance or other similar bonds for the performance of bids, tenders or contracts (other than for the repayment of Debt) or to secure statutory obligations (other than liens in excess of $1,000,000 arising under ERISA or Environmental Liens) or surety or appeal bonds, or to secure indemnity, performance or other similar bonds;

(d) Liens securing the claims or demands of materialmen, mechanics, carriers, warehousemen, landlords and other like Persons, provided that if any such Lien arises from the nonpayment of such claims or demand when due, such claims or demands do not exceed $1,000,000 in the aggregate;

(e) Liens constituting encumbrances in the nature of reservations, exceptions, encroachments, easements, rights of way, covenants running with the land, and other similar title exceptions or encumbrances affecting any Real Estate; provided that they do not in the aggregate materially detract from the value of the Real Estate or materially interfere with its use in the ordinary conduct of any Borrower's business;

(f) Liens arising from judgments and attachments in connection with court proceedings provided that the attachment or enforcement of such Liens would not result in an Event of Default hereunder and such Liens are being contested in good faith by appropriate proceedings, adequate reserves have been set aside and no material Property is subject to a material risk of loss or forfeiture and the claims in respect of such Liens are fully covered by insurance (subject to ordinary and customary deductibles) and a stay of execution pending appeal or proceeding for review is in effect;

(g) Liens permitted by Sections 7.13 or 7.19, provided that any such Lien attaches substantially simultaneously with the incurrence of the related debt or other obligation;

(h) operating leases or subleases granted to others not interfering in any material respect with the business of the Borrowers;

(i) any interest of title of a lessor under, and Liens arising from UCC financing statements (or equivalent filings, registrations or agreements in foreign jurisdictions) relating to, leases permitted by this Agreement;

(j) normal and customary rights of setoff upon deposits of cash in favor of banks or other depository institutions;

(k) Liens of a collecting bank arising under Section 4-210 of the UCC on items in the course of collection;

(l) Liens created or deemed to exist in connection with any Factoring Agreements or consignment agreements approved by the Agent and Liens arising from UCC financing statements (or equivalent filings, registrations, or agreements in foreign jurisdictions) relating to, such approved Factoring Agreements and consignment agreements; and

(m) Liens securing the Senior Secured Notes pursuant to the Senior Secured Notes Indenture and the related Senior Secured Notes Security Agreement.

"Person" means any individual, sole proprietorship, partnership, limited liability company, joint venture, trust, unincorporated organization, association, corporation, Governmental Authority, or any other entity.

"Plan" means an employee benefit plan (as defined in Section 3(3) of ERISA), which any Borrower sponsors or maintains or to which any Borrower makes, is making, or is obligated to make contributions and includes any Pension Plan.

"Pledge Agreement" means the Pledge Agreement of even date herewith among the Borrowers and Agent for the benefit of Agent and other Lenders.

"Property" means any interest in any kind of property or asset, whether real, personal or mixed, or tangible or intangible.

"Proprietary Rights" means all of each Borrower's now owned and hereafter arising or acquired: licenses, franchises, permits, patents, patent rights, copyrights, works which are the subject matter of copyrights, trademarks, service marks, trade names, trade styles, patent, trademark and service mark applications, and all licenses and rights related to any of the foregoing, including those patents, trademarks, service marks, trade names and copyrights set forth on Schedule 6.12 hereto, and all other rights under any of the foregoing, all extensions, renewals, reissues, divisions, continuations, and continuations-in-part of any of the foregoing, and all rights to sue for past, present and future infringement of any of the foregoing.

"Pro Rata Share" means, with respect to a Lender, a fraction (expressed as a percentage), the numerator of which is the amount of such Lender's Commitment and the denominator of which is the sum of the amounts of all of the Lenders' Commitments, or if no Commitments are outstanding, a fraction (expressed as a percentage), the numerator of which is the amount of Obligations owed to such Lender and the denominator of which is the aggregate amount of the Obligations owed to the Lenders, in each case giving effect to a Lender's participation in Ex-Im Bank Revolving Loans, Non-Ratable Loans and Agent Advances.

"Quarterly Average Excess Availability" means, on any date of determination, the average of Availability for each day of the immediately preceding fiscal quarter ending prior to such date, as calculated by the Agent (which shall be conclusive absent manifest error).

"RCRA" means the Resource Conservation and Recovery Act (42 U.S.C. §§ 6991-6991i).

"Real Estate" means all of each Borrower's now or hereafter owned or leased estates in real Property, including, without limitation, all fees, leaseholds and future interests, together with all of each Borrower's now or hereafter owned or leased interests in the improvements thereon, the fixtures attached thereto and the easements appurtenant thereto.

"Related Real Estate Documents" means, with respect to any Real Estate subject to a Mortgage, the following, in form and substance satisfactory to the Agent and received by the Agent for review at least 15 days prior to the effective date of the Mortgage: (a) a mortgagee title policy (or binder therefor) covering the Agent's interest under the Mortgage, in a form and amount and by an insurer acceptable to the Agent, which must be fully paid on such effective date; (b) such assignments of leases, estoppel letters, attornment agreements, consents, waivers and releases as the Agent may require with respect to other Persons having an interest in the Real Estate; (c) a current, as-built survey of the Real Estate, containing a metes-and-bounds property description and flood plain certification, and certified by a licensed surveyor acceptable to the Agent; (d) flood insurance in an amount, with endorsements and by an insurer acceptable to the Agent, if the Real Estate is within a flood plain; (e) an environmental assessment, prepared by environmental engineers acceptable to the Agent, and accompanied by such reports, certificates, studies or data as the Agent may reasonably require, which shall all be in form and substance satisfactory to the Majority Lenders; and (f) such documents, instruments or agreements as the Agent may reasonably require with respect to any environmental risks regarding the Real Estate.

"Release" means a release, spill, emission, leaking, pumping, injection, deposit, disposal, discharge, dispersal, leaching or migration of a Contaminant into the indoor or outdoor environment or into or out of any Real Estate or other Property, including the movement of Contaminants through or in the air, soil, surface water, groundwater or Real Estate or other Property.

"Required Lenders" means at any time Lenders whose Pro Rata Shares aggregate more than 66-2/3%.

"Requirement of Law" means, as to any Person, any law (statutory or common), treaty, rule or regulation or determination of an arbitrator or of a Governmental Authority, in each case applicable to or binding upon the Person or any of its Property or to which the Person or any of its Property is subject.

"Reserves" means reserves that limit the availability of credit hereunder, consisting of reserves against Availability, Eligible Accounts or Eligible Inventory, established by Agent from time to time in Agent's reasonable credit judgment. Without limiting the generality of the foregoing, the following reserves shall be deemed to be a reasonable exercise of Agent's credit judgment: (a) Bank Product Reserves, (b) a reserve for accrued, unpaid interest on the

Obligations, (c) reserves for rent, not to exceed three (3) months, at leased locations subject to statutory or contractual landlord liens, (d) Inventory shrinkage, (e) customs charges, (f) dilution, (g) warehousemen's or bailees' charges, (h) reserves of up to ten percent (10%) of the amount of Ex-Im Bank Revolving Loans and (i) reserves for insurance deductibles.

"Responsible Officer" means the chief executive officer, the president or vice president of any Borrower, or any other officer having substantially the same authority and responsibility; or, with respect to compliance with financial covenants and the preparation of the Borrowing Base Certificate, the chief financial officer or the treasurer of any Borrower, or any other officer having substantially the same authority and responsibility, and, for purposes of execution and delivery of the monthly management reports and the quarterly financial statements, the Borrowing Base Certificate and other collateral reports and certificates, and Notices of Borrowing, the Director of Credit, the Finance Director or the Director of Financial Planning, but only so long as each such Director is fully covered under the Borrowers' D&O insurance policies to the same extent as the other senior financial officers of the Borrowers.

"Restricted Investment" means, as to the Borrowers, any acquisition of Property by any Borrower in exchange for cash or other Property, whether in the form of an acquisition of stock, debt, or other indebtedness or obligation, or the purchase or acquisition of any other Property, or a loan, advance, capital contribution, or subscription, except the following: (a) acquisitions of Equipment to be used in the business of any Borrower so long as the acquisition costs thereof constitute Capital Expenditures permitted hereunder; (b) acquisitions of Inventory in the ordinary course of business of the Borrowers; (c) acquisitions of current assets acquired in the ordinary course of business of the Borrowers; (d) direct obligations of the United States of America, or any agency thereof, or obligations guaranteed by the United States of America, provided that such obligations mature within one year from the date of acquisition thereof; (e) acquisitions of certificates of deposit maturing within one year from the date of acquisition, bankers' acceptances, Eurodollar bank deposits, or overnight bank deposits, in each case issued by, created by, or with a bank or trust company organized under the laws of the United States of America or any state thereof having capital and surplus aggregating at least $100,000,000; (f) acquisitions of commercial paper given a rating of "A2" or better by Standard & Poor's Corporation or "P2" or better by Moody's Investors Service, Inc. and maturing not more than 90 days from the date of creation thereof; (g) Hedge Agreements; (h) non-cash investments (so long as the non-cash items paid, contributed or exchanged in connection with such investments do not constitute Collateral); and (i) cash investments in joint ventures and Permitted Acquisitions, but only so long as (1) the Fixed Charge Coverage Ratio is not less than 1.0 to 1.0 after giving effect to such investment on a pro forma basis, (2) Thirty Day Average Excess Availability determined on a pro forma basis was at least $25,000,000 for the thirty (30) day period most recently ended prior to the making of such investment, (3) Availability after giving effect thereto is at least $25,000,000, and (4) no Default or Event of Default exists prior to or immediately after the making of any such investment; provided, however, that if (x) Thirty Day Average Excess Availability determined on a pro forma basis was less than $25,000,000 but greater than or equal to $10,000,000 after giving effect to the making of any such investment and (y) Availability would be less than $25,000,000 but greater than or equal to $10,000,000 after giving effect to the making of any such investment, notwithstanding the foregoing, such investment may be made in accordance with and subject to the other requirements of this clause (i) if after giving effect to the making thereof, the Fixed Charge Coverage Ratio would not be

less than 1.10 to 1.0 and the Leverage Ratio would not be greater than 5.0 to 1.0, determined on a pro forma basis. For purposes of clause (i) of this definition, "pro forma basis" in reference to the Fixed Charge Coverage Ratio and the Leverage Ratio shall mean that compliance with such financial covenant test referred to in this clause (i) shall be determined on the basis of the financial statements and related numbers for the four consecutive fiscal quarters ending with the fiscal quarter immediately preceding the date on which any such investment is to be made and giving effect to the making of such investment as if it were made on the first day of the four consecutive fiscal quarters ending with such fiscal quarter. In addition, for purposes of this clause (i), "pro forma basis" in reference to the Thirty Day Average Excess Availability test referred to above, shall mean that compliance with the Thirty Day Average Excess Availability test shall be determined giving effect to the making of such investment as if it occurred on the first day of such thirty (30) day period.

"Revolving Loan Note" has the meaning specified in Section 1.2.

"Revolving Loans" has the meaning specified in Section 1.2 and includes each Ex-Im Bank Revolving Loan, Agent Advance and Non-Ratable Loan.

"Security Agreement" means the Amended and Restated Security Agreement of even date herewith among the Borrowers and Agent for the benefit of Agent and other Lenders.

"Senior Secured Notes" means the 11.5% Senior Secured Notes due 2014 issued by the Parent pursuant to the Senior Secured Notes Indenture.

"Senior Secured Notes Collateral Agent" means U.S. Bank National Association.

"Senior Secured Notes Indenture" means the Indenture, dated as of May 26, 2006, among the Parent, as issuer, and the Senior Secured Notes Trustee.

"Senior Secured Notes Security Agreement" means the Security Agreement, dated as of May 26, 2006, among the Parent, the Borrowers, the Senior Secured Notes Trustee and the Collateral Agent.

"Senior Secured Notes Trustee" means U.S. Bank National Association.

"Settlement" and "Settlement Date" have the meanings specified in Section 12.15(a)(ii).

"Software" means all "software" as such term is defined in the UCC, now owned or hereafter acquired by any Borrower, other than software embedded in any category of Goods, including all computer programs and all supporting information provided in connection with a transaction related to any program.

"Solvent" means, when used with respect to any Person, that at the time of determination:

(a) the assets of such Person, at a fair valuation, are in excess of the total amount of its debts (including contingent liabilities); and

(b) the present fair saleable value of its assets is greater than its probable liability on its existing debts as such debts become absolute and matured; and

(c) it is then able and expects to be able to pay its debts (including contingent debts and other commitments) as they mature; and

(d) it has capital sufficient to carry on its business as conducted and as proposed to be conducted.

For purposes of determining whether a Person is Solvent, the amount of any contingent liability shall be computed as the amount that, in light of all the facts and circumstances existing at such time, represents the amount that can reasonably be expected to become an actual or matured liability.

"Stated Termination Date" means May 15, 2011.

"Subsidiary" of a Person means any corporation, association, partnership, limited liability company, joint venture or other business entity of which more than fifty percent (50%) of the voting stock or other equity interests (in the case of Persons other than corporations), is owned or controlled directly or indirectly by the Person, or one or more of the Subsidiaries of the Person, or a combination thereof. Unless the context otherwise clearly requires, references herein to a "Subsidiary" refer to a Subsidiary of the Parent.

"Supporting Obligations" means all supporting obligations as such term is defined in the UCC, including letters of credit and guaranties issued in support of Accounts, Chattel Paper, Documents, General Intangibles, Instruments, or Investment Property.

"Synthetic Lease" means a lease treated as an operating lease under GAAP and as a loan or financing for United States income tax purposes and pursuant to which the lessee retains the economic risk with respect to the value of the residual interest in the leased Property.

"Taxes" means any and all present or future taxes, levies, imposts, deductions, charges or withholdings, and all liabilities with respect thereto, excluding, in the case of each Lender and the Agent, such taxes (including income taxes or franchise taxes) as are imposed on or measured by the Agent's or each Lender's net income in any the jurisdiction (whether federal, state or local and including any political subdivision thereof) under the laws of which such Lender or the Agent, as the case may be, is organized or maintains a lending office.

"Termination Date" means the earliest to occur of (i) the Stated Termination Date, (ii) the date the Total Facility is terminated either by the Borrowers pursuant to Section 3.2 or by the Required Lenders pursuant to Section 9.2, and (iii) the date this Agreement is otherwise terminated for any reason whatsoever pursuant to the terms of this Agreement.

"Thirty Day Average Excess Availability" means, on any date of determination, the average of Availability for each day of the immediately preceding consecutive thirty (30) day period ending prior to such date, as calculated by the Agent (which shall be conclusive absent manifest error).

"Total Facility" has the meaning specified in Section 1.1 adjusted for permanent reductions pursuant to Section 3.2.

"UCC" means the Uniform Commercial Code, as in effect from time to time, of the State of New York or of any other state the laws of which are required as a result thereof to be applied in connection with the issue of perfection of security interests; provided, that to the extent that the UCC is used to define any term herein or in any other documents and such term is defined differently in different Articles or Divisions of the UCC, the definition of such term contained in Article or Division 9 shall govern.

"Unused Letter of Credit Subfacility" means an amount equal to $20,000,000 minus the sum of (a) the aggregate undrawn amount of all outstanding Letters of Credit plus, without duplication, (b) the aggregate unpaid reimbursement obligations with respect to all Letters of Credit.

"Unused Line Fee" has the meaning specified in Section 2.5.

"Voting Stock" means, with respect to any Person, Capital Stock issued by such Person the holders of which are ordinarily, in the absence of contingencies, entitled to vote for the election of directors (or persons performing similar functions) of such Person, even though the right so to vote has been suspended by the happening of such a contingency.

EXHIBIT A

FORM OF REVOLVING LOAN NOTE

_____, 200_

FOR VALUE RECEIVED, UNIFI, INC., a New York corporation (the "Parent") and the subsidiaries of the Parent listed on the signature pages hereto, (the Parent and each such subsidiary is individually hereinafter referred to as a "Borrower" and the Parent together with all such subsidiaries are hereinafter collectively referred to as the "Borrowers") hereby promise to pay to the order of _____, its successors and assigns (the "Lender"), at the offices of Bank of America, N. A., as administrative agent (the "Agent"), at 6100 Fairview Road, Suite 200, Charlotte, NC 28210 (or at such other place or places as the holder hereof may designate), at the times set forth in the Amended and Restated Credit Agreement dated as of May 26, 2006 among the Borrowers, the Lenders, and the Agent (as it may be as amended, modified, restated or supplemented from time to time, the "Credit Agreement"; all capitalized terms not otherwise defined herein shall have the meanings set forth in the Credit Agreement), but in no event later than the Termination Date, in Dollars and in immediately available funds, the aggregate unpaid principal amount of all Revolving Loans made by the Lender to the Borrowers pursuant to the Credit Agreement, and to pay interest from the date hereof on the unpaid principal amount hereof, in like money, at said office, on the dates and at the rates selected in accordance with Section 2.1(a) of the Credit Agreement.

Upon the occurrence and during the continuance of an Event of Default under Section 9.1(a) of the Credit Agreement, the balance outstanding hereunder shall bear interest as provided in Section 2.1(b) of the Credit Agreement. Further, in the event the payment of all sums due hereunder is accelerated under the terms of the Credit Agreement, this Note, and all other indebtedness of the Borrowers to the Lender shall become immediately due and payable, without presentment, demand, protest or notice of any kind, all of which are hereby waived by the Borrowers.

In the event this Note is not paid when due at any stated or accelerated maturity, the Borrowers agree to pay, in addition to the principal and interest, all costs of collection, including reasonable attorneys' fees.

This Note shall be governed by and construed in accordance with the laws of the State of New York.

IN WITNESS WHEREOF, the parties have entered into this Agreement on the date first above written.

"BORROWERS"

UNIFI, INC., a New York corporation,
UNIFI SALES & DISTRIBUTION, INC.,
a North Carolina corporation,
UNIFI MANUFACTURING, INC.,
a North Carolina corporation,
GLENTOUCH YARN COMPANY, LLC,
a North Carolina limited liability company,
UNIFI MANUFACTURING VIRGINIA, LLC,
a North Carolina limited liability company,
UNIFI EXPORT SALES, LLC,
a North Carolina limited liability company,
UNIFI TEXTURED POLYESTER, LLC,
a North Carolina limited liability company,
UNIFI INTERNATIONAL SERVICE, INC.,
a North Carolina corporation,
UNIFI KINSTON, LLC (formerly Unifi Equipment Leasing, LLC),
a North Carolina limited liability company,
UNIFI TECHNICAL FABRICS, LLC,
a North Carolina limited liability company,
CHARLOTTE TECHNOLOGY GROUP, INC.,
a North Carolina corporation,
UTG SHARED SERVICES, INC.
a North Carolina corporation,
UNIMATRIX AMERICAS, LLC,
a North Carolina limited liability company,
SPANCO INDUSTRIES, INC.,
a North Carolina corporation,
SPANCO INTERNATIONAL, INC.,
a North Carolina corporation,

By: _____
Name: William M. Lowe
Title: CFO & COO

EXHIBIT B

FORM OF BORROWING BASE CERTIFICATE

See attached.

EXHIBIT C

FINANCIAL STATEMENTS

On file with Agent.

EXHIBIT D

FORM OF NOTICE OF BORROWING

Date: _____, 200_

To: Bank of America, N.A. as Agent for the Lenders who are parties to the Amended and Restated Credit Agreement dated as of May 26, 2006 (as extended, renewed, amended or restated from time to time, the "Credit Agreement") among Unifi, Inc., the Domestic Subsidiaries of Unifi, Inc., certain Lenders which are signatories thereto and Bank of America, N.A., as Agent

Ladies and Gentlemen:

The undersigned, Unifi, Inc. (the "Parent"), refers to the Credit Agreement, the terms defined therein being used herein as therein defined, and hereby gives you notice irrevocably of the Borrowing specified below:

1. The Business Day of the proposed Borrowing is , _____, 200_.

2. The aggregate amount of the proposed Borrowing is $_____.

3. The Borrowing is to be comprised of $_____ of Base Rate and $_____ of LIBOR Rate Loans.

4. The duration of the Interest Period for the LIBOR Rate Loans, if any, included in the Borrowing shall be ____ months.

The undersigned hereby certifies that the following statements are true on the date hereof, and will be true on the date of the proposed Borrowing, before and after giving effect thereto and to the application of the proceeds therefrom:

(a) The representations and warranties of the Borrowers contained in the Credit Agreement are true and correct as though made on and as of such date;

(b) No Default or Event of Default has occurred and is continuing, or would result from such proposed Borrowing; and

(c) The proposed Borrowing will not cause the aggregate principal amount of all outstanding Revolving Loans plus the aggregate amount available for drawing under all outstanding Letters of Credit, to exceed the Borrowing Base or the combined Commitments of the Lenders.

UNIFI, INC.

By: _____

Title: _____

EXHIBIT D-1

FORM OF NOTICE OF BORROWING FOR EX-IM BANK REVOLVING LOANS
(BORROWING BASE CERTIFICATE)

WORKING CAPITAL GUARANTEE PROGRAM
BORROWING BASE CERTIFICATE

Borrower: UNIFI, INC.
Covers Period From: _____ To: _____
Date: _____ BBC # _____

Foreign Accounts Receivable

1.	Beginning Gross A/R (line 5 previous BBC)		
2.	Add: Sales since last certificate (P.O. or Summary Report attached)		—
3.	Less: Payments Received		—
4.	Credit Memos/other Adjustments		—
5.	Ending Gross A/R (carry to line 1, next BBC)		—
	Less A/R Exclusions from Borrowing Base, as per most recent month end aging:		
6.	Retentions		
7.	Past Due per WCGP instructions (over 60 days past invoice due date)		—
8a.	Countries out of cover		—
8b.	Domestic A/R		—
8d.	Other		—
9.	Total eligible A/R		—
10.	@ Disbursement Rate:	**90%** A/R Borrowing Base	—
11.	Available Borrowing Base to Support Disbursements (lesser of line 10 or line limit)		—
12.	Beginning Loan Balance (line 15 previous BBC)		—
13.	Less: Payments Received		—
14.	Add: Disbursement requested with this BBC		—
15.	Ending Loan Balance (carry to line 12 next BBC) Cannot exceed line 11		—
16.	Loan Availability Less line 15		10,000,000.00
17.	Remaining Collateral Availability (line 11 less line 15)		—

The Undersigned hereby represents and warrants that the information contained in the Borrower Base Certificate dated: _____ is true, complete and correct and that the collateral values reflected herein comply with the conditions, terms, warranties, representations and covenants set forth in the Borrower Agreement under the Working Capital Guarantee Program of the Export-Import Bank of the United States (Eximbank) between Unifi Inc., ITS Domestic Subsidiaries and Bank of America, N. A.

Borrower: Unifi, Inc.
Ex-Im Bank Working Capital Guarantee Loan #
Authorized Signature: _____
Title: _____

Accepted and Agreed to:
By: _____
Bank of America, N.A.

EXHIBIT E

FORM OF NOTICE OF CONTINUATION/CONVERSION

Date: _____, 200_

To: Bank of America, N.A. as Agent for the Lenders to the Amended and Restated Credit Agreement dated as of May 26, 2006 (as extended, renewed, amended or restated from time to time, the "Credit Agreement") among Unifi, Inc., the Domestic Subsidiaries of Unifi, Inc., certain Lenders which are signatories thereto and Bank of America, N.A., as Agent

Ladies and Gentlemen:

The undersigned, Unifi, Inc. (the "Parent"), refers to the Credit Agreement, the terms defined therein being used herein as therein defined, and hereby gives you notice irrevocably of the [conversion] [continuation] of the Loans specified herein, that:

1. The Continuation/Conversion Date is _____, 200_.
2. The aggregate amount of the Loans to be [converted] [continued] is $_____.
3. The Loans are to be [converted into] [continued as] [LIBOR Rate] [Base Rate] Loans.
4. The duration of the Interest Period for the LIBOR Rate Loans included in the [conversion] [continuation] shall be ____ months.

The undersigned hereby certifies that the following statements are true on the date hereof, and will be true on the proposed Continuation/Conversion Date, before and after giving effect thereto and to the application of the proceeds therefrom:

(a) The representations and warranties of the Borrowers contained in the Credit Agreement are true and correct as though made on and as of such date;

(b) Default or Event of Default has occurred and is continuing, or would result from such proposed [conversion] [continuation]; and

(c) The proposed conversion-continuation will not cause the aggregate principal amount of all outstanding Revolving Loans plus the aggregate amount available for drawing under all outstanding Letters of Credit to exceed the Borrowing Base or the combined Commitments of the Lenders.

UNIFI, INC.

By: _____

Title: _____

EXHIBIT F

FORM OF ASSIGNMENT AND ACCEPTANCE AGREEMENT

This **ASSIGNMENT AND ACCEPTANCE AGREEMENT** (this "Assignment and Acceptance") dated as of _____, 200_ is made between _____ (the "Assignor") and _____ (the "Assignee").

RECITALS

WHEREAS, the Assignor is party to that certain Amended and Restated Credit Agreement dated as of May 26, 2006 (as amended, amended and restated, modified, supplemented or renewed, the "Credit Agreement") among Unifi, Inc., a New York corporation (the "Parent"), the Domestic Subsidiaries of the Parent as additional Borrowers, the several financial institutions from time to time party thereto (including the Assignor, the "Lenders"), and Bank of America, N. A., as agent for the Lenders (the "Agent"). Any terms defined in the Credit Agreement and not defined in this Assignment and Acceptance are used herein as defined in the Credit Agreement;

WHEREAS, as provided under the Credit Agreement, the Assignor has committed to making Loans (the "Committed Loans") to the Borrowers in an aggregate amount not to exceed $_____ (the "Commitment");

WHEREAS, the Assignor has made Committed Loans in the aggregate principal amount of $_____ to the Borrowers

WHEREAS, [the Assignor has acquired a participation in its pro rata share of the Lenders' liabilities under Letters of Credit in an aggregate principal amount of $_____ (the "L/C Obligations")] [no Letters of Credit are outstanding under the Credit Agreement]; and

WHEREAS, the Assignor wishes to assign to the Assignee **[part of the] [all]** rights and obligations of the Assignor under the Credit Agreement in respect of its Commitment, together with a corresponding portion of each of its outstanding Committed Loans and L/C Obligations, in an amount equal to $_____ (the "Assigned Amount") on the terms and subject to the conditions set forth herein and the Assignee wishes to accept assignment of such rights and to assume such obligations from the Assignor on such terms and subject to such conditions;

NOW, THEREFORE, in consideration of the foregoing and the mutual agreements contained herein, the parties hereto agree as follows:

1. Assignment and Acceptance.

(a) Subject to the terms and conditions of this Assignment and Acceptance, (i) the Assignor hereby sells, transfers and assigns to the Assignee, and (ii) the Assignee hereby purchases, assumes and undertakes from the Assignor, without recourse and without representation or warranty (except as provided in this Assignment and Acceptance) __% (the "Assignee's Percentage Share") of (A) the Commitment, the

Committed Loans and the L/C Obligations of the Assignor and (B) all related rights, benefits, obligations, liabilities and indemnities of the Assignor under and in connection with the Credit Agreement and the Loan Documents.

(b) With effect on and after the Effective Date (as defined in Section 5 hereof), the Assignee shall be a party to the Credit Agreement and succeed to all of the rights and be obligated to perform all of the obligations of a Lender under the Credit Agreement, including the requirements concerning confidentiality and the payment of indemnification, with a Commitment in an amount equal to the Assigned Amount. The Assignee agrees that it will perform in accordance with their terms all of the obligations which by the terms of the Credit Agreement are required to be performed by it as a Lender. It is the intent of the parties hereto that the Commitment of the Assignor shall, as of the Effective Date, be reduced by an amount equal to the Assigned Amount and the Assignor shall relinquish its rights and be released from its obligations under the Credit Agreement to the extent such obligations have been assumed by the Assignee; provided, however, the Assignor shall not relinquish its rights under Sections __ and __ of the Credit Agreement to the extent such rights relate to the time prior to the Effective Date.

(c) After giving effect to the assignment and assumption set forth herein, on the Effective Date the Assignee's Commitment will be $_____.

(d) After giving effect to the assignment and assumption set forth herein, on the Effective Date the Assignor's Commitment will be $_____.

2. Payments.

(a) As consideration for the sale, assignment and transfer contemplated in Section 1 hereof, the Assignee shall pay to the Assignor on the Effective Date in immediately available funds an amount equal to $_____, representing the Assignee's Pro Rata Share of the principal amount of all Committed Loans.

(b) The Assignee further agrees to pay to the Agent a processing fee in the amount specified in Section 11.2(a) of the Credit Agreement.

3. Reallocation of Payments.

Any interest, fees and other payments accrued to the Effective Date with respect to the Commitment, and Committed Loans and L/C Obligations shall be for the account of the Assignor. Any interest, fees and other payments accrued on and after the Effective Date with respect to the Assigned Amount shall be for the account of the Assignee. Each of the Assignor and the Assignee agrees that it will hold in trust for the other party any interest, fees and other amounts which it may receive to which the other party is entitled pursuant to the preceding sentence and pay to the other party any such amounts which it may receive promptly upon receipt.

4. Independent Credit Decision.

The Assignee (a) acknowledges that it has received a copy of the Credit Agreement and the Schedules and Exhibits thereto, together with copies of the most recent financial statements of the Borrowers, and such other documents and information as it has deemed appropriate to make its own credit and legal analysis and decision to enter into this Assignment and Acceptance; and (b) agrees that it will, independently and without reliance upon the Assignor, the Agent or any other Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit and legal decisions in taking or not taking action under the Credit Agreement.

5. Effective Date; Notices.

(a) As between the Assignor and the Assignee, the effective date for this Assignment and Acceptance shall be _____, 200_ (the "Effective Date"); provided that the following conditions precedent have been satisfied on or before the Effective Date:

(i) this Assignment and Acceptance shall be executed and delivered by the Assignor and the Assignee;

[(ii) the consent of the Agent required for an effective assignment of the Assigned Amount by the Assignor to the Assignee shall have been duly obtained and shall be in full force and effect as of the Effective Date;]

(iii) the Assignee shall pay to the Assignor all amounts due to the Assignor under this Assignment and Acceptance;

[(iv) the Assignee shall have complied with Section 11.2 of the Credit Agreement (if applicable);]

(v) the processing fee referred to in Section 2(b) hereof and in Section 11.2(a) of the Credit Agreement shall have been paid to the Agent; and

(b) Promptly following the execution of this Assignment and Acceptance, the Assignor shall deliver to the Borrowers and the Agent for acknowledgment by the Agent, a Notice of Assignment in the form attached hereto as Schedule 1.

6. **[Agent. [INCLUDE ONLY IF ASSIGNOR IS AGENT]**

(a) The Assignee hereby appoints and authorizes the Assignor to take such action as agent on its behalf and to exercise such powers under the Credit Agreement as are delegated to the Agent by the Lenders pursuant to the terms of the Credit Agreement.

(b) The Assignee shall assume no duties or obligations held by the Assignor in its capacity as Agent under the Credit Agreement.

7. Withholding Tax.

The Assignee (a) represents and warrants to the Lender, the Agent and the Borrowers that under applicable law and treaties no tax will be required to be withheld by the Lender with respect to any payments to be made to the Assignee hereunder, (b) agrees to furnish (if it is organized under the laws of any jurisdiction other than the United States or any State thereof) to the Agent and the Borrowers prior to the time that the Agent or Borrowers are required to make any payment of principal, interest or fees hereunder, duplicate executed originals of either U.S. Internal Revenue Service Form W-8ECI or U.S. Internal Revenue Service Form W-8BEN (wherein the Assignee claims entitlement to the benefits of a tax treaty that provides for a complete exemption from U.S. federal income withholding tax on all payments hereunder) and agrees to provide new Forms W-8ECI or W-8BEN upon the expiration of any previously delivered form or comparable statements in accordance with applicable U.S. law and regulations and amendments thereto, duly executed and completed by the Assignee, and (c) agrees to comply with all applicable U.S. laws and regulations with regard to such withholding tax exemption.

8. Representations and Warranties.

(a) The Assignor represents and warrants that (i) it is the legal and beneficial owner of the interest being assigned by it hereunder and that such interest is free and clear of any Lien or other adverse claim; (ii) it is duly organized and existing and it has the full power and authority to take, and has taken, all action necessary to execute and deliver this Assignment and Acceptance and any other documents required or permitted to be executed or delivered by it in connection with this Assignment and Acceptance and to fulfill its obligations hereunder; (iii) no notices to, or consents, authorizations or approvals of, any Person are required (other than any already given or obtained) for its due execution, delivery and performance of this Assignment and Acceptance, and apart from any agreements or undertakings or filings required by the Credit Agreement, no further action by, or notice to, or filing with, any Person is required of it for such execution, delivery or performance; and (iv) this Assignment and Acceptance has been duly executed and delivered by it and constitutes the legal, valid and binding obligation of the Assignor, enforceable against the Assignor in accordance with the terms hereof, subject, as to enforcement, to bankruptcy, insolvency, moratorium, reorganization and other laws of general application relating to or affecting creditors' rights and to general equitable principles.

(b) The Assignor makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with the Credit Agreement or the execution, legality, validity, enforceability, genuineness, sufficiency or value of the Credit Agreement or any other instrument or document furnished pursuant thereto. The Assignor makes no representation or warranty in connection with, and assumes no responsibility with respect to, the solvency, financial condition or statements of the Borrowers, or the performance or observance by the Borrowers, of any of its respective obligations under the Credit Agreement or any other instrument or document furnished in connection therewith.

(c) The Assignee represents and warrants that (i) it is duly organized and existing and it has full power and authority to take, and has taken, all action necessary to execute and deliver this Assignment and Acceptance and any other documents required or permitted to be executed or delivered by it in connection with this Assignment and Acceptance, and to fulfill its obligations hereunder; (ii) no notices to, or consents, authorizations or approvals of, any Person are required (other than any already given or obtained) for its due execution, delivery and performance of this Assignment and Acceptance; and apart from any agreements or undertakings or filings required by the Credit Agreement, no further action by, or notice to, or filing with, any Person is required of it for such execution, delivery or performance; (iii) this Assignment and Acceptance has been duly executed and delivered by it and constitutes the legal, valid and binding obligation of the Assignee, enforceable against the Assignee in accordance with the terms hereof, subject, as to enforcement, to bankruptcy, insolvency, moratorium, reorganization and other laws of general application relating to or affecting creditors' rights and to general equitable principles; [and (iv) it is an Eligible Assignee.]

9. Further Assurances.

The Assignor and the Assignee each hereby agree to execute and deliver such other instruments, and take such other action, as either party may reasonably request in connection with the transactions contemplated by this Assignment and Acceptance, including the delivery of any notices or other documents or instruments to the Borrowers or the Agent, which may be required in connection with the assignment and assumption contemplated hereby.

10. Miscellaneous.

(a) Any amendment or waiver of any provision of this Assignment and Acceptance shall be in writing and signed by the parties hereto. No failure or delay by either party hereto in exercising any right, power or privilege hereunder shall operate as a waiver thereof and any waiver of any breach of the provisions of this Assignment and Acceptance shall be without prejudice to any rights with respect to any other or further breach thereof.

(b) All payments made hereunder shall be made without any set-off or counterclaim.

(c) The Assignor and the Assignee shall each pay its own costs and expenses incurred in connection with the negotiation, preparation, execution and performance of this Assignment and Acceptance.

(d) This Assignment and Acceptance may be executed in any number of counterparts and all of such counterparts taken together shall be deemed to constitute one and the same instrument.

(e) THIS ASSIGNMENT AND ACCEPTANCE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAW OF THE STATE OF NEW YORK. The Assignor and the Assignee each irrevocably submits to the non-exclusive jurisdiction of any State or Federal court sitting in New York over any suit,

action or proceeding arising out of or relating to this Assignment and Acceptance and irrevocably agrees that all claims in respect of such action or proceeding may be heard and determined in such New York State or Federal court. Each party to this Assignment and Acceptance hereby irrevocably waives, to the fullest extent it may effectively do so, the defense of an inconvenient forum to the maintenance of such action or proceeding.

(f) THE ASSIGNOR AND THE ASSIGNEE EACH HEREBY KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVE ANY RIGHTS THEY MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION BASED HEREON, OR ARISING OUT OF, UNDER, OR IN CONNECTION WITH THIS ASSIGNMENT AND ACCEPTANCE, THE CREDIT AGREEMENT, ANY RELATED DOCUMENTS AND AGREEMENTS OR ANY COURSE OF CONDUCT, COURSE OF DEALING, OR STATEMENTS (WHETHER ORAL OR WRITTEN).

IN WITNESS WHEREOF, the Assignor and the Assignee have caused this Assignment and Acceptance to be executed and delivered by their duly authorized officers as of the date first above written.

[ASSIGNOR]

By: _____
Title:
Address:

[ASSIGNEE]

By: _____
Title:
Address:

SCHEDULE 1
to
ASSIGNMENT AND ACCEPTANCE

NOTICE OF ASSIGNMENT AND ACCEPTANCE

_____, 200_

Bank of America, N.A.
_____
_____
Attn:

Re: [Name and Address of Borrowers]

Ladies and Gentlemen:

We refer to the Amended and Restated Credit Agreement dated as of May 26, 2006 (as amended, amended and restated, modified, supplemented or renewed from time to time the "Credit Agreement") among Unifi, Inc. (the "Parent"), the Domestic Subsidiaries of the Parent, as additional Borrowers, the Lenders referred to therein and Bank of America, N. A., as agent for the Lenders (the "Agent"). Terms defined in the Credit Agreement are used herein as therein defined.

1. We hereby give you notice of, and request your consent to, the assignment by _____ (the "Assignor") to _____ (the "Assignee") of __% of the right, title and interest of the Assignor in and to the Credit Agreement (including the right, title and interest of the Assignor in and to the Commitments of the Assignor, all outstanding Loans made by the Assignor and the Assignor's participation in the Letters of Credit pursuant to the Assignment and Acceptance Agreement attached hereto (the "Assignment and Acceptance"). We understand and agree that the Assignor's Commitment, as of_____ , 200_, is $_____, the aggregate amount of its outstanding Loans is $_____, and its participation in L/C Obligations is $_____.

2. The Assignee agrees that, upon receiving the consent of the Agent and, if applicable, the Borrowers to such assignment, the Assignee will be bound by the terms of the Credit Agreement as fully and to the same extent as if the Assignee were the Lender originally holding such interest in the Credit Agreement.

3. The following administrative details apply to the Assignee:

(A) Notice Address:
Assignee name:
Address:
Attention:
Telephone: (____)
Telecopier: (____)

(B) Payment Instructions:
Account No.:
At:
Reference:
Attention:

4. You are entitled to rely upon the representations, warranties and covenants of each of the Assignor and Assignee contained in the Assignment and Acceptance.

IN WITNESS WHEREOF, the Assignor and the Assignee have caused this Notice of Assignment and Acceptance to be executed by their respective duly authorized officials, officers or agents as of the date first above mentioned.

Very truly yours,

[NAME OF ASSIGNOR]

By: _____
Title: _____

[NAME OF ASSIGNEE]

By: _____
Title: _____

ACKNOWLEDGED AND ASSIGNMENT CONSENTED TO:

Bank of America, N. A.
as Agent

By: _____
Title: _____

EXHIBIT G

FORM OF JOINDER AGREEMENT

THIS JOINDER AGREEMENT (the "Agreement"), dated as of _____, 20__, is by and among _____, a _____ (the "Applicant Borrower"), UNIFI, INC., a New York corporation and BANK OF AMERICA, N.A., in its capacity as Agent under that certain Amended and Restated Credit Agreement (as amended and modified, the "Credit Agreement") dated as of May 26, 2006 by and among Unifi, Inc., a New York corporation (the "Parent"), the Domestic Subsidiaries of the Parent as additional Borrowers, the several financial institutions from time to time party thereto (including the Assignor, the "Lenders"), and the Agent. All of the defined terms in the Credit Agreement are incorporated herein by reference.

The Applicant Borrower has indicated its desire to become a Borrower pursuant to the terms of the Credit Agreement.

Accordingly the Applicant Borrower hereby agrees as follows with the Agent, for the benefit of the Lenders:

1. The Applicant Borrower hereby acknowledges, agrees and confirms that, by its execution of this Agreement, the Applicant Borrower will be deemed to be a party to the Credit Agreement and a "Borrower" for all purposes of the Credit Agreement and the other Loan Documents, and shall have all of the obligations of a Borrower thereunder as if it has executed the Credit Agreement and the other Loan Documents. The Applicant Borrower hereby ratifies, as of the date hereof, and agrees to be bound by, all of the terms, provisions and conditions contained in the Credit Agreement and in the Loan Documents, including without limitation (i) all of the representations and warranties of the Credit Parties set forth in Article 6 of the Credit Agreement, as supplemented from time to time in accordance with the terms thereof, and (ii) all of the affirmative and negative covenants set forth in Article 7 of the Credit Agreement.

2. The Applicant Borrower hereby acknowledges, agrees and confirms that, by its execution of this Agreement, the Applicant Borrower will be deemed to be a party to the Security Agreement, and shall have all the obligations of an "Obligor" (as such term is defined in the Security Agreement) thereunder as if it had executed the Security Agreement. The Applicant Borrower hereby ratifies, as of the date hereof, and agrees to be bound by, all of the terms, provisions and conditions contained in the Security Agreement. Without limiting the generality of the foregoing terms of this paragraph 2, the Applicant Borrower hereby grants to the Agent, for the benefit of the Lenders, a continuing security interest in, and a right of set off against any and all right, title and interest of the Applicant Borrower in and to the Collateral (as such term is defined in Section 2 of the Security Agreement) of the Applicant Borrower.

3. The Applicant Borrower hereby acknowledges, agrees and confirms that, by its execution of this Agreement, the Applicant Borrower will be deemed to be a party to the Pledge Agreement, and shall have all the obligations of a "Pledgor" thereunder as if it had executed the Pledge Agreement. The Applicant Borrower hereby ratifies, as of the date hereof, and agrees to be bound by, all the terms, provisions and conditions contained in the Pledge Agreement.

Without limiting the generality of the foregoing terms of this paragraph 3, the Applicant Borrower hereby pledges and assigns to the Agent, for the benefit of the Lenders, and grants to the Agent, for the benefit of the Lenders, a continuing security interest in any and all right, title and interest of the Applicant Borrower in and to Pledged Capital Stock (as such term is defined in Section 2 of the Pledge Agreement) and the other Pledged Collateral (as such term is defined in Section 2 of the Pledge Agreement).

4. The Applicant Borrower acknowledges and confirms that it has received a copy of the Credit Agreement and the schedules and exhibits thereto and the Security Agreement and the schedules and exhibits relating thereto and the Pledge Agreement and the schedules and exhibits relating thereto. The information on the Schedules to the Credit Agreement, the Security Agreement and the Pledge Agreement is amended to provide the information shown on the attached Schedule A.

5. Unifi, Inc. confirms that all of its and its Subsidiaries' obligations under the Credit Agreement are, and upon the Applicant Borrower becoming a Borrower shall continue to be, in full force and effect. Unifi, Inc. further confirms that immediately upon the Applicant Borrower becoming a Borrower the term "Obligations", as used in the Credit Agreement, shall include all Obligations of such Applicant Borrower under the Credit Agreement and under each other Loan Document.

6. The Applicant Borrower hereby agrees that upon becoming a Borrower it will assume all Obligations of a Borrower as set forth in the Credit Agreement. By its execution of this Agreement, the Applicant Borrower appoints Unifi, Inc. to be its attorney ("its Attorney") and in its name and on its behalf and as its act and deed or otherwise to sign all documents and carry out all such acts as are necessary or appropriate in connection with executing any Notice of Borrowing, Notice of Extension/Conversion or any Borrowing Base Certificate or any security documents (the "Documents") in connection with the Credit Agreement, provided that such Documents are in substantially the form provided therefor in the applicable exhibits thereto. This Power of Attorney shall be valid for the duration of the term of the Credit Agreement. The Applicant Borrower hereby undertakes to ratify everything which either of its Attorneys shall do in order to execute the Documents mentioned herein.

7. Each of Unifi, Inc. and the Applicant Borrower agrees that at any time and from time to time, upon the written request of the Agent, it will execute and deliver such further documents and do such further acts and things as the Agent may reasonably request in order to effect the purposes of this Agreement.

8. This Agreement may be executed in multiple counterparts, each of which shall constitute an original but all of which when taken together shall constitute one contract.

9. This Agreement shall be governed by and construed and interpreted in accordance with the laws of the State of New York.

IN WITNESS WHEREOF, the Applicant Borrower and Unifi, Inc. has caused this Joinder Agreement to be duly executed by its authorized officers, and the Agent, for the benefit of the Lenders, has caused the same to be accepted by its authorized officer, as of the day and year first above written.

[APPLICANT BORROWER]

By: _____
Name: _____
Title: _____

UNIFI, INC.

By: _____
Name: _____
Title: _____

BANK OF AMERICA, N.A.,
as Agent

By: _____
Name: _____
Title: _____

EXHIBIT H

FORM OF MONTHLY MANAGEMENT REPORT

On file with Agent.

Exhibit 4.10

EXECUTION COPY

AMENDED AND RESTATED
SECURITY AGREEMENT

THIS AMENDED AND RESTATED SECURITY AGREEMENT (this "Security Agreement") is entered into as of May 26, 2006, by and among UNIFI, INC., a New York corporation (the "Parent"), each of the Domestic Subsidiaries of the Parent from time to time party hereto (together with the Parent, individually a "Borrower" and collectively, the "Borrowers") ((hereinafter the Borrowers are collectively referred to as the "Obligors" and individually, as an "Obligor"), and **BANK OF AMERICA, N.A.**, in its capacity as Agent under the Credit Agreement referred to below (in such capacity, the "Agent") for the several banks and other financial institutions as may from time to time become parties to such Credit Agreement (individually a "Lender" and collectively, the "Lenders").

RECITALS

WHEREAS, certain Borrowers, the Agent, and certain lenders are each party to that certain Credit Agreement, dated as of December 7, 2001 (as heretofore amended, restated, modified or supplemented, the "Existing Credit Agreement");

WHEREAS, the Existing Credit Agreement is being amended and restated by the Amended and Restated Credit Agreement (as amended, restated, modified or supplemented from time to time, the "Credit Agreement"), dated as of May 26, 2006, among the Borrowers, the Agent and the Lenders, pursuant to which the Lenders have agreed to make Loans to the Borrowers and to issue or participate in Letters of Credit upon the terms and subject to the conditions set forth therein;

WHEREAS, in order to secure the Obligations under and as defined in the Existing Credit Agreement, certain of the Borrowers and the Agent entered into that certain Security Agreement, dated as of December 7, 2001 (as heretofore amended, restated, modified or supplemented, the "Existing Security Agreement"), pursuant to which such Borrowers agreed to grant to the Agent, for the benefit of itself and the Lenders, a first priority security interest in the Collateral (as defined therein), whether now existing or hereafter acquired and wheresoever located, all as more specifically set forth in the Existing Security Agreement;

WHEREAS, the Borrowers, the Lenders and the Agent intend that the Obligations under and as defined in the Existing Credit Agreement shall continue to exist under, and to be evidenced by, the Credit Agreement; and

WHEREAS, it is a condition precedent to the effectiveness of the Credit Agreement and the obligation of the Lenders to make Loans to the Borrowers or to issue or participate in Letters of Credit under the Credit Agreement, that the Obligors shall have executed and delivered this Security Agreement to Agent, for the benefit of itself and Lenders;

NOW, THEREFORE, in consideration of these premises and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree to amend and restate the Existing Security Agreement as follows:

1. Definitions.

(a) Unless otherwise defined herein, capitalized terms used herein shall have the meanings ascribed to such terms in the Credit Agreement, and the following terms which are defined in the Uniform Commercial Code from time to time in effect in the State of New York (the "UCC") are used herein as so defined: Accessions, Accounts, As-Extracted Collateral, Certificate of Title, Chattel Paper, Commercial Tort Claims, Commodities Intermediary, Consumer Goods, Control, Deposit Accounts, Documents, Equipment, Farm Products, Fixtures, General Intangibles, Goods, Instruments, Inventory, Investment Property, Letter-of-Credit Rights, Manufactured Homes, Proceeds, Commodities Intermediary, Securities Intermediary, Software, Supporting Obligations and Tangible Chattel Paper. For purposes of this Security Agreement, the term "Lender" shall include any Affiliate of a Lender that has provided a Bank Product to a Borrower or any Subsidiary of a Borrower.

(b) In addition, the following terms shall have the following meanings:

"Cash Dominion Period" means the period beginning on a Cash Dominion Trigger Event, and, in each case, continuing until the termination of the Credit Agreement and the repayment in full of all Obligations.

"Cash Dominion Trigger Event" means the occurrence of any one or more the following events: (a) the date on which a Default or an Event of Default shall have occurred (beyond the expiration of the applicable grace or cure period) and (b) the date of determination on which, as of the end of any consecutive thirty (30) day period, Thirty Day Average Excess Availability is determined to be less than $25,000,000.

"Copyright Licenses" means any written agreement, naming any Obligor as licensor, granting any right under any Copyright including, without limitation, any thereof referred to in Schedule 1(b) hereto.

"Copyrights" means (a) all United States copyrights in all Works, now existing or hereafter created or acquired, whether registered or unregistered, all registrations and recordings thereof, and all applications in connection therewith, including, without limitation, registrations, recordings and applications in the United States Copyright Office including, without limitation, any thereof referred to in Schedule 1(b) hereto, and (b) all renewals thereof including, without limitation, any thereof referred to in Schedule 1(b) hereto.

"Excluded Assets" means the following:

(i) any property or assets owned by any Subsidiary of the Parent which is not an Obligor;

(ii) any rights or interest of any Obligor in, to or under any agreement, contract, license, instrument, document or other general intangible (referred to solely for purposes of this definition as a "Contract") (i) to the extent that such Contract by the express terms of a valid and enforceable restriction in favor of a Person who is not an Obligor, or any requirement of law, prohibits, or requires

any consent or establishes any other condition for, an assignment thereof or a grant of a security interest therein by an Obligor and (ii) which, if in existence or the subject of rights in favor of any Obligor as of the Closing Date and with respect to which a contravention or other violation caused or arising by its inclusion as Collateral has occurred, is listed and designated as such on a schedule to any such party's perfection certificate required by the Loan Documents or individually or collectively is not material to the conduct of the business of the Parent or such Obligor; provided that: (x) rights to payment under any such Contract otherwise excluded from the Collateral by virtue of this definition shall be included in the Collateral to the extent permitted thereby or by Section 9-406 or Section 9-408 of the Uniform Commercial Code and (y) all proceeds paid or payable to any Obligor from any sale, transfer or assignment of such Contract and all rights to receive such proceeds shall be included in the Collateral; provided further that, any such Contract of such Obligor shall automatically cease to be included in this definition of "Excluded Assets" at such time as (I) the prohibition of assignment or of the creation of a lien and security interest in such property or asset is no longer in effect or is rendered ineffective as a matter of law, (II) the relevant Obligor has obtained the consent of the other parties to such agreement to the assignment of, or creation of a lien and security interest in, such property, or (III) the breach, default, event of default or any other conditions otherwise giving rise to the inclusion of such property in this definition of "Excluded Assets" under this clause (ii) shall cease to exist;

(iii) any Equipment of any Obligor which is subject to, or secured by, a Capital Lease or purchase money secured Debt if and to the extent that (x) the express terms of a valid and enforceable restriction in favor of a Person who is not an Obligor contained in the agreements or documents granting or governing such Capital Lease or purchase money secured Debt prohibits, or requires any consent or establishes any other conditions for, an assignment thereof, or a grant of a security interest therein, by an Obligor and (y) such restriction relates only to the asset or assets acquired by an Obligor with the proceeds of such Capital Lease or purchase money secured Debt and attachments thereto or substitutions therefor; provided that all proceeds paid or payable to any Obligor from any sale, transfer or assignment or other voluntary or involuntary disposition of such equipment and all rights to receive such proceeds shall be included in the Collateral to the extent not otherwise required to be paid to the holder of the Capital Lease obligation or purchase money secured Debt secured by such equipment; provided further that any such Equipment of such Obligor shall automatically cease to be included in this definition of "Excluded Assets" at such time as (I) the prohibition of assignment or of the creation of a lien and security interest in such property or asset is no longer in effect or is rendered ineffective as a matter of law, (II) the relevant Obligor has obtained the consent of the other parties to such agreement to the assignment of, or creation of a lien and security interest in, such property, or (III) the breach, default, event of default or any other conditions otherwise giving rise to the inclusion of such property in this definition of "Excluded Assets" under this clause (iii) shall cease to exist;

(iv) any Capital Stock that is issued by any Person not organized under the laws of the United States or any state of the United States or the District of Columbia and owned by any Obligor, if and to the extent that the inclusion of such Capital Stock in the Collateral would cause the Collateral pledged by such Obligor, as the case may be, to include in the aggregate more than 65% of the total combined voting power of all classes of Capital Stock of such Person;

(v) any Capital Stock and other securities (referred to herein as "Excluded Securities") of a Subsidiary of the Parent to the extent that the pledge of such Capital Stock or other securities results in the Parent being required to file separate financial statements of such Subsidiary with the SEC, but only to the extent necessary to not be subject to such requirement. In addition, in the event that Rule 3-16 or Rule 3-10 of Regulation S-X under the Securities Act is amended, modified or interpreted by the SEC to require (or is replaced with another rule or regulation, or any other law, rule or regulation is adopted, which would require) the filing with the SEC (or any other governmental or other regulatory agency or stock exchange) of separate financial statements of any Subsidiary of the Parent due to the fact that such Subsidiary's Capital Stock or other securities secure the Secured Obligations, then the Capital Stock and other securities of such Subsidiary shall automatically be deemed not to be part of the Collateral but only to the extent necessary to not be subject to such requirement. In such event, the Loan Documents may be amended or modified, without the consent of the Agent or the Lenders, as applicable, to the extent necessary to release the security interests in favor of the Agent on the shares of Capital Stock or other securities that are so deemed to no longer constitute part of the Collateral. In the event that Rule 3-16 and Rule 3-10 of Regulation S-X under the Securities Act are amended, modified or interpreted by the SEC to permit (or are replaced with another rule or regulation, or any other law, rule or regulation is adopted, which would permit) such Subsidiary's Capital Stock or other securities to secure the notes in excess of the amount then pledged without the filing with the SEC (or any other governmental or other regulatory agency or stock exchange) of separate financial statements of such Subsidiary, then the Capital Stock or other securities of such Subsidiary shall automatically be deemed to be a part of the Collateral but only to the extent permissible such that such Subsidiary would not be subject to any such financial statement requirement; and

(vi) proceeds and products from any and all of the foregoing excluded collateral described in clauses (i) through (v), unless such proceeds or products would otherwise constitute Collateral.

"Intellectual Property" means all Copyrights, Copyright Licenses, Patents, Patent Licenses, Trademarks, Trademark Licenses and all other intellectual property of the Obligors.

"Patent License" means all agreements, whether written or oral, providing for the grant by or to an Obligor of any right to manufacture, use or sell any invention covered by a Patent, including, without limitation, any thereof referred to in Schedule 1(b) hereto.

"Patents" means (a) all letters patent of the United States or any other country and all reissues and extensions thereof and all goodwill associated therewith, including, without limitation, any thereof referred to in Schedule 1(b) hereto, (b) all applications for letters patent of the United States or any other country and all divisions, continuations and continuations-in-part thereof, including, without limitation, any thereof referred to in Schedule 1(b) hereto, and (c) all rights to obtain any reissues or extensions of the foregoing.

"Secured Obligations" means (a) all Obligations, howsoever evidenced, created, incurred or acquired, whether primary, secondary, direct or indirect, absolute or contingent, or joint and several and (b) all expenses and charges, legal and otherwise, incurred by the Agent and/or the Lenders in collecting or enforcing any Obligations or in realizing on or protecting any security therefor, including without limitation the security afforded hereunder.

"Trademark License" means any agreement, written or oral, providing for the grant by or to an Obligor of any right to use any Trademark, including, without limitation, any thereof referred to in Schedule 1(b) hereto.

"Trademarks" means (a) all trademarks, trade names, corporate names, company names, business names, fictitious business names, trade styles, service marks, logos and other source or business identifiers, and the goodwill associated therewith, now existing or hereafter adopted or acquired, all registrations and recordings thereof, and all applications in connection therewith, whether in the United States Patent and Trademark Office or in any similar office or agency of the United States, any State thereof or any other country or any political subdivision thereof, or otherwise, including, without limitation, any thereof referred to in Schedule 1(b) hereto, and (b) all renewals thereof.

"Work" means any work which is subject to copyright protection pursuant to Title 17 of the United States Code.

2. Grant of Security Interest in the Collateral.

(a) To secure the prompt payment and performance in full when due, whether by lapse of time, acceleration, mandatory prepayment or otherwise, of the Secured Obligations, each Obligor hereby grants to the Agent, for the benefit of the Agent and the Lenders, a continuing security interest in, and a right to set off against, any and all right, title and interest of such Obligor in and to the following, whether now owned or existing or owned, acquired, or arising hereafter (collectively, the "Collateral"):

(i) all Accounts;

(ii) all cash and cash equivalents;

(iii) all Chattel Paper;

(iv) those certain Commercial Tort Claims of the Obligors in which an Obligor is the claimant or plaintiff set forth on Schedule 2(a)(iv) attached hereto (as such Schedule may be updated from time to time by the Obligors);

(v) all Copyrights;

(vi) all Copyright Licenses;

(vii) all Deposit Accounts, all Lockbox Accounts, all Payment Accounts and any replacement or successor accounts relating thereto;

(viii) all Documents;

(ix) all Equipment;

(x) all Fixtures;

(xi) all General Intangibles;

(xii) all Goods;

(xiii) all Instruments;

(xiv) all Inventory;

(xv) all Investment Property;

(xvi) all Letter-of-Credit Rights;

(xvii) all Assigned Contracts, as such agreements may be amended, replaced, supplemented or otherwise modified from time to time;

(xviii) all Patents;

(xix) all Patent Licenses;

(xx) all Trademarks;

(xxi) all Trademark Licenses;

(xxii) all Software;

(xxiii) all Supporting Obligations;

(xxiv) all books, records, ledger cards, files, correspondence, computer programs, tapes, disks, and related data processing software (owned by such Obligor or in which it has an interest) that at any time evidence or contain information relating to any Collateral or are otherwise necessary or helpful in the collection thereof or realization thereupon;

(xxv) all other personal property of any kind or type whatsoever owned by such Obligor; and

(xxvi) to the extent not otherwise included, all Accessions, Proceeds and products of any and all of the foregoing.

(b) Each of the Obligors and the Agent, on behalf of the Lenders, hereby acknowledge and agree that the security interest created hereby in the Collateral (i) constitutes continuing collateral security for all of the Secured Obligations, whether now existing or hereafter arising and (ii) is not to be construed as a present assignment of any Intellectual Property.

(c) Any of the foregoing clauses (a) and (b) of this Section 2 to the contrary notwithstanding, the "Collateral" shall not include, and the security interest granted herein shall not attach to, the Excluded Assets.

3. Provisions Relating to Accounts, Chattel Paper, Contracts and Agreements.

(a) Anything herein to the contrary notwithstanding, each of the Obligors shall remain liable under each of its Accounts, Chattel Paper, contracts and agreements to observe and perform all the conditions and obligations to be observed and performed by it thereunder. Neither the Agent nor any Lender shall have any obligation or liability under any Account (or any agreement giving rise thereto), Chattel Paper, contract or agreement by reason of or arising out of this Security Agreement or the receipt by the Agent or any Lender of any payment relating to such Account, Chattel Paper, contract or agreement pursuant hereto, nor shall the Agent or any Lender be obligated in any manner to perform any of the obligations of an Obligor under or pursuant to any Account (or any agreement giving rise thereto), Chattel Paper, contract or agreement, to make any payment, to make any inquiry as to the nature or the sufficiency of any payment received by it or as to the sufficiency of any performance by any party under any Account (or any agreement giving rise thereto), Chattel Paper, contract or agreement, to present or file any claim, to take any action to enforce any performance or to collect the payment of any amounts which may have been assigned to it or to which it may be entitled at any time or times.

(b) At any time and from time to time, the Agent shall have the right, but not the obligation, to make test verifications of the Accounts and the Chattel Paper in any manner and through any medium that it considers advisable, and the Obligors shall furnish all such assistance and information as the Agent may reasonably require in connection with such test verifications, to the extent and as provided in the Credit Agreement. Upon the Agent's request and at the expense of the Obligors, the Obligors shall cause independent public accountants or others reasonably satisfactory to the Agent to furnish to the Agent reports showing reconciliations, aging and test verifications of, and trial balances for, the Accounts. The Agent in its own name or in the name of others may communicate with Account Debtors on the Accounts and the Chattel Paper to verify with them to the Agent's satisfaction the existence, amount and terms of any Accounts and Chattel Paper (so long as no Event of Default has occurred and is continuing, the Agent shall notify the Parent concurrently of any such verifications).

4. Representations and Warranties. Each Obligor hereby represents and warrants to the Agent, for the benefit of the Lenders, that so long as any of the Secured Obligations remain outstanding, any Loan Document is in effect, and until all of the Commitments shall have been terminated:

(a) Chief Executive Office; Books & Records; Legal Name; State of Formation. Such Obligor's chief executive office and chief place of business are (and for the prior four months has been) located at the locations set forth on Schedule 4(a)(i) hereto (as updated from time to time), and such Obligor keeps its books and records at such locations. Such Obligor's exact legal name as registered in its state of formation is as shown in the introductory paragraphs of this Security Agreement, its state of formation is (and for the prior four months has been) the state set forth on Schedule 4(a)(ii) hereto, and its organizational number, if any, assigned by such state is set forth on Schedule 4(a)(ii) hereto. Such Obligor has not, in the past four months, changed its name, been party to a merger, consolidation or other change in structure or used any tradename not disclosed on Schedule 4(a)(ii) attached hereto (as updated from time to time).

(b) Location of Tangible Collateral. The location of all tangible Collateral owned by such Obligor (other than rolling stock, goods out for repair, aircraft and goods in transit) is as shown on Schedule 4(b) (as updated from time to time).

(c) Ownership. Such Obligor is the legal and beneficial owner of its Collateral and has the right to pledge, sell, assign or transfer the same.

(d) Security Interest/Priority. This Security Agreement creates a valid security interest in favor of the Agent, for the benefit of the Lenders, in the Collateral of such Obligor, and, when properly perfected by filing, obtaining possession, the granting of Control to the Agent or upon compliance with any applicable motor vehicle Certificate of Title statute or act (or similar law providing for the perfection of a security interest in the goods covered by a Certificate of Title) or otherwise under the UCC or by filing an appropriate notice with the United States Patent and Trademark Office or the United States Copyright Office, shall constitute a valid first priority, perfected security interest in such Collateral, to the extent such security interest can be perfected by filing, the granting of Control, or by complying with the provisions of a motor vehicle Certificate of Title statute or act (or similar law) or otherwise under the UCC or by filing an appropriate notice with the United States Patent and Trademark Office or the United States Copyright Office, free and clear of all Liens except for Permitted Liens.

(e) Consents. Except for the filing or recording of UCC financing statements or obtaining Control to perfect the Liens created by this Security Agreement that may be perfected through the filing of a UCC financing statement or obtaining Control, except for complying with the requirements of any applicable motor vehicle Certificate of Title statutes or acts (or similar law providing for the perfection of a security interest in goods covered by a Certificate of Title) and except, in the case of the pledge of Capital Stock of the Foreign Subsidiaries, any consents or authorizations required under applicable foreign laws, no consent or authorization of, filing with, or other act by or in respect of, any arbitrator or Governmental Authority and no consent of any other Person (including, without limitation, any stockholder, member or creditor of such Obligor), is required (except as such have been duly obtained, made or given and are in full force and effect) (i) for the grant by such Obligor of the security interest in the Collateral granted hereby or for the execution, delivery or performance of this Security Agreement by such Obligor or (ii) for the perfection of such security interest or the exercise by the Agent of the rights and remedies provided for in this Security Agreement.

(f) Types of Collateral. None of the Collateral consists of, or is the Proceeds of, As-Extracted Collateral, Consumer Goods, Farm Products, Manufactured Homes or standing timber (as such term is used in the UCC).

(g) Accounts. With respect to such Obligor's Accounts: (i) the goods sold, rented or leased, licensed, or assigned and/or services furnished giving rise to each Account and the Chattel Paper are not subject to any security interest or Lien except the first priority, perfected security interest granted to the Agent herein and except for Permitted Liens; (ii) each Account and the papers and documents of the applicable Obligor relating thereto are, and all Chattel Paper is, genuine and in all material respects what they purport to be; (iii) each Account and all Chattel Paper arises out of a bona fide transaction for goods sold and delivered (or in the process of being delivered), leased, licensed, or assigned by such Obligor or for services actually rendered by such Obligor, which transaction was conducted in the ordinary course of the Obligor's business and was completed in accordance with the terms of any documents pertaining thereto; (iv) no Account of such Obligor in excess of $100,000 is evidenced by any Instrument or Chattel Paper unless such Instrument or Chattel Paper has been endorsed over and delivered to, or submitted to the control of, the Agent; (v) the amount of each Account as shown on the applicable Obligor's books and records, and on all invoices and statements which may be delivered to the Agent with respect thereto, is due and payable to such Obligor; (vi) to such Obligors' knowledge, the account debtor with respect to each Account and the obligor with respect to all Chattel Paper has the capacity to contract; (vii) to such Obligor's knowledge, there are no proceedings or actions which are threatened or pending against any Account Debtor whose business is material to the Borrowers and their Subsidiaries taken as a whole which are reasonably likely to have a material adverse change in such Account Debtor's financial condition or the collectibility of Accounts owing by it to the Borrowers, (viii) no payment will be received with respect to any Account, and no credit, discount, or extension, or agreement therefor will be granted on any Account, except as reported to the Agent and the Lenders in Borrowing Base Certificates delivered pursuant to the Credit Agreement; and (ix) no surety bond was required or given in connection with any Account or any Chattel Paper of such Obligor or the contracts or purchase orders out of which they arose.

(h) Inventory. None of such Obligor's Inventory is held by a third party (other than another Obligor) pursuant to consignment, sale or return, sale on approval or similar arrangement. All of each Obligor's Inventory has been produced in compliance in all material respects with all requirements of the Federal Fair Labor Standards Act of 1938, as amended, and all rules, regulations and orders thereunder.

(i) Intellectual Property.

(i) Schedule 1(b) hereto includes all registrations or issuances for all Copyrights, Patents, and Trademarks, and all applications therefor, which are owned by such Obligor as of the date hereof and to the extent material to any legitimate business purpose of such Obligor, all Trademark Licenses, Copyright Licenses and Patent Licenses to which such Obligor is a party. Schedule 1(b) shows the place, if any, in which each such Copyright, Patent and Trademark is registered.

(ii) Except as set forth on Schedule 1(b) hereto, to the knowledge of such Obligor, all Intellectual Property of such Obligor is valid, subsisting, unexpired, enforceable and has not been abandoned, and such Obligor is legally entitled to use each of its Trademarks.

(iii) Except as set forth on Schedule 1(b) hereto, none of such Obligor's Intellectual Property is the subject of any licensing or franchise agreement that is material to any legitimate business purpose of such Obligor.

(iv) To the knowledge of such Obligor, no holding, decision or judgment has been rendered by any Governmental Authority which would materially limit, cancel or question the validity of any Intellectual Property of such Obligor.

(v) To the knowledge of such Obligor, no action or proceeding is pending seeking to limit, cancel or question the validity of any Intellectual Property of such Obligor in any material respect, or which, if adversely determined, would have a material adverse effect on the value of any such Intellectual Property.

(vi) To the knowledge of such Obligor , all applications pertaining to such Obligor's Intellectual Property that is material to any legitimate business purpose of such Obligor have been duly and properly filed, and all registrations or letters pertaining to such Intellectual Property have been duly and properly filed and issued, and all such Intellectual Property is valid and enforceable.

(vii) Such Obligor has not made any assignment or agreement respecting any of its Intellectual Property which would conflict with the security interest of the Agent in such Intellectual Property granted hereunder, except as permitted by the Credit Agreement or other Loan Documents.

(j) Documents, Instruments and Chattel Paper. All Documents, Instruments and Chattel Paper describing, evidencing or constituting Collateral are, to such Obligor's knowledge, complete, valid, and genuine in all material respects.

(k) Equipment. With respect to such Obligor's Equipment: (i) such Obligor has good and marketable title thereto; and (ii) all such Equipment is in normal operating condition and repair, subject to normal wear and tear, and is suitable for the uses to which it is customarily put in the conduct of such Obligor's business.

(l) Restrictions on Security Interest. Such Obligor is not party to any license or other agreements which would materially limit the Agent's (or any of the Agent's transferees) right to sell, lease, or otherwise use any Inventory or Equipment upon the Agent's proper exercise of its remedies hereunder and under the other Loan Documents.

(m) Purchase of Collateral. Within the 12-month period preceding the Closing Date, none of the Obligors has purchased any of the Collateral consisting of goods in a bulk transfer or in a transaction which was outside the ordinary course of the business of such Obligor's seller.

(n) Commercial Tort Claims. On the date hereof, except to the extent listed on Schedule 2(a)(iv) hereto, no Obligor has rights in any Commercial Tort Claim with potential value in excess of $100,000.

Upon the filing of a financing statement covering any Commercial Tort Claim and describing such Commercial Tort Claim with specificity referred to in Section 5(n) hereof against such Obligor in the jurisdiction specified in Schedule 4(a)(ii) hereto, the security interest granted in such Commercial Tort Claim will constitute a valid perfected security interest in favor of the Agent, for the ratable benefit of the Lenders, as collateral security for such Obligor's Obligations, enforceable in accordance with the terms hereof against all creditors of such Obligor and any Persons purporting to purchase such Collateral from Obligor, which security interest shall be prior to all other Liens on such Collateral except for unrecorded liens permitted by the Credit Agreement which have priority over the Liens on such Collateral by operation of law.

5. Covenants. Each Obligor covenants that, so long as any of the Secured Obligations remain outstanding, any Loan Document is in effect, and until all of the Commitments shall have been terminated, such Obligor shall:

(a) Payment of Obligations. Such Obligor will pay and discharge or otherwise satisfy at or before maturity or before they become delinquent, as the case may be, all taxes, assessments and governmental charges or levies imposed upon the Collateral or in respect of income or profits therefrom, as well as all claims of any kind (including, without limitation, claims for labor, materials and supplies) against or with respect to the Collateral, except that no such charge need be paid if the amount or validity thereof is currently being contested in good faith by appropriate proceedings, reserves in conformity with GAAP with respect thereto have been provided on the books of such Obligor and such proceedings could not reasonably be expected to result in the sale, forfeiture or loss of any material portion of the Collateral or any interest therein.

(b) Other Liens. Defend the Collateral against the claims and demands of all other parties claiming an interest therein, and keep the Collateral free from all Liens, except for Permitted Liens. Such Obligor shall not sell, exchange, transfer, assign, lease or otherwise dispose of any of the Collateral or any interest therein, except as permitted under the Credit Agreement or the other Loan Documents.

(c) Preservation of Collateral. Keep the Collateral in good order, condition and repair in all material respects, reasonable wear and tear and casualty excepted; not use the Collateral in violation of the provisions of this Security Agreement; not use the Collateral in violation of any other agreement relating to the Collateral or any policy insuring the Collateral or any applicable statute, law, bylaw, rule, regulation or ordinance; not permit any Collateral to be or become a fixture to real property or an accession to other personal property unless the Agent has a valid, perfected and first priority security interest for the benefit of the Agent and the Lenders in such real or personal property; and not, without the prior written consent of the Agent, alter or remove any identifying symbol or serial number on its Equipment or, if any, on its Inventory.

(d) Possession or Control of Certain Collateral. If (i) any amount in excess of $100,000 payable under or in connection with any of the Collateral shall be or become

evidenced by any Instrument, Tangible Chattel Paper or Supporting Obligation or (ii) if any Collateral shall be stored or shipped subject to a Document or (iii) if any Collateral shall consist of Investment Property in the form of certificated securities, immediately notify the Agent of the existence of such Collateral and, at the request of the Agent, deliver such Instrument, Chattel Paper, Supporting Obligation, Document or Investment Property to the Agent, duly endorsed in a manner satisfactory to the Agent (or, with respect to certificated securities, provide duly executed blank stock powers in such form as may be reasonably requested by the Agent), to be held as Collateral pursuant to this Security Agreement. If any Collateral shall consist of Deposit Accounts, Chattel Paper in electronic form, Letter-of-Credit Rights or uncertificated Investment Property, execute and deliver (and, with respect to any Collateral consisting of uncertificated Investment Property, cause the Securities Intermediary or Commodities Intermediary with respect to such Investment Property to execute and deliver) to the Agent all control agreements, assignments, instruments or other documents as reasonably requested by the Agent for the purposes of obtaining and maintaining Control of such Collateral.

(e) Changes in Corporate Structure or Location. Except as otherwise permitted in the Credit Agreement, not, without providing thirty (30) days prior written notice to the Agent and without filing (or confirming that the Agent has filed) such amendments to any previously filed financing statements as the Agent may reasonably require, (i) alter its corporate existence or, in one transaction or a series of transactions, merge into or consolidate with any other entity, or sell all or substantially all of its assets, (ii) change its state of incorporation or formation, (iii) change its registered corporate name, (iv) change the location of its chief executive office and chief place of business (as well as its books and records) from the locations set forth on Schedule 4(a)(i) hereto or (v) change the location of its Collateral from the locations set forth for such Obligor on Schedule 4(b) hereto.

(f) Inspections, Field Audits, Appraisals, Etc. Allow the Agent and/or the Lenders to conduct inspections, field audits and appraisals to the extent permitted under the terms of the Credit Agreement.

(g) Perfection of Security Interest. Such Obligor hereby authorizes the Agent to prepare and file such financing statements (including renewal statements and in lieu statements) or amendments thereof or supplements thereto or other instruments as the Agent may from time to time reasonably deem necessary or appropriate to perfect and maintain the security interests granted hereunder in accordance with the UCC and, subject to Permitted Liens, to ensure the first priority of such security interests. Any financing statement filed by the Agent may contain a general description of the collateral covered thereby, as permitted by the UCC, which states that the security interest attaches to all personal property or to all assets of the debtor. Such Obligor shall from time to time upon request by the Agent also execute and deliver to the Agent such agreements, assignments or instruments (including affidavits, notices, reaffirmations and amendments and restatements of existing documents, as the Agent may reasonably request) and do all such other things as the Agent may reasonably deem necessary or appropriate (i) to assure the Agent that its security interests hereunder are perfected and, subject to Permitted Liens, of the first priority, including, without limitation, (A) such financing statements (including renewal statements and in lieu statements) or amendments thereof

or supplements thereto or other instruments as the Agent may from time to time reasonably request in order to perfect and maintain the security interests granted hereunder and to ensure the first priority (subject to Permitted Liens) thereof in accordance with the UCC, (B) with regard to Copyrights, a Grant of Security Interest in Copyrights for filing with the United States Copyright Office in the form of Schedule 5(f)(i) attached hereto, (C) with regard to Patents, a Grant of Security Interest in Patents for filing with the United States Patent and Trademark Office in the form of Schedule 5(f)(ii) attached hereto and (D) with regard to Trademarks, a Grant of Security Interest in Trademarks for filing with the United States Patent and Trademark Office in the form of Schedule 5(f)(iii) attached hereto, (ii) to consummate the transactions contemplated hereby and (iii) to otherwise protect and assure the Agent of its rights and interests hereunder. In the event for any reason the law of any jurisdiction other than New York becomes or is applicable to the Collateral of any Obligor or any part thereof, or to any of the Secured Obligations, such Obligor agrees from time to time upon request of the Agent to execute and deliver all such instruments and to do all such other things as the Agent reasonably deems necessary or appropriate to preserve, protect and enforce the security interests of the Agent and the first priority thereof (subject to Permitted Liens) under the law of such other jurisdiction (and, if such Obligor shall fail to do so promptly upon the request of the Agent, then the Agent may execute any and all such requested documents on behalf of such Obligor pursuant to the power of attorney granted hereinabove). Such Obligor agrees to mark its books and records to reflect the security interest of the Agent in the Collateral.

(h) Collateral Held by Warehouseman, Bailee, etc. If any Collateral in excess of $100,000 is at any time in the possession or control of a warehouseman, bailee or any agent or processor of such Obligor, (i) notify the Agent of such possession, (ii) notify such Person of the Agent's security interest for the benefit of the Agent and the Lenders in such Collateral, (iii) instruct such Person to hold all such Collateral for the Agent's account subject to the Agent's instructions and (iv) use commercially reasonable efforts to obtain a signed acknowledgment of the Agent's Liens from such Person.

(i) Treatment of Accounts.

(i) Comply with all reporting requirements set forth in the Credit Agreement with respect to Accounts.

(ii) Not grant or extend the time for payment of any Account, or compromise or settle any Account for less than the full amount thereof, or release any person or property, in whole or in part, from payment thereof, or allow any credit or discount thereon, other than as normal and customary in the ordinary course of such Obligor's business.

(iii) Maintain at its principal place of business a record of Accounts consistent with its customary business practices.

(iv) (A) So long as no Event of Default shall have occurred and be continuing, if an Account Debtor returns any Inventory to such Obligor, promptly determine the reason for such return and issue a credit memorandum to the Account Debtor in the appropriate amount, and (B) upon the occurrence of any

Event of Default and during the continuation thereof, upon the request of the Agent, (1) hold as trustee for the Agent any merchandise which is returned by a customer or Account Debtor or otherwise recovered, (2) segregate all returned Inventory from all of its other property, (3) dispose of the returned Inventory solely according to the Agent's written instructions and (4) not issue any credits or allowances with respect thereto without the Agent's prior written consent. All returned Inventory shall be subject to the Agent's Liens thereon. Whenever any Inventory is returned, the related Account shall be deemed ineligible to the extent of the amount owing by the Account Debtor with respect to such returned Inventory and such returned Inventory shall not be Eligible Inventory.

(v) With respect to any disputes and claims in excess of $250,000 with any Account Debtor, settle, contest, or adjust such dispute or claim at no expense to the Agent or any Lender. No discount, credit or allowance shall be granted to any such Account Debtor without the Agent's prior written consent, except for discounts, credits and allowances made or given in the ordinary course of such Obligor's business so long as no Event of Default shall exist or be continuing. At all times upon the occurrence of any Event of Default and during the continuation thereof, the Agent may (but shall not be required to) settle or adjust disputes and claims directly with Account Debtors for amounts and upon terms which the Agent or the Majority Lenders, as applicable, shall consider advisable and, in all cases, the Agent will credit such Obligor's Loan Account with the net amounts received by the Agent in payment of any Accounts.

(j) Cash Dominion Arrangements.

(i) On or prior to the date hereof, each Obligor shall establish and maintain one or more lockboxes (each a "Lockbox") for collections of Accounts at Clearing Banks selected by them and reasonably acceptable to the Agent (each a "Lockbox Bank") and shall instruct all Account Debtors on the Accounts of each Obligor to remit all payments to its respective Lockboxes. All amounts received by the Obligors from any Account Debtor, in addition to all other cash proceeds from the Collateral, shall be promptly deposited into the applicable Lockbox Account (as defined below). Each Obligor, the Agent and each Lockbox Bank shall enter into tri-party agreements ("Lockbox Agreements") in form and substance satisfactory to the Agent, providing, among other things, for the following (except as may otherwise be consented to by the Agent):

(A) The Obligors will open and establish for the benefit of the Agent on behalf of the Lenders an account at each Lockbox Bank (each a "Lockbox Account").

(B) From and after the occurrence of a Cash Dominion Trigger Event and continuing for the duration of the Cash Dominion Period and upon notice by the Agent to the Lockbox Banks, so directing (without further consent by any Obligor), (1) all funds deposited into Lockbox Accounts on any Business Day shall be transferred to a Payment Account and (2) if, notwithstanding such instructions, any Obligor receives any proceeds of Accounts or other Collateral, it shall receive such payments as

the Agent's trustee, and shall immediately deliver such payments to the Agent in their original form duly endorsed in blank or immediately deposit them into a Payment Account, as the Agent may direct. During the Cash Dominion Period, (x) all collections received in any Lockbox Account or Payment Account or directly by any Obligor, the Agent, and all funds in any Lockbox Account, Payment Account or other account to which such collections are deposited shall immediately fall under the sole dominion and control of the Agent, (y) the Obligors shall obtain the agreement by the Lockbox Banks to waive any offset rights against the funds so deposited and (z) the Obligors shall not be permitted to make withdrawals from either the Lockbox Accounts or the Payment Accounts. The Agent assumes no responsibility for the Lockbox arrangements, including without limitation, any claim of accord and satisfaction or release with respect to deposits accepted by the Lockbox Banks thereunder.

Notwithstanding the foregoing, no Lockbox Agreement, Account Control Agreement or other tri-party agreement shall be required for any checking, savings or other account of any Obligor at any bank or other financial institution, or any other account where money is or may be deposited or maintained with any Person so long as the balance in all such accounts does not exceed $100,000 in the aggregate at any time.

(ii) The Agent or the Agent's designee may, at any time during the Cash Dominion Period, notify Account Debtors that the Accounts have been assigned to the Agent and of the Agent's security interest therein, and may collect them directly and charge the collection costs and expenses to the Loan Account as a Revolving Loan. During the Cash Dominion Period, each Obligor, at the Agent's request, shall execute and deliver to the Agent such documents as the Agent shall require to grant the Agent access to any post office box in which collections of Accounts are received.

(iii) Prior to the Cash Dominion Period, the Obligors may close Lockboxes and/or open new Lockboxes with the prior written consent of the Agent and subject to prior execution and delivery to the Agent of Lockbox Agreements consistent with the provisions of this Section 5(i) and in form and substance reasonably satisfactory to the Agent.

(iv) Notwithstanding the foregoing to the contrary, with respect to Lockboxes and related Lockbox Accounts in existence prior to the Closing Date, the Obligors may, in lieu of entering into a Lockbox Agreement, deliver an Account Control Agreement, countersigned by the applicable Lockbox Bank.

(v) If sales of Inventory are made or services are rendered for cash, during the Cash Dominion Period, each Obligor shall immediately deliver to the Agent or deposit into a Payment Account the cash which such Obligor receives.

(vi) All payments including immediately available funds received by the Agent at a bank account designated it, will be the Agent's sole property and

will be credited to the Loan Account (conditional upon final collection) immediately upon receipt.

(vii) In the event the Obligors repay all of the Obligations upon the termination of the Credit Agreement or upon acceleration of the Obligations, other than through the Agent's receipt of payments on account of the Accounts or proceeds of the other Collateral, such payment will be credited (conditioned upon final collection) to the Obligor's Loan Account upon the Agent's receipt of immediately available funds.

(k) Covenants Relating to Inventory.

(i) Maintain, keep and preserve its Inventory in good salable condition at its own cost and expense, in accordance with the provisions of the Credit Agreement.

(ii) Comply with all reporting requirements set forth in the Credit Agreement with respect to Inventory.

(iii) If any Inventory is at any time evidenced by a Document, promptly upon request by the Agent, deliver such document of title to the Agent.

(iv) Conduct a physical or cycle count of the Inventory at least once per Fiscal Year, and after the occurrence of an Event of Default and the continuation thereof, at such other times as the Agent requests.

(v) Maintain a perpetual inventory reporting system at all times.

(vi) Not sell any inventory on a bill-a-hold, guaranteed sale, sale and return, sale on approval, consignment or other repurchase return basis without the consent of the Agent.

(vii) In connection with all Inventory financed by Letters of Credit, upon the Agent's request, instruct all suppliers, carriers, forwarders, customs brokers, warehouses or others receiving or holding cash, checks, Inventory, Documents or Instruments in which the Agent holds a security interest to deliver them to the Agent, and if such cash, checks Inventory, Documents or Instruments shall come into such Obligor's possession, promptly upon request by the Agent, deliver such items to the Agent in their original form. Each Obligor shall also, at the Agent's request, designate the Agent as the consignee on all bills of lading and other negotiable and non-negotiable documents.

(l) Covenants Relating to Copyrights.

(i) Employ the Copyright for each Work with such notice of copyright as may be required by law to secure copyright protection.

(ii) Not do any act or knowingly omit to do any act (either by itself or through a licensee) whereby any material Copyright may become invalidated or otherwise impaired and (A) not do any act, or knowingly omit to do any act,

whereby any material Copyright may become injected into the public domain; (B) notify the Agent immediately if it knows, or has reason to know, that any material Copyright may become forfeited, abandoned or injected into the public domain or of any adverse determination or development (including, without limitation, the institution of, or any such determination or development in, any court or tribunal in the United States or any other country) regarding such Obligor's ownership of any such Copyright or its validity; (C) take all necessary steps as it shall deem appropriate under the circumstances, to maintain and pursue each application (and to obtain the relevant registration) and to maintain each registration of each material Copyright owned by such Obligor including, without limitation, filing of applications for renewal where necessary; and (D) promptly notify the Agent of any material infringement of any material Copyright of such Obligor of which it becomes aware and take such actions as it shall reasonably deem appropriate under the circumstances to protect such Copyright, including, where appropriate, the bringing of suit for infringement, seeking injunctive relief and seeking to recover any and all damages for such infringement.

(iii) Not make any assignment or agreement in conflict with the security interest in the Copyrights of such Obligor hereunder.

(m) Covenants Relating to Patents and Trademarks.

(i) (A) Continue to use each Trademark material to any legitimate purpose of such Obligor's business in such a manner as to maintain such Trademark in full force free from any claim of abandonment for non-use, (B) maintain as in the past the quality of products and services offered under such Trademark, (C) employ such Trademark with the appropriate notice of registration as required by law, (D) not adopt or use any mark which is confusingly similar or a colorable imitation of such Trademark unless the Agent, for the benefit of the Lenders, shall obtain a perfected security interest in such mark pursuant to this Security Agreement, and (E) not (and not permit any licensee or sublicensee thereof to) do any act or knowingly omit to do any act whereby any Trademark may become invalidated.

(ii) Not do any act, or omit to do any act, whereby any Patent may become abandoned or dedicated to the public domain.

(iii) Promptly notify the Agent if it knows, or has reason to know, that any application or registration relating to any Patent or Trademark material to any legitimate purpose of such Obligor's business may become abandoned or dedicated to the public domain, or of any adverse determination or development (including, without limitation, the institution of, or any such determination or development in, any proceeding in the United States Patent and Trademark Office or any court or tribunal in any country but not including routine office actions issued by the United States Patent and Trademark Office) regarding such Obligor's ownership of any such Patent or Trademark or its right to register the same or to keep, maintain and use the same.

(iv) Whenever such Obligor, either by itself or through an agent, employee, licensee or designee, shall file an application for the registration of any Patent or Trademark with the United States Patent and Trademark Office or any similar office or agency in any other country or any political subdivision thereof, such Obligor shall report such filing to the Agent and the Lenders within five (5) Business Days after the last day of the fiscal quarter in which such filing occurs. Upon request of the Agent, such Obligor shall execute and deliver any and all agreements, instruments, documents and papers as the Agent may request to evidence the Agent's and the Lenders' security interest in any Patent or Trademark and the goodwill and general intangibles of such Obligor relating thereto or represented thereby.

(v) Take all reasonable and necessary steps, including, without limitation, in any proceeding before the United States Patent and Trademark Office, or any similar office or agency in any other country or any political subdivision thereof, to maintain and pursue each application (and to obtain the relevant registration) and to maintain each registration of the Patents and Trademarks material to any legitimate purpose of such Obligor's business, including, without limitation, filing of applications for renewal, affidavits of use and affidavits of incontestability.

(vi) Promptly notify the Agent and the Lenders after it learns that any Patent or Trademark material to any legitimate purpose of such Obligor's business included in the Collateral is infringed, misappropriated or diluted by a third party and, if such Obligor deems it necessary in its reasonable business judgment, promptly sue for infringement, misappropriation or dilution, to seek injunctive relief where appropriate and to recover any and all damages for such infringement, misappropriation or dilution, or take such other actions as it shall reasonably deem appropriate under the circumstances to protect such Patent or Trademark.

(vii) Not make any assignment or agreement in conflict with the security interest in the Patents or Trademarks of such Obligor created hereunder or under any other Loan Document.

(viii) Not (either itself or through a licensee) do any act that knowingly uses any material Patent or Trademark to infringe the intellectual rights of any other Person.

(n) New Patents, Copyrights and Trademarks. Promptly provide the Agent with (i) a listing of all applications, if any, for new U.S federal Copyrights, Patents or Trademarks (together with a listing of the issuance of registrations or letters on present applications), which new applications and issued registrations or letters shall be subject to the terms and conditions hereunder, and (ii) (A) with respect to Copyrights, a duly executed Grant of Security Interest in Copyrights, (B) with respect to Patents, a duly executed Grant of Security Interest in Patents, (C) with respect to Trademarks, a duly executed Grant of Security Interest in Trademarks or (D) such other duly executed documents as the Agent may request in a form acceptable to the Agent and suitable for

recording to evidence the security interest in the Copyright, Patent or Trademark which is the subject of such new application.

(o) Commercial Tort Claims; Notice of Litigation. (i) Promptly forward to the Agent written notification of any and all Commercial Tort Claims in excess of $100,000, including, but not limited to, any and all actions, suits, and proceedings before any court or Governmental Authority by or affecting such Obligor and (ii) execute and deliver such statements, documents and notices and do and cause to be done all such things as may be required by the Agent, or required by law, including all things which may from time to time be necessary under the UCC to fully create, preserve, perfect and protect the priority of the Agent's security interest in any Commercial Tort Claims.

(p) Bank Accounts. At all times, maintain the Lockbox Accounts and the Payment Accounts and any replacement or successor accounts relating thereto in accordance with the terms hereof and of the Lockbox Agreements or the Account Control Agreements, as applicable, and cause all amounts received in the Lockboxes relating thereto to be deposited into the applicable Lockbox Account or a Payment Account, as the case may be, and to be applied as set forth herein and in the applicable Lockbox Agreement or Account Control Agreement, as appropriate. All amounts on deposit in the Lockbox Accounts, the Payment Accounts and any replacement or successor account relating thereto shall be subject to the Lien of the Agent hereunder.

(q) Insurance. Insure, repair and replace the Collateral of such Obligor as set forth in the Credit Agreement. All insurance proceeds shall be subject to the security interest of the Agent hereunder.

(r) Covenants Relating to Assigned Contracts. Fully perform all of such Obligor's obligations under each of the Assigned Contracts, and enforce all of its rights and remedies thereunder, in each case, as it deems appropriate in its business judgment; provided, however, that such Obligor shall not take any action or fail to take any action with respect to its Assigned Contracts which would cause the termination of a material Assigned Contract. Without limiting the generality of the foregoing, such Obligor shall take all action necessary or appropriate to permit, and shall not take any action which would have any materially adverse effect upon, the full enforcement of all indemnification rights under its Assigned Contracts. During a Cash Dominion period, such Obligor shall deposit into a Payment Account or remit directly to the Agent for application to the Obligations in such order as the Majority Lenders shall determine, all amounts received by such Obligor as indemnification or otherwise pursuant to its Assigned Contracts. If such Obligor shall fail after the Agent's demand to pursue diligently any right under its Assigned Contracts, or if an Event of Default has occurred and is continuing, the Agent may, and at the direction of the Majority Lenders shall, directly enforce such right in its own or such Obligor's name and may enter into such settlements or other agreements with respect thereto as the Agent or the Majority Lenders, as applicable, shall determine. In any suit, proceeding or action brought by the Agent, for the benefit of the Lenders, under any Assigned Contract for any sum owing thereunder or to enforce any provision thereof, such Obligor shall indemnify and hold the Agent and Lenders harmless from and against all expense, loss or damage suffered by reason of any defense, setoff, counterclaims, recoupment, or reduction of liability whatsoever of the obligor thereunder arising out of a breach by such Obligor of any

obligation thereunder or arising out of any other agreement, indebtedness or liability at any time owing from such Obligor to or in favor of such obligor or its successors. All such obligations of such Obligor shall be and remain enforceable only against such Obligor and shall not be enforceable against the Agent or the Lenders. Notwithstanding any provision hereof to the contrary, such Obligor shall at all times remain liable to observe and perform all of its duties and obligations under its Assigned Contracts, and the Agent's or any Lender's exercise of any of their respective rights with respect to the Collateral shall not release such Obligor from any of such duties and obligations. Neither the Agent nor any Lender shall be obligated to perform or fulfill any of the Obligors' duties or obligations under the Assigned Contracts or to make any payment thereunder, or to make any inquiry as to the nature or sufficiency of any payment or property received by it thereunder or the sufficiency of performance by any party thereunder, or to present or file any claim, or to take any action to collect or enforce any performance, any payment of any amounts, or any delivery of any property.

6. Special Provisions Relating to Accounts. Anything herein to the contrary notwithstanding, each of the Obligors shall remain liable under each of the Accounts to observe and perform all the conditions and obligations to be observed and performed by it thereunder, all in accordance with the terms of any agreement giving rise to each such Account. Neither the Agent nor any Lender shall have any obligation or liability under any Account (or any agreement giving rise thereto) by reason of or arising out of this Security Agreement or the receipt by the Agent or any Lender of any payment relating to such Account pursuant hereto, nor shall the Agent or any Lender be obligated in any manner to perform any of the obligations of an Obligor under or pursuant to any Account (or any agreement giving rise thereto), to make any payment, to make any inquiry as to the nature or the sufficiency of any payment received by it or as to the sufficiency of any performance by any party under any Account (or any agreement giving rise thereto), to present or file any claim, to take any action to enforce any performance or to collect the payment of any amounts which may have been assigned to it or to which it may be entitled at any time or times.

7. Special Provisions Regarding Inventory.

(a) Notwithstanding anything to the contrary contained in this Security Agreement, each Obligor may, unless and until an Event of Default occurs and is continuing and the Agent instructs such Obligor otherwise, without further consent or approval of the Agent, use, consume, sell, rent, lease and exchange the Inventory in the ordinary course of its business as presently conducted, whereupon, in the case of such a sale or exchange, the security interest created hereby in the Inventory so sold or exchanged (but not in any proceeds arising from such sale or exchange) shall cease immediately without any further action on the part of the Agent.

(b) Upon the Lenders' making any Loan pursuant to the Credit Agreement or the Letter of Credit Issuer issuing any Letter of Credit pursuant to the Credit Agreement, each Obligor shall be deemed to have warranted that all warranties of such Obligor set forth in this Security Agreement with respect to its Inventory are true and correct in all material respects with respect to such Inventory, including without limitation that such Inventory is located at a location set forth on Schedule 4(b) hereto (as such Schedule may be updated from time to time to reflect new locations).

8. Performance of Obligations; Advances by Agent. On failure of any Obligor to perform any of the covenants and agreements contained herein, the Agent may, at its sole option and in its sole discretion, perform or cause to be performed the same and in so doing may (but shall have no obligation to do so) expend such sums as the Agent may reasonably deem advisable in the performance thereof, including, without limitation, the payment of any insurance premiums, the payment of any taxes, a payment to obtain a release of a Lien or potential Lien (other than a Permitted Lien), expenditures made in defending against any adverse claim (other than a Permitted Lien) and all other expenditures which the Agent or the Lenders may make for the protection of the security interest hereof or may be compelled to make by operation of law; provided that the outstanding amount of any payments made by the Agent under this Section 8 shall not at any time exceed the lower of (i) 10% of the Borrowing Base and (ii) the Maximum Revolver Amount; provided further that the Majority Lenders may at any time revoke the Agent's authorization to make such payments. All such sums and amounts so expended shall be repayable by the Obligors on a joint and several basis promptly upon timely notice thereof and demand therefor, shall constitute additional Secured Obligations and, subject to Section 2.1 of the Credit Agreement, shall bear interest from the date said amounts are expended at the Default Rate. No such performance of any covenant or agreement by the Agent or the Lenders on behalf of any Obligor, and no such advance or expenditure therefor, shall relieve the Obligors of any default under the terms of this Security Agreement or the other Loan Documents. The Agent may make any payment hereby authorized in accordance with any bill, statement or estimate procured from the appropriate public office or holder of the claim to be discharged without inquiry into the accuracy of such bill, statement or estimate or into the validity of any tax assessment, sale, forfeiture, tax lien, title or claim except to the extent such payment is being contested in good faith by an Obligor in appropriate proceedings and against which adequate reserves are being maintained in accordance with GAAP.

9. Events of Default.

An Event of Default under the Credit Agreement shall be an Event of Default hereunder (an "Event of Default").

10. Remedies.

(a) General Remedies. Upon the occurrence of an Event of Default and during continuation thereof, the Agent and the Lenders shall have, in addition to the rights and remedies provided herein, in the Loan Documents, or by law (including, but not limited to, levy of attachment, garnishment and the rights and remedies set forth in the Uniform Commercial Code of the jurisdiction applicable to the affected Collateral), the rights and remedies of a secured party under the UCC (regardless of whether the UCC is the law of the jurisdiction where the rights and remedies are asserted and regardless of whether the UCC applies to the affected Collateral), and further, the Agent may, with or without judicial process or the aid and assistance of others, (i) enter on any premises on which any of the Collateral may be located and, without resistance or interference by the Obligors, take possession of the Collateral, (ii) dispose of any Collateral on any such premises, (iii) require the Obligors to assemble and make available to the Agent at the expense of the Obligors any Collateral at any place and time designated by the Agent which is reasonably convenient to both parties, (iv) remove any Collateral from any such premises for the purpose of effecting sale or other disposition thereof, and/or (v) without demand and without advertisement, notice, hearing or process of law, all of which each

of the Obligors hereby waives to the fullest extent permitted by law, at any place and time or times, sell and deliver any or all Collateral held by or for it at public or private sale, by one or more contracts, in one or more parcels, for cash, upon credit or otherwise, at such prices and upon such terms as the Agent deems advisable, in its sole discretion. Neither the Agent's compliance with any applicable state or federal law in the conduct of such sale, nor its disclaimer of any warranties relating to the Collateral shall be considered to affect the commercial reasonableness of such sale. In addition to all other sums due the Agent and the Lenders with respect to the Secured Obligations, the Obligors shall pay the Agent and each of the Lenders all costs and expenses incurred by the Agent or any such Lender, including, but not limited to, reasonable attorneys' fees and court costs, in obtaining or liquidating the Collateral, in enforcing payment of the Secured Obligations, or in the prosecution or defense of any action or proceeding by or against the Agent or the Lenders or the Obligors concerning any matter arising out of or connected with this Security Agreement, any Collateral or the Secured Obligations, including, without limitation, any of the foregoing arising in, arising under or related to a case under any bankruptcy, insolvency or similar law. To the extent the rights of notice cannot be legally waived hereunder, each Obligor agrees that any requirement of reasonable notice shall be met if such notice is personally served on or mailed, postage prepaid, to the Obligors in accordance with the notice provisions of Section 14.4 of the Credit Agreement at least ten (10) days before the time of sale or other event giving rise to the requirement of such notice. The Agent and the Lenders shall not be obligated to make any sale or other disposition of the Collateral regardless of notice having been given. To the extent permitted by law, the Agent and any Lender may be a purchaser at any such sale. To the extent permitted by applicable law, each of the Obligors hereby waives all of its rights of redemption with respect to any such sale. Subject to the provisions of applicable law, the Agent and the Lenders may postpone or cause the postponement of the sale of all or any portion of the Collateral by announcement at the time and place of such sale, and such sale may, without further notice, to the extent permitted by law, be made at the time and place to which the sale was postponed, or the Agent and the Lenders may further postpone such sale by announcement made at such time and place.

(b) Remedies Relating to Accounts. Upon the occurrence of an Event of Default and during the continuation thereof, whether or not the Agent has exercised any or all of its rights and remedies hereunder, the Agent shall have the right to (i) enforce any Obligor's rights against any Account Debtors and obligors on such Obligor's Accounts (ii) notify (or cause its designee to notify) any Obligor's customers and Account Debtors that the Accounts of such Obligor have been assigned to the Agent or of the Agent's security interest therein, (iii) (either in its own name or in the name of an Obligor or both) demand, collect (including, without limitation, through the Lockboxes), receive, take receipt for, sell, sue for, compound, settle, compromise and give acquittance for any and all amounts due or to become due on any Account, and (iv) in the Agent's discretion, file any claim or take any other action or proceeding to protect and realize upon the security interest of the Lenders in the Accounts. Each Obligor acknowledges and agrees that the Proceeds of its Accounts remitted to or on behalf of the Agent in accordance with the provisions hereof shall be solely for the Agent's own convenience and that such Obligor shall not have any right, title or interest in such Proceeds or in any such other amounts except as expressly provided herein. The Agent and the Lenders

shall have no liability or responsibility to any Obligor for acceptance of a check, draft or other order for payment of money bearing the legend "payment in full" or words of similar import or any other restrictive legend or endorsement or be responsible for determining the correctness of any remittance. The Agent shall have no obligation to apply or give credit for any item included in proceeds of Accounts or other Collateral until the applicable Lockbox Bank has received final payment therefor at its offices in cash. However, if the Agent does permit credit to be given for any item prior to a Lockbox Bank receiving final payment therefor and such Lockbox Bank fails to receive such final payment or an item is charged back to the Agent or any Lockbox Bank for any reason, the Agent may at its election in either instance charge the amount of such item back against any such Lockbox Accounts, and subject to Section 2.1 of the Credit Agreement, together with interest thereon at a rate per annum equal to the Default Rate. Each Obligor hereby agrees to indemnify the Agent and the Lenders from and against all liabilities, damages, losses, actions, claims, judgments, costs, expenses, charges and reasonable attorneys' fees suffered or incurred by the Agent or the Lenders (each, an "Indemnified Party") because of the maintenance of the foregoing arrangements except as relating to or arising out of the gross negligence or willful misconduct of an Indemnified Party or its officers, employees or agents. In the case of any investigation, litigation or other proceeding, the foregoing indemnity shall be effective whether or not such investigation, litigation or proceeding is brought by an Obligor, its directors, shareholders or creditors or an Indemnified Party or any other Person or any other Indemnified Party is otherwise a party thereto. The Agent shall have no liability or responsibility to any Obligor for a Lockbox Bank accepting any check, draft or other order for payment of money bearing the legend "payment in full" or words of similar import or any other restrictive legend or endorsement whatsoever or be responsible for determining the correctness of any remittance (it being understood that this sentence shall in no way affect the liability or responsibility of any such Lockbox Bank).

(c) Access. In addition to the rights and remedies hereunder, upon the occurrence of an Event of Default and during the continuation thereof, the Agent shall have the right to enter and remain upon the various premises of the Obligors without cost or charge to the Agent, and use the same, together with materials, supplies, books and records of the Obligors for the purpose of collecting and liquidating the Collateral, or for preparing for sale and conducting the sale of the Collateral, whether by foreclosure, auction or otherwise. In addition, the Agent may remove Collateral, or any part thereof, from such premises and/or any records with respect thereto, in order to effectively collect or liquidate such Collateral. If the Agent exercises its right to take possession of the Collateral, each Obligor shall also at its expense perform any and all other steps reasonably requested by the Agent to preserve and protect the security interest hereby granted in the Collateral, such as placing and maintaining signs indicating the security interest of the Agent, appointing overseers for the Collateral and maintaining inventory records.

(d) Nonexclusive Nature of Remedies. Failure by the Agent or the Lenders to exercise any right, remedy or option under this Security Agreement, any other Loan Document or as provided by law, or any delay by the Agent or the Lenders in exercising the same, shall not operate as a waiver of any such right, remedy or option. No waiver hereunder shall be effective unless it is in writing, signed by the party against whom such

waiver is sought to be enforced and then only to the extent specifically stated, which in the case of the Agent or the Lenders shall only be granted as provided herein. To the extent permitted by law, neither the Agent, the Lenders, nor any party acting as attorney for the Agent or the Lenders, shall be liable hereunder for any acts or omissions or for any error of judgment or mistake of fact or law other than their gross negligence or willful misconduct hereunder. The rights and remedies of the Agent and the Lenders under this Security Agreement shall be cumulative and not exclusive of any other right or remedy which the Agent or the Lenders may have.

(e) Retention of Collateral. The Agent may, after providing the notices required by Section 9-620 of the UCC or otherwise complying with the requirements of applicable law of the relevant jurisdiction, accept or retain the Collateral in full or partial satisfaction of the Secured Obligations. Unless and until the Agent shall have provided such notices, however, the Agent shall not be deemed to have retained any Collateral in satisfaction of any Secured Obligations for any reason.

(f) Deficiency. In the event that the proceeds of any sale, collection or realization are insufficient to pay all amounts to which the Agent or the Lenders are legally entitled, the Obligors shall be jointly and severally liable for the deficiency, and subject to Section 2.1 of the Credit Agreement, together with interest thereon at the Default Rate, together with the costs of collection and the reasonable fees of any attorneys employed by the Agent to collect such deficiency. Any surplus remaining after the full payment and satisfaction of the Secured Obligations shall be returned to the Obligors or to whomsoever a court of competent jurisdiction shall determine to be entitled thereto.

(g) Other Security. To the extent that any of the Secured Obligations are now or hereafter secured by property other than the Collateral (including, without limitation, real and personal property owned by an Obligor), or by a guarantee, endorsement or property of any other Person, then the Agent and the Lenders shall have the right to proceed against such other property, guarantee or endorsement upon the occurrence of any Event of Default, and the Agent and the Lenders have the right, in their sole discretion, to determine which rights, security, liens, security interests or remedies the Agent and the Lenders shall at any time pursue, relinquish, subordinate, modify or take with respect thereto, without in any way modifying or affecting any of them or any of the Agent's and the Lenders' rights or the Secured Obligations under this Security Agreement or under any other of the Loan Documents.

Notwithstanding the foregoing provisions of this Section 10, for the purpose of this Section 10, "Collateral" shall include any "intent to use" trademark application only to the extent (i) that the business of the Obligor, or parties thereof, to which that mark pertains is also included in the Collateral and (ii) that such business is ongoing and existing.

11. Rights of the Agent.

(a) Power of Attorney. Each Obligor hereby designates and appoints the Agent, on behalf of the Lenders, and each of its designees or agents, as attorney-in-fact of such Obligor, irrevocably and with power of substitution, with authority to take any or all of the following actions upon the occurrence and during the continuation of an Event of Default:

(i) to demand, collect, settle, compromise, adjust, give discharges and releases, all as the Agent may reasonably determine;

(ii) to commence and prosecute any actions at any court for the purposes of collecting any Collateral and enforcing any other right in respect thereof;

(iii) to defend, settle, adjust or compromise any action, suit or proceeding brought and, in connection therewith, give such discharge or release as the Agent may deem reasonably appropriate;

(iv) to receive, open and dispose of mail addressed to an Obligor and endorse checks, notes, drafts, acceptances, money orders, bills of lading, warehouse receipts or other instruments or documents evidencing payment, shipment or storage of the goods giving rise to the Collateral of such Obligor, or securing or relating to such Collateral, on behalf of and in the name of such Obligor;

(v) to sell, assign, transfer, make any agreement in respect of, or otherwise deal with or exercise rights in respect of, any Collateral or the goods or services which have given rise thereto, as fully and completely as though the Agent were the absolute owner thereof for all purposes;

(vi) to adjust and settle claims under any insurance policy relating thereto;

(vii) to execute and deliver all assignments, conveyances, statements, financing statements, renewal financing statements, security agreements, affidavits, notices and other agreements, instruments and documents that the Agent may determine necessary in order to perfect and maintain the security interests and liens granted in this Security Agreement and in order to fully consummate all of the transactions contemplated herein;

(viii) to institute any foreclosure proceedings that the Agent may deem appropriate; and

(ix) to do and perform all such other acts and things as the Agent may reasonably deem to be necessary, proper or convenient in connection with the Collateral.

This power of attorney is a power coupled with an interest and shall be irrevocable so long as any of the Secured Obligations remain outstanding, any Loan Document is in effect and until all of the Commitments shall have been terminated. The Agent shall be under no duty to exercise or withhold the exercise of any of the rights, powers, privileges and options expressly or implicitly granted to the Agent in this Security Agreement, and shall not be liable for any failure to do so or any delay in doing so. The Agent shall not

be liable for any act or omission or for any error of judgment or any mistake of fact or law in its individual capacity or its capacity as attorney-in-fact except acts or omissions resulting from its gross negligence or willful misconduct. This power of attorney is conferred on the Agent solely to protect, preserve and realize upon its security interest in the Collateral.

(b) Assignment by the Agent. Subject to the terms of the Credit Agreement, the Agent may from time to time assign the Secured Obligations and any portion thereof and/or the Collateral and any portion thereof, and the assignee shall be entitled to all of the rights and remedies of the Agent under this Security Agreement in relation thereto.

(c) The Agent's Duty of Care. Other than the exercise of reasonable care to assure the safe custody of the Collateral while being held by the Agent hereunder, the Agent shall not have any duty or liability to preserve rights pertaining thereto, it being understood and agreed that the Obligors shall be responsible for preservation of all rights in the Collateral, and the Agent shall be relieved of all responsibility for the Collateral upon surrendering it or tendering the surrender of it to the Obligors. The Agent shall be deemed to have exercised reasonable care in the custody and preservation of the Collateral in its possession if the Collateral is accorded treatment substantially equal to that which the Agent accords its own property, which shall be no less than the treatment employed by a reasonable and prudent agent in the industry, it being understood that the Agent shall have no responsibility for taking any necessary steps to preserve rights against any parties with respect to any of the Collateral. In the event of a public or private sale of Collateral pursuant to Section 10 hereof, the Agent shall have no obligation to clean-up, repair or otherwise prepare the Collateral for sale.

(d) Grant of License to use Intellectual Property. For the purpose of enabling the Agent to exercise rights and remedies under Section 10 hereof (including, without limiting the terms of Section 10 hereof, in order to take possession of, hold, preserve, process, assemble, prepare for sale, market for sale, sell or otherwise dispose of Collateral) at such time as the Agent shall be lawfully entitled to exercise such rights and remedies, each Obligor hereby grants to the Agent, for the benefit of itself and the Lenders, an irrevocable, nonexclusive license (exercisable without payment of royalty or other compensation to any Grantor) to use, license or sublicense any Intellectual Property now owned or hereafter acquired by any Obligor, and wherever the same may be located, and including in such license access to all media in which any of the licensed items may be recorded or stored and to all computer software and programs used for the compilation or printout thereof.

12. Application of Proceeds. Any amounts on deposit in the Lockbox Accounts, the Payment Accounts, or any other deposit account over which the Agent has Control, and any replacement or successor accounts relating thereto, as applicable, shall be applied by the Agent in accordance with the terms of the Credit Agreement, this Security Agreement and the Lockbox Agreements or Account Control Agreements relating thereto. Upon the occurrence and during the continuation of an Event of Default (a) any payments in respect of the Secured Obligations and any proceeds of the Collateral, when received by the Agent or any of the Lenders in cash or its equivalent, will be applied in reduction of the Secured Obligations in the order set forth in Section 3.8 of the Credit Agreement and (b) each Obligor irrevocably waives the right to direct the application of such payments and proceeds and acknowledges and agrees that the Agent shall

have the continuing and exclusive right to apply and reapply any and all such payments and proceeds in the Agent's sole discretion, notwithstanding any entry to the contrary upon any of its books and records.

13. Costs of Counsel. If at any time hereafter, whether upon the occurrence of an Event of Default or not, the Agent employs counsel to prepare or consider amendments, waivers or consents with respect to this Security Agreement, or to take action or make a response in or with respect to any legal or arbitral proceeding relating to this Security Agreement or relating to the Collateral, or to protect the Collateral or exercise any rights or remedies under this Security Agreement or with respect to the Collateral, then the Obligors agree to promptly pay upon demand any and all such reasonable out-of-pocket costs and expenses of the Agent and the Lenders, all of which costs and expenses shall constitute Secured Obligations hereunder.

14. Continuing Agreement.

(a) This Security Agreement shall be a continuing agreement in every respect and shall remain in full force and effect so long as any of the Secured Obligations remain outstanding, any Loan Document is in effect and until all of the Commitments shall have been terminated. Upon such payment and termination, this Security Agreement shall be automatically terminated and the Agent shall, upon the request and at the expense of the Obligors, forthwith release all of its liens and security interests hereunder and shall execute, if necessary, and deliver all UCC termination statements and/or other documents reasonably requested by the Obligors evidencing such termination. Notwithstanding the foregoing all releases and indemnities provided hereunder shall survive termination of this Security Agreement. In addition, the Agent shall be permitted to release (i) Liens on the Collateral as and to the extent permitted or required under the Credit Agreement and the Intercreditor Agreement and (ii) any Obligor that ceases to become a Borrower in accordance with the terms of the Credit Agreement.

(b) This Security Agreement shall continue to be effective or be automatically reinstated, as the case may be, if at any time payment, in whole or in part, of any of the Secured Obligations is rescinded or must otherwise be restored or returned by the Agent or any Lender as a preference, fraudulent conveyance or otherwise under any bankruptcy, insolvency or similar law, all as though such payment had not been made; provided that in the event payment of all or any part of the Secured Obligations is rescinded or must be restored or returned, all reasonable costs and expenses (including without limitation any reasonable legal fees and disbursements) incurred by the Agent or any Lender in defending and enforcing such reinstatement shall be deemed to be included as a part of the Secured Obligations.

15. Amendments; Waivers; Modifications. This Security Agreement and the provisions hereof may not be amended, waived, modified, changed, discharged or terminated except as set forth in Section 11.1 of the Credit Agreement.

16. Successors in Interest. This Security Agreement shall create a continuing security interest in the Collateral and shall be binding upon each of the parties hereto, and their respective successors and assigns, and shall inure, together with all rights and remedies of each of the parties hereto and their respective permitted successors and assigns; provided that none of the Obligors may assign its rights or delegate its duties hereunder without the prior written consent

of each Lender or the Majority Lenders, as required by the Credit Agreement. To the fullest extent permitted by law, each Obligor hereby releases the Agent and each Lender, each of their respective officers, employees and agents and each of their respective successors and assigns, from any liability for any act or omission relating to this Security Agreement or the Collateral, except for any liability arising from the gross negligence or willful misconduct of the Agent or such Lender or their respective officers, employees and agents.

17. Notices. All notices required or permitted to be given under this Security Agreement shall be in conformance with Section 14.8 of the Credit Agreement.

18. Counterparts. This Security Agreement may be executed in any number of counterparts, each of which where so executed and delivered shall be an original, but all of which shall constitute one and the same instrument. It shall not be necessary in making proof of this Security Agreement to produce or account for more than one such counterpart.

19. Headings. The headings of the sections and subsections hereof are provided for convenience only and shall not in any way affect the meaning, construction or interpretation of any provision of this Security Agreement.

20. Governing Law; Submission to Jurisdiction and Service of Process; Arbitration. THIS SECURITY AGREEMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER SHALL BE GOVERNED BY AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, WITHOUT GIVING EFFECT TO THE CHOICE OF LAW PROVISIONS THEREOF other than Section 5-1401 of the New York General Obligations Law). The terms of Sections 14.1, 14.3, 14.4 and 14.12 of the Credit Agreement are incorporated herein by reference, *mutatis mutandis*, and the parties hereto agree to such terms.

21. Waiver of Jury Trial. TO THE EXTENT PERMITTED BY APPLICABLE LAW, EACH OBLIGOR AND THE AGENT HEREBY WAIVE ANY RIGHT TO A TRIAL BY JURY IN ANY ACTION OR PROCEEDING ARISING OUT OF THIS SECURITY AGREEMENT, THE LOAN DOCUMENTS OR ANY OTHER AGREEMENTS OR TRANSACTIONS RELATED HERETO OR THERETO.

22. Severability. If any provision of any of the Security Agreement is determined to be illegal, invalid or unenforceable, such provision shall be fully severable and the remaining provisions shall remain in full force and effect and shall be construed without giving effect to the illegal, invalid or unenforceable provisions.

23. Entirety. This Security Agreement and the other Loan Documents represent the entire agreement of the parties hereto and thereto with respect to the Collateral other than the Pledged Collateral (as such term is defined in the Pledge Agreement), and supersede all prior agreements and understandings, oral or written, if any, including any commitment letters or correspondence relating to the Loan Documents or the transactions contemplated herein and therein.

24. Survival. All representations and warranties of the Obligors hereunder shall survive the execution and delivery of this Security Agreement, the other Loan Documents and

the Hedging Agreements between any Obligor and any Lender, the delivery of the Notes and the making of the Loans and the issuance of the Letters of Credit under the Credit Agreement.

25. Joint and Several Obligations of Obligors.

(a) Each of the Obligors is accepting joint and several liability hereunder in consideration of the financial accommodation to be provided by the Lenders under the Credit Agreement, for the mutual benefit, directly and indirectly, of each of the Obligors and in consideration of the undertakings of each of the Obligors to accept joint and several liability for the obligations of each of them.

(b) Each of the Obligors jointly and severally hereby irrevocably and unconditionally accepts, not merely as a surety but also as a co-debtor, joint and several liability with the other Obligors with respect to the payment and performance of all of the Secured Obligations arising under this Security Agreement and the other Loan Documents, it being the intention of the parties hereto that all the Secured Obligations shall be the joint and several obligations of each of the Obligors without preferences or distinction among them.

(c) Notwithstanding any provision to the contrary contained herein or in any other of the Loan Documents, to the extent the obligations of an Obligor shall be adjudicated to be invalid or unenforceable for any reason (including, without limitation, because of any applicable state or federal law relating to fraudulent conveyances or transfers) then the obligations of such Obligor hereunder shall be limited to the maximum amount that is permissible under applicable law (whether federal or state and including, without limitation, any bankruptcy, insolvency or similar law).

(d) To the extent permitted by applicable law, each of the Obligors hereby waives any and all suretyship defenses.

26. Pledge Agreement Provision. Notwithstanding anything herein to the contrary, in the event of any conflict between the terms of this Agreement and the Pledge Agreement with respect to Pledged Collateral, the terms of the Pledge Agreement shall govern.

27. Marshalling. Neither the Agent nor any Lender shall be under any obligation to marshal any assets in favor of any Obligor or any other Person or against or in payment of any or all of the Secured Obligations.

28. Intercreditor Provision. Notwithstanding anything herein to the contrary, the lien and security interest granted to the Agent pursuant to this Agreement and the exercise of any right or remedy by the Agent hereunder are subject to the provisions of the Intercreditor Agreement, as the same may be amended, supplemented, modified or replaced from time to time. In the event of any conflict between the terms of the Intercreditor Agreement and this Agreement, the terms of the Intercreditor Agreement shall govern.

29. Control Collateral Agent. It is hereby understood and agreed that, pursuant to the Intercreditor Agreement, the Agent has appointed U.S. Bank National Association as its collateral agent for the limited purpose perfecting the Agent’s lien on certain Collateral described herein.

[remainder of page intentionally left blank]

Each of the parties hereto has caused a counterpart of this Security Agreement to be duly executed and delivered as of the date first above written.

OBLIGORS:

UNIFI, INC.,
a New York corporation
UNIFI SALES & DISTRIBUTION, INC.,
a North Carolina corporation,
UNIFI MANUFACTURING, INC.,
a North Carolina corporation
GLENTOUCH YARN COMPANY, LLC,
a North Carolina limited liability company
UNIFI MANUFACTURING VIRGINIA, LLC,
a North Carolina limited liability company
UNIFI EXPORT SALES, LLC,
a North Carolina limited liability company
UNIFI TEXTURED POLYESTER, LLC,
a North Carolina limited liability company
UNIFI INTERNATIONAL SERVICE, INC.,
a North Carolina corporation
UNIFI KINSTON, LLC (formerly Unifi Equipment Leasing, LLC),
a North Carolina limited liability company
CHARLOTTE TECHNOLOGY GROUP, INC.,
a North Carolina corporation
SPANCO INDUSTRIES, INC.,
a North Carolina corporation,
SPANCO INTERNATIONAL, INC.,
a North Carolina corporation
UTG SHARED SERVICES, INC.
a North Carolina corporation
UNIFI TECHNICAL FABRICS, LLC,
a North Carolina limited liability company
UNIMATRIX AMERICAS, LLC,
a North Carolina limited liability company

By: CHARLES F. MCCOY
Name: Charles McCoy
Title: Vice President

Accepted and agreed to as of the date first above written.

BANK OF AMERICA, N.A.,
as Agent

By: ANDREW A. DOHERTY
Name: Andrew A. Doherty
Title: SVP

SCHEDULE 1(b)

INTELLECTUAL PROPERTY

Patents

Country	Patent Title	Application No.	Filing Date
Brazil	Continuous Constant Tension Air Covering	PI0502574-5	6/30/2005
Columbia	Continuous Constant Tension Air Covering	05.062.898	6/27/2005
United States	Continuous Constant Tension Air Covering	11/076,441	03/09/2005
United States	Method for Forming Polyester Yarns	11/259,447	10/26/2005
United States	Securing and Pressuring System for Drafting Rollers for Automated Textile Drafting System*	5,761,772	7/19/1996

* The interests of this patent is at best partially owned and is listed here for disclosure purposes only, and shall not constitute part of the Collateral.

Trademarks

Country	Mark	Serial No.	Filing Date	Reg. No.	Issue Date	Status
Argentina	A.M.Y.	2.619.932	09/26/2005			Pending
Argentina	AUGUSTA	2.619.933	09/26/2005			Pending
Argentina	CATCH MOVE RELEASE	2.619.934	09/26/2005			Pending
Argentina	ECLYPSE	2.619.935	09/26/2005			Pending
Argentina	MYNX	2.619.936	09/26/2005			Pending
Argentina	NOVVA	2.619.937	09/26/2005			Pending
Argentina	REFLEXX	2.619.938	09/26/2005			Pending
Argentina	SORBTEK	2.619.939	09/26/2005			Pending
Argentina	SULTRA	2.619.940	09/26/2005			Pending
Argentina	MICROMATTIQUE	11859077	10/14/1992	1597868	04/29/1996	Registered Renewal due 04/29/2006
Argentina	MICROMATTIQUE	1859078	10/14/1992	1597958	04/29/1996	Registered Renewal due 04/29/2006
Argentina	MICROMATTIQUE	1859076	10/14/1992	1597867	04/29/1996	Registered Renewal due 04/29/2006
Argentina	MICROMATTIQUE	1859075	10/14/1992	1597866	04/29/1996	Registered Renewal due 04/29/2006
Argentina	SHEERTECH	1,995,425	08/15/1995	1,605,743	07/10/1996	Registered Renewal due 07/10/2006
Argentina	UNIFI	1,853,497	08/20/1992	1.978.902	04/26/2004	Registered Renewal due 04/26/2014
Argentina	UNIFI QUALITY THROUGH PRIDE & Design	2,183,521	10/28/1998	1,771,922	01/25/2000	Registered Renewal due 01/25/2010
Australia	SHEERTECH	667391	07/21/1995	667391		Registered
Bangladesh	A.M.Y.	89823	01/30/2005			Pending
Bangladesh	MYNX	84824	01/30/2005			Pending

Country	Mark	Serial No.	Filing Date	Reg. No.	Issue Date	Status
Bangladesh	REFLEXX	89825	01/30/2005			Pending
Bangladesh	SORBTEK	89822	01/30/2005			Pending
Brazil	MICROMATTIQUE	816400300	09/20/1991	816400300	06/01/1993	Registered (renewal applied for 04/24/2004)
Brazil	MICROMATTIQUE	816400318	09/20/1991	816400318	06/01/1993	Registered (renewal applied for 04/24/2004)
Brazil	MICROMATTIQUE	817170014	04/07/1993	817170014	07/26/1994	Registered (renewal applied for 11/18/2004)
Brazil	SEDORA	827784058	09/22/2005			Pending
Brazil	SHEERTECH	818741732	08/21/1995	818741732q	10/21/1997	Registered Renewal due 10/21/2007
Brazil	UNIFI	816930074	10/02/1992	816930074	10/22/1996	Registered Renewal due 10/22/2006
Canada	AIO	1,273,872	09/23/2005			Pending
Canada	AMY	1,273,870	09/23/2005			Pending
Canada	AUGUSTA	1,273,869	09/23/2005			Pending
Canada	CATCH MOVE RELEASE	1,273,871	09/23/2005			Pending
Canada	MicroVista	1,273,868	09/23/2005			Pending
Canada	MICROMATTIQUE	0688314	08/23/1991	TMA 407487	01/29/1993	Registered Renewal due 01/29/2008
Canada	MYNX	1,273,867	09/23/2005			Pending
Canada	REFLEXX	1,273,866	09/23/2005			Pending
Canada	SATURA & Design	1,273,863	09/23/2005			Pending
Canada	SEDORA	1270831	08/29/2005			Pending
Canada	SHEERTECH	788,278	07/24/1995	TMA 501,717	10/02/1998	Registered Renewal due 10/02/2013
Canada	SORBTEK	1,273,865	09/23/2005			Pending
Chile	MICROMATTIQUE	444895	04/01/1999	552,446	11/08/1999	Registered Renewal due 11/08/2009
Chile	UNIFI	224,741	11/09/1992	677.112	10/29/2003	Registered Renewal due 10/29/2013
China	AIO	4907035	09/20/2005			Pending
China	A.M.Y.	4461870	01/13/2005			Pending
China	CATCH MOVE RELEASE	4741298	06/24/2005			Pending
China	CATCH MOVE RELEASE & Design	4741297	06/24/2005			Pending
China	MicroVista	4698600	06/03/2005			Pending
China	MYNX	4461869	01/13/2005			Pending
China	REFLEXX	4461871	01/13/2005			Pending
China	SEDORA	4860665	08/26/2005			Pending
China	SORBTEK	4461868	01/13/2005			Pending
China	UNIFI	4384336	11/26/2004			Pending
China	UNIFI ASIA LTD.	4384337	11/26/2004			Pending

Country	Mark	Serial No.	Filing Date	Reg. No.	Issue Date	Status
Colombia	A.M.Y.	05-054140	06/03/2005			Pending
Colombia	AUGUSTA	05-054145	06/03/2005	307680	12/23/2005	Registered Renewal due 12/23/2015
Colombia	CATCH MOVE RELEASE	05-055955	06/09/2005	307674	12/22/2005	Registered Renewal due 12/22/2015
Colombia	CATCH MOVE RELEASE & Design	05-056478	06/10/2005	307442	12/20/2005	Registered Renewal due 12/20/2015
Colombia	ECLYPSE	05-054149	06/03/2005			Pending
Colombia	MICROMATTIQUE	94049194	10/28/1994	175045	03/09/1995	Registered Renewal due 03/09/2015
Colombia	MICROMATTIQUE	94049193	10/28/1994	175046	03/09/1995	Registered Renewal due 03/09/2015
Colombia	MICROMATTIQUE	94049192	10/28/1994	175047	03/09/1995	Registered Renewal due 03/09/2015
Colombia	MYNX	05-054144	06/03/2005	307679	12/23/2005	Registered Renewal due 12/23/2015
Colombia	NOVVA	05-054139	06/03/2005	307678	12/23/2005	Registered Renewal due 12/23/2015
Colombia	REFLEXX	05-054111	06/03/2005	307677	12/23/2005	Registered Renewal due 12/23/2015
Colombia	SEDORA	05-084018	08/24/2005			Pending
Colombia	SORBTEK	05-054150	06/03/2005	307681	12/23/2005	Registered Renewal due 12/23/2015
Colombia	SULTRA	05-054146	06/03/2005			Pending
Colombia	UNIFI	366,748	08/28/1992	173,015	12/29/1994	Registered Renewal due 12/29/2014
Ecuador	MICROMATTIQUE	51302	10/25/1994	1-4364-95	12/18/1995	Registered Renewal due 12/18/2005
Ecuador	MICROMATTIQUE	51301	10/25/1994	1-4363-95	12/18/1995	Registered Renewal due 12/18/2005
Ecuador	MICROMATTQUE	51297	10/25/1994	1-4359-95	12/18/1995	Registered Renewal due 12/18/2005

Country	Mark	Serial No.	Filing Date	Reg. No.	Issue Date	Status
Ecuador	UNIFI	34584	10/01/1992	3135-93	11/30/1993	Registered Renewal due 11/30/2013
France	FYBERSERV	013115568	08/06/2001	013115568	01/11/2002	Registered Renewal due 08/06/2011
France	FYBERSERV & Design	013115743	08/06/2001	013115743	01/11/2002	Registered Renewal due 08/06/2011
France	FYBERSERV STAY CONNECTED, MOVE AHEAD & Design	013115740	08/06/2001	013115740	01/11/2002	Registered Renewal due 08/06/2011
France	STAY CONNECTED, MOVE AHEAD	013115569	08/06/2001	013115569	01/11/2002	Registered Renewal due 08/06/2011
France	UNIFI	92/435904	09/30/1992	92435904	09/30/1992	Registered Renewal due 09/30/2012
European Community	AIO	4690392	10/19/2005			Pending
European Community	A.M.Y.	4463675	05/31/2005			Pending
European Community	AUGUSTA	4464186	05/31/2005			Pending
European Community	CATCH MOVE RELEASE	4493276	06/13/2005			Pending
European Community	CATCH MOVE RELEASE & Design	4493251	06/13/2005			Pending
European Community	ECLYPSE	4464178	05/31/2005			Pending
European Community	MYNX	4463923	05/31/2005			Pending
European Community	REFLEXX	4463774	05/31/2005			Pending
European Community	SORBTEK	4463758	05/31/2005			Pending
European Community	UNIFI	004722161	11/03/2005			Pending
Germany	FYBERSERV	30148480.5	08/06/2001	30148480	10/15/2001	Registered Renewal due 08/31/2011
Germany	FYBERSERV & Design	30148529.1	08/07/2001	30148529	02/27/2002	Registered Renewal due 08/31/2011
Germany	FYBERSERV STAY CONNECTED, MOVE AHEAD & Design	30148528.3	08/07/2001	30145828	02/27/2002	Registered Renewal due 08/31/2011
Germany	STAY CONNECTED, MOVE AHEAD	30148481.3	08/06/2001	30148481	10/15/2001	Registered Renewal due 08/31/2011

Country	Mark	Serial No.	Filing Date	Reg. No.	Issue Date	Status
Great Britain	FYBERSERV	2277027	08/02/2001	2277027	06/21/2002	Registered Renewal due 08/02/2011
Great Britain	FYBERSERV & Design	2277233	08/06/2001	2277233	07/05/2002	Registered Renewal due 08/06/2011
Great Britain	FYBERSERV STAY CONNECTED, MOVE AHEAD & Design	2277776	08/13/2001	2277776	08/02/2002	Registered Renewal due 08/13/2011
Great Britain	STAY CONNECTED, MOVE AHEAD	2277055	08/03/2001	2277055	08/02/2002	Registered Renewal due 08/03/2011
Great Britain	UNIFI	1509329	08/11/1992	1509329	08/11/1992	Registered Renewal due 08/11/2009
Great Britain	UNIFI QUALITY THROUGH PRIDE and design	1514810	10/05/1992	1514810	12/10/93	Registered
Hong Kong	AIO	300496657	09/16/2005			Pending
Hong Kong	A.M.Y.	300343070	12/23/2004	300343070	12/23/2004	Registered Renewal due by 12-22-2014
Hong Kong	MicroVista	300432053	06/02/2005			Pending
Hong Kong	MYNX	300343106	12/23/2004	300343106	12/23/2004	Registered Renewal due by 12-22-2014
Hong Kong	REFLEXX	300343089	12/23/2004	300343089	12/23/2004	Registered Renewal due by 12-22-2014
Hong Kong	SEDORA	300483057	08/24/2005	300483057	08/24/2005	Registered
Hong Kong	SORBTEK	300343061	12/23/2004	300343061	12/23/2004	Registered Renewal due by 12-22-2014
India	A.M.Y.	1334822				Published
India	CATCH MOVE RELEASE	1369759	07/08/2005			Pending
India	CATCH MOVE RELEASE & Design	1381488	09/01/2005			Pending
India	MicroVista	1369197	07/06/2005			Published
India	MYNX	1334823				Published
India	REFLEXX	1334824				Pending
India	SORBTEK	1334825				Pending
Indonesia	A.M.Y.	D00 2005 00800 00804	01/12/2005			Pending
Indonesia	CATCH MOVE RELEASE	D00 2005 010763	07/06/2005			Pending
Indonesia	CATCH MOVE RELEASE & Design	D00 2005 009788	06/28/2005			Pending
Indonesia	MicroVista	D00 2005 010762	07/06/2005			
Indonesia	MYNX	D00 2005 00798 00802	01/12/2005			Pending
Indonesia	REFLEXX	D00 2005 00799 00803	01/12/2005			Pending

Country	Mark	Serial No.	Filing Date	Reg. No.	Issue Date	Status
Indonesia	SORBTEK	D00 2005 00797 00801	01/12/2005			Pending
Ireland	FYBERSERV	2001/2411	08/02/2001	223308	11/15/2002	Registered Renewal due 08/02/2011
Ireland	FYBERSERV & Design	2001/02507	08/07/2001	223310	11/15/2002	Registered Renewal due 08/07/2011
Ireland	STAY CONNECTED, MOVE AHEAD	2001/02480	08/03/2001	223309	11/15/2002	Registered Renewal due 08/03/2011
Ireland	UNIFI	4248/92	08/10/1992	151,080	04/02/1992	Registered Renewal due 04/02/2009
Ireland	UNIFI QUALITY THROUGH PRIDE & Design	155291	09/29/1992	155,291	07/29/1992	Registered Renewal due 07/27/2009
Italy	FYBERSERV	T02001C002643	08/24/2001			Pending
Italy	FYBERSERV & Design	T02001C002796	08/24/2001			Pending
Italy	FYBERSERV STAY CONNECTED, MOVE AHEAD & Design	T02001C002797	08/24/2001			Pending
Italy	STAY CONNECTED, MOVE AHEAD	T02001C002644	08/06/2001			Pending
Japan	A.M.Y.	2004-118995	12/28/2004	4872892	06/17/2005	Registered
Japan	CATCH MOVE RELEASE	2005-052152	06/10/2005	4918168	12/22/2005	Registered Renewal due by 6/22/2015
Japan	CATCH MOVE RELEASE & Design	2005-57243	06/10/2005	4918178	12/22/2005	Registered Renewal due by 6/22/2015
Japan	MicroVista	2005-050087	06/06/2005			Pending
Japan	MYNX	2004-118993	12/28/2004	4872891	06/17/2005	Registered
Japan	SORBTEK	2004-118992	12/28/2004	4872890	06/17/2005	Registered
Korea	A.M.Y.	40-2004-58271	12/24/2004			Allowed
Korea	CATCH MOVE RELEASE	2005-26536	06/10/2005			Pending
Korea	CATCH MOVE RELEASE & Design	2005-26534	06/10/2005			Pending
Korea	REFLEXX	40-2004-58273	12/24/2004			Allowed
Korea	SORBTEK	40-2004-58270	12/24/2004	642090	12/06/2005	Registered
Korea	MICROVISTA and design	4020050025437	06/03/2005			Pending
Mexico	A.M.Y.	741413	09/26/2005	904,577	10/24/2005	Registered Renewal due 9/26/2015
Mexico	AUGUSTA	741414	09/26/2005	904,578	10/24/2005	Registered Renewal due 9/26/2015
Mexico	CATCH MOVE RELEASE	741415	09/26/2005			Pending
Mexico	MicroVista	741416	09/26/2005	904,579	10/24/2005	Registered Renewal due 9/26/2015

Country	Mark	Serial No.	Filing Date	Reg. No.	Issue Date	Status
Mexico	MYNX	741417	09/26/2005	904,580	10/24/2005	Registered Renewal due 9/26/2015
Mexico	REFLEXX	741418	09/26/2005			Pending
Mexico	SATURA & Design	741419	09/26/2005	908479	11/18/2005	Registered Renewal due 9/26/2015
Mexico	SEDORA	736469	08/26/2005	907,973	11/16/2005	Registered Renewal due 8/26/2015
Mexico	SHEERTECH	240367	08/17/1995	536712	11/25/96	Registered
Mexico	SORBTEK	741420	09/26/2005	904,856	10/25/2005	Registered Renewal due 9/26/2015
Mexico	UNIFI	150,693	09/20/1992	442,683	09/24/1993	Registered Renewal due 09/20/2012
Mexico	UNIFI QUALITY THROUGH PRIDE	151139	09/30/1992	452154	2/11/94	Registered
Pakistan	A.M.Y.	204668	01/07/2005			Pending
Pakistan	MYNX	204667	01/07/2005			Pending
Pakistan	REFLEXX	204666	01/07/2005			Pending
Pakistan	SORBTEK	204665	01/07/2005			Pending
Peru	MICROMATTIQUE	254083	11/03/1994	13023	01/31/1995	Registered Renewal due 01/31/2015
Peru	MICROMATTIQUE	254085	11/03/1994	12758	01/24/1995	Registered Renewal due 01/24/2015
Peru	MICROMATTIQUE	254084	11/03/1994	13392	02/14/1995	Registered Renewal due 02/14/2015
Peru	UNIFI	245,707	07/01/1994	011676	12/02/1994	Registered Renewal due 12/02/2014
South Africa	A.M.Y.	2005120285	09/26/2005			Pending
South Africa	CATCH MOVE RELEASE	2005120286	09/26/2005			Pending
South Africa	MYNX	2005120287	09/26/2005			Pending
South Africa	REFLEXX	2005120288	09/26/2005			Pending
South Africa	SORBTEK	2005120289	09/26/2005			Pending
Spain	FYBERSERV	2573364	12/22/2003	2573364	07/13/2004	Registered Renewal due 12/22/2013
Spain	FYBERSERV & Design	2420948	08/13/2001	2420948	10/07/2002	Registered Renewal due 08/13/2011
Spain	FYBERSERV STAY CONNECTED, MOVE AHEAD & Design	2420947	08/13/2001	2420947	10/07/2002	Registered Renewal due 08/13/2011

Country	Mark	Serial No.	Filing Date	Reg. No.	Issue Date	Status
Spain	STAY CONNECTED, MOVE AHEAD	2420083	08/07/2001	2420083	09/16/2003	Registered Renewal due 08/07/2011
Taiwan	A.M.Y.	93060497	12/27/2004	1173649	09/16/2005	Granted
Taiwan	CATCH MOVE RELEASE	94027783	06/10/2005			Pending
Taiwan	CATCH MOVE RELEASE & Design	94027784	06/10/2005			Pending
Taiwan	MicroVista	94026471	06/03/2005			Pending
Taiwan	MYNX	93060496	12/27/2004	1173648	09/16/2005	Granted
Taiwan	SORBTEK	93060494	12/27/2004	1173646	09/16/2005	Granted
Taiwan	REFLEXX	93060495	12/24/2004	1173647	09/16/2005	Granted
Thailand	A.M.Y. & Design	585908	03/29/2005			Pending
Thailand	CATCH MOVE RELEASE	593616	06/15/2005			Pending
Thailand	CATCH MOVE RELEASE & Design	593617	06/15/2005			Pending
Thailand	MicroVista	592822	06/08/2005			Pending
Thailand	MYNX	577955	01/05/2005			Pending
Thailand	REFLEXX	577956	01/05/2005			Pending
Thailand	SORBTEK	577957	01/05/2005			Pending
Turkey	A.M.Y.	2005/45693	10/21/2005			Pending
Turkey	CATCH MOVE RELEASE	2005/45694	10/21/2005			Pending
Turkey	MYNX	2005/45695	10/21/2005			Pending
Turkey	REFLEXX	2005/45696	10/21/2005			Pending
Turkey	SORBTEK	2005/45697	10/21/2005			Pending
United States	AIO & Design	78/666,601	07/08/2005			Pending
United States	AIO	78/672,506	07/18/2005			Pending
United States	A.M.Y.	76/364,872	01/31/2002	2,738,677	07/15/2003	Registered 8 & 15 Declaration due 07/15/2009
United States	AUGUSTA	76/192,695	01/11/2001	2,737,792	07/15/2003	Registered 8 & 15 Declaration due 07/15/2009
United States	AVADA	78/310,167	10/07/2003	2,877,731	08/24/2004	Registered 8 & 15 Declaration due 08/24/2010
United States	CATCH MOVE RELEASE	78/670,154	07/14/2005			Pending
United States	CIELO	78/326,706	11/12/2003	2,897,488	10/26/2004	Registered 8 & 15 Declaration due 10/26/2010
United States	DUO-TWIST	75/342,817	08/18/1997	2,430,200	02/20/2001	Registered 8 & 15 Declaration due 02/20/2007
United States	ECLYPSE	76/192,694	01/11/2001	2,716,285	05/13/2003	Registered 8 & 15 Declaration due 05/13/2009
United States	FYBERSERV	76/207,014	02/06/2001			Pending

Country	Mark	Serial No.	Filing Date	Reg. No.	Issue Date	Status
United States	FYBERSERV & Design	76/215,860	02/26/2001	2,806,981	01/20/2004	Registered 8 & 15 Declaration due 01/20/2010
United States	FYBERSERV STAY CONNECTED, MOVE AHEAD & Design	76/216,640	02/06/2001	2,936,585	03/29/2005	Registered 8 & 15 Declaration due 03/29/2011
United States	INHIBIT	78/310,163	10/07/2003	2,877,729	08/24/2004	Registered 8 & 15 Declaration due 08/24/2010
United States	MACTEX	73/718,497	03/24/1988	1,511,013	11/01/1988	Registered 8 & 9 Renewal due 11/01/2008
United States	MERANO	78/310,166	10/07/2003	2,877,730	08/24/2004	Registered 8 & 15 Declaration due 08/24/2010
United States	MICROVISTA (Stylized)	76/358,700	01/14/2002	2,757,202	08/26/2003	Registered 8 & 15 Declaration due 08/26/2009
United States	MYNX	78/310,162	10/07/2003	2,947,770	05/10/2005	Registered 8 & 15 Declaration due 05/10/2011
United States	MYRIAD	76/192,689	01/11/2001	2,667,070	12/24/2002	Registered 8 & 15 Declaration due 12/24/2008
United States	NOVVA	76/192,696	01/11/2001	2,595,801	07/16/2002	Registered 8 & 15 Declaration due 07/16/2008
United States	PROVIDING INNOVATIVE FIBERS AND COMPETITIVE SOLUTIONS	76/367,131	02/04/2002	2,744,440	07/29/2003	Registered 8 & 15 Declaration due 07/29/2009
United States	REFLEXX	78/310,160	10/07/2003	2,877,728	08/24/2004	Registered 8 & 15 Declaration due 08/24/2010
United States	REPREVE	76/192,693	01/11/2001	2,691,497	02/25/2003	Registered 8 & 15 Declaration due 02/25/2009

Country	Mark	Serial No.	Filing Date	Reg. No.	Issue Date	Status
United States	SATURA & Design	78/331,625	11/21/2003	2,897,506	10/26/2004	Registered 8 & 15 Declaration due 10/26/2010
United States	SEDORA	78/686,681	08/05/2005			Pending
United States	SORBTEK	75/928,744	02/25/2000	2,777,116	10/28/2003	Registered 8 & 15 Declaration due 10/28/2009
United States	STAY CONNECTED, MOVE AHEAD	76/206,638	02/07/2001	2,802,860	01/06/2004	Registered 8 & 15 declaration due 01/06/2010
United States	SULTRA	76/192,692	01/11/2001	2,716,284	05/13/2003	Registered 8 & 15 Declaration due 05/13/2009
United States	TENEX	78/418,955	5/14/2004			Pending
United States	TEXTRA	78/310,157	10/07/2003	2,877,727	08/24/2004	Registered 8 & 15 Declaration due 08/24/2010
United States	UNIFI	74/261,913	04/02/1992	1,872,523	01/10/1995	Registered 8 & 9 Renewal due 01/10/2005
United States	UNIFI (Stylized)	74/261,912	04/02/1992	2,161,151	06/02/1998	Registered 8 & 9 Renewal due 06/02/2008
Uruguay	MICROMATTIQUE	256316	08/27/1992	256316	07/09/1993	Registered Renewal due 07/09/2013
Venezuela	MICROMATTIQUE	16276-94	12/06/1994	P-187904	02/09/1996	Registered Renewal due 02/09/2006
Venezuela	MICROMATTIQUE	16325-94	12/07/1994	P-187923	02/09/1996	Registered Renewal due 02/09/2006
Vietnam	A.M.Y. & Design	4-2005-02289	03/04/2005			Pending
Vietnam	MYNX	4-2005-02286	03/04/2005			Pending
Vietnam	REFLEXX	4-2005-02287	03/04/2005			Pending
Vietnam	SORBTEK	4-2005-02288	03/04/2005			Pending

Licensed Patents, Trademarks and Copyrights

DuPont Licensed Trademarks and Patents as set forth in its Licensed Fiber Processor Agreement with Unifi, Inc., dated May 7, 1999 (for Coolmax, Coolmax Alta and Thermastat), the Technology Cross-License Agreement with Unifi, Inc., effective June 1, 2000, and the Invista S.r.l. POY Intellectual Property License Agreement with Unifi, Inc., effective September 30, 2004 (for Softec, Micromattique and Dacron), as well as other Dupont Technical Information provided the said agreements.

Licensed patents, trademarks and copy rights that the Borrowers have the right to use due to the purchase of products and/or services from their various vendors and suppliers.

SCHEDULE 2(a)(iv)

COMMERCIAL TORT CLAIMS

None.

SCHEDULE 4(a)(i)

CHIEF EXECUTIVE OFFICE/PRINCIPAL PLACE OF BUSINESS/
EXACT LEGAL NAME/STATE OF FORMATION

	Name and Chief Executive Office	EIN	State Inc./Organized In	State Organizational Number	Date of Inc./Organization
	Domestic Entities:				
1	Unifi, Inc. 7201 W Friendly Avenue Greensboro, NC 27410	11-2165495	NY	N/A	1/8/1969
2	Unifi Manufacturing, Inc. 7201 W Friendly Avenue Greensboro, NC 27410	56-2001082	NC	0411480	11/25/1996
3	Unifi Sales & Distribution, Inc. 7201 W Friendly Avenue Greensboro, NC 27410	56-2001079	NC	0411509	11/25/1996
4	Unifi International Service, Inc. 7201 W. Friendly Avenue Greensboro, NC 27410	56-1407930	NC	0152812	
5	Unifi Kinston, LLC formerly Unifi Equipment Leasing, LLC 7201 W. Friendly Avenue Greensboro, NC 27410	56-2050030	NC	0430407	6/23/1997
6	Spanco Industries, Inc. 7201 W. Friendly Avenue Greensboro, NC 27410	56-1392167	NC	0101977	12/28/1983
7	Spanco International, Inc. 7201 W. Friendly Avenue Greensboro, NC 27410	56-1861046	NC	0335876	
8	Unifi Export Sales, LLC 7201 W Friendly Avenue Greensboro, NC 27410	56-2001078	NC	0411505	11/25/1996
9	Unifi Manufacturing Virginia, LLC 7201 W Friendly Avenue Greensboro, NC 27410	56-2001075	NC	0411506	11/25/1996
10	Unifi Technical Fabrics, LLC 7201 W. Friendly Avenue Greensboro, NC 27410	56-2177509	NC	0502821	8/3/1999

11	Charlotte Technology Group, Inc. (f/k/a Cimtec Automation, Inc.) (f/k/a Unifi Technology Group, Inc.) (f/k/a UTG Acquisition Corp.) (f/k/a Unifi Technology Group, LLC) 7201 W. Friendly Avenue Greensboro, NC 27410	56-2203343	NC	0550275	5/22/2000
12	GlenTouch Yarn Company, LLC 7201 W Friendly Avenue Greensboro, NC 27410	56-2252356	NC	0591116	5/14/2001
13	UTG Shared Services, Inc. 7201 W. Friendly Avenue Greensboro, NC 27410	56-2170406	NC	0513931	12/7/1999
14	UniMatrix Americas, LLC 7201 W. Friendly Avenue Greensboro, NC 27410	86-1091016	NC	0693371	10/2/2003
15	Unifi Textured Polyester, LLC 7201 W. Friendly Avenue Greensboro, NC 27410	56-2085603	NC	0457283	04/23/1998

LOCATION OF BOOKS AND RECORDS
FOR UNIFI, INC. AND ALL SUBSIDIARIES

Name and Corporate Address

Domestic Entities:

ALL BOOKS AND RECORDS ARE MAINTAINED AT THE UNIFI, INC. CORPORATE HEADQUARTERS AT 7201 W. FRIENDLY AVENUE, GREENSBORO, GUILFORD COUNTY, NORTH CAROLINA, 27410, P.O. BOX 19109, GREENSBORO, NC 27419, UNLESS OTHERWISE SET FORTH.

Foreign Entities:

Unifi Textured Yarns Europe
% Austin Quinn, General Mgr.
Figart, Raphoe, Co. Donegal Ireland
Books & Records kept:
Plant T4
601 E. Main Street
Yadkinville, NC 27055

Unifi International Service Germany
Junkershoehe 7
95030 Hof Germany
Books & Records kept:
Plant T4
601 E. Main Street
Yadkinville, NC 27055

Zona Industrial Cuzuca
Entrada Santa fe de Santa fe de Bogota, D.C. Colombia

Unifi do Brazil, LTDA
Av. Eng. Luis Carlos Berrini,
716-3. andar
04571-000 Sao Paul/SP, Brasil

Unifi Holding 1 B.V.
Locatellikade 1, 1076AZ
Amsterdam, Netherlands

Unifi Holding 2 B.V.
Locatellikade 1, 1076AZ
Amsterdam, Netherlands

Unifi Dyed Yarns Ltd.
Bury Road, Radcliffe
Manchester, England
Books and Records kept:
Plant T4
601 E. Main Street
Yadkinville, NC 27055

Level 28, Three Pacific Place
1 Queen's Road East
Hong Kong, China [Yadkinville]

UNIFI Latin America S.A.
Transversal 5 No 6-67 Zona
Industrial Cazuca
Soacha, Cundinamarca
Colombia

Unifi, Asia, Ltd.
Level 28, Three Pacific Place
1 Queen's Road East
Hong Kong, China

Unifi Asia Holding, SRL
Execsec Corporate Secretarial Services Inc.
Alphonzo House
Cr. 2nd Avenue & George Street
Belleville, St. Michael
Bardados

SCHEDULE 4(a)(ii)

NAME CHANGES/CHANGES IN CORPORATE STRUCTURE/TRADENAMES

None.

SCHEDULE 4(b)

LOCATIONS OF COLLATERAL

Inventory/Equipment Owner's Name	Owned ("O") at Location Yes ("Y") No ("N")	or Leased ("L")	Property Address
Unifi, Inc.;	Y	O	Corporate Offices 7201 West Friendly Avenue Greensboro, NC 27410 P.O. Box 19109 Greensboro, NC 27419
	Y (Lease terminates June 30, 2006)	L	New York Sales office 1441 Broadway Suite 2304 New York, NY 10018 Former location: 104 W. 40th Street, 7th Floor
	Y	O	New York Apartment 112 West 56th St., Apt. 21S New York, NY 10019
	N	L	Tennessee Sales office Suite 307, James Building 735 Broad Street Chattanooga, TN 34702
	Y	L	California Warehouse Schenkers Warehouse 990 East 233rd Street Carson, CA 90745
Unifi Manufacturing, Inc.:			
	Y	O	Yadkinville–T1, T2 & T4 P.O. Box 698 Old Highway 421 East Yadkinville, NC 27055
	Y	O	Yadkinville – T5 & F1 P.O. Box 698 1641 Shacktown Road Yadkinville, NC 27055

Y	O	Topsider Warehouse (Recycling Center)
Y	O	Lynch Property (guest house) Yadkinville, NC 27055
Y	O	Yadkinville–Mills Tract East Main Street Yadkinville, NC 27055 (11.165 Acres, vacant land) (Part of land bridge)
Y	O	Yadkinville–Lynch Property Lots 70 & 71 R.S. Shore Dev. (Vacant residential lots, part of land bridge) Yadkinville, NC 27055
Y	O	Yadkinville–Doss Tract (vacant) Woodridge Lane Yadkinville, NC 27055
N	O	Reidsville–Texturing Serv., Inc. 2900 Vance Street Ext.*** Reisdsville, NC 27320 (Lease terminates 10/31/06)
Y	O	Reidsville – Plants 2 & 4 P.O. Box 1437 – Zip 27323 2920 Vance Street Ext. Reidsville, NC 27320
Y	L	Mayodan – Plant 15 P.O. Box 250 271 Cardwell Road Mayodan, NC 27027
Y	O	Mayodan – Plants 1** & 5** P.O. Box 737 Madison, NC 27025 Street Address: 802 S. Ayersville Road Mayodan, NC 27027

	Y	O	Madison – Plant 3 P.O. Box 737 805 Island Drive Madison, NC 27025
	Y	O	Madison – Plant 7** P.O. Box 737 144 Turner Road Madison, NC 27027
	Y	O	Decatur Street Warehouse Island Drive Warehouse Madison, NC 27025
	NA	O	Stoneville – Plant 8* 4721 Highway 770 East P.O. Box 937 Stoneville, NC 27048
	N	O	Mulligan Property (73.058 Acres, vacant) Mayodan, NC 27027
	Y	O	Central Distribution Center P.O. Box 135, 12.8 acres Houston Loop Road Fort Payne, AL 35968
Unifi Manufacturing Virginia, LLC:			
	Y	O	Staunton – Plant 22 P.O. Box 2525 Morris Mill Road Staunton, VA 24401
Unifi Textured Polyester, LLC:			
	Y	O	Yadkinville – T3** PO Box 698 Old Highway 421 East Yadkinville, NC 27055
Unifi Kinston, LLC:			
	Y	L	Kinston Spinning Plant 4965 North Highway 11 Grifton, NC 28530

	Y	O	Kentec Pack Cleaning Facility 4610 Braxton Road Grifton, NC 28530
	Y	L	Kenta Warehouse 4681 North Highway 11 Grifton, NC 28530

***** **This Plant is being leased to the Unifi-Sans Technical Fibers, LLC joint venture.**

****** **These Plants/Properties are vacant and listed for sale with Binswanger under an Exclusive Listing Agreement effective December 12, 2005.**

******* **This Plant is being leased to Texturing Services, Inc. until October 31, 2006**

Entities having possession of inventory or equipment other than the Company or its Subsidiaries

CONSIGNMENT LOCATIONS:

Unifi Manufacturing, Inc.	Warp Development Corp. 100 Bivens Road P.O. Box 967 Monroe, NC 28110
Unifi Manufacturing, Inc. **Unifi Textured Polyester, LLC**	Fibretrade Canada, Inc. 925 McCaffrey St Laurent, Quebec Canada

SCHEDULE 5(f)(i)

GRANT OF SECURITY INTEREST
IN COPYRIGHT RIGHTS

This GRANT OF SECURITY INTEREST IN COPYRIGHT RIGHTS ("Agreement"), effective as of _____ __, 20__ is made by [NAME OF OBLIGOR(S)], a _____, located at _____ (the "Obligor[s]"), in favor of BANK OF AMERICA, N.A with an office at 300 Galleria Parkway, Suite 800, Atlanta, Georgia 30339, as administrative agent for the Lenders referred to below (in its capacity as administrative agent, the "Agent"), in connection with the Amended and Restated Credit Agreement, dated as of May 26, 2006 (as amended, restated, modified or supplemented from time to time, the "Credit Agreement"), among [Unifi, Inc., a New York corporation (the "Parent")] [the Obligor], the subsidiaries of the [Parent (including the Obligor)] [Obligor] from time to time party thereto (together with the [Parent] [Obligor], each. a "Borrower" and collectively, the "Borrowers"), the financial institutions from time to time party thereto (the "Lenders") and the Agent.

W I T N E S S E T H:

WHEREAS, pursuant to the Credit Agreement, the Lenders have agreed to make Loans to the Borrowers and to issue or participate in Letters of Credit upon the terms and subject to the conditions set forth therein; and

WHEREAS, in connection with the Credit Agreement, the Borrowers have executed and delivered a Security Agreement, dated as of May 26, 2006, in favor of the Agent (together with all amendments and modifications, if any, from time to time thereafter made thereto, the "Security Agreement");

WHEREAS, pursuant to the Security Agreement, the Obligor pledged and granted to the Agent for the benefit of the secured parties thereunder (the "Secured Parties") a continuing security interest in all Intellectual Property, including the Copyrights; and

WHEREAS, the Obligor has duly authorized the execution, delivery and performance of this Agreement;

NOW THEREFORE, for good and valuable consideration, the receipt of which is hereby acknowledged, the Obligor agrees, for the benefit of the Agent and the Secured Parties, as follows:

SECTION 1 Definitions. Unless otherwise defined herein or the context otherwise requires, terms used in this Agreement, including its preamble and recitals, have the meanings provided or provided by reference in the Credit Agreement and the Security Agreement.

SECTION 2 Grant of Security Interest. The Obligor hereby pledges and grants a continuing security interest in, and a right of setoff against, and agrees to assign, transfer and convey, upon demand made upon the occurrence and during the continuance of an Event of

Default without requiring further action by either party and to be effective upon such demand, all of the Obligor's right, title and interest in, to and under the Copyrights (including, without limitation, those items listed on Schedule A hereto) (collectively, the "Copyright Collateral"), to the Agent for the benefit of the Secured Parties to secure payment, performance and observance of the Secured Obligations.

SECTION 3 Purpose. This Agreement has been executed and delivered by the Obligor for the purpose of recording the grant of security interest herein with the United States Copyright Office. The security interest granted hereby has been granted to the Agent for the benefit of the Secured Parties in connection with the Security Agreement and is expressly subject to the terms and conditions thereof. The Security Agreement (and all rights and remedies of the Agent thereunder) shall remain in full force and effect in accordance with its terms.

SECTION 4 Acknowledgment. The Obligor does hereby further acknowledge and affirm that the rights and remedies of the Agent with respect to the security interest in the Copyright Collateral granted hereby are more fully set forth in the Credit Agreement and the Security Agreement, the terms and provisions of which (including the remedies provided for therein) are incorporated by reference herein as if fully set forth herein. In the event of any conflict between the terms of this Agreement and the terms of the Security Agreement, the terms of the Security Agreement shall govern.

SECTION 5 Counterparts. This Agreement may be executed in counterparts, each of which will be deemed an original, but all of which together constitute one and the same original.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered by their respective officers on this __th day of _____, 20__.

[_____]
as Obligor

By: _____
Name:
Title:

BANK OF AMERICA, N.A.
as Agent

By: _____
Name:
Title:

ACKNOWLEDGMENT OF OBLIGOR

STATE OF)
) ss
COUNTY OF)

On the ____ day of May, 2006, before me personally came _____, who is personally known to me to be the _____ of [_____]., a [_____]; who, being duly sworn, did depose and say that she/he is the _____ in such corporation, the corporation described in and which executed the foregoing instrument; that she/he executed and delivered said instrument pursuant to authority given by the Board of Directors of such corporation; and that she/he acknowledged said instrument to be the free act and deed of said corporation.

_____
Notary Public

(PLACE STAMP AND SEAL ABOVE)

ACKNOWLEDGMENT OF AGENT

STATE OF)
) ss
COUNTY OF)

On the ____ day of May, 2006, before me personally came _____, who is personally known to me to be the _____ of BANK OF AMERICA, N.A., a national banking association; who, being duly sworn, did depose and say that she/he is the _____ in such national banking association, the national banking association described in and which executed the foregoing instrument; that she/he executed and delivered said instrument pursuant to authority given by the Board of Directors of such national banking association; and that she/he acknowledged said instrument to be the free act and deed of said national banking association.

_____
Notary Public

(PLACE STAMP AND SEAL ABOVE)

SCHEDULE A

U.S. Copyrights

Copyright	Registration Number

SCHEDULE 5(f)(ii)

GRANT OF SECURITY INTEREST
IN PATENT RIGHTS

This GRANT OF SECURITY INTEREST IN PATENT RIGHTS ("Agreement"), effective as of _____ __, 20__ is made by [NAME OF OBLIGOR(S)], a _____, located at _____ (the "Obligor[s]"), in favor of BANK OF AMERICA, N.A with an office at 300 Galleria Parkway, Suite 800, Atlanta, Georgia 30339, as administrative agent for the Lenders referred to below (in its capacity as administrative agent, the "Agent"), in connection with the Amended and Restated Credit Agreement, dated as of May 26, 2006 (as amended, restated, modified or supplemented from time to time, the "Credit Agreement"), among [Unifi, Inc., a New York corporation (the "Parent")] [the Obligor], the subsidiaries of the [Parent (including the Obligor)] [Obligor] from time to time party thereto (together with the [Parent] [Obligor], each. a "Borrower" and collectively, the "Borrowers"), the financial institutions from time to time party thereto (the "Lenders") and the Agent.

W I T N E S S E T H:

WHEREAS, pursuant to the Credit Agreement, the Lenders have agreed to make Loans to the Borrowers and to issue or participate in Letters of Credit upon the terms and subject to the conditions set forth therein; and

WHEREAS, in connection with the Credit Agreement, the Borrowers have executed and delivered a Security Agreement, dated as of May 26, 2006, in favor of the Agent (together with all amendments and modifications, if any, from time to time thereafter made thereto, the "Security Agreement");

WHEREAS, pursuant to the Security Agreement, the Obligor pledged and granted to the Agent for the benefit of the secured parties thereunder (the "Secured Parties") a continuing security interest in all Intellectual Property, including the Patents; and

WHEREAS, the Obligor has duly authorized the execution, delivery and performance of this Agreement;

NOW THEREFORE, for good and valuable consideration, the receipt of which is hereby acknowledged, the Obligor agrees, for the benefit of the Agent and the Secured Parties, as follows:

SECTION 1 Definitions. Unless otherwise defined herein or the context otherwise requires, terms used in this Agreement, including its preamble and recitals, have the meanings provided or provided by reference in the Credit Agreement and the Security Agreement.

SECTION 2 Grant of Security Interest. The Obligor hereby pledges and grants a continuing security interest in, and a right of setoff against, and agrees to assign, transfer and convey, upon demand made upon the occurrence and during the continuance of an Event of

Default without requiring further action by either party and to be effective upon such demand, all of the Obligor's right, title and interest in, to and under the Patents (including, without limitation, those items listed on Schedule A hereto) (collectively, the "Patent Collateral"), to the Agent for the benefit of the Secured Parties to secure payment, performance and observance of the Secured Obligations.

SECTION 3 Purpose. This Agreement has been executed and delivered by the Obligor for the purpose of recording the grant of security interest herein with the United States Patent and Trademark Office. The security interest granted hereby has been granted to the Agent for the benefit of the Secured Parties in connection with the Security Agreement and is expressly subject to the terms and conditions thereof. The Security Agreement (and all rights and remedies of the Agent thereunder) shall remain in full force and effect in accordance with its terms.

SECTION 4 Acknowledgment. The Obligor does hereby further acknowledge and affirm that the rights and remedies of the Agent with respect to the security interest in the Patent Collateral granted hereby are more fully set forth in the Credit Agreement and the Security Agreement, the terms and provisions of which (including the remedies provided for therein) are incorporated by reference herein as if fully set forth herein. In the event of any conflict between the terms of this Agreement and the terms of the Security Agreement, the terms of the Security Agreement shall govern.

SECTION 5 Counterparts. This Agreement may be executed in counterparts, each of which will be deemed an original, but all of which together constitute one and the same original.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered by their respective officers on this __th day of _____, 20__.

[_____]
as Obligor

By: _____
Name:
Title:

BANK OF AMERICA, N.A.
as Agent

By: _____
Name:
Title:

ACKNOWLEDGMENT OF OBLIGOR

STATE OF)
) ss
COUNTY OF)

On the ____ day of May, 2006, before me personally came _____, who is personally known to me to be the _____ of [_____]., a [_____]; who, being duly sworn, did depose and say that she/he is the _____in such corporation, the corporation described in and which executed the foregoing instrument; that she/he executed and delivered said instrument pursuant to authority given by the Board of Directors of such corporation; and that she/he acknowledged said instrument to be the free act and deed of said corporation.

_____
Notary Public

(PLACE STAMP AND SEAL ABOVE)

ACKNOWLEDGMENT OF AGENT

STATE OF)
) ss
COUNTY OF)

On the ____ day of May, 2006, before me personally came _____, who is personally known to me to be the _____ of BANK OF AMERICA, N.A., a national banking association; who, being duly sworn, did depose and say that she/he is the _____ in such national banking association, the national banking association described in and which executed the foregoing instrument; that she/he executed and delivered said instrument pursuant to authority given by the Board of Directors of such national banking association; and that she/he acknowledged said instrument to be the free act and deed of said national banking association.

Notary Public

(PLACE STAMP AND SEAL ABOVE)

SCHEDULE A

U.S. Patents and Patent Applications

Patent Title	Patent or Patent Application Number

SCHEDULE 5(f)(iii)

GRANT OF SECURITY INTEREST
IN TRADEMARK RIGHTS

This GRANT OF SECURITY INTEREST IN TRADEMARK RIGHTS ("Agreement"), effective as of _____ __, 20__ is made by [NAME OF OBLIGOR(S)], a _____, located at _____ (the "Obligor[s]"), in favor of BANK OF AMERICA, N.A with an office at 300 Galleria Parkway, Suite 800, Atlanta, Georgia 30339, as administrative agent for the Lenders referred to below (in its capacity as administrative agent, the "Agent"), in connection with the Amended and Restated Credit Agreement, dated as of May 26, 2006 (as amended, restated, modified or supplemented from time to time, the "Credit Agreement"), among [Unifi, Inc., a New York corporation (the "Parent")] [the Obligor], the subsidiaries of the [Parent (including the Obligor)] [Obligor] from time to time party thereto (together with the [Parent] [Obligor], each. a "Borrower" and collectively, the "Borrowers"), the financial institutions from time to time party thereto (the "Lenders") and the Agent.

W I T N E S S E T H:

WHEREAS, pursuant to the Credit Agreement, the Lenders have agreed to make Loans to the Borrowers and to issue or participate in Letters of Credit upon the terms and subject to the conditions set forth therein; and

WHEREAS, in connection with the Credit Agreement, the Borrowers have executed and delivered a Security Agreement, dated as of May 26, 2006, in favor of the Agent (together with all amendments and modifications, if any, from time to time thereafter made thereto, the "Security Agreement");

WHEREAS, pursuant to the Security Agreement, the Obligor pledged and granted to the Agent for the benefit of the secured parties thereunder (the "Secured Parties") a continuing security interest in all Intellectual Property, including the Trademarks; and

WHEREAS, the Obligor has duly authorized the execution, delivery and performance of this Agreement;

NOW THEREFORE, for good and valuable consideration, the receipt of which is hereby acknowledged, the Obligor agrees, for the benefit of the Agent and the Secured Parties, as follows:

SECTION 1 Definitions. Unless otherwise defined herein or the context otherwise requires, terms used in this Agreement, including its preamble and recitals, have the meanings provided or provided by reference in the Credit Agreement and the Security Agreement.

SECTION 2 Grant of Security Interest. The Obligor hereby pledges and grants a continuing security interest in, and a right of setoff against, and agrees to assign, transfer and convey, upon demand made upon the occurrence and during the continuance of an Event of

Default without requiring further action by either party and to be effective upon such demand, all of the Obligor's right, title and interest in, to and under the Trademarks (including, without limitation, those items listed on Schedule A hereto) (collectively, the "Trademark Collateral"), to the Agent for the benefit of the Secured Parties to secure payment, performance and observance of the Secured Obligations. Notwithstanding the foregoing provisions of this Section 2, for the purpose of this Section 2, the Obligor agrees to assign, transfer and convey, upon demand made upon the occurrence and during the continuance of Event of Default any "intent to use" trademark application only to the extent (i) that the business of the Obligor, or parties thereof, to which that mark pertains is also included in the Collateral (as defined in Section 2 of the Credit Agreement) and (ii) that such business is ongoing and existing.

SECTION 3 Purpose. This Agreement has been executed and delivered by the Obligor for the purpose of recording the grant of security interest herein with the United States Patent and Trademark Office. The security interest granted hereby has been granted to the Agent for the benefit of the Secured Parties in connection with the Security Agreement and is expressly subject to the terms and conditions thereof. The Security Agreement (and all rights and remedies of the Agent thereunder) shall remain in full force and effect in accordance with its terms.

SECTION 4 Acknowledgment. The Obligor does hereby further acknowledge and affirm that the rights and remedies of the Agent with respect to the security interest in the Trademark Collateral granted hereby are more fully set forth in the Credit Agreement and the Security Agreement, the terms and provisions of which (including the remedies provided for therein) are incorporated by reference herein as if fully set forth herein. In the event of any conflict between the terms of this Agreement and the terms of the Security Agreement, the terms of the Security Agreement shall govern.

SECTION 5 Counterparts. This Agreement may be executed in counterparts, each of which will be deemed an original, but all of which together constitute one and the same original.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered by their respective officers on this __th day of _____, 20__.

[_____]
as Obligor

By: _____
Name:
Title:

BANK OF AMERICA, N.A.
as Agent

By: _____
Name:
Title:

ACKNOWLEDGMENT OF OBLIGOR

STATE OF)
) ss
COUNTY OF)

On the ___ day of May, 2006, before me personally came _____, who is personally known to me to be the _____ of [_____]., a [_____]; who, being duly sworn, did depose and say that she/he is the _____ in such corporation, the corporation described in and which executed the foregoing instrument; that she/he executed and delivered said instrument pursuant to authority given by the Board of Directors of such corporation; and that she/he acknowledged said instrument to be the free act and deed of said corporation.

_____
Notary Public

(PLACE STAMP AND SEAL ABOVE)

ACKNOWLEDGMENT OF AGENT

STATE OF)
) ss
COUNTY OF)

On the ____ day of May, 2006, before me personally came _____, who is personally known to me to be the _____ of BANK OF AMERICA, N.A., a national banking association; who, being duly sworn, did depose and say that she/he is the _____ in such national banking association, the national banking association described in and which executed the foregoing instrument; that she/he executed and delivered said instrument pursuant to authority given by the Board of Directors of such national banking association; and that she/he acknowledged said instrument to be the free act and deed of said national banking association.

_____
Notary Public

(PLACE STAMP AND SEAL ABOVE)

SCHEDULE A

U.S. Trademark Registrations and Applications

Trademark	Registration or Serial Number

Exhibit 4.11

EXECUTION COPY

PLEDGE AGREEMENT

THIS PLEDGE AGREEMENT (this "Pledge Agreement") is entered into as of May 26, 2006, by and among UNIFI, INC., a New York corporation (the "Parent"), each of the Domestic Subsidiaries of the Parent from time to time party hereto (together with the Parent, individually a "Borrower" and collectively, the "Borrowers") (hereinafter the Borrowers are collectively referred to as the "Pledgors" and individually, as a "Pledgor") and **BANK OF AMERICA, N.A.**, in its capacity as Administrative Agent under the Credit Agreement referred to below (in such capacity, the "Agent") for the several banks and other financial institutions as may from time to time become parties to such Credit Agreement (individually a "Lender" and collectively, the "Lenders").

RECITALS

WHEREAS, certain Borrowers, the Agent, and certain lenders are each party to that certain Credit Agreement, dated as of December 7, 2001 (as heretofore amended, restated, modified or supplemented, the "Existing Credit Agreement");

WHEREAS, the Existing Credit Agreement is being amended and restated by the Amended and Restated Credit Agreement (as amended, restated, modified or supplemented from time to time, the "Credit Agreement"), dated as of May 26, 2006, among the Borrowers, the Agent and the Lenders, pursuant to which the Lenders have agreed to make Loans to the Borrowers and to issue or participate in Letters of Credit upon the terms and subject to the conditions set forth therein; and

WHEREAS, it is a condition precedent to the effectiveness of the Credit Agreement and the obligations of the Lenders to make their respective Loans and to issue and/or acquire participation interests in Letters of Credit under the Credit Agreement that the Pledgors shall have executed and delivered this Pledge Agreement to the Agent for the ratable benefit of the Lenders.

NOW, THEREFORE, in consideration of these premises and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

1. Definitions.

(a) Unless otherwise defined herein, capitalized terms used herein shall have the meanings ascribed to such terms in the Credit Agreement, and the following terms that are defined in the Uniform Commercial Code from time to time in effect in the State of New York (the "UCC") are used herein as so defined: Certificated Security, Control, Entitlement Order, Financial Asset, Investment Company Security, Securities Account, Security Entitlement, Securities Intermediary and Uncertificated Security. For purposes of this Pledge Agreement, the term "Lender" shall included any Affiliate of a Lender that has provided a Bank Product to a Borrower or any Subsidiary of a Borrower.

(b) In addition, the following term shall have the following meaning:

"Excluded Assets" means the following:

(i) any Capital Stock that is issued by any Person not organized under the laws of the United States or any state of the United States or the District of Columbia and owned by any Pledgor, if and to the extent that the inclusion of such Capital Stock in the Collateral would cause the Collateral pledged by such Pledgor, as the case may be, to include in the aggregate more than 65% of the total combined voting power of all classes of Capital Stock of such Person;

(ii) any Capital Stock and other securities (referred to herein as "Excluded Securities") of a Subsidiary of the Parent to the extent that the pledge of such Capital Stock or other securities results in the Parent being required to file separate financial statements of such Subsidiary with the SEC, but only to the extent necessary to not be subject to such requirement. In addition, in the event that Rule 3-16 or Rule 3-10 of Regulation S-X under the Securities Act is amended, modified or interpreted by the SEC to require (or is replaced with another rule or regulation, or any other law, rule or regulation is adopted, which would require) the filing with the SEC (or any other governmental or other regulatory agency or stock exchange) of separate financial statements of any Subsidiary of the Parent due to the fact that such Subsidiary's Capital Stock or other securities secure the Secured Obligations, then the Capital Stock and other securities of such Subsidiary shall automatically be deemed not to be part of the Collateral but only to the extent necessary to not be subject to such requirement. In such event, the Loan Documents may be amended or modified, without the consent of the Agent or the Lenders, as applicable, to the extent necessary to release the security interests in favor of the Agent on the shares of Capital Stock or other securities that are so deemed to no longer constitute part of the Collateral. In the event that Rule 3-16 and Rule 3-10 of Regulation S-X under the Securities Act are amended, modified or interpreted by the SEC to permit (or are replaced with another rule or regulation, or any other law, rule or regulation is adopted, which would permit) such Subsidiary's Capital Stock or other securities to secure the notes in excess of the amount then pledged without the filing with the SEC (or any other governmental or other regulatory agency or stock exchange) of separate financial statements of such Subsidiary, then the Capital Stock or other securities of such Subsidiary shall automatically be deemed to be a part of the Collateral but only to the extent permissible such that such Subsidiary would not be subject to any such financial statement requirement; and

(iii) proceeds and products from any and all of the foregoing excluded collateral described in clauses (i) and (ii), unless such proceeds or products would otherwise constitute Pledged Collateral.

2. Pledge and Grant of Security Interest. To secure the prompt payment and performance in full when due, whether by lapse of time or otherwise, of the Secured Obligations (as defined in Section 3 hereof), each Pledgor hereby pledges and grants to the Agent, for the

benefit of the Lenders, a continuing security interest in any and all right, title and interest of such Pledgor in and to the following, whether now owned or existing or owned, acquired, or arising hereafter (collectively, the "Pledged Collateral"):

(a) Pledged Capital Stock. (i) 100% (or, if less, the full amount owned by such Pledgor) of the issued and outstanding Capital Stock owned by such Pledgor of each Domestic Subsidiary set forth on Schedule 2(a) attached hereto and (ii) 65% (or, if less, the full amount owned by such Pledgor) of each class of the issued and outstanding Capital Stock entitled to vote (within the meaning of Treas. Reg. Section 1.956-2(c)(2)) ("Voting Equity") and 100% (or, if less, the full amount owned by such Pledgor) of each class of the issued and outstanding Capital Stock not entitled to vote (within the meaning of Treas. Reg. Section 1.956-2(c)(2)) ("Non-Voting Equity") owned by such Pledgor of each Foreign Subsidiary set forth on Schedule 2(a) attached hereto (collectively, together with the Capital Stock and other interests described in clauses (y) and (z) and in Sections 2(b) and 2(c) below, the "Pledged Capital Stock"), including, but not limited to, the following:

(y) subject to the percentage restrictions described above and in Section 2(b) below, all shares, securities, membership interests or other equity interests representing a dividend on any of the Pledged Capital Stock, or representing a distribution or return of capital upon or in respect of the Pledged Capital Stock, or resulting from a stock split, revision, reclassification or other exchange therefor, and any subscriptions, warrants, rights or options issued to the holder of, or otherwise in respect of, the Pledged Capital Stock; and

(z) subject to the percentage restrictions described above and in Section 2(b) below and without affecting the obligations of the Pledgors under any provision prohibiting such action hereunder or under the Credit Agreement, in the event of any consolidation or merger involving the issuer of any Pledged Capital Stock and in which such issuer is not the surviving entity, all shares of each class of the Capital Stock of the successor entity formed by or resulting from such consolidation or merger.

(b) Additional Interests. (i) 100% (or, if less, the full amount owned by such Pledgor) of each class of the issued and outstanding Capital Stock of any Person which hereafter becomes a Domestic Subsidiary and (ii) 65% (or, if less, the full amount owned by such Pledgor) of the Voting Equity and 100% (or, if less, the full amount owned by such Pledgor) of the Non-Voting Equity of any Person which hereafter becomes a Foreign Subsidiary, including, without limitation, the certificates representing such Capital Stock.

(c) Other Equity Interests. Subject to the percentage restrictions described above, any and all other Capital Stock or other equity interests owned by the Pledgors in any Domestic Subsidiary or any Foreign Subsidiary.

(d) Proceeds. All proceeds and products of the foregoing, however and whenever acquired and in whatever form.

(e) Any of the foregoing clauses (a) through (d) of this Section 2 to the contrary notwithstanding, the "Pledged Collateral" shall not include, and the security interest granted herein shall not attach to, the Excluded Assets.

Without limiting the generality of the foregoing, but subject to the limitations in Sections 2(a) and 2(e) above, it is hereby specifically understood and agreed that a Pledgor may from time to time hereafter pledge and deliver additional shares of Capital Stock or other interests to the Agent as collateral security for the Secured Obligations. Upon such pledge and delivery to the Agent, such additional shares of Capital Stock or other interests shall be deemed to be part of the Pledged Collateral of such Pledgor and shall be subject to the terms of this Pledge Agreement whether or not Schedule 2(a) is amended to refer to such additional shares.

3. Security for Secured Obligations. The security interest created hereby in the Pledged Collateral of each Pledgor constitutes continuing collateral security for all of the following, whether now existing or hereafter incurred (the "Secured Obligations"): (a) all of the Obligations, howsoever evidenced, created, incurred or acquired, whether primary, secondary, direct, contingent, or joint and several and (b) all expenses and charges, legal and otherwise, incurred by the Agent and/or the Lenders in collecting or enforcing any of the Obligations or in realizing on or protecting any security therefor, including without limitation the security granted hereunder.

4. Delivery of the Pledged Collateral; Perfection of Security Interest. Each Pledgor hereby agrees that:

(a) Delivery of Certificates and Instruments. Each Pledgor shall deliver as security to the Agent (subject to the limitations set forth in Section 2 above) (i) simultaneously with or prior to the execution and delivery of this Pledge Agreement, all certificates representing the Pledged Capital Stock owned by such Pledgor and (ii) promptly upon the receipt thereof by or on behalf of a Pledgor, all other certificates and instruments constituting Pledged Collateral owned by a Pledgor. Prior to delivery to the Agent, all such certificates and instruments constituting Pledged Collateral of a Pledgor shall be held in trust by such Pledgor for the benefit of the Agent pursuant hereto. All such certificates shall be delivered in suitable form for transfer by delivery or shall be accompanied by duly executed instruments of transfer or assignment in blank, substantially in the form provided in Exhibit 4(a) attached hereto.

(b) Additional Securities. Subject to the percentage restrictions set forth in Section 2, if such Pledgor shall receive by virtue of its being or having been the owner of any Pledged Collateral, any (i) certificate, including without limitation, any certificate representing a dividend or distribution in connection with any increase or reduction of capital, reclassification, merger, consolidation, sale of assets, combination of shares of Capital Stock, stock splits, spin-off or split-off, promissory notes or other instruments; (ii) option or right, whether as an addition to, substitution for, or an exchange for, any Pledged Collateral or otherwise; (iii) dividends payable in Capital Stock; or (iv) distributions of Capital Stock or other equity interests in connection with a partial or total liquidation, dissolution or reduction of capital, capital surplus or paid-in surplus, then such Pledgor shall receive such certificate, instrument, option, right or distribution in

trust for the benefit of the Agent, shall segregate it from such Pledgor's other property and shall deliver it forthwith to the Agent in the exact form received accompanied by duly executed instruments of transfer or assignment in blank, substantially in the form provided in Exhibit 4(a) attached hereto, to be held by the Agent as Pledged Collateral and as further collateral security for the Secured Obligations.

(c) Financing Statements. Each Pledgor hereby authorizes the Agent to prepare and file such financing statements (including continuation statements) or amendments thereof or supplements thereto or other instruments as the Agent may from time to time deem reasonably necessary or appropriate in order to perfect and maintain the security interests granted hereunder in accordance with the UCC, including, without limitation, any financing statement that describes the Pledged Collateral as "all personal property" or "all assets" of such Pledgor or that describes the Pledged Collateral in some other manner as the Agent deems necessary or advisable. Each Pledgor shall also execute and deliver to the Agent and/or file such agreements, assignments or instruments (including affidavits, notices, reaffirmations and amendments and restatements of existing documents, as the Agent may reasonably request) and do all such other things as the Agent may reasonably deem necessary or appropriate (i) to assure to the Agent its security interests hereunder are perfected, including such financing statements (including continuation statements) or amendments thereof or supplements thereto or other instruments as the Agent may from time to time reasonably request in order to perfect and maintain the security interests granted hereunder in accordance with the UCC and any other personal property security legislation in the appropriate jurisdictions, (ii) to consummate the transactions contemplated hereby and (iii) to otherwise protect and assure the Agent of its rights and interests hereunder. To that end, each Pledgor hereby irrevocably makes, constitutes and appoints the Agent, its nominee or any other person whom the Agent may designate, as such Pledgor's attorney-in-fact with full power and for the limited purpose to sign in the name of such Pledgor any notices or any similar documents which in the Agent's reasonable discretion would be necessary, appropriate or convenient in order to perfect and maintain perfection of the security interests granted hereunder, such power, being coupled with an interest, being and remaining irrevocable so long as any of the Secured Obligations (other than contingent indemnity obligations that survive termination of the Loan Documents pursuant to the stated terms thereof) remain outstanding or any Credit Document is in effect, and until all of the Commitments shall have been terminated. In the event for any reason the law of any jurisdiction other than New York becomes or is applicable to the Pledged Collateral of any Pledgor or any part thereof, or to any of the Secured Obligations, such Pledgor agrees to execute and deliver all such instruments and to do all such other things as the Agent in its sole discretion reasonably deems necessary or appropriate to preserve, protect and enforce the security interests of the Agent under the law of such other jurisdiction (and, if a Pledgor shall fail to do so promptly upon the request of the Agent, then the Agent may execute any and all such requested documents on behalf of such Pledgor pursuant to the power of attorney granted hereinabove). Each Pledgor agrees to mark its books and records (and to cause the issuer of the Pledged Capital Stock of such Pledgor to mark its books and records) to reflect the security interest of the Agent in the Pledged Collateral.

(d) Provisions Relating to Uncertificated Securities, Securities Entitlements and Securities Accounts. The Pledgors shall promptly notify the Agent of any Pledged Collateral consisting of an Uncertificated Security or a Securities Entitlement or any Pledged Collateral held in a Securities Account. With respect to any such Pledged Collateral, (a) the applicable Pledgor and the applicable issuer of the Uncertificated Security or the applicable Securities Intermediary shall enter into, upon the request of the Agent, an agreement with the Agent granting Control to the Agent over such Pledged Collateral, such agreement to be in form and substance reasonably satisfactory to the Agent and (b) the Agent shall be entitled, upon the occurrence and during the continuance of a Default or an Event of Default, to notify the applicable issuer of the Uncertificated Security or the applicable Securities Intermediary that it should follow the instructions or the Entitlement Orders, respectively, of the Agent and no longer follow the instructions or the Entitlement Orders, respectively, of the applicable Pledgor. Upon receipt by a Pledgor of notice from a Securities Intermediary of its intent to terminate the Securities Account of such Pledgor held by such Securities Intermediary, prior to the termination of such Securities Account the Pledged Collateral in such Securities Account shall be (i) transferred to a new Securities Account, upon the request of the Agent, which shall be subject to a control agreement as provided above or (ii) transferred to an account held by the Agent (in which it will be held until a new Securities Account is established).

5. Representations and Warranties. Each Pledgor hereby represents and warrants to the Agent, for the benefit of the Lenders, that so long as any of the Secured Obligations (other than contingent indemnity obligations that survive termination of the Loan Documents pursuant to the stated terms thereof) remain outstanding or any Credit Document is in effect, and until all of the Commitments shall have been terminated:

(a) Authorization of Pledged Capital Stock. The Pledged Capital Stock is duly authorized and validly issued, is fully paid and nonassessable and is not subject to the preemptive rights of any Person.

(b) Title. Each Pledgor has good and indefeasible title to the Pledged Collateral of such Pledgor and will at all times be the legal and beneficial owner of such Pledged Collateral free and clear of any Lien or options in favor of, or claims of, any Person, other than Permitted Liens. There exists no “adverse claim” within the meaning of Section 8-102 of the UCC with respect to the Pledged Capital Stock of such Pledgor.

(c) Exercising of Rights. The exercise by the Agent of its rights and remedies hereunder will not violate any law or governmental regulation or any material contractual restriction binding on or affecting a Pledgor or any of its property, provided that the Agent obtains all necessary Governmental Approvals pursuant to Section 10(e) hereof.

(d) Pledgor’s Authority. With respect to any Pledged Capital Stock issued by a Domestic Subsidiary, no authorization, approval or action by, and no notice or filing with any Governmental Authority, such issuer or any third party is required either (i) for the pledge made by such Pledgor or for the granting of the security interest by such Pledgor pursuant to this Pledge Agreement or (ii) for the exercise by the Agent or the

Lenders of their rights and remedies hereunder (except as may be required by laws affecting the offering and sale of securities).

(e) Security Interest/Priority. This Pledge Agreement creates a valid security interest in favor of the Agent for the ratable benefit of the Lenders, in the Pledged Collateral. The taking possession by the Agent of the certificates (if any) representing the Pledged Capital Stock and all other certificates and instruments constituting Pledged Collateral will perfect and establish the first priority of the Agent's security interest in all certificated Pledged Capital Stock and such certificates and instruments. Upon the filing of UCC financing statements in the location of each Pledgor's State of organization, the Agent shall have a valid first priority perfected security interest in all uncertificated Pledged Capital Stock consisting of partnership or limited liability company interests that do not constitute a Security pursuant to Section 8-103(c) of the UCC. With respect to any Pledged Collateral consisting of an Uncertificated Security or a Securities Entitlement or any Pledged Collateral held in a Securities Account, upon execution and delivery by the applicable Pledgor, the Agent and the applicable Securities Intermediary or the applicable issuer of the Uncertificated Security of an agreement granting Control to the Agent over such Pledged Collateral, the Agent shall have a valid first priority perfected security interest in such Pledged Collateral. Except as set forth in this Section, no action is necessary to perfect the Agent's security interest.

(f) No Other Capital Stock. Except as set forth on Schedule 2(a) attached hereto (as updated or deemed updated from time to time in accordance with the terms hereof and of the Credit Agreement), no Pledgor owns any Capital Stock of the Borrowers or any of their Subsidiaries.

(g) Partnership and Limited Liability Company Interests. Except as previously disclosed to the Agent, none of the Pledged Capital Stock consisting of partnership or limited liability company interests (i) is dealt in or traded on a securities exchange or in a securities market, (ii) by its terms expressly provides that it is a Security governed by Article 8 of the UCC, (iii) is an Investment Company Security, (iv) is held in a Securities Account or (v) constitutes a Security or a Financial Asset.

6. Covenants. Each Pledgor hereby covenants, that so long as any of the Secured Obligations (other than contingent indemnity obligations that survive termination of the Loan Documents pursuant to the stated terms thereof) remain outstanding or any Credit Document is in effect, and until all of the Commitments shall have been terminated, such Pledgor shall:

(a) Defense of Title. Warrant and defend title to and ownership of the Pledged Collateral of such Pledgor at its own expense against the claims and demands of all other parties claiming an interest therein; keep the Pledged Collateral free from all Liens, other than Permitted Liens; and not sell, exchange, transfer, assign, lease or otherwise dispose of Pledged Collateral of such Pledgor or any interest therein, except as permitted under the Credit Agreement and the other Loan Documents.

(b) Further Assurances. Promptly execute and deliver at its expense all further instruments and documents and take all further action that may be necessary and

desirable or that the Agent may request in order to (i) perfect and protect the security interest created hereby in the Pledged Collateral of such Pledgor (including, without limitation, execution and delivery of one or more control agreements reasonably acceptable to the Agent, filing of UCC financing statements and any and all other actions reasonably necessary to satisfy the Agent that the Agent has obtained a first priority perfected security interest in all Pledged Collateral); (ii) enable the Agent to exercise and enforce its rights and remedies hereunder in respect of the Pledged Collateral of such Pledgor; and (iii) otherwise effect the purposes of this Pledge Agreement, including, without limitation and if requested by the Agent, delivering to the Agent irrevocable proxies in respect of the Pledged Collateral of such Pledgor.

(c) Amendments. Not make or consent to any amendment or other modification or waiver with respect to any of the Pledged Collateral of such Pledgor or enter into any agreement or allow to exist any restriction with respect to any of the Pledged Collateral of such Pledgor other than pursuant hereto or as may be permitted under the Credit Agreement.

(d) Compliance with Securities Laws. File all reports and other information now or hereafter required to be filed by such Pledgor with the United States Securities and Exchange Commission and any other state, federal or foreign agency in connection with the ownership of the Pledged Collateral of such Pledgor.

(e) Issuance or Acquisition of Capital Stock. Not without executing and delivering, or causing to be executed and delivered, to the Agent such agreements, documents and instruments as the Agent may reasonably require, issue or acquire any Capital Stock that consists of an interest in a partnership or a limited liability company which (i) is dealt in or traded on a securities exchange or in a securities market, (ii) by its terms expressly provides that it is a Security governed by Article 8 of the UCC, (iii) is an Investment Company Security, (iv) is held in a Securities Account or (v) constitutes a Security or a Financial Asset.

(f) Changes in Name, etc. Except upon 15 days' prior written notice to the Agent and delivery to the Agent of all additional executed financing statements and other documents reasonably requested by the Agent to maintain the validity, perfection and priority of the security interests provided for herein, (i) change its jurisdiction of organization or the location of its chief executive office or sole place of business or principal residence or (ii) change its name.

(g) Liquidation or Dissolution. Any sums paid upon or in respect of the Pledged Collateral upon the liquidation or dissolution of any issuer of Pledged Collateral shall be paid over to the Agent to be held by it hereunder as additional collateral security for the Secured Obligations, and in case any distribution of capital shall be made on or in respect of the Pledged Collateral or any property shall be distributed upon or with respect to the Pledged Collateral pursuant to the recapitalization or reclassification of the capital of any issuer of Pledged Collateral or pursuant to the reorganization thereof, the property so distributed shall, unless otherwise subject to a perfected security interest in favor of the Agent, be delivered to the Agent to be held by it hereunder as additional collateral

security for the Secured Obligations. If any sums of money or property so paid or distributed in respect of the Pledged Collateral shall be received by such Pledgor, such Pledgor shall, until such money or property is paid or delivered to the Agent, hold such money or property in trust for the Agent and the Lenders, segregated from other funds of such Pledgor, as additional collateral security for the Secured Obligations.

(h) Other Actions. Without the prior written consent of the Agent, such Pledgor will not (i) vote to enable, or take any other action to permit, any issuer of Pledged Collateral to issue any Capital Stock of any nature or to issue any other securities convertible into or granting the right to purchase or exchange for any capital stock of any nature of any issuer of Pledged Collateral, unless such action is otherwise permitted pursuant to the Credit Agreement and the Agent will continue to have a perfected security interest therein, (ii) sell, assign, transfer, exchange, or otherwise dispose of, or grant any option with respect to, the Pledged Collateral or proceeds thereof (except pursuant to a transaction expressly permitted by the Credit Agreement), (iii) create, incur or permit to exist any Lien or option in favor of, or any claim of any Person with respect to, any of the Pledged Collateral or proceeds thereof, or any interest therein, except for the security interests created by this Pledge Agreement or (iv) enter into any agreement or undertaking restricting the right or ability of such Pledgor or the Agent to sell, assign or transfer any of the Pledged Collateral or proceeds thereof.

(i) Issuers of Pledged Collateral. Each Pledgor agrees that (i) it will be bound by the terms of this Pledge Agreement relating to the Pledged Collateral issued by it and will comply with such terms insofar as such terms are applicable to it, (ii) it will notify the Agent promptly in writing of the occurrence of any of the events described in Section 6(f) with respect to the Pledged Collateral issued by it and (iii) the terms of Section 10(c) shall apply to it, mutatis mutandis, with respect to all actions that may be required of it pursuant to Section 10(c) with respect to the Pledged Collateral issued by it.

7. Power of Attorney for Perfection of Liens. Each Pledgor hereby irrevocably makes, constitutes and appoints the Agent, its nominee or any other person whom the Agent may designate, as such Pledgor's attorney-in-fact with full power and for the limited purpose to sign in the name of such Pledgor any financing statements, or amendments and supplements to financing statements, continuation financing statements, notices or any similar documents which in the Agent's reasonable discretion would be necessary, appropriate or convenient in order to perfect and maintain perfection of the security interests granted hereunder, such power, being coupled with an interest, being and remaining irrevocable so long as any of the Secured Obligations (other than contingent indemnity obligations that survive termination of the Loan Documents pursuant to the stated terms thereof) remain outstanding or any Credit Document is in effect, and until all of the Commitments shall have been terminated. In the event for any reason the law of any jurisdiction other than New York becomes or is applicable to the Collateral of any Pledgor or any part thereof, or to any of the Secured Obligations, such Pledgor agrees to execute and deliver all such instruments and to do all such other things as the Agent in its sole discretion reasonably deems necessary or appropriate to preserve, protect and enforce the security interests of the Agent under the law of such other jurisdiction (and, if an Pledgor shall fail to do so promptly upon the request of the Agent, then the Agent may execute any and all such requested documents on behalf of such Pledgor pursuant to the power of attorney granted hereinabove).

8. Performance of Obligations; Advances by Agent. On failure of any Pledgor to perform any of the covenants and agreements contained herein, the Agent may, at its sole option and in its sole discretion, perform or cause to be performed the same and in so doing may expend such sums as the Agent may reasonably deem advisable in the performance thereof, including, without limitation, the payment of any insurance premiums, the payment of any taxes, a payment to obtain a release of a Lien or potential Lien, expenditures made in defending against any adverse claim and all other expenditures which the Agent may make for the protection of the security interest hereof or may be compelled to make by operation of law. All such sums and amounts so expended shall be repayable by the Pledgors on a joint and several basis promptly upon timely notice thereof and demand therefor, shall constitute additional Secured Obligations and shall bear interest from the date said amounts are expended at the Default Rate for Base Rate Loans. No such performance of any covenant or agreement by the Agent on behalf of any Pledgor, and no such advance or expenditure therefor, shall relieve the Pledgors of any default under the terms of this Pledge Agreement or the other Loan Documents. The Agent may make any payment hereby authorized in accordance with any bill, statement or estimate procured from the appropriate public office or holder of the claim to be discharged without inquiry into the accuracy of such bill, statement or estimate or into the validity of any tax assessment, sale, forfeiture, tax lien, title or claim except to the extent such payment is being contested in good faith by a Pledgor in appropriate proceedings and against which adequate reserves are being maintained in accordance with GAAP.

9. Events of Default. The occurrence of an event which under the Credit Agreement would constitute an Event of Default shall be an event of default hereunder (an "Event of Default").

10. Remedies.

(a) General Remedies. Upon the occurrence of an Event of Default and during the continuation thereof, the Agent shall have, in respect of the Pledged Collateral of any Pledgor, in addition to the rights and remedies provided herein, in the other Loan Documents or by law, the rights and remedies of a secured party under the UCC or any other applicable law.

(b) Sale of Pledged Collateral. Upon the occurrence of an Event of Default and during the continuation thereof, without limiting the generality of this Section and without notice, the Agent may, in its sole discretion, sell or otherwise dispose of or realize upon the Pledged Collateral, or any part thereof, in one or more parcels, at public or private sale, at any exchange or broker's board or elsewhere, at such price or prices and on such other terms as the Agent may deem commercially reasonable, for cash, credit or for future delivery or otherwise in accordance with applicable law. To the extent permitted by law, any Lender may in such event, bid for the purchase of such securities. Each Pledgor agrees that, to the extent notice of sale shall be required by law and has not been waived by such Pledgor, any requirement of reasonable notice shall be met if notice, specifying the place of any public sale or the time after which any private sale is to be

made, is personally served on or mailed, postage prepaid, to such Pledgor, in accordance with the notice provisions of Section 14.8 of the Credit Agreement at least ten (10) days before the time of such sale. The Agent shall not be obligated to make any sale of Pledged Collateral of such Pledgor regardless of notice of sale having been given. The Agent may adjourn any public or private sale from time to time by announcement at the time and place fixed therefor, and such sale may, without further notice, be made at the time and place to which it was so adjourned.

(c) Public Sale. If the Agent shall determine to exercise its right to sell all or any of the Pledged Collateral, each Pledgor agrees that, upon request of the Agent (which request may be made by the Agent in its sole discretion), such Pledgor will, at its own expense:

(i) to use commercially reasonable efforts to do or cause to be done all such acts and things as may be necessary to make such sale of the Pledged Collateral or any part thereof valid and binding and in compliance with applicable law; and

(ii) bear all costs and expenses, including reasonable attorneys' fees, of carrying out its obligations under this Section 9.

Each Pledgor further agrees that a breach of any of the covenants contained in this Section 9(c) will cause irreparable injury to the Agent, that Agent has no adequate remedy at law in respect of such breach and, as a consequence, that each and every covenant contained in this Section 9(c) shall be specifically enforceable against such Pledgor, and such Pledgor hereby waives and agrees not to assert any defenses against an action for specific performance of such covenants except for a defense that no Event of Default has occurred giving rise to the Secured Obligations becoming due and payable prior to their stated maturities. Nothing in this Section 9(c) shall in any way alter the other rights of the Agent under this Pledge Agreement.

In the event of any sale described in this Section 9(c), each Pledgor agrees to indemnify and hold harmless the Agent and the Lenders and each of their respective directors, officers, employees and agents from and against any loss, fee, cost, expense, damage, liability or claim, joint or several, to which any such persons may become subject or for which any of them may be liable, insofar as such losses, fees, costs, expenses, damages, liabilities or claims (or any litigation commenced or threatened in respect thereof) arise out of or are based upon an untrue statement or alleged untrue statement of a material fact contained in any offering memorandum or other sale document prepared by any Pledgor or any amendment or supplement thereto, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading and will reimburse Agent and such other persons for any legal or other expenses reasonably incurred by the Agent and such other persons in connection with any litigation, of any nature whatsoever, commenced or threatened in respect thereof (including all fees, costs and expenses whatsoever reasonably incurred by the Agent and such other persons and counsel for the Agent and such other persons in investigating, preparing for, defending against or

providing evidence, producing documents or taking any other action in respect of, any such commenced or threatened litigation or any claims asserted). This indemnity shall be in addition to any liability which any Pledgor may otherwise have and shall extend upon the same terms and conditions to each person, if any, that controls the Agent or such persons within the meaning of the Securities Act of 1933.

(d) Private Sale. Upon the occurrence of an Event of Default and during the continuation thereof, the Pledgors recognize that the Agent may deem it impracticable to effect a public sale of all or any part of the Pledged Collateral and that the Agent may, therefore, determine to make one or more private sales of any such Pledged Collateral to a restricted group of purchasers who will be obligated to agree, among other things, to acquire such Pledged Collateral for their own account, for investment and not with a view to the distribution or resale thereof. Each Pledgor acknowledges that any such private sale may be at prices and on terms less favorable to the seller than the prices and other terms which might have been obtained at a public sale and, notwithstanding the foregoing, agrees that such private sale shall be deemed to have been made in a commercially reasonable manner and that the Agent shall have no obligation to delay sale of any such Pledged Collateral for the period of time necessary to permit the issuer of such Pledged Collateral to register such Pledged Collateral for public sale under the Securities Act of 1933. Each Pledgor further acknowledges and agrees that any offer to sell such Pledged Collateral which has been (i) publicly advertised on a bona fide basis in a newspaper or other publication of general circulation in the financial community of New York, New York (to the extent that such offer may be advertised without prior registration under the Securities Act of 1933), or (ii) made privately in the manner described above shall be deemed to involve a "public sale" under the UCC, notwithstanding that such sale may not constitute a "public offering" under the Securities Act of 1933, and the Agent may, in such event, bid for the purchase of such Pledged Collateral.

(e) Retention of Pledged Collateral. In addition to the rights and remedies hereunder, upon the occurrence of an Event of Default and during the continuation thereof, the Agent may, after providing the notices required by Sections 9-620 and 9-621 of the UCC (or any successor sections of the UCC) or otherwise complying with the notice requirements of applicable law of the relevant jurisdiction, accept or retain all or any portion of the Pledged Collateral in satisfaction of the Secured Obligations. Unless and until the Agent shall have provided such notices, however, the Agent shall not be deemed to have retained any Pledged Collateral in satisfaction of any Secured Obligations for any reason.

(f) Deficiency. In the event that the proceeds of any sale, collection or realization are insufficient to pay all amounts to which the Agent or the Lenders are legally entitled, the Pledgors shall be jointly and severally liable for the deficiency, and subject to Section 2.1 of the Credit Agreement, together with interest thereon at the Default Rate for Base Rate Loans, together with the costs of collection and the reasonable fees of any attorneys employed by the Agent to collect such deficiency. Any surplus remaining after the full payment and satisfaction of the Secured Obligations shall be

returned to the Pledgors or to whomsoever a court of competent jurisdiction shall determine to be entitled thereto.

(g) Other Security. To the extent that any of the Secured Obligations are now or hereafter secured by property other than the Pledged Collateral (including, without limitation, real and other personal property owned by a Pledgor), or by a guarantee, endorsement or property of any other Person, then the Agent shall have the right to proceed against such other property, guarantee or endorsement upon the occurrence and during the continuation of any Event of Default, and the Agent shall have the right, in its sole discretion, to determine which rights, security, Liens, security interests or remedies the Agent shall at any time pursue, relinquish, subordinate, modify or take with respect thereto, without in any way modifying or affecting any of them or any of the Agent's rights or the Secured Obligations under this Pledge Agreement or under any other of the Loan Documents.

11. Rights of the Agent.

(a) Power of Attorney. In addition to other powers of attorney contained herein, each Pledgor hereby designates and appoints the Agent, on behalf of the Lenders, and each of its designees or agents as attorney-in-fact of such Pledgor, irrevocably and with power of substitution, with authority to take any or all of the following actions upon the occurrence and during the continuation of an Event of Default:

(i) to demand, collect, settle, compromise, adjust and give discharges and releases concerning the Pledged Collateral of such Pledgor, all as the Agent may reasonably determine in respect of such Pledged Collateral;

(ii) to commence and prosecute any actions at any court for the purposes of collecting any of the Pledged Collateral and enforcing any other right in respect thereof;

(iii) to defend, settle, adjust or compromise any action, suit or proceeding brought with respect to the Pledged Collateral and, in connection therewith, give such discharge or release as the Agent may deem reasonably appropriate;

(iv) to pay or discharge taxes, Liens, security interests, or other encumbrances levied or placed on or threatened against the Pledged Collateral;

(v) to direct any parties liable for any payment under any of the Pledged Collateral to make payment of any and all monies due and to become due thereunder directly to the Agent or as the Agent shall direct;

(vi) to receive payment of and receipt for any and all monies, claims, and other amounts due and to become due at any time in respect of or arising out of any Pledged Collateral of such Pledgor;

(vii) to sign and endorse any drafts, assignments, proxies, stock powers, verifications, notices and other documents relating to the Pledged Collateral of such Pledgor;

(viii) to execute and deliver and/or file all assignments, conveyances, statements, financing statements, continuation statements, pledge agreements, affidavits, notices and other agreements, instruments and documents that the Agent may determine necessary in order to perfect and maintain the security interests and Liens granted in this Pledge Agreement and in order to fully consummate all of the transactions contemplated herein;

(ix) to exchange any of the Pledged Collateral of such Pledgor or other property upon any merger, consolidation, reorganization, recapitalization or other readjustment of the issuer thereof and, in connection therewith, deposit any of the Pledged Collateral of such Pledgor with any committee, depository, transfer agent, registrar or other designated agency upon such terms as the Agent may determine;

(x) to vote for a shareholder, partner or member resolution, or to sign an instrument in writing, sanctioning the transfer of any or all of the Pledged Collateral of such Pledgor into the name of the Agent or into the name of any transferee to whom the Pledged Collateral of such Pledgor or any part thereof may be sold pursuant to Section 9 hereof; and

(xi) to do and perform all such other acts and things as the Agent may reasonably deem to be necessary, proper or convenient in connection with the Pledged Collateral of such Pledgor.

This power of attorney is a power coupled with an interest and shall be irrevocable for so long as any of the Secured Obligations (other than contingent indemnity obligations that survive termination of the Loan Documents pursuant to the stated terms thereof) remain outstanding or any Credit Document is in effect, and until all of the Commitments shall have been terminated. The Agent shall be under no duty to exercise or withhold the exercise of any of the rights, powers, privileges and options expressly or implicitly granted to the Agent in this Pledge Agreement, and shall not be liable for any failure to do so or any delay in doing so. The Agent shall not be liable for any act or omission or for any error of judgment or any mistake of fact or law in its individual capacity or its capacity as attorney-in-fact except acts or omissions resulting from its gross negligence or willful misconduct. This power of attorney is conferred on the Agent solely to protect, preserve and realize upon its security interest in the Pledged Collateral.

(b) Assignment by the Agent. The Agent may from time to time assign the Secured Obligations or any portion thereof and/or the Pledged Collateral or any portion thereof to a successor Agent, and the assignee shall be entitled to all of the rights and remedies of the Agent under this Pledge Agreement in relation thereto.

(c) The Agent's Duty of Care. Other than the exercise of reasonable care to assure the safe custody of the Pledged Collateral while being held by the Agent hereunder, the Agent shall have no duty or liability to preserve rights pertaining thereto, it being understood and agreed that Pledgors shall be responsible for preservation of all rights in the Pledged Collateral of such Pledgor, and the Agent shall be relieved of all responsibility for Pledged Collateral upon surrendering it or tendering the surrender of it to the Pledgors. The Agent shall be deemed to have exercised reasonable care in the custody and preservation of the Pledged Collateral in its possession if such Pledged Collateral is accorded treatment substantially equal to that which the Agent accords its own property, which shall be no less than the treatment employed by a reasonable and prudent agent in the industry, it being understood that the Agent shall not have responsibility for (i) ascertaining or taking action with respect to calls, conversions, exchanges, maturities, tenders or other matters relating to any Pledged Collateral, whether or not the Agent has or is deemed to have knowledge of such matters; or (ii) taking any necessary steps to preserve rights against any parties with respect to any Pledged Collateral.

(d) Voting Rights in Respect of the Pledged Collateral.

(i) So long as no Event of Default shall have occurred and be continuing, to the extent permitted by law, each Pledgor may exercise any and all voting and other consensual rights pertaining to the Pledged Collateral of such Pledgor or any part thereof for any purpose not inconsistent with the terms of this Pledge Agreement or the Credit Agreement; provided that Pledgor shall not exercise or shall refrain from exercising any such right if such action would have a material adverse effect on the value of the Pledged Collateral or any part thereof.

(ii) Subject to subsection (e) of this Section, upon the occurrence and during the continuance of an Event of Default, all rights of a Pledgor to exercise the voting and other consensual rights which it would otherwise be entitled to exercise pursuant to paragraph (i) of this subsection (d) shall cease and all such rights shall thereupon become vested in the Agent which shall then have the sole right to exercise such voting and other consensual rights.

(e) Dividend and Distribution Rights in Respect of the Pledged Collateral.

(i) So long as no Event of Default shall have occurred and be continuing, each Pledgor may receive and retain any and all dividends (other than dividends payable in the form of Capital Stock and other dividends constituting Pledged Collateral which are required to be delivered to the Agent pursuant to Section 4 above), distributions or interest paid in respect of the Pledged Collateral to the extent they are allowed under the Credit Agreement.

(ii) Upon the occurrence and during the continuation of an Event of Default:

(A) all rights of a Pledgor to receive the dividends, distributions and interest payments which it would otherwise be authorized to receive and retain pursuant to paragraph (i) of this subsection (e) shall cease and all such rights shall thereupon be vested in the Agent which shall then have the sole right to receive and hold as Pledged Collateral such dividends, distributions and interest payments; and

(B) all dividends, distributions and interest payments which are received by a Pledgor contrary to the provisions of clause (A) of this subsection (ii) shall be received in trust for the benefit of the Agent, shall be segregated from other property or funds of such Pledgor, and shall be forthwith paid over to the Agent as Pledged Collateral in the exact form received, to be held by the Agent as Pledged Collateral and as further collateral security for the Secured Obligations.

(f) Release of Pledged Collateral. The Agent may release any of the Pledged Collateral from this Pledge Agreement or may substitute any of the Pledged Collateral for other Pledged Collateral without altering, varying or diminishing in any way the force, effect, Lien, pledge or security interest of this Pledge Agreement as to any Pledged Collateral not expressly released or substituted, and this Pledge Agreement shall continue as a first priority Lien on all Pledged Collateral not expressly released or substituted. The Agent shall be entitled to release (i) the Pledged Collateral as and to the extent provided in the Credit Agreement and the Intercreditor Agreement and (ii) any Pledgor that ceases to become a Borrower in accordance with the terms of the Credit Agreement.

12. Application of Proceeds. After the exercise of remedies by the Agent or the Lenders pursuant to Section 9.2 of the Credit Agreement (or after the Commitments shall automatically terminate and the Loans (with accrued interest thereon) and all other amounts under the Loan Documents shall automatically become due and payable in accordance with the terms of such Section), any proceeds of the Pledged Collateral, when received by the Agent or any of the Lenders in cash or its equivalent, will be applied in reduction of the Secured Obligations in the order set forth in Section 3.8 of the Credit Agreement, and each Pledgor irrevocably waives the right to direct the application of such payments and proceeds and acknowledges and agrees that the Agent shall have the continuing and exclusive right to apply and reapply any and all such proceeds in accordance with Section 3.8 of the Credit Agreement.

13. Costs of Counsel. If at any time hereafter, whether upon the occurrence of an Event of Default or not, the Agent employs counsel to prepare or consider amendments, waivers or consents with respect to this Pledge Agreement, or to take action or make a response in or with respect to any legal or arbitral proceeding relating to this Pledge Agreement or relating to the Pledged Collateral, or to protect the Pledged Collateral or exercise any rights or remedies under this Pledge Agreement or with respect to the Pledged Collateral, then the Pledgors agree to promptly pay upon demand any and all such reasonable documented costs and expenses of the Agent or the Lenders, all of which costs and expenses shall constitute Secured Obligations hereunder.

14. Continuing Agreement.

(a) This Pledge Agreement shall be a continuing agreement in every respect and shall remain in full force and effect so long as any of the Secured Obligations (other than contingent indemnity obligations that survive termination of the Loan Documents pursuant to the stated terms thereof) remain outstanding or any Credit Document is in effect, and until all of the Commitments shall have been terminated. Upon such payment and termination, this Pledge Agreement shall be automatically terminated and the Agent and the Lenders shall, upon the request and at the expense of the Pledgors, forthwith release all of the Liens and security interests granted hereunder and shall deliver all UCC termination statements and/or other documents reasonably requested by the Pledgors evidencing such termination. Notwithstanding the foregoing, all releases and indemnities provided hereunder shall survive termination of this Pledge Agreement.

(b) This Pledge Agreement shall continue to be effective or be automatically reinstated, as the case may be, if at any time payment, in whole or in part, of any of the Secured Obligations is rescinded or must otherwise be restored or returned by the Agent or any Lender as a preference, fraudulent conveyance or otherwise under any bankruptcy, insolvency or similar law, all as though such payment had not been made; provided that in the event payment of all or any part of the Secured Obligations is rescinded or must be restored or returned, all reasonable costs and expenses (including without limitation any reasonable legal fees and disbursements) incurred by the Agent or any Lender in defending and enforcing such reinstatement shall be deemed to be included as a part of the Secured Obligations.

15. Amendments; Waivers; Modifications. This Pledge Agreement and the provisions hereof may not be amended, waived, modified, changed, discharged or terminated except as set forth in Section 11.1 of the Credit Agreement.

16. Successors in Interest. This Pledge Agreement shall create a continuing security interest in the Pledged Collateral and shall be binding upon each Pledgor, its successors and assigns and shall inure, together with the rights and remedies of the Agent hereunder, to the benefit of the Agent and the Lenders and their successors and permitted assigns; provided that none of the Pledgors may assign its rights or delegate its duties hereunder without the prior written consent of each Lender or the Majority Lenders, as required by the Credit Agreement. To the fullest extent permitted by law, each Pledgor hereby releases the Agent and each Lender, each of their respective officers, employees and agents and each of their respective successors and assigns, from any liability for any act or omission relating to this Pledge Agreement or the Pledged Collateral, except for any liability arising from the gross negligence or willful misconduct of the Agent or such Lender or their respective officers, employees and agents, in each case as determined by a court of competent jurisdiction.

17. Notices. All notices required or permitted to be given under this Pledge Agreement shall be in conformance with Section 14.8 of the Credit Agreement.

18. Counterparts. This Pledge Agreement may be executed in any number of counterparts, each of which where so executed and delivered shall be an original, but all of which shall constitute one and the same instrument. It shall not be necessary in making proof of this Pledge Agreement to produce or account for more than one such counterpart.

19. Headings. The headings of the sections and subsections hereof are provided for convenience only and shall not in any way affect the meaning, construction or interpretation of any provision of this Pledge Agreement.

20. Governing Law; Submission to Jurisdiction and Service of Process; Waiver of Jury Trial; Venue. THIS PLEDGE AGREEMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER SHALL BE GOVERNED BY AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK (INCLUDING SECTIONS 5-1401 AND 5-1402 OF THE NEW YORK GENERAL OBLIGATIONS LAW, BUT EXCLUDING ALL OTHER CHOICE OF LAW AND CONFLICTS OF LAW RULES). The terms of Sections 14.1, 14.3, 14.4 and 14.12 of the Credit Agreement are incorporated herein by reference, *mutatis mutandis*, and the parties hereto agree to such terms.

21. Severability. If any provision of this Pledge Agreement is determined to be illegal, invalid or unenforceable, such provision shall be fully severable and the remaining provisions shall remain in full force and effect and shall be construed without giving effect to the illegal, invalid or unenforceable provisions.

22. Entirety. This Pledge Agreement and the other Loan Documents represent the entire agreement of the parties hereto and thereto, and supersede all prior agreements and understandings, oral or written, if any, including any commitment letters or correspondence relating to this Pledge Agreement, the other Loan Documents or the transactions contemplated herein and therein.

23. Survival. All representations and warranties of the Pledgors hereunder shall survive the execution and delivery of this Pledge Agreement and the other Loan Documents, the delivery of the Revolving Loan Notes and the making of the Loans and the issuance of the Letters of Credit under the Credit Agreement.

24. Joint and Several Obligations of Pledgors.

(a) Each of the Pledgors is accepting joint and several liability hereunder in consideration of the financial accommodations to be provided by the Lenders under the Credit Agreement, for the mutual benefit, directly and indirectly, of each of the Pledgors and in consideration of the undertakings of each of the Pledgors to accept joint and several liability for the obligations of each of them.

(b) Each of the Pledgors, jointly and severally hereby irrevocably and unconditionally accepts, not merely as a surety but also as a co-debtor, joint and several liability with the other Pledgors with respect to the payment and performance of all of the Secured Obligations arising under this Pledge Agreement and the other Loan Documents, it being the intention of the parties hereto that all the Secured Obligations shall be the joint and several obligations of each of the Pledgors without preferences or distinction among them.

(c) Notwithstanding any provision to the contrary contained herein or in any other of the Loan Documents, to the extent the obligations of a Pledgor shall be

adjudicated to be invalid or unenforceable for any reason (including, without limitation, because of any applicable state or federal law relating to fraudulent conveyances or transfers) then the obligations of such Pledgor hereunder shall be limited to the maximum amount that is permissible under applicable law (whether federal or state and including, without limitation, the Bankruptcy Code).

25. Pledge Agreement Provision. Notwithstanding anything herein to the contrary, in the event of any conflict between the terms of the Security Agreement and this Agreement with respect to Pledged Collateral, the terms of this Agreement shall govern.

26. Intercreditor Provision. Notwithstanding anything herein to the contrary, the lien and security interest granted to the Agent pursuant to this Agreement and the exercise of any right or remedy by the Agent hereunder are subject to the provisions of the Intercreditor Agreement, as the same may be amended, supplemented, modified or replaced from time to time. In the event of any conflict between the terms of the Intercreditor Agreement and this Agreement, the terms of the Intercreditor Agreement shall govern.

27. Control Collateral Agent. It is hereby understood and agreed that, pursuant to the Intercreditor Agreement, the Agent has appointed U.S. Bank National Association as its collateral agent for the limited purpose perfecting the Agent's lien on certain Collateral described herein.

Each of the parties hereto has caused a counterpart of this Pledge Agreement to be duly executed and delivered as of the date first above written.

PLEDGORS:

UNIFI, INC.,
a New York corporation
UNIFI SALES & DISTRIBUTION, INC.,
a North Carolina corporation,
UNIFI MANUFACTURING, INC.,
a North Carolina corporation
GLENTOUCH YARN COMPANY, LLC,
a North Carolina limited liability company
UNIFI MANUFACTURING VIRGINIA, LLC,
a North Carolina limited liability company
UNIFI EXPORT SALES, LLC,
a North Carolina limited liability company
UNIFI TEXTURED POLYESTER, LLC,
a North Carolina limited liability company
UNIFI INTERNATIONAL SERVICE, INC.,
a North Carolina corporation
UNIFI KINSTON, LLC (formerly Unifi Equipment Leasing, LLC),
a North Carolina limited liability company
CHARLOTTE TECHNOLOGY GROUP, INC.,
a North Carolina corporation
SPANCO INDUSTRIES, INC.,
a North Carolina corporation,
SPANCO INTERNATIONAL, INC.,
a North Carolina corporation
UTG SHARED SERVICES, INC.
a North Carolina corporation
UNIFI TECHNICAL FABRICS, LLC,
a North Carolina limited liability company
UNIMATRIX AMERICAS, LLC,
a North Carolina limited liability company

By: CHARLES F. MCCOY
Name: Charles McCoy
Title: Vice-President

Accepted and agreed to as of the date first above written.

BANK OF AMERICA, N.A.,
as Agent

By: ANDREW A. DOHERTY
Name: Andrew A. Doherty
Title: SVP

Schedule 2(a)
to
Pledge Agreement
dated as of May 26, 2006
in favor of Bank of America, N.A.,
as Agent

Name of Subsidiary	Number of Shares	Certificate Number	Percentage of Interest Pledged/Pledgor
Unifi Manufacturing, Inc.	1,000	1	100% - Unifi, Inc.
Unifi Sales & Distribution, Inc.	1,000	1	100% - Unifi, Inc.
Unifi International Service, Inc.	500	2	100% - Unifi, Inc.
Charlotte Technology Group, Inc.	9,828,000	1	100% - Unifi Sales & Distribution, Inc.
	21,996	16	
	(Total: 9,849,996)		
UTG Shared Services, Inc.	10	1	100% - Charlotte Technology Group Inc.
Spanco International, Inc.	100	2	100% - Spanco Industries, Inc.
Spanco Industries, Inc.	100	2	100% - Unifi Manufacturing, Inc.
Unifi Latin America, S.A.	213,944	1	67.3% - Spanco International, Inc.
	567796	6	
	144,264	8	
	159,816	10	
	492,657	11	
	(Total: 1,578,477)		

(uncertificated entities):

Name of Subsidiary	Percentage of Interest Pledged/Pledgor
Unifi Manufacturing Virginia, LLC	95% Unifi, Inc.
	5% Unifi Manufacturing, Inc.
Unifi Export Sales, LLC	95% Unifi, Inc.
	5% Unifi Manufacturing, Inc.
Glentouch Yarn Company, LLC	100% Unifi, Inc.
Unifi Textured Polyester, LLC	100% Unifi, Inc.
Unifi Kinston, LLC	100% Unifi, Inc.
Unifi Technical Fabrics, LLC	100% Unifi Sales & Distribution, Inc.
Unifi Holding 1 B.V.	100% Unifi, Inc.
UniMatrix Americas, LLC	100% Unifi Manufacturing, Inc.
Unifi do Brasil, LTA	99.99% Unifi, Inc.
	0.01% Unifi Manufacturing, Inc.
Unifi–SANS Technical Fibers, L.L.C.	50% Unifi Manufacturing, Inc.
Parkdale America, LLC	34% Unifi Manufacturing, Inc.

Provided, however, that with respect to the Membership Interests of any Borrower in Parkdale America, LLC, the pledge thereof shall be subject to requirements and limitations set forth in that certain Limited Consent to Permit Encumbrance of Membership Interest for Collateral Security Purposes, dated as of May 15, 2006, among Unifi Manufacturing Inc., Parkdale Mills Incorporated, the Agent and the Trustee.

Exhibit 4(a)
to
Pledge Agreement
dated as of May 26, 2006
in favor of Bank of America, N.A.,
as Agent

Irrevocable Stock Power

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers to the following shares of capital stock of _____, a _____ corporation:

No. of Shares	Certificate No.

and irrevocably appoints _____ its agent and attorney-in-fact to transfer all or any part of such capital stock or equity interest and to take all necessary and appropriate action to effect any such transfer. The agent and attorney-in-fact may substitute and appoint one or more persons to act for him.

_____,
a _____**[corporation]**

By: _____
Name: _____
Title: _____

Exhibit 4.12

Execution Copy

GRANT OF SECURITY INTEREST
IN PATENT RIGHTS

This GRANT OF SECURITY INTEREST IN PATENT RIGHTS ("Agreement"), effective as of May 26, 2006 is made by UNIFI, INC., a New York corporation, located at 7201 West Friendly Avenue, Greensboro, NC 27410 (the "Obligor"), in favor of BANK OF AMERICA, N.A with an office at 300 Galleria Parkway, Suite 800, Atlanta, Georgia 30339, as administrative agent for the Lenders referred to below (in its capacity as administrative agent, the "Agent"), in connection with the Amended and Restated Credit Agreement, dated as of May 26, 2006 (as amended, restated, modified or supplemented from time to time, the "Credit Agreement"), among the Obligor, the subsidiaries of the Obligor from time to time party thereto (together with the Obligor, each. a "Borrower" and collectively, the "Borrowers"), the financial institutions from time to time party thereto (the "Lenders") and the Agent.

W I T N E S S E T H:

WHEREAS, pursuant to the Credit Agreement, the Lenders have agreed to make Loans to the Borrowers and to issue or participate in Letters of Credit upon the terms and subject to the conditions set forth therein; and

WHEREAS, in connection with the Credit Agreement, the Borrowers have executed and delivered a Security Agreement, dated as of May 26, 2006, in favor of the Agent (together with all amendments and modifications, if any, from time to time thereafter made thereto, the "Security Agreement");

WHEREAS, pursuant to the Security Agreement, the Obligor pledged and granted to the Agent for the benefit of the secured parties thereunder (the "Secured Parties") a continuing security interest in all Intellectual Property, including the Patents; and

WHEREAS, the Obligor has duly authorized the execution, delivery and performance of this Agreement;

NOW THEREFORE, for good and valuable consideration, the receipt of which is hereby acknowledged, the Obligor agrees, for the benefit of the Agent and the Secured Parties, as follows:

SECTION 1 Definitions. Unless otherwise defined herein or the context otherwise requires, terms used in this Agreement, including its preamble and recitals, have the meanings provided or provided by reference in the Credit Agreement and the Security Agreement.

SECTION 2 Grant of Security Interest. The Obligor hereby pledges and grants a continuing security interest in, and a right of setoff against, and agrees to assign, transfer and convey, upon demand made upon the occurrence and during the continuance of an Event of Default without requiring further action by either party and to be effective upon such demand, all of the Obligor's right, title and interest in, to and under the Patents (including, without limitation, those items listed on Schedule A hereto) (collectively, the "Patent Collateral"), to the Agent for the benefit of the Secured Parties to secure payment, performance and observance of the Secured Obligations.

SECTION 3 Purpose. This Agreement has been executed and delivered by the Obligor for the purpose of recording the grant of security interest herein with the United States Patent and Trademark Office. The security interest granted hereby has been granted to the Agent for the benefit of the Secured Parties in connection with the Security Agreement and is expressly subject to the terms and conditions thereof. The Security Agreement (and all rights and remedies of the Agent thereunder) shall remain in full force and effect in accordance with its terms.

SECTION 4 Acknowledgment. The Obligor does hereby further acknowledge and affirm that the rights and remedies of the Agent with respect to the security interest in the Patent Collateral granted hereby are more fully set forth in the Credit Agreement and the Security Agreement, the terms and provisions of which (including the remedies provided for therein) are incorporated by reference herein as if fully set forth herein. In the event of any conflict between the terms of this Agreement and the terms of the Security Agreement, the terms of the Security Agreement shall govern.

SECTION 5 Counterparts. This Agreement may be executed in counterparts, each of which will be deemed an original, but all of which together constitute one and the same original.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered by their respective officers on this 26th day of May, 2006.

UNIFI, INC.
as Obligor

By: CHARLES F. MCCOY
Name: Charles F. McCoy
Title: Vice President

BANK OF AMERICA, N.A.
as Agent

By: ANDREW A. DOHERTY
Name: Andrew A. Doherty
Title: SVP

ACKNOWLEDGMENT OF OBLIGOR

STATE OF New York)
) ss
COUNTY OF Orange)

On the 26 day of May, 2006, before me personally came Charles McCoy, who is personally known to me to be the Vice President of UNIFI, INC., a New York corporation; who, being duly sworn, did depose and say that she/he is the Vice President in such corporation, the corporation described in and which executed the foregoing instrument; that she/he executed and delivered said instrument pursuant to authority given by the Board of Directors of such corporation; and that she/he acknowledged said instrument to be the free act and deed of said corporation.

PATRICIA DONNELLAN
Notary Public, State of New York
No. 01DO6134207
Qualified in Orange County
Commission Expires September 26, 2009

PATRICIA A. DONNELLAN
Notary Public

(PLACE STAMP AND SEAL ABOVE)

ACKNOWLEDGMENT OF AGENT

STATE OF Georgia)
) ss
COUNTY OF Cobb)

On the 26th day of May, 2006, before me personally came Andrew Doherty, who is personally known to me to be the Sr. Vice President of BANK OF AMERICA, N.A., a national banking association; who, being duly sworn, did depose and say that she/he is the Sr. Vice President in such national banking association, the national banking association described in and which executed the foregoing instrument; that she/he executed and delivered said instrument pursuant to authority given by the Board of Directors of such national banking association; and that she/he acknowledged said instrument to be the free act and deed of said national banking association.

ZARAH C. ELLIOTT
Notary Public

(PLACE STAMP AND SEAL ABOVE)

Notary Public, Dekalb County, Georgia
My Commission Expires June 7, 2009

SCHEDULE A

U.S. Patents and Patent Applications

Patent Title	Patent or Patent Application Number
Continuous Constant Tension Air Covering	11/076,441
Method for Forming Polyester Yarns	11/259,447

Exhibit 4.13

Execution Copy

GRANT OF SECURITY INTEREST
IN TRADEMARK RIGHTS

This GRANT OF SECURITY INTEREST IN PATENT RIGHTS ("Agreement"), effective as of May 26, 2006 is made by UNIFI, INC., a New York corporation, located at 7201 West Friendly Avenue, Greensboro, NC 27410 (the "Obligor"), in favor of BANK OF AMERICA, N.A with an office at 300 Galleria Parkway, Suite 800, Atlanta, Georgia 30339, as administrative agent for the Lenders referred to below (in its capacity as administrative agent, the "Agent"), in connection with the Amended and Restated Credit Agreement, dated as of May 26, 2006 (as amended, restated, modified or supplemented from time to time, the "Credit Agreement"), among the Obligor, the subsidiaries of the Obligor from time to time party thereto (together with the Obligor, each. a "Borrower" and collectively, the "Borrowers"), the financial institutions from time to time party thereto (the "Lenders") and the Agent.

W I T N E S S E T H:

WHEREAS, pursuant to the Credit Agreement, the Lenders have agreed to make Loans to the Borrowers and to issue or participate in Letters of Credit upon the terms and subject to the conditions set forth therein; and

WHEREAS, in connection with the Credit Agreement, the Borrowers have executed and delivered a Security Agreement, dated as of May 26, 2006, in favor of the Agent (together with all amendments and modifications, if any, from time to time thereafter made thereto, the "Security Agreement");

WHEREAS, pursuant to the Security Agreement, the Obligor pledged and granted to the Agent for the benefit of the secured parties thereunder (the "Secured Parties") a continuing security interest in all Intellectual Property, including the Trademarks; and

WHEREAS, the Obligor has duly authorized the execution, delivery and performance of this Agreement;

NOW THEREFORE, for good and valuable consideration, the receipt of which is hereby acknowledged, the Obligor agrees, for the benefit of the Agent and the Secured Parties, as follows:

SECTION 1 Definitions. Unless otherwise defined herein or the context otherwise requires, terms used in this Agreement, including its preamble and recitals, have the meanings provided or provided by reference in the Credit Agreement and the Security Agreement.

SECTION 2 Grant of Security Interest. The Obligor hereby pledges and grants a continuing security interest in, and a right of setoff against, and agrees to assign, transfer and convey, upon demand made upon the occurrence and during the continuance of an Event of Default without requiring further action by either party and to be effective upon such demand, all of the Obligor's right, title and interest in, to and under the Trademarks (including, without limitation, those items listed on Schedule A hereto) (collectively, the "Trademark Collateral"), to the Agent for the benefit of the Secured Parties to secure payment, performance and observance of the Secured Obligations. Notwithstanding the foregoing provisions of this Section 2, for the purpose of this Section 2, the Obligor agrees to assign, transfer and convey, upon demand made upon the occurrence and during the continuance of Event of Default any "intent to use" trademark application only to the extent (i) that the business of the Obligor, or parties thereof, to which that mark pertains is also included in the Collateral (as defined in Section 2 of the Credit Agreement) and (ii) that such business is ongoing and existing.

SECTION 3 Purpose. This Agreement has been executed and delivered by the Obligor for the purpose of recording the grant of security interest herein with the United States Patent and Trademark Office. The security interest granted hereby has been granted to the Agent for the benefit of the Secured Parties in connection with the Security Agreement and is expressly subject to the terms and conditions thereof. The Security Agreement (and all rights and remedies of the Agent thereunder) shall remain in full force and effect in accordance with its terms.

SECTION 4 Acknowledgment. The Obligor does hereby further acknowledge and affirm that the rights and remedies of the Agent with respect to the security interest in the Trademark Collateral granted hereby are more fully set forth in the Credit Agreement and the Security Agreement, the terms and provisions of which (including the remedies provided for therein) are incorporated by reference herein as if fully set forth herein. In the event of any conflict between the terms of this Agreement and the terms of the Security Agreement, the terms of the Security Agreement shall govern.

SECTION 5 Counterparts. This Agreement may be executed in counterparts, each of which will be deemed an original, but all of which together constitute one and the same original.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered by their respective officers on this 26th day of May, 2006.

UNIFI, INC.
as Obligor

By: CHARLES F. MCCOY
Name: Charles McCoy
Title: Vice President

BANK OF AMERICA, N.A.
as Agent

By: ANDREW A. DOHERTY
Name: Andrew A. Doherty
Title: SVP

ACKNOWLEDGMENT OF OBLIGOR

STATE OF New York)
) ss
COUNTY OF Orange)

On the 26 day of May, 2006, before me personally came Charles McCoy, who is personally known to me to be the Vice President of UNIFI, INC., a New York corporation; who, being duly sworn, did depose and say that she/he is the Vice President in such corporation, the corporation described in and which executed the foregoing instrument; that she/he executed and delivered said instrument pursuant to authority given by the Board of Directors of such corporation; and that she/he acknowledged said instrument to be the free act and deed of said corporation.

PATRICIA DONNELLAN
Notary Public, State of New York
No. 01DO6134207
Qualified in Orange County
Commission Expires September 26, 2009

PATRICIA A. DONNELLAN
Notary Public

(PLACE STAMP AND SEAL ABOVE)

ACKNOWLEDGMENT OF AGENT

STATE OF Georgia)
) ss
COUNTY OF Cobb)

On the 26th day of May, 2006, before me personally came Andrew Doherty, who is personally known to me to be the Sr. Vice President of BANK OF AMERICA, N.A., a national banking association; who, being duly sworn, did depose and say that she/he is the Sr. Vice President in such national banking association, the national banking association described in and which executed the foregoing instrument; that she/he executed and delivered said instrument pursuant to authority given by the Board of Directors of such national banking association; and that she/he acknowledged said instrument to be the free act and deed of said national banking association.

ZARAH C. ELLIOTT
Notary Public

(PLACE STAMP AND SEAL ABOVE)

Notary Public, Dekalb County, Georgia
My Commission Expires June 7, 2009

SCHEDULE A

U.S. Trademark Registrations and Applications

Trademark	Registration or Serial Number
A.M.Y.	2738677
AIO	78/672506
AIO and design	78/666601
AUGUSTA	2737792
AVADA	2877731
CATCH MOVE RELEASE	78/670154
CIELO and design	2897488
DUO-TWIST	2430200
ECLYPSE	2716285
FYBERSERV	2856270
FYBERSERV and design	2806981
FYBERSERV STAY CONNECTED, MOVE AHEAD and design	2936585
INHIBIT	2877729
MACTEX	1511013
MERANO	2877730
MICROVISTA	2757202
MYNX	2947770
MYRIAD	2667070
NOVVA	2595801
PROVIDING INNOVATIVE FIBERS AND COMPETITIVE SOLUTIONS	2744440

REFLEXX	2877728
REPREVE	2691497
SATURA and design	2897506
SEDORA	78/686681
SORBTEK	2777116
STAY CONNECTED, MOVE AHEAD	2802860
SULTRA	2716284
TENEX	78/418955
TEXTRA	2877727
UNIFI	1872523
UNIFI	2161151

Exhibit 10.1

EXECUTION COPY

(Lockbox - With Activation)

DEPOSIT ACCOUNT CONTROL AGREEMENT

This Agreement is entered into as of May 26, 2006, among **Unifi Manufacturing, Inc.** ("Company"), **Bank of America, N.A.** ("Lender"), as agent for itself and the financial institutions party thereto from time to time as lenders ("Agent"), under that certain Amended and Restated Credit Agreement (as amended, restated, supplemented, modified, replaced or refinanced from time to time, the "Credit Agreement"), dated as of May 26, 2006, among Unifi, Inc. (the "Parent") and certain of its domestic subsidiaries, including, without limitation, the Company, as borrowers, such lenders and the Lender, in its capacity as Agent, and **Bank of America, N.A.** ("Bank") with respect to the following:

A. Bank has agreed to establish and maintain for Company post office number 404617 (the "Lockbox Address") and deposit account number 3752163784 (the "Account"). Bank performs the services described in Exhibit A, which includes receiving mail at the Lockbox Address, processing it and depositing checks and other payment instructions ("Checks") into the Account (the "Lockbox Service").

B. Company has assigned to Lender and the Notes Agent (as defined below) a security interest in the Account and in Checks mailed to the Lockbox Address.

C. Company, Lender and Bank are entering into this Agreement to evidence the security interest of the Lender and the Notes Agent in the Account and such Checks and to provide for the disposition of net proceeds of Checks deposited in the Account.

Accordingly, Company, Lender and Bank agree as follows:

1. (a) This Agreement evidences Lender's control over the Account and the Account is a "Deposit Account" (as such term is defined in Section 9-102(29) of the Uniform Commercial Code, as in effect from time to time in New York (the "UCC")). Notwithstanding anything to the contrary in the agreement between Bank and Company governing the Account, Bank will comply with instructions originated by Lender as set forth herein directing the disposition of funds in the Account without further consent of the Company.

(b) Company represents and warrants to Lender and Bank that it has not assigned or granted a security interest in the Account or any Check deposited in the Account, except to Lender and the Notes Agent. Bank represents that it qualifies as a "Bank" within the meaning of Section 9-102(8) of the UCC and agrees that, for the purposes of this Agreement, its "jurisdiction" (as determined by the rules set forth in Section 9-304(b) of the UCC) be shall be the State of New York.

(c) Company will not permit the Account to become subject to any other pledge, assignment, lien, charge or encumbrance of any kind, other than Lender's security interest referred to herein.

2. During the Activation Period (as defined below), Bank shall prevent Company from making any withdrawals from the Account. Prior to the Activation Period, Company may operate and transact business through the Account in its normal fashion, including making withdrawals from the Account, but covenants to Lender it will not close the Account. Bank shall have no liability in the event Company breaches this covenant to Lender. A reasonable period of time following the commencement of the Activation Period, and continuing on each Business Day thereafter, Bank shall transfer all available balances in the Account to Lender at its account specified in the Notice (as defined below). The "Activation Period" means the period which commences within a reasonable period of time not to exceed two Business Days after Bank's acknowledgement of receipt of a written notice from Lender in the form of Exhibit B (the "Notice"). A "Business Day" is each day except Saturdays, Sundays and Bank holidays. Funds are not available if, in the reasonable determination of Bank, they are subject to a hold, dispute or legal process preventing their withdrawal.

3. Bank agrees it shall not offset, charge, deduct or otherwise withdraw funds from the Account, except as permitted by Section 4, until it has been advised in writing by Lender that all of Company's obligations that are secured by the Checks and the Account are paid in full. Lender shall notify Bank promptly in writing upon payment in full of Company's obligations.

4. Bank is permitted to charge the Account:

(a) for its fees and charges relating to the Account or associated with the Lockbox Service and this Agreement; and

(b) in the event any Checks deposited into the Account is returned unpaid for any reason or for any breach of warranty claim.

(c) for any account adjustments as it relates to encoding errors or other adjustments as a result of customary banking practices.

5. (a) If the balances in the Account are not sufficient to compensate Bank for any fees, account adjustments or charges due Bank in connection with the Account, the Lockbox Service or this Agreement, Company agrees to pay Bank on demand the amount due Bank. Company will have breached this Agreement if it has not paid Bank, within five days after such demand, the amount due Bank.

(b) If the balances in the Account are not sufficient to compensate Bank for any account adjustment as described in Section 4 or returned Checks, Company agrees to pay Bank on demand the amount due Bank. If Company fails to so pay Bank immediately upon demand, Lender agrees to pay Bank within five days after Bank's demand to Lender to pay any amount received by Lender with respect to such returned Checks or account adjustments as described in section 4. The failure to so pay Bank shall constitute a breach of this Agreement.

(c) Company hereby authorizes Bank, without prior notice, from time to time to debit any other account Company may have with Bank for the amount or amounts due Bank under subsection 5(a) or 5(b).

6. (a) Each Business Day, Bank will send any Checks not processed in accordance with the Lockbox Service set-up documents as well as any other materials, such as invoices, received at the Lockbox Address plus information regarding the deposit for the day to the address specified below for Company or as otherwise specified in writing by Company to Bank.

(b) In addition to the original Bank statement provided to Company, Bank will provide Lender with a duplicate of such statement.

7. (a) Bank will not be liable to Company or Lender for any expense, claim, loss, damage or cost ("Damages") arising out of or relating to its performance under this Agreement other than those Damages which result directly from its acts or omissions constituting gross negligence or intentional misconduct.

(b) In no event will Bank be liable for any special, indirect, exemplary or consequential damages, including but not limited to lost profits.

(c) Bank will be excused from failing to act or delay in acting, and no such failure or delay shall constitute a breach of this Agreement or otherwise give rise to any liability of Bank, if (i) such failure or delay is caused by circumstances beyond Bank's reasonable control, including but not limited to legal constraint, emergency conditions, action or inaction of governmental, civil or military authority, fire, strike, lockout or other labor dispute, war, riot, theft, flood, earthquake or other natural disaster, breakdown of public or private or common carrier communications or transmission facilities, equipment failure, or negligence or default of Company or Lender or (ii) such failure or delay resulted from Bank's reasonable belief that the action would have violated any guideline, rule or regulation of any governmental authority.

(d) Bank shall have no duty to inquire or determine whether Company's obligations to Lender are in default or whether Lender is entitled to provide the Notice to Bank. Bank may rely on notices and communications it believes in good faith to be genuine and given by the appropriate party.

(e) Notwithstanding any of the other provisions in this Agreement, in the event of the commencement of a case pursuant to Title 11, United States Code, filed by or against Company, or in the event of the commencement of any similar case under then applicable federal or state law providing for the relief of debtors or the protection of creditors by or against Company, Bank may act as Bank deems necessary to comply with all applicable provisions of governing statutes and shall not be in violation of this Agreement as a result.

(f) Bank shall be permitted to comply with any writ, levy order or other similar judicial or regulatory order or process concerning the Lockbox Address, the Account or any Check and shall not be in violation of this Agreement for so doing.

8. Company and Lender shall jointly and severally indemnify Bank against, and hold it harmless from, any and all liabilities, claims, costs, expenses and damages of any nature (including but not limited to allocated costs of staff counsel, other reasonable attorney's fees and any fees and expenses) in any way arising out of or relating to disputes or legal actions concerning Bank's provision of the services described in this Agreement. This section does not apply to any cost or damage attributable to the gross negligence or intentional misconduct of Bank. Company's and Lender's obligations under this section shall survive termination of this Agreement.

9. Company and Lender shall jointly and severally pay to Bank, upon receipt of Bank's invoice, all costs, expenses and attorneys' fees (including allocated costs for in-house legal services) incurred by Bank in connection with the enforcement of this Agreement and any instrument or agreement required hereunder, including but not limited to any such costs, expenses and fees arising out of the resolution of any conflict, dispute, motion regarding entitlement to rights or rights of action, or other action to enforce Bank's rights in a case arising under Title 11, United States Code. Company agrees to pay Bank, upon receipt of Bank's invoice, all costs, expenses and attorneys' fees (including allocated costs for in-house legal services) incurred by Bank in the preparation and administration of this Agreement (including any amendments hereto or instruments or agreements required hereunder).

10. Termination and Assignment of this Agreement shall be as follows:

(a) Lender may terminate this Agreement by providing notice to Company and Bank that all of Company's obligations which are secured by Checks and the Account are paid in full. Lender may also terminate or it may assign this Agreement upon 30 day's prior written notice to Company and Bank, provided, however, that any such assignment shall only be to (i) an affiliate or wholly-owned subsidiary of Lender or (ii) U.S. Bank National Association, in its capacity as trustee and collateral agent (the "Notes Agent") under that certain Indenture, dated as of May 26, 2006 (as amended, restated, supplemented, modified, replaced or refinanced from time to time, the "Indenture"), among the Parent, as issuer, certain of its domestic subsidiaries, including, without limitation, the Company, as guarantors and U.S. Bank National Association, as Notes Agent, pursuant to the terms of that certain Intercreditor Agreement, dated as of May 26, 2006 (as amended, restated, supplemented, modified, replaced or refinanced from time to time, the "Intercreditor Agreement"), among the Parent, certain of its domestic subsidiaries, including, without limitation, the Company, party thereto, Lender, in its capacity thereunder, as the SCF Agent (as defined in the Intercreditor Agreement), and U.S. Bank National Association, as "Notes Agent". Bank may terminate this Agreement upon 30 days' prior written notice to Company and Lender. Company may not terminate this Agreement or the Lockbox Service except with the written consent of Lender and upon prior written notice to Bank.

(b) Notwithstanding subsection 10(a), Bank may terminate this Agreement at any time by written notice to Company and Lender if either Company or Lender breaches any of the terms of this Agreement, or any other agreement with Bank.

11. (a) Each party represents and warrants to the other parties that (i) this Agreement constitutes its duly authorized, legal, valid, binding and enforceable obligation; (ii) the performance of its obligations under this Agreement and the consummation of the

transactions contemplated hereunder will not (A) constitute or result in a breach of its certificate or articles of incorporation, by-laws or partnership agreement, as applicable, or the provisions of any material contract to which it is a party or by which it is bound or (B) result in the violation of any law, regulation, judgment, decree or governmental order applicable to it; and (iii) all approvals and authorizations required to permit the execution, delivery, performance and consummation of this Agreement and the transactions contemplated hereunder have been obtained.

(b) The parties each agree that it shall be deemed to make and renew each representation and warranty in subsection 11(a) on and as of each day on which Company uses the services set forth in this Agreement.

12. (a) This Agreement may be amended only by a writing signed by Company, Lender and Bank; except that Bank's charges are subject to change by Bank upon 30 days' prior written notice to Company; and provided, however, that during the Activation Period, the Bank and the Lender may agree to amend Section 2 of this Agreement to provide for the transfer of funds in the Account to another account of the Lender, without the consent of the Company. This Section shall survive the termination of this Agreement.

(b) This Agreement may be executed in counterparts; all such counterparts shall constitute but one and the same agreement.

(c) This Agreement controls in the event of any conflict between this Agreement and any other document or written or oral statement. This Agreement supersedes all prior understandings, writings, proposals, representations and communications, oral or written, of any party relating to the subject matter hereof.

(d) This Agreement shall be interpreted in accordance with New York law without reference to that state's principles of conflicts of law.

13. Any written notice or other written communication to be given under this Agreement shall be addressed to each party at its address set forth on the signature page of this Agreement or to such other address as a party may specify in writing. Except as otherwise expressly provided herein, any such notice shall be effective upon receipt.

14. Nothing contained in the Agreement shall create any agency, fiduciary, joint venture or partnership relationship between Bank and Company or Lender.

In Witness Whereof, the parties hereto have executed this Agreement by their duly authorized officers as of the day and year first above written.

Unifi Manufacturing, Inc.
("Company")

By: /s/ Charles McCoy
Name: _____
Title: _____

Address for notices:

7201 West Friendly Avenue
Greensboro, North Carolina 27410
Attention: William M. Lowe
Telephone: (336) 316-5664
Telecopy: (336) 294-4751

with a copy to:

Unifi, Inc.
7201 West Friendly Avenue
Greensboro, North Carolina 27410
Attention: Charles McCoy, Esq.

Bank of America, N.A.
("Lender")

By: /s/ Andrew A. Doherty
Name: Andrew A. Doherty
Title: SVP

Address for notices:
6100 Fairview Road
Suite 200
Charlotte, NC 28210

Bank of America, N.A.
("Bank")

By: /s/ Shanelle L. Dawson
Name: Shanelle L. Dawson
Title: VP

Address for notices:
600 Peachtree Street, 10th Flr
Atlanta, GA 30308
Attn: Elise McEachern
Tel: 404-607-5378
Fax: 404-607-6059 and,

600 Peachtree Street, 10th Flr
Atlanta, GA 30308
Attn: Shanelle Dawson
Tel: 404-607-5493
Fax: 404-607-5482

EXHIBIT A
TO DEPOSIT ACCOUNT CONTROL AGREEMENT

STANDARD TERMS AND CONDITIONS

The Lockbox Service involves processing Checks that are received at a Lockbox Address. With this Service, Company instructs its customers to mail checks it wants to have processed under the Service to the Lockbox Address. Bank picks up mail at the Lockbox Address according to its mail pick-up schedule. Bank will have unrestricted and exclusive access to the mail directed to the Lockbox Address. Bank will provide Company with the Lockbox Service for a Lockbox Address when Company has completed and Bank has received Bank's then current set-up documents for the Lockbox Address.

If Bank receives any mail containing Company's lockbox number at Bank's lockbox operations location (instead of the Lockbox Address), Bank may handle the mail as if it had been received at the Lockbox Address.

PROCESSING

Bank will handle Checks received at the Lockbox Address according to the applicable deposit account agreement, as if the Checks were delivered by Company to Bank for deposit to the Account, except as modified by these Terms and Conditions.

Bank will open the envelopes picked up from the Lockbox Address and remove the contents. For the Lockbox Address, Checks and other documents contained in the envelopes will be inspected and handled in the manner specified in the Company's set-up documents. Bank captures and reports information related to the lockbox processing, where available, if Company has specified this option in the set-up documents. Bank will endorse all Checks Bank processes on Company's behalf.

If Bank processes an unsigned check as instructed in the set-up documents, and the check is paid, but the account owner does not authorize payment, Company agrees to indemnify Bank, the drawee bank (which may include Bank) and any intervening collecting bank for any liability or expense incurred by such indemnitee due to the payment and collection of the check.

If Company instructs Bank not to process a check bearing a handwritten or typed notation " Payment in Full" or words of similar import on the face of the check, Company understands that Bank has adopted procedures designed to detect Checks bearing such notations; however, Bank will not be liable to Company or any other party for losses suffered if Bank fails to detect Checks bearing such notations.

RETURNED CHECK

Unless Company and Bank agree to another processing procedure, Bank will reclear a Check once which has been returned and marked "Refer to Maker," "Not Sufficient Funds" or " Uncollected Funds." If the Check is returned for any other reason or if the Check is returned a second time, Bank will debit the Account and return the Check to Company. Company agrees

that Bank will not send a returned item notice to Company for a returned Check unless Company and Bank have agreed otherwise.

ACCEPTABLE PAYEES

For the Lockbox Address, Company will provide to Bank the names of Acceptable Payees ("Acceptable Payee" means Company's name and any other payee name provided to Bank by Company as an acceptable payee for Checks to be processed under the Lockbox Service). Bank will process a check only if it is made payable to an Acceptable Payee and if the check is otherwise processable. Company warrants that each Acceptable Payee is either (i) a variation of Company's name or (ii) is an affiliate of Company which has authorized Checks payable to it to be credited to the Account. Bank may treat as an Acceptable Payee any variation of any Acceptable Payee's name that Bank deems to be reasonable.

CHANGES TO PROCESSING INSTRUCTIONS

Company may request Bank orally or in writing -to make changes to the processing instructions (including changes to Acceptable Payees) for any Lockbox Address by contacting its Bank representative, so long as such changes do not conflict with the terms of the Deposit Account Control Agreement. Bank will not be obligated to implement any requested changes until Bank has actually received the requests and had a reasonable opportunity to act upon them. In making changes, Bank is entitled to rely on instructions purporting to be from Company.

EXHIBIT B
DEPOSIT ACCOUNT CONTROL AGREEMENT

UNIFI MANUFACTURING, INC.
7201 West Friendly Avenue
Greensboro, North Carolina 27410

To: Bank of America, N. A.

Re: Unifi Manufacturing, Inc.
Account No. 3752163784

Ladies and Gentlemen:

Reference is made to the Deposit Account Control Agreement dated May 26, 2006 (the "Agreement") among Unifi Manufacturing, Inc., us and you regarding the above-described account (the " Account"). In accordance with Section 2 of the Agreement, we hereby give you notice of our exercise of control of the Account and we hereby instruct you to transfer funds to our account as follows:

Bank Name: _____
ABA No.: _____
Account Name: _____
Account No.: 3752163784

Very truly yours,

_____
as Lender

By: _____
Name: _____
Title: _____

Acknowledged By:

_____

As Bank

By: _____

Name: _____

Title: _____

Exhibit 10.2

EXECUTION COPY

(Lockbox – With Activation)

DEPOSIT ACCOUNT CONTROL AGREEMENT

This Agreement is entered into as of May 26, 2006, among **Unifi Kinston, LLC** ("Company"), **Bank of America, N.A.** ("Lender"), as agent for itself and the financial institutions party thereto from time to time as lenders ("Agent"), under that certain Amended and Restated Credit Agreement (as amended, restated, supplemented, modified, replaced or refinanced from time to time, the "Credit Agreement"), dated as of May 26, 2006, among Unifi, Inc. (the "Parent") and certain of its domestic subsidiaries, including, without limitation, the Company, as borrowers, such lenders and the Lender, in its capacity as Agent, and **Bank of America, N.A.** ("Bank") with respect to the following:

A. Bank has agreed to establish and maintain for Company post office number 404523 (the "Lockbox Address") and deposit account number 3752207307 (the "Account"). Bank performs the services described in Exhibit A, which includes receiving mail at the Lockbox Address, processing it and depositing checks and other payment instructions ("Checks") into the Account (the "Lockbox Service").

B. Company has assigned to Lender and the Notes Agent (as defined below) a security interest in the Account and in Checks mailed to the Lockbox Address.

C. Company, Lender and Bank are entering into this Agreement to evidence the security interest of the Lender and the Notes Agent in the Account and such Checks and to provide for the disposition of net proceeds of Checks deposited in the Account.

Accordingly, Company, Lender and Bank agree as follows:

1. (a) This Agreement evidences Lender's control over the Account and the Account is a "Deposit Account" (as such term is defined in Section 9-102(29) of the Uniform Commercial Code, as in effect from time to time in New York (the "UCC")). Notwithstanding anything to the contrary in the agreement between Bank and Company governing the Account, Bank will comply with instructions originated by Lender as set forth herein directing the disposition of funds in the Account without further consent of the Company.

(b) Company represents and warrants to Lender and Bank that it has not assigned or granted a security interest in the Account or any Check deposited in the Account, except to Lender and the Notes Agent. Bank represents that it qualifies as a "Bank" within the meaning of Section 9-102(8) of the UCC and agrees that, for the purposes of this Agreement, its "jurisdiction" (as determined by the rules set forth in Section 9-304(b) of the UCC) be shall be the State of New York.

(c) Company will not permit the Account to become subject to any other pledge, assignment, lien, charge or encumbrance of any kind, other than Lender's security interest referred to herein.

2. During the Activation Period (as defined below), Bank shall prevent Company from making any withdrawals from the Account. Prior to the Activation Period, Company may operate and transact business through the Account in its normal fashion, including making withdrawals from the Account, but covenants to Lender it will not close the Account. Bank shall have no liability in the event Company breaches this covenant to Lender. A reasonable period of time following the commencement of the Activation Period, and continuing on each Business Day thereafter, Bank shall transfer all available balances in the Account to Lender at its account specified in the Notice (as defined below). The "Activation Period" means the period which commences within a reasonable period of time not to exceed two Business Days after Bank's acknowledgement of receipt of a written notice from Lender in the form of Exhibit B (the "Notice"). A "Business Day" is each day except Saturdays, Sundays and Bank holidays. Funds are not available if, in the reasonable determination of Bank, they are subject to a hold, dispute or legal process preventing their withdrawal.

3. Bank agrees it shall not offset, charge, deduct or otherwise withdraw funds from the Account, except as permitted by Section 4, until it has been advised in writing by Lender that all of Company's obligations that are secured by the Checks and the Account are paid in full. Lender shall notify Bank promptly in writing upon payment in full of Company's obligations.

4. Bank is permitted to charge the Account:

(a) for its fees and charges relating to the Account or associated with the Lockbox Service and this Agreement; and

(b) in the event any Checks deposited into the Account is returned unpaid for any reason or for any breach of warranty claim.

(c) for any account adjustments as it relates to encoding errors or other adjustments as a result of customary banking practices.

5. (a) If the balances in the Account are not sufficient to compensate Bank for any fees, account adjustments or charges due Bank in connection with the Account, the Lockbox Service or this Agreement, Company agrees to pay Bank on demand the amount due Bank. Company will have breached this Agreement if it has not paid Bank, within five days after such demand, the amount due Bank.

(b) If the balances in the Account are not sufficient to compensate Bank for any account adjustment as described in Section 4 or returned Checks, Company agrees to pay Bank on demand the amount due Bank. If Company fails to so pay Bank immediately upon demand, Lender agrees to pay Bank within five days after Bank's demand to Lender to pay any amount received by Lender with respect to such returned Checks or account adjustments as described in section 4. The failure to so pay Bank shall constitute a breach of this Agreement.

(c) Company hereby authorizes Bank, without prior notice, from time to time to debit any other account Company may have with Bank for the amount or amounts due Bank under subsection 5(a) or 5(b).

6. (a) Each Business Day, Bank will send any Checks not processed in accordance with the Lockbox Service set-up documents as well as any other materials, such as invoices, received at the Lockbox Address plus information regarding the deposit for the day to the address specified below for Company or as otherwise specified in writing by Company to Bank.

(b) In addition to the original Bank statement provided to Company, Bank will provide Lender with a duplicate of such statement.

7. (a) Bank will not be liable to Company or Lender for any expense, claim, loss, damage or cost ("Damages") arising out of or relating to its performance under this Agreement other than those Damages which result directly from its acts or omissions constituting gross negligence or intentional misconduct.

(b) In no event will Bank be liable for any special, indirect, exemplary or consequential damages, including but not limited to lost profits.

(c) Bank will be excused from failing to act or delay in acting, and no such failure or delay shall constitute a breach of this Agreement or otherwise give rise to any liability of Bank, if (i) such failure or delay is caused by circumstances beyond Bank's reasonable control, including but not limited to legal constraint, emergency conditions, action or inaction of governmental, civil or military authority, fire, strike, lockout or other labor dispute, war, riot, theft, flood, earthquake or other natural disaster, breakdown of public or private or common carrier communications or transmission facilities, equipment failure, or negligence or default of Company or Lender or (ii) such failure or delay resulted from Bank's reasonable belief that the action would have violated any guideline, rule or regulation of any governmental authority.

(d) Bank shall have no duty to inquire or determine whether Company's obligations to Lender are in default or whether Lender is entitled to provide the Notice to Bank. Bank may rely on notices and communications it believes in good faith to be genuine and given by the appropriate party.

(e) Notwithstanding any of the other provisions in this Agreement, in the event of the commencement of a case pursuant to Title 11, United States Code, filed by or against Company, or in the event of the commencement of any similar case under then applicable federal or state law providing for the relief of debtors or the protection of creditors by or against Company, Bank may act as Bank deems necessary to comply with all applicable provisions of governing statutes and shall not be in violation of this Agreement as a result.

(f) Bank shall be permitted to comply with any writ, levy order or other similar judicial or regulatory order or process concerning the Lockbox Address, the Account or any Check and shall not be in violation of this Agreement for so doing.

8. Company and Lender shall jointly and severally indemnify Bank against, and hold it harmless from, any and all liabilities, claims, costs, expenses and damages of any nature (including but not limited to allocated costs of staff counsel, other reasonable attorney's fees and any fees and expenses) in any way arising out of or relating to disputes or legal actions concerning Bank's provision of the services described in this Agreement. This section does not apply to any cost or damage attributable to the gross negligence or intentional misconduct of Bank. Company's and Lender's obligations under this section shall survive termination of this Agreement.

9. Company and Lender shall jointly and severally pay to Bank, upon receipt of Bank's invoice, all costs, expenses and attorneys' fees (including allocated costs for in-house legal services) incurred by Bank in connection with the enforcement of this Agreement and any instrument or agreement required hereunder, including but not limited to any such costs, expenses and fees arising out of the resolution of any conflict, dispute, motion regarding entitlement to rights or rights of action, or other action to enforce Bank's rights in a case arising under Title 11, United States Code. Company agrees to pay Bank, upon receipt of Bank's invoice, all costs, expenses and attorneys' fees (including allocated costs for in-house legal services) incurred by Bank in the preparation and administration of this Agreement (including any amendments hereto or instruments or agreements required hereunder).

10. Termination and Assignment of this Agreement shall be as follows:

(a) Lender may terminate this Agreement by providing notice to Company and Bank that all of Company's obligations which are secured by Checks and the Account are paid in full. Lender may also terminate or it may assign this Agreement upon 30 day's prior written notice to Company and Bank, provided, however, that any such assignment shall only be to (i) an affiliate or wholly-owned subsidiary of Lender or (ii) U.S. Bank National Association, in its capacity as trustee and collateral agent (the "Notes Agent") under that certain Indenture, dated as of May 26, 2006 (as amended, restated, supplemented, modified, replaced or refinanced from time to time, the "Indenture"), among the Parent, as issuer, certain of its domestic subsidiaries, including, without limitation, the Company, as guarantors and U.S. Bank National Association, as Notes Agent, pursuant to the terms of that certain Intercreditor Agreement, dated as of May 26, 2006 (as amended, restated, supplemented, modified, replaced or refinanced from time to time, the "Intercreditor Agreement"), among the Parent, certain of its domestic subsidiaries, including, without limitation, the Company, party thereto, Lender, in its capacity thereunder, as the SCF Agent (as defined in the Intercreditor Agreement), and U.S. Bank National Association, as "Notes Agent". Bank may terminate this Agreement upon 30 days' prior written notice to Company and Lender. Company may not terminate this Agreement or the Lockbox Service except with the written consent of Lender and upon prior written notice to Bank.

(b) Notwithstanding subsection 10(a), Bank may terminate this Agreement at any time by written notice to Company and Lender if either Company or Lender breaches any of the terms of this Agreement, or any other agreement with Bank.

11. (a) Each party represents and warrants to the other parties that (i) this Agreement constitutes its duly authorized, legal, valid, binding and enforceable obligation; (ii) the performance of its obligations under this Agreement and the consummation of the

transactions contemplated hereunder will not (A) constitute or result in a breach of its certificate or articles of incorporation, by-laws or partnership agreement, as applicable, or the provisions of any material contract to which it is a party or by which it is bound or (B) result in the violation of any law, regulation, judgment, decree or governmental order applicable to it; and (iii) all approvals and authorizations required to permit the execution, delivery, performance and consummation of this Agreement and the transactions contemplated hereunder have been obtained.

(b) The parties each agree that it shall be deemed to make and renew each representation and warranty in subsection 11(a) on and as of each day on which Company uses the services set forth in this Agreement.

12. (a) This Agreement may be amended only by a writing signed by Company, Lender and Bank; except that Bank's charges are subject to change by Bank upon 30 days' prior written notice to Company; and provided, however, that during the Activation Period, the Bank and the Lender may agree to amend Section 2 of this Agreement to provide for the transfer of funds in the Account to another account of the Lender, without the consent of the Company. This Section shall survive the termination of this Agreement.

(b) This Agreement may be executed in counterparts; all such counterparts shall constitute but one and the same agreement.

(c) This Agreement controls in the event of any conflict between this Agreement and any other document or written or oral statement. This Agreement supersedes all prior understandings, writings, proposals, representations and communications, oral or written, of any party relating to the subject matter hereof.

(d) This Agreement shall be interpreted in accordance with New York law without reference to that state's principles of conflicts of law.

13. Any written notice or other written communication to be given under this Agreement shall be addressed to each party at its address set forth on the signature page of this Agreement or to such other address as a party may specify in writing. Except as otherwise expressly provided herein, any such notice shall be effective upon receipt.

14. Nothing contained in the Agreement shall create any agency, fiduciary, joint venture or partnership relationship between Bank and Company or Lender.

In Witness Whereof, the parties hereto have executed this Agreement by their duly authorized officers as of the day and year first above written.

Unifi Kinston, LLC
("Company")

By: /s/ Charles McCoy
Name:
Title:

Address for notices:

7201 West Friendly Avenue
Greensboro, North Carolina 27410
Attention: William M. Lowe
Telephone: (336)316-5664
Telecopy: (336)294-4751

with a copy to:

Unifi, Inc.
7201 West Friendly Avenue
Greensboro, North Carolina 27410
Attention: Charles McCoy, Esq.

Bank of America, N.A.
("Lender")

By: /s/ Andrew A. Doherty
Name: Andrew A. Doherty
Title: SVP

Address for notices:
6100 Fairview Road
Suite 200
Charlotte, NC 28210

Bank of America, N.A.
("Lender")

By: _____
Name: _____
Title: _____

Address for notices:
6100 Fairview Road
Suite 200
Charlotte, NC 28210

Bank of America, N.A.
("Bank")

By: /s/ Shanelle L. Dawson
Name: Shanelle L. Dawson
Title: VP

Address for notices:
600 Peachtree Street, 10th Flr
Atlanta, GA 30308
Attn: Elise McEachern
Tel: 404-607-5378
Fax: 404-607-6059 and,

600 Peachtree Street, 10th Flr
Atlanta, GA 30308
Attn: Shanelle Dawson
Tel: 404-607-5493
Fax: 404-607-5482

EXHIBIT A
TO DEPOSIT ACCOUNT CONTROL AGREEMENT

STANDARD TERMS AND CONDITIONS

The Lockbox Service involves processing Checks that are received at a Lockbox Address. With this Service, Company instructs its customers to mail checks it wants to have processed under the Service to the Lockbox Address. Bank picks up mail at the Lockbox Address according to its mail pick-up schedule. Bank will have unrestricted and exclusive access to the mail directed to the Lockbox Address. Bank will provide Company with the Lockbox Service for a Lockbox Address when Company has completed and Bank has received Bank's then current set-up documents for the Lockbox Address.

If Bank receives any mail containing Company's lockbox number at Bank's lockbox operations location (instead of the Lockbox Address), Bank may handle the mail as if it had been received at the Lockbox Address.

PROCESSING

Bank will handle Checks received at the Lockbox Address according to the applicable deposit account agreement, as if the Checks were delivered by Company to Bank for deposit to the Account, except as modified by these Terms and Conditions.

Bank will open the envelopes picked up from the Lockbox Address and remove the contents. For the Lockbox Address, Checks and other documents contained in the envelopes will be inspected and handled in the manner specified in the Company's set-up documents. Bank captures and reports information related to the lockbox processing, where available, if Company has specified this option in the set-up documents. Bank will endorse all Checks Bank processes on Company's behalf.

If Bank processes an unsigned check as instructed in the set-up documents, and the check is paid, but the account owner does not authorize payment, Company agrees to indemnify Bank, the drawee bank (which may include Bank) and any intervening collecting bank for any liability or expense incurred by such indemnitee due to the payment and collection of the check.

If Company instructs Bank not to process a check bearing a handwritten or typed notation "Payment in Full" or words of similar import on the face of the check, Company understands that Bank has adopted procedures designed to detect Checks bearing such notations; however, Bank will not be liable to Company or any other party for losses suffered if Bank fails to detect Checks bearing such notations.

RETURNED CHECK

Unless Company and Bank agree to another processing procedure, Bank will reclear a Check once which has been returned and marked "Refer to Maker," "Not Sufficient Funds" or "Uncollected Funds." If the Check is returned for any other reason or if the Check is returned a second time, Bank will debit the Account and return the Check to Company. Company agrees

that Bank will not send a returned item notice to Company for a returned Check unless Company and Bank have agreed otherwise.

ACCEPTABLE PAYEES

For the Lockbox Address, Company will provide to Bank the names of Acceptable Payees ("Acceptable Payee" means Company's name and any other payee name provided to Bank by Company as an acceptable payee for Checks to be processed under the Lockbox Service). Bank will process a check only if it is made payable to an Acceptable Payee and if the check is otherwise processable. Company warrants that each Acceptable Payee is either (i) a variation of Company's name or (ii) is an affiliate of Company which has authorized Checks payable to it to be credited to the Account. Bank may treat as an Acceptable Payee any variation of any Acceptable Payee's name that Bank deems to be reasonable.

CHANGES TO PROCESSING INSTRUCTIONS

Company may request Bank orally or in writing to make changes to the processing instructions (including changes to Acceptable Payees) for any Lockbox Address by contacting its Bank representative, so long as such changes do not conflict with the terms of the Deposit Account Control Agreement. Bank will not be obligated to implement any requested changes until Bank has actually received the requests and had a reasonable opportunity to act upon them. In making changes, Bank is entitled to rely on instructions purporting to be from Company.

EXHIBIT B
DEPOSIT ACCOUNT CONTROL AGREEMENT

UNIFI KINSTON, LLC
7201 West Friendly Avenue
Greensboro, North Carolina 27410

To: Bank of America, N.A.

Re: Unifi Kinston, LLC
Account No. 3752207307

Ladies and Gentlemen:

Reference is made to the Deposit Account Control Agreement dated May 26, 2006 (the "Agreement") among Unifi Kinston, LLC, us and you regarding the above-described account (the "Account"). In accordance with Section 2 of the Agreement, we hereby give you notice of our exercise of control of the Account and we hereby instruct you to transfer funds to our account as follows:

Bank Name: _____

ABA No.: _____

Account Name: _____

Account No.: 3752207307

Very truly yours,

_____
as Lender

By: _____
Name: _____
Title: _____

Acknowledged By:

_____

As Bank

By: _____

Name: _____

Title: _____

Exhibit 21.1

UNIFI, INC.

SUBSIDIARIES

Name	Address	Incorporation	Unifi Percentage Of Voting Securities Owned
Unifi Holding 1, BV (“UH1”)	Amsterdam, Netherlands	Netherlands	100% - Unifi, Inc.
Unifi Holding 2, BV (“UH2”)	Amsterdam, Netherlands	Netherlands	100% - UH1
Unifi Asia, Ltd.	Hong Kong, China	China	100% - UH2
Unifi Asia Holding, SRL	St Michael, Barbados	Barbados	.01% - Unifi, Inc. 99.99% -UH2
Unifi do Brasil, Ltda	San Paulo, Brazil	Brazil	99.99% - Unifi, Inc. .01% -UMI
Unifi Manufacturing, Inc. (“UMI”)	Greensboro, NC	North Carolina	100% - Unifi, Inc.
Unifi Manufacturing Virginia, LLC	Greensboro, NC	North Carolina	95% - Unifi, Inc. 5% - UMI
Unifi Textured Polyester, LLC	Greensboro, NC	North Carolina	100% - UMI
Unifi Kinston, LLC	Greensboro, NC	North Carolina	100% - UMI
Spanco Industries, Inc. (“SI”)	Greensboro, NC	North Carolina	100% - UMI
Spanco International, Inc. (“SII”)	Greensboro, NC	North Carolina	100% - SI
Unifi Latin America, S.A. (“ULA”)	Bogota, Colombia	Colombia, S.A.	100% - SII

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the following Registration Statements:

(1) Registration Statement (Form S-8 No. 33-23201) pertaining to the Unifi, Inc. 1982 Incentive Stock Option Plan and the 1987 Non-Qualified Stock Option Plan,

(2) Registration Statement (Form S-8 No. 33-53799) pertaining to the Unifi, Inc. 1992 Incentive Stock Option Plan and Unifi Spun Yarns, Inc. 1992 Employee Stock Option Plan,

(3) Registration Statement (Form S-8 No. 333-35001) pertaining to the Unifi, Inc. 1996 Incentive Stock Option Plan and the Unifi, Inc. 1996 Non-Qualified Stock Option Plan, and

(4) Registration Statement (Form S-8 No. 333-43158) pertaining to the Unifi, Inc. 1999 Long-Term Incentive Plan;

of our reports dated August 30, 2006, with respect to the consolidated financial statements and schedule of Unifi, Inc.; Unifi, Inc. management's assessment of the effectiveness of internal control over financial reporting; and the effectiveness of internal control over financial reporting of Unifi, Inc. included in the Annual Report (Form 10-K) for the year ended June 25, 2006.

/s/ Ernst & Young LLP

Greensboro, North Carolina
September 6, 2006

Exhibit 23.2

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in this Annual Report (Form 10-K) of Unifi, Inc. of our report dated July 31, 2006, with respect to the financial statements of Yihua Unifi Fibre Industry Company Limited, included in the Annual Report of Unifi, Inc. for the period ended June 25, 2006.

We consent to the incorporation by reference in the following Registration Statements:

(1) Registration Statement (Form S-8 No. 33-23201) pertaining to the Unifi, Inc. 1982 Incentive Stock Option Plan and the 1987 Non-Qualified Stock Option Plan,

(2) Registration Statement (Form S-8 No. 33-53799) pertaining to the Unifi, Inc. 1992 Incentive Stock Option Plan and Unifi Spun Yarns, Inc. 1992 Employee Stock Option Plan,

(3) Registration Statement (Form S-8 No. 333-35001) pertaining to the Unifi, Inc. 1996 Incentive Stock Option Plan and the Unifi, Inc. 1996 Non-Qualified Stock Option Plan, and

(4) Registration Statement (Form S-8 No. 333-43158) pertaining to the Unifi, Inc. 1999 Long-Term Incentive Plan;

of our report dated July 31, 2006, with respect to the financial statements of Yihua Unifi Fibre Industry Company Limited incorporated herein by reference, included in the Annual Report (Form 10-K) of Unifi, Inc. for the year ended June 25, 2006.

/s/ Ernst & Young Hua Ming

Shanghai Branch, The People's Republic of China
September 6, 2006

This branch is authorised by Ernst & Young Hua Ming Head Office for execution of its business on its behalf

Exhibit 23.3

Consent of Grant Thornton LLP, Independent Certified Public Accounting Firm

We have issued our report dated March 17, 2006 on the financial statements of Parkdale America, LLC for the year-ended December 31, 2005 which are incorporated by reference in the Annual Report of Unifi, Inc. on Form 10-K for the year ended June 25, 2006. We hereby consent to the incorporation by reference of the said report in the Registration Statements of Unifi, Inc. on Forms S-8 (File No. 33-23201, effective July 20, 1988; File No. 33-53799, effective June 13, 1994; File No. 333-35001, effective September 5, 1997 and File No. 333-43158 effective August 7, 2000).

/s/ Grant Thornton LLP

Charlotte, NC
September 7, 2006

Exhibit 31.1

Certification of Chief Executive Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Brian R. Parke, certify that:

1. I have reviewed this annual report on Form 10-K of Unifi, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: September 8, 2006

/S/ BRIAN R. PARKE

Brian R. Parke
Chairman of the Board,
President and
Chief Executive Officer

Exhibit 31.2

Certification of Chief Financial Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, William M. Lowe, Jr.:

1. I have reviewed this annual report on Form 10-K of Unifi, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: September 8, 2006

/S/ WILLIAM M. LOWE, JR.

William M. Lowe, Jr.
Vice President,
Chief Operating Officer and
Chief Financial Officer

Exhibit 32.1

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Unifi, Inc. (the "Company") Annual Report on Form 10-K for the period ended June 25, 2006 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Brian R. Parke, Chairman of the Board, President and Chief Executive Officer of the Company, certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1). The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2). The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: September 8, 2006

By: /S/ BRIAN R. PARKE
Brian R. Parke
Chairman of the Board,
President and Chief Executive Officer

Exhibit 32.2

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Unifi, Inc. (the "Company") Annual Report on Form 10-K for the period ended June 25, 2006 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, William M. Lowe, Jr., Vice President, Chief Operating Officer and Chief Financial Officer of the Company, certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1). The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2). The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: September 8, 2006

By: /S/ WILLIAM M. LOWE, JR.
William M. Lowe, Jr.
Vice President, Chief Operating Officer and Chief Financial Officer