AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON APRIL 2, 1998
REGISTRATION NO. 333-

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM S-4

REGISTRATION STATEMENT

UNDER THE SECURITIES ACT OF 1933

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.)

7201 WEST FRIENDLY AVENUE
GREENSBORO, NORTH CAROLINA 27410
(336) 294-4410

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

WILLIS C. MOORE, III	COPIES TO:
SENIOR VICE PRESIDENT	R. DOUGLAS HARMON
UNIFI, INC.	SMITH HELMS MULLISS & MOORE, L.L.P.
7201 WEST FRIENDLY AVENUE	201 NORTH TRYON STREET
GREENSBORO, NORTH CAROLINA 27410	CHARLOTTE, NORTH CAROLINA 28202
(336) 316-5664	(704) 343-2029
FAX (336) 294-4751	FAX (704) 334-8467

(Name, address, including zip code, and telephone number, including area code, of agent for service)

APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO THE PUBLIC:
From time to time after the effective date of this Registration Statement.

If the securities being registered on this form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box: [ ]

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [ ]

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [ ]

CALCULATION OF REGISTRATION FEE

TITLE OF EACH CLASS OF SECURITIES TO BE REGISTERED	AMOUNT TO BE REGISTERED	PROPOSED MAXIMUM OFFERING PRICE PER UNIT(1)	PROPOSED MAXIMUM AGGREGATE OFFERING PRICE(1)
6 1/2% Notes due 2008, Series B	$250,000,000	98.532%	$246,330,000

TITLE OF EACH CLASS OF SECURITIES TO BE REGISTERED	AMOUNT OF REGISTRATION FEE
6 1/2% Notes due 2008, Series B	$72,668

(1) Estimated solely for the purpose of calculating the registration fee in accordance with Rule 457(f) promulgated under the Securities Act of 1933, as amended.

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(A) OF THE SECURITIES ACT OF 1933, AS AMENDED, OR UNTIL THE REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(A), MAY DETERMINE.

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INFORMATION CONTAINED HEREIN IS SUBJECT TO COMPLETION OR AMENDMENT. A REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS BEEN FILED WITH THE SECURITIES AND EXCHANGE COMMISSION. THESE SECURITIES MAY NOT BE SOLD NOR MAY OFFERS TO BUY BE ACCEPTED PRIOR TO THE TIME THE REGISTRATION STATEMENT BECOMES EFFECTIVE. THIS PROSPECTUS SHALL NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY NOR SHALL THERE BE ANY SALE OF THESE SECURITIES IN ANY STATE IN WHICH SUCH OFFER, SOLICITATION OR SALE WOULD BE UNLAWFUL PRIOR TO REGISTRATION OR QUALIFICATION UNDER THE SECURITIES LAWS OF ANY SUCH STATE.

SUBJECT TO COMPLETION, DATED APRIL 2, 1998

PROSPECTUS

(Unifi logo appears here.)

OFFER TO EXCHANGE 6 1/2% NOTES DUE 2008, SERIES B FOR ANY AND ALL EXISTING NOTES (AS DEFINED BELOW)

THE EXCHANGE OFFER WILL EXPIRE AT 5:00 P.M., NEW YORK CITY TIME, ON , 1998, UNLESS EXTENDED. AS DESCRIBED HEREIN, WITHDRAWAL RIGHTS WITH RESPECT TO THE EXCHANGE OFFER ARE EXPECTED TO EXPIRE AT THE EXPIRATION OF THE EXCHANGE OFFER.

Unifi, Inc., a New York corporation ("Unifi" or the "Company"), hereby offers (the "Exchange Offer"), upon the terms and subject to the conditions set forth in this Prospectus (the "Prospectus") and the accompanying Letter of Transmittal (the "Letter of Transmittal"), to exchange up to $250,000,000 aggregate principal amount of its 6 1/2% Notes due 2008, Series B (the "New Notes"), which have been registered under the Securities Act of 1933, as amended (the "Securities Act"), pursuant to a Registration Statement of which this Prospectus is a part, for a like principal amount of its issued and outstanding 6 1/2% Notes due 2008 (the "Existing Notes"). The New Notes and the Existing Notes, as the case may be, are referred to herein as the "Notes." The Existing Notes were originally issued and sold in a transaction that was exempt from registration under the Securities Act and resold to certain qualified institutional buyers in reliance on, and subject to the restrictions imposed pursuant to, Rule 144A under the Securities Act ("Rule 144A"). The terms of the New Notes are identical in all material respects to the terms of the Existing Notes except that the New Notes do not contain terms with respect to interest rate step-ups and the New Notes have been registered under the Securities Act and will not bear legends restricting the transferability thereof. See "Description of Notes."

The Notes are redeemable in whole or in part at any time at the option of the Company at a redemption price, plus accrued interest to the date of redemption, equal to the greater of (i) 100% of the principal amount of such Notes or (ii) the sum of the present values of the remaining scheduled payments of principal and interest thereon discounted to the date of redemption on a semiannual basis (assuming a 360-day year consisting of twelve 30-day months) at the applicable Treasury Yield (as defined herein) plus 20 basis points. See "Description of Notes."

The Exchange Offer is not conditioned upon any minimum number of Existing Notes being tendered. The Exchange Offer will expire at 5:00 p.m., New York City time, on , 1998, unless extended (the "Expiration Date"). Subject to the terms and conditions of the Exchange Offer, including the reservation of certain rights by Unifi and the right of holders of Existing Notes to withdraw tenders at any time prior to the acceptance thereof, any and all Existing Notes validly tendered prior to the Expiration Date will be accepted on or promptly after the Expiration Date. In the event Unifi terminates the Exchange Offer and does not accept for exchange any Existing Notes, Unifi will promptly return the Existing Notes to the holders thereof. See "The Exchange Offer."

New Notes to be issued in exchange for properly tendered Existing Notes will be delivered through the facilities of The Depository Trust Company ("DTC"), which will act as depositary, by the Exchange Agent (as defined herein) promptly after the acceptance thereof. The New Notes will be represented by Global Securities (as defined herein) registered in the name of a nominee of DTC. Interests in Global Securities will be shown on, and transfers thereof will be effected only through, records maintained by DTC and its participants. Except as provided herein, New Notes in definitive form will not be issued. Settlement for the New Notes will be made in immediately available funds. The New Notes will trade in DTC's Same-Day Funds Settlement System, and secondary market trading activity in the New Notes will therefore settle in immediately available funds. See "Description of Notes."

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

The date of this Prospectus is , 1998.

Based on interpretations by the Staff of the Securities and Exchange Commission (the "Commission") as set forth in no-action letters issued to third parties, Unifi believes the New Notes issued pursuant to the Exchange Offer may be offered for resale, resold and otherwise transferred by any holder thereof (other than any such holder that is a broker-dealer or an "affiliate" of Unifi within the meaning of Rule 405 under the Securities Act) without compliance with the registration and prospectus delivery provisions of the Securities Act, provided that (i) such New Notes are acquired in the ordinary course of business, (ii) at the time of the commencement of the Exchange Offer such holder has no arrangement or understanding with any person to participate in a distribution of the New Notes and (iii) such holder is not engaged in, and does not intend to engage in, a distribution of the New Notes. However, the Commission has not considered the Exchange Offer in the context of a no-action letter, and therefore, there can be no assurance that the Staff of the Commission would make a similar determination with respect to the Exchange Offer as in such other circumstances. Each holder of Existing Notes that desires to participate in the Exchange Offer will be required to make certain representations described in "The Exchange Offer -- Terms of the Exchange Offer." If a holder of the New Notes is an affiliate of Unifi, is participating in a distribution of the New Notes, is a broker-dealer, or is not acquiring the New Notes in the ordinary course of its business, such holder may not rely on the staff's interpretations as set forth in the aforementioned no-action letters and is subject to the registration and prospectus delivery requirements of the Securities Act.

Each broker-dealer that receives New Notes for its own account pursuant to the Exchange Offer must acknowledge that it will deliver a prospectus in connection with any resale of such New Notes. The Letter of Transmittal states that by so acknowledging and by delivering a prospectus, a broker-dealer will not be deemed to admit that it is an "underwriter" within the meaning of the Securities Act. This Prospectus, as it may be amended or supplemented from time to time, may be used by a broker-dealer in connection with resales of New Notes where such Existing Notes were acquired by such broker-dealer as a result of market-making activities or other trading activities. As described more fully herein, for a period of 90 days after the Expiration Date (as defined herein), Unifi will make this Prospectus available to any broker-dealer for use in connection with any such resale. See "The Exchange Offer" and "Plan of Distribution."

There has not previously been any public market for the New Notes. Unifi does not intend to list the New Notes on any securities exchange or to seek approval for quotation through any automated quotation system. There can be no assurance that an active market for the New Notes will develop. Moreover, to the extent that Existing Notes are tendered and accepted in the Exchange Offer, the trading market, if any, for untendered and tendered but unaccepted Existing Notes could be adversely affected.

Unifi will not receive any proceeds from the Exchange Offer. The Company has agreed to pay the expenses of the Exchange Offer. No dealer manager is being utilized in connection with the Exchange Offer.

THE EXCHANGE OFFER IS NOT BEING MADE TO, NOR WILL THE COMPANY ACCEPT SURRENDERS FOR EXCHANGE FROM, HOLDERS OF EXISTING NOTES IN ANY JURISDICTION IN WHICH THE EXCHANGE OFFER OR THE ACCEPTANCE THEREOF WOULD NOT BE IN COMPLIANCE WITH THE SECURITIES AND BLUE SKY LAWS OF SUCH JURISDICTION.

AVAILABLE INFORMATION

The Company is subject to the informational and reporting requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and in accordance therewith is required to file periodic reports, proxy statements and other information with the Commission. Such reports, proxy statements and other information may be inspected and copied at the Public Reference Section of the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549, and at the Northeast Regional Office of the Commission located at 7 World Trade Center, Suite 1300, New York, New York 10048 and at its Midwest Regional Office located at Citicorp Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661. The Commission maintains an Internet Web site that contains reports, proxy and information statements and other information regarding the Company and the registrants that file electronically with the Commission. The address of such site is http://www.sec.gov. Copies of all or any part of such materials may be obtained from any such office upon payment of the fees prescribed by the Commission. Such information may also be inspected and copied at the offices of the New York Stock Exchange at 20 Broad Street, New York, New York 10005. The Company's common stock, $.10 par value per share, is traded on the New York Stock Exchange under the symbol "UFI."

Unifi has filed with the Commission a Registration Statement under the Securities Act with respect to the New Notes offered hereby (the "Registration Statement"). As permitted by the rules and regulations of the Commission, this Prospectus does not contain all of the information included or incorporated by reference in the Registration Statement and the exhibits and schedules thereto. Statements contained in this Prospectus or in any document incorporated herein or therein as to the contents of any contract or other document referred to herein or therein and filed as an exhibit to, or incorporated by reference in, the Registration Statement are not necessarily complete and, in each instance, reference is made to the copy of such contract or other document filed as an exhibit to, or incorporated by reference in, the Registration Statement, each such statement being qualified in all respects by such reference. For further information with respect to Unifi and the Notes, reference is hereby made to the Registration Statement and the exhibits and schedules thereto.

INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

The following documents previously filed by the Company with the Commission pursuant to Section 13 of the Exchange Act are hereby incorporated by reference in this Prospectus:

(a) The Company's Annual Report on Form 10-K for the year ended June 29, 1997;

(b) The Company's Quarterly Reports on Form 10-Q for the quarters ended September 28, 1997 and December 28, 1997; and

(c) The Company's Current Reports on Form 8-K filed on July 15, 1997 and January 9, 1998.

All documents filed by the Company pursuant to Section 13(a), 13(c), 14 or 15(d) of the Exchange Act subsequent to the date of this Prospectus and prior to the termination of the offering of the Notes shall be deemed to be incorporated by reference into this Prospectus and to be a part hereof from the date of filing such documents. Any statement contained herein or in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for purposes of this Prospectus to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Prospectus.

THIS PROSPECTUS INCORPORATES DOCUMENTS BY REFERENCE WHICH ARE NOT PRESENTED HEREIN OR DELIVERED HEREWITH. THESE DOCUMENTS (NOT INCLUDING EXHIBITS TO SUCH DOCUMENTS, UNLESS SUCH EXHIBITS ARE SPECIFICALLY INCORPORATED BY REFERENCE IN SUCH DOCUMENTS) ARE AVAILABLE WITHOUT CHARGE UPON WRITTEN OR ORAL REQUEST DIRECTED TO WILLIS C. MOORE, III, SENIOR VICE PRESIDENT AND CHIEF FINANCIAL OFFICER, UNIFI, INC., 7201 WEST FRIENDLY AVENUE, GREENSBORO, NORTH CAROLINA 27410, TELEPHONE (336) 316-5664, FACSIMILE (336) 294-4751. IN ORDER TO ENSURE TIMELY DELIVERY OF THE DOCUMENTS, ANY REQUEST SHOULD BE MADE AT LEAST FIVE BUSINESS DAYS PRIOR TO THE EXPIRATION DATE.

PROSPECTUS SUMMARY

THE FOLLOWING SUMMARY INFORMATION IS QUALIFIED IN ITS ENTIRETY BY THE DETAILED INFORMATION AND FINANCIAL STATEMENTS (INCLUDING THE NOTES THERETO) APPEARING ELSEWHERE OR INCORPORATED BY REFERENCE IN THIS PROSPECTUS.

THE COMPANY

The Company is one of the largest and most diversified processors of polyester and nylon yarns in the world, marketing products to over 1,000 customers worldwide. The Company, together with its subsidiaries, is engaged in the business of texturing polyester and nylon filament fiber to produce polyester and nylon yarns, dyed yarns and spandex yarns covered with nylon and polyester. The Company sells its products to knitters and weavers that produce fabrics for the apparel, automotive upholstery, hosiery, home furnishings, industrial and other end use markets. The Company operates 16 manufacturing and warehousing facilities, primarily in North Carolina and Ireland, two distribution centers and six sales offices around the world.

Texturing polyester and nylon filament fiber involves the processing of partially oriented yarn ("POY"), which is either raw polyester or nylon filament fiber purchased from chemical manufacturers, to give it greater bulk, strength, stretch, consistent dyeability and a softer feel, thereby making it suitable for use in knitting and weaving of fabrics. The texturing process involves the use of high speed machines to draw, heat and twist the POY to produce yarn having various physical characteristics, depending on its ultimate end use. The primary suppliers of POY to the Company are E.I. DuPont de Nemours and Co. ("DuPont"), Nan Ya Plastics Corporation of America, Hoechst Celanese Corporation and Wellman Industries, Inc., with the majority being supplied by DuPont. In addition to its POY manufacturing facilities in Ireland, the Company recently began operation of the pilot lines in its newly constructed, state-of-the-art manufacturing facility in Yadkinville, North Carolina, designed to further vertically integrate the Company's domestic polyester operations. In January 1998, the Company began adding approximately one operating line per week (26 operating lines in total) to this facility and expects to be fully operational by the end of fiscal 1998. By the end of the same fiscal year, management expects this facility to provide approximately 25% of its total domestic POY supply needs and to lower the Company's cost of sales. Management expects that all polyester fiber manufactured by this facility will be used by the Company.

The Company's growth strategy is to continue to increase its domestic and international market share in both polyester and nylon through internal capacity expansion and strategic acquisitions. The Company also will continue its efforts to reduce production costs by utilizing automated machinery and facilities.

On June 30, 1997, the Company and Parkdale Mills, Inc. ("Parkdale") contributed cash, assets and certain liabilities associated with their respective open-end and air jet spun cotton yarn operations to a newly formed joint venture, Parkdale America, LLC ("Parkdale America"). As a result, the Company and Parkdale own a 34.0% and 66.0% equity interest in Parkdale America, respectively. Parkdale America is one of the largest and most diversified processors of spun cotton yarns in the world. The Company believes that Parkdale America provides it with an opportunity to partner with the leading manufacturer in the cotton yarn industry and to increase the profitability of these operations through economies of scale and elimination of redundant overhead costs. On November 14, 1997, the Company completed its $55.8 million acquisition of SI Holding Company ("SI Holding"), a manufacturer of covered nylon yarns operating under the "Spanco" name, generating approximately $85.0 million in annual sales. See "Management's Discussion and Analysis of Financial Condition and Results of Operations -- General."

In fiscal 1997, the Company had record sales of $1.7 billion, net income of $115.7 million (6.8% of sales) and earnings before interest, taxes, depreciation and amortization ("EBITDA") of $274.0 million. The Company made capital expenditures of $143.2 million in fiscal 1997 and anticipates making $220 to $230 million of capital expenditures in fiscal 1998, primarily for the Company's vertical integration efforts and for modernization and capacity expansion of its polyester and nylon texturing and covering operations.

The Company's headquarters are located at 7201 West Friendly Avenue, Greensboro, North Carolina, 27410 and its telephone number is (336) 294-4410.

THE FOREGOING PARAGRAPHS CONTAIN CERTAIN FORWARD-LOOKING STATEMENTS THAT INVOLVE RISKS AND CERTAINTIES THAT COULD CAUSE ACTUAL RESULTS TO DIFFER MATERIALLY FROM THOSE IN THE FORWARD-LOOKING STATEMENTS. WORDS SUCH AS "EXPECTS," "ANTICIPATES," "BELIEVES," "ESTIMATES," VARIATIONS OF SUCH WORDS AND OTHER SIMILAR EXPRESSIONS ARE INTENDED TO IDENTIFY SUCH FORWARD-LOOKING STATEMENTS. INFORMATION CONCERNING CERTAIN FACTORS THAT COULD IMPACT EXPECTED RESULTS IS INCLUDED IN "MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS -- FORWARD-LOOKING STATEMENTS."

Registration Agreement.....	The Existing Notes were issued on February 5, 1998 to the initial purchasers (the "Initial Purchasers") of the Existing Notes. The Initial Purchasers resold the Existing Notes to certain qualified institutional buyers in reliance on, and subject to the restrictions imposed pursuant to, Rule 144A. In connection therewith, the Company and the Initial Purchasers entered into the Registration Rights Agreement, dated as of February 5, 1998 (the "Registration Rights Agreement"), providing, among other things, for the Exchange Offer. See "The Exchange Offer."
The Exchange Offer.....	New Notes are being offered in exchange for an equal principal amount of Existing Notes. As of the date hereof, $250,000,000 aggregate principal amount of Existing Notes is outstanding. Existing Notes may be tendered only in integral multiples of $1,000.
Resale of New Notes.....	Based on interpretations by the staff of the Commission as set forth in no-action letters issued to third parties, the Company believes that the New Notes issued pursuant to the Exchange Offer may be offered for resale, resold or otherwise transferred by any holder thereof (other than any such holder that is a broker-dealer or an "affiliate" of the Company within the meaning of Rule 405 under the Securities Act) without compliance with the registration and prospectus delivery provisions of the Securities Act, provided that (i) such New Notes are acquired in the ordinary course of business, (ii) at the time of the commencement of the Exchange Offer such holder has no arrangement with any person to participate in a distribution of the New Notes and (iii) such holder is not engaged in, and does not intend to engage in, a distribution of the New Notes. By tendering Existing Notes in exchange for New Notes, each holder will represent to the Company that: (i) it is not such an affiliate of the Company, (ii) any New Notes to be received by it will be acquired in the ordinary course of business and (iii) at the time of the commencement of the Exchange Offer it had no arrangement with any person to participate in a distribution of the New Notes and, if such holder is not a broker-dealer, it is not engaged in, and does not intend to engage in, a distribution of New Notes. If a holder of Existing Notes is unable to make the foregoing representations, such holder may not rely on the applicable interpretations of the Staff of the Commission and must comply with the registration and prospectus delivery requirements of the Securities Act in connection with any secondary resale.

	Each broker-dealer that receives New Notes for its own account pursuant to the Exchange Offer must acknowledge that it will deliver a prospectus in connection with any resale of such New Notes. The Letter of Transmittal states that by so acknowledging and by delivering a prospectus, a broker-dealer will not be deemed to admit that it is an "underwriter" within the meaning of the Securities Act. This Prospectus, as it may be amended or supplemented from time to time, may be used by a broker-dealer in connection with resales of New Notes where such Existing Notes were acquired by such broker-dealer as a result of market-making activities or other trading activities. The Company has agreed that, starting on the Expiration Date and ending on the close of business 90 days after the Expiration Date, it will make this Prospectus available to any participating broker-dealer for use in connection with any such resale. See "Plan of Distribution."
	To comply with the securities laws of certain jurisdictions, it may be necessary to qualify for sale or register the New Notes prior to offering or selling such New Notes. The Company has agreed, pursuant to the Registration Rights Agreement and subject to certain specified limitations therein, to register or qualify the New Notes for offer or sale under the securities or "blue sky" laws of such jurisdictions as may be necessary to permit the holders of New Notes to trade the New Notes without any restrictions or limitations under the securities laws of the several states of the United States.
Consequences of Failure to Exchange Existing Notes....	Upon consummation of the Exchange Offer, subject to certain limited exceptions, holders of Existing Notes who do not exchange their Existing Notes for New Notes in the Exchange Offer will no longer be entitled to registration rights and will not be able to offer or sell their Existing Notes, unless such Existing Notes are subsequently registered under the Securities Act (which, subject to certain limited exceptions, the Company will have no obligation to do), except pursuant to an exemption from, or in a transaction not subject to, the Securities Act and applicable state securities laws. See "The Exchange Offer -- Terms of the Exchange Offer" and " -- Consequences of Failure to Exchange."
Expiration Date.....	5:00 p.m., New York City time, on , 1998 (30 calendar days following the commencement of the Exchange Offer), unless the Exchange Offer is extended, in which case the term "Expiration Date" means the latest date and time to which the Exchange Offer is extended.
Interest on the New Notes.....	The New Notes will accrue interest at rate of 6 1/2% per annum from February 5, 1998, the issue date of the Existing Notes. Interest on the New Notes is payable on February 1 and August 1 of each year.
Conditions to the Exchange Offer.....	The Exchange Offer is not conditioned upon any minimum principal amount of Existing Notes being tendered for exchange. However, the Exchange Offer is subject to certain customary conditions, which may be waived by the Company. See "The Exchange Offer -- Conditions." Except for the requirements of applicable federal and state securities laws, there are no federal or state regulatory requirements to be complied with or approvals to be obtained by the Company in connection with the Exchange Offer.

Procedures for Tendering Existing Notes.....	Each holder of Existing Notes wishing to accept the Exchange Offer must complete, sign and date the Letter of Transmittal, or a facsimile thereof, in accordance with the instructions contained herein and therein, and mail or otherwise deliver such Letter of Transmittal, or such facsimile, together with any other required documentation to the Exchange Agent (as defined herein) at the address set forth herein and effect a tender of Existing Notes pursuant to the procedures for book-entry transfer as provided for herein. See "The Exchange Offer -- Procedures for Tendering" and " -- Book Entry Transfer."
Guaranteed Delivery Procedures.....	Holders of Existing Notes who wish to tender their Existing Notes and who cannot deliver their Existing Notes and a properly completed Letter of Transmittal or any other documents required by the Letter of Transmittal to the Exchange Agent prior to the Expiration Date may tender their Existing Notes according to the guaranteed delivery. See "Exchange Offer -- Guaranteed Delivery Procedures."
Withdrawal Rights.....	Tenders of Existing Notes may be withdrawn at any time prior to 5:00 p.m., New York City time, on the Expiration Date. To withdraw a tender of Existing Notes, a written or facsimile transmission notice of withdrawal must be received by the Exchange Agent at its address set forth herein under "The Exchange Offer -- Exchange Agent" prior to 5:00 p.m., New York City time, on the Expiration Date.
Acceptance of Existing Notes and Delivery of New Notes.....	Subject to certain conditions, any and all Existing Notes that are properly tendered in the Exchange Offer prior to 5:00 p.m., New York City time, on the Expiration Date will be accepted for exchange. The New Notes issued pursuant to the Exchange Offer will be delivered promptly following the Expiration Date. See "The Exchange Offer -- Terms of the Exchange Offer."
Certain United States Tax Consequences.....	The exchange of Existing Notes for New Notes will not constitute a taxable exchange for United States federal income tax purposes. See "Certain United States Federal Tax Considerations for Non-United States Holders."
Exchange Agent.....	First Union National Bank is serving as exchange agent (the "Exchange Agent") in connection with the Exchange Offer.
Fees and Expenses.....	All expenses incident to the Company's consummation of the Exchange Offer and compliance with the Registration Rights Agreement will be borne by the Company. See "The Exchange Offer -- Fees and Expenses."
Use of Proceeds.....	There will be no cash proceeds payable to Unifi from the issuance of the New Notes pursuant to the Exchange Offer. The proceeds from the sale of the Existing Notes were used to repay a portion of the Company's bank credit facility. See "Use of Proceeds."

SUMMARY OF TERMS OF NEW NOTES

The Exchange Offer relates to the exchange of up to $250,000,000 aggregate principal amount of Existing Notes for up to an equal aggregate principal amount of New Notes. New Notes will be entitled to the benefits of the same Indenture (as defined herein) that governs the Existing Notes and will govern the New Notes. The form and terms of the New Notes are identical in all material respects as the form and terms of the Existing Notes, except that the New Notes do not contain terms with respect to interest rate step-up provisions and the New Notes have been registered under the Securities Act and will not bear legends restricting the transferability thereof. See "Description of Notes."

Maturity Date	February 1, 2008.
Interest Payment Dates	February 1, and August 1, commencing on August 1, 1998
Optional Redemption	The New Notes will be redeemable as a whole or in part, at any time at the option of the Company at a redemption price, plus accrued interest to the date of redemption, equal to the greater of (i) 100% of the principal amount of such Notes and (ii) the sum of the present values of the remaining scheduled payments of principal and interest thereon discounted to the date of redemption on a semiannual basis (assuming a 360-day year consisting of twelve 30-day months) at the applicable Treasury Yield (as defined herein), plus 20 basis points. See "Description of Notes -- Optional Redemption."
Ranking	The New Notes will rank equally with all other unsecured and unsubordinated indebtedness of the Company. See "Description of Notes."

USE OF PROCEEDS

There will be no cash proceeds payable to Unifi from the issuance of the New Notes pursuant to the Exchange Offer. The proceeds from the sale of the Existing Notes were used to repay a portion of the Company's $400 million bank credit facility with NationsBank, N.A., Wachovia Bank of North Carolina, N.A. and Credit Suisse, dated as of April 15, 1996 (the "Credit Facility"). See "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Liquidity and Capital Resources."

RATIO OF EARNINGS TO FIXED CHARGES

The following table sets forth the historical and pro forma ratios of earnings to combined fixed charges of the Company for the periods indicated:

	FISCAL YEAR END						SIX MONTHS ENDED
	JUNE 27, 1993	JUNE 26, 1994	JUNE 25, 1995	JUNE 30, 1996	JUNE 29, 1997	PRO FORMA JUNE 29, 1997(1)	DECEMBER 28, 1997
Ratio of earnings to fixed charges.....	9.4x	8.2x	12.4x	8.8x	13.8x	12.2x	8.8x

	PRO FORMA DECEMBER 28, 1997(1)
Ratio of earnings to fixed charges.....	8.2x

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(1) To reflect the change in interest costs resulting from the refinancing of amounts outstanding under the Credit Facility during the period presented with a portion of the Notes, using an effective interest rate for the Notes of 6.704%.

For purposes of computing the ratios of earnings to fixed charges, earnings represent earnings from continuing operations before income taxes and fixed charges and fixed charges consist of interest expense and the portion of rents calculated to be representative of the interest factor. The ratios of earnings to fixed charges should be read in conjunction with the financial statements and other financial data included or incorporated by reference herein. See "Incorporation of Certain Documents by Reference."

CAPITALIZATION

The following table sets forth the consolidated cash and cash equivalents, short-term debt and capitalization of the Company as of December 28, 1997, and as adjusted to give effect to the sale on February 5, 1998 of the Existing Notes and the application of the anticipated net proceeds therefrom to repay long-term debt. See "Use of Proceeds."

	DECEMBER 28, 1997	
	ACTUAL	AS ADJUSTED
	(IN MILLIONS)	
Cash and cash equivalents.....	$ 5	$ 5
Short-term debt:		
Note Payable -- Parkdale America, LLC.....	$ 10	$ 10
Current maturities of sale-leaseback obligations.....	--	--
Total short-term debt.....	10	10
Long-term debt:		
Note payable -- Parkdale America, LLC.....	10	10
Sale-leaseback obligation.....	3	3
Indebtedness to banks under revolving credit facility (1).....	400	154
6 1/2% Notes due 2008.....	--	250
Total long-term debt.....	413	417
Total debt.....	423	427
Shareholders' equity:		
Common stock (2).....	6	6
Capital in excess of par value.....	21	21
Retained earnings.....	565	565
Cumulative translation adjustment.....	(6)	(6)

Total shareholders' equity	586	586
Total short-term debt and capitalization	$1,009	$ 1,013

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(1) At December 28, 1997, the Company did not have any unsecured borrowings available under the Credit Facility with interest rates payable as described therein. See "Use of Proceeds" and "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Liquidity and Capital Resources."

(2) There are 500,000,000 shares authorized, $.10 par value, of which 61,390,252 were issued and outstanding at December 28, 1997.

SELECTED CONSOLIDATED FINANCIAL DATA

The selected consolidated financial data for the five years ended June 29, 1997 in the following table are derived from the Company's audited consolidated financial statements and reflect the operations and financial position of the Company at the dates and for the periods indicated. The financial data for the six-month periods ended December 29, 1996 and December 28, 1997 are derived from unaudited consolidated financial statements. The unaudited consolidated financial statements include all adjustments, consisting of normal recurring items, which the Company's management considers necessary for a fair presentation of the financial position and the results of operations for these periods. Operating results for the six months ended December 28, 1997 may not be indicative of the results that may be expected for the entire year ending June 28, 1998. The information below should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations," and the financial statements and other financial data included or incorporated by reference in this Prospectus.

	FISCAL YEAR ENDED (1)					SIX MONTHS ENDED
	JUNE 27, 1993	JUNE 26, 1994	JUNE 25, 1995	JUNE 30, 1996	JUNE 29, 1997	DECEMBER 29, 1996
	(IN MILLIONS, EXCEPT RATIOS AND PER SHARE DATA)					
CONSOLIDATED STATEMENTS OF INCOME:						
Net sales	$1,406	$1,385	$1,555	$1,603	$1,705(2)	$834(2)
Cost of sales	1,141	1,186	1,331	1,407	1,474	725
Gross profit	265	199	224	196	231	109
Selling, general and administrative expense	38	40	43	45	46	22
Non-recurring charge	--	13(3)	--	24(4)	--	--
Operating income	227	146	181	127	185(2)	87(2)
Equity in earnings of unconsolidated affiliates (5)	--	--	--	--	--	--
Income before extraordinary item and accounting change	137	76	116	78	116	53
Extraordinary item	--	--	--	6(6)	--	--
Cumulative effect of accounting change	--	--	--	--	--	--
Net income	137	76	116	72	116	53
PER SHARE OF COMMON STOCK:						
Basic earnings:						
Income before extraordinary item and accounting change	$ 1.96	$ 1.09	$ 1.68	$ 1.19	$ 1.83	$.82
Net income	1.96	1.09	1.68	1.10(6)	1.83	.82
Diluted earnings:						
Income before extraordinary item and accounting change	1.85	1.07	1.62	1.18	1.81	.81
Net income	1.85	1.07	1.62	1.09(6)	1.81	.81
Cash dividends	.42	.56	.40	.52	.44	.22
OTHER DATA:						
EBITDA (8)	$ 304	$ 239	$ 277	$ 244	$ 274	$130
Ratio of EBITDA to interest expense	11.8x	13.1x	17.9x	16.7x	23.3x	22.0x
CONSOLIDATED BALANCE SHEET DATA (AT END OF PERIOD):						
Working capital	$ 320	$ 304	$ 333	$ 196	$ 216	$210
Net property, plant and equipment	468	512	516	549	598	576
Total assets	1,017	1,003	1,041	951	1,019	971
Long-term debt	250	230	230	170	256	225
Shareholders' equity (9)	546	589	604	583	549	563

	DECEMBER 28, 1997
CONSOLIDATED STATEMENTS OF INCOME:	
Net sales	$ 673
Cost of sales	564
Gross profit	109
Selling, general and administrative expense	20
Non-recurring charge	--
Operating income	89
Equity in earnings of unconsolidated affiliates (5)	9
Income before extraordinary item and accounting change	61
Extraordinary item	--
Cumulative effect of accounting change	5(7)
Net income	56
PER SHARE OF COMMON STOCK:	
Basic earnings:	

Income before extraordinary item and accounting change	$ .99
Net income	.92
Diluted earnings:	
Income before extraordinary item and accounting change	.99
Net income	.91
Cash dividends	.28
OTHER DATA:	
EBITDA (8)	$ 132
Ratio of EBITDA to interest expense	20.1x
CONSOLIDATED BALANCE SHEET DATA (AT END OF PERIOD):	
Working capital	$ 219
Net property, plant and equipment	566
Total assets	1,183
Long-term debt	413
Shareholders' equity (9)	586

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(1) All years were 52-week fiscal years, except the fiscal year ended June 30, 1996, which was 53 weeks.

(2) On a pro forma basis, net sales and operating income of the ongoing polyester and nylon business would have been $1.401 billion and $180.4 million in fiscal 1997, respectively, and $685.9 million and $86.5 million in the first six months of fiscal 1997, respectively, if the business contributed to Parkdale America was not included.

(3) The Company recognized a non-recurring charge of $13.4 million related to the sale of the Company's investment in its wholly owned French subsidiary, Unifi Texturing S.A., and the Company's decision to exit the European nylon market.

(4) The Company recognized a non-recurring charge of $23.8 million related to restructuring plans to consolidate certain manufacturing operations and dispose of under-utilized assets.

(5) Consists of a 34% interest in Parkdale America and a 50% interest in MiCELL Technologies, Inc. ("MiCELL"). See "Management's Discussion and Analysis of Financial Condition and Results of Operations -- General."

(6) The Company recognized an extraordinary after-tax charge of $5.9 million, or $.09 per share, as a result of the early redemption of $230 million of its 6% convertible subordinated notes due 2002.

(7) The Company recognized an after-tax charge of $4.6 million, or $.08 per share, as a result of the cumulative effect of the change in accounting to comply with the provisions of Emerging Issues Task Force No. 97-13 issued in November 1997.

(8) Represents earnings before extraordinary items, non-recurring charges, interest, taxes, depreciation and amortization. The measure does not represent cash generated from operating activities determined in accordance with generally accepted accounting principles, is not necessarily indicative of cash available to fund cash needs and should not be considered as an alternative to operating income or net income as an indicator of the Company's operating performance or as an alternative to cash flow as a measure of liquidity.

(9) On October 21, 1993, the Board of Directors authorized the repurchase of up to 15 million shares of the Company's common stock. Through December 28, 1997, 10.2 million shares had been repurchased at a total cost of $282.5 million.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

THE FOLLOWING DISCUSSION AND ANALYSIS PROVIDES INFORMATION REGARDING THE COMPANY'S CONSOLIDATED FINANCIAL CONDITION AND RESULTS OF OPERATIONS DURING THE PAST THREE FISCAL YEARS AND SUBSEQUENT INTERIM PERIOD. THIS DISCUSSION SHOULD BE READ IN CONJUNCTION WITH THE CONSOLIDATED FINANCIAL STATEMENTS OF THE COMPANY, WHICH ARE INCORPORATED BY REFERENCE IN THIS PROSPECTUS.

RESULTS OF OPERATIONS

The data below reflect the percentage relationship between net sales and major categories in the Company's consolidated statements of income for the periods indicated:

	FISCAL YEAR ENDED (1)			SIX MONTHS ENDED
	JUNE 25, 1995	JUNE 30, 1996	JUNE 29, 1997 (2)	DECEMBER 29, 1996 (2)
Net sales	100.0%	100.0%	100.0%	100.0%
Cost of sales	85.6	87.8	86.4	87.0
Gross profit	14.4	12.2	13.6	13.0
Selling, general and administrative expense	2.8	2.8	2.7	2.6
Non-recurring charge	--	1.5	--	--
Operating income	11.6	7.9	10.9	10.4
Interest expense	1.0	.9	.7	.7
Other expense (income)	(1.4)	(.7)	--	--
Equity in earnings of unconsolidated affiliates	--	--	--	--
Income before income taxes	12.0	7.7	10.2	9.7
Provision for income taxes	4.5	2.8	3.4	3.4
Income before extraordinary item and accounting change	7.5	4.9	6.8	6.3
Net income	7.5	4.5	6.8	6.3

	DECEMBER 28, 1997
Net sales	100.0%
Cost of sales	83.9
Gross profit	16.1
Selling, general and administrative expense	3.0
Non-recurring charge	--
Operating income	13.1
Interest expense	1.0
Other expense (income)	(.1)
Equity in earnings of unconsolidated affiliates	(1.4)
Income before income taxes	13.6
Provision for income taxes	4.6
Income before extraordinary item and accounting change	9.0
Net income	8.3

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(1) The fiscal year ended June 30, 1996 consisted of 53 weeks, whereas the fiscal years ended June 29, 1997 and June 25, 1995 consisted of 52 weeks.

(2) On a pro forma basis, gross profit and operating income as percentages of sales of the ongoing polyester and nylon business would have been 15.5% and 12.9%, respectively, in fiscal 1997 and 15.2% and 12.6%, respectively, in the first six months of fiscal 1997 if the business contributed to Parkdale America was not included.

GENERAL

On June 30, 1997, the Company entered into a Contribution Agreement (the "Contribution Agreement") with Parkdale that set forth the terms and conditions by which Parkdale and the Company contributed all of the assets and certain liabilities associated with their respective spun cotton yarn operations utilizing open-end and air jet spinning technologies to Parkdale America, a newly created limited liability company. Pursuant to the Contribution Agreement, each entity's inventory, owned real and tangible personal property and improvements thereon and the Company's leased real property associated with these operations were contributed to Parkdale America. Additionally, the Company contributed cash to Parkdale America of $32.9 million on June 30, 1997, and is committed to contribute cash of $10.0 million on June 30, 1998, and $10.0 million on June 30, 1999, whereas Parkdale contributed cash of $51.6 million on June 30, 1997 and has no future cash contribution commitments. Parkdale America assumed certain long-term debt obligations of the Company and Parkdale in the amounts of $23.5 million and $46.0 million, respectively. In exchange for the assets contributed to Parkdale America and the liabilities assumed by Parkdale America, the Company received a 34% ownership interest in Parkdale America and Parkdale received a 66% ownership interest in Parkdale America. Spun cotton yarn operations contributed by the Company to Parkdale America had net sales of $304.4 million during fiscal 1997. Management expects that the consolidation of spun cotton yarn operations in Parkdale America will provide operating efficiencies and economies of scale.

The Company also has a 50% investment in MiCELL, a leading developer of carbon dioxide ("CO2") surfactant (soaps that work as surface active agents) systems. MiCELL is involved in the development of surfactants to be used in conjunction with CO2 for garment care, parts cleaning and textile processing. The amount of the investment is not material to the Company, and the Company has no obligations to make future contributions to MiCELL.

On November 14, 1997, the Company completed the acquisition of SI Holding to acquire its covered yarn business for $55.8 million, including certain covenants-not-to-compete entered into with principal officers of SI Holding.

SIX MONTHS ENDED DECEMBER 28, 1997 COMPARED TO SIX MONTHS ENDED DECEMBER 29, 1996

Consolidated net sales decreased 1.0% from $346.6 million in the second quarter of fiscal 1997 to $343.1 million in the second quarter of fiscal 1998 and declined 1.9% for the first six months of fiscal 1998 from $685.9 million for the first six months of fiscal 1997 to $672.9 million in the first six months of fiscal 1998, after eliminating the net sales of the Company's spun cotton yarn operations that were contributed to Parkdale America at the beginning of the 1998 fiscal year. Net sales of the spun cotton yarn operations were $72.8 million and $148.2 million for the second quarter of fiscal 1997 and the first six months of fiscal 1997, respectively. Unit volume for the quarter and year to date periods, after eliminating spun yarn cotton operations from the fiscal 1997 periods, increased 1.3% and 0.3%, respectively. Average unit sales prices, based on product mix, declined 2.5% for the second quarter of fiscal 1998 quarter and 2.0% for the year to date after giving effect to the elimination of spun cotton yarn sales for the prior year periods.

Domestically, polyester and nylon yarn sales declined slightly for the first six months of fiscal 1998 due primarily to a decline in average sales price, based on product mix. For the first six months of fiscal 1998, sales of the Company's polyester and nylon yarns decreased approximately 1.6% due to slight declines in both unit sales and average sales prices. Internationally, sales declined 1.4% for the second quarter of fiscal 1998 and 4.1% for the first six months of fiscal 1998 as decreases in unit prices for both periods offset increases in unit sales over prior year corresponding periods. Also impacting sales for the second quarter of fiscal 1998 relative to the prior year was the strengthening of the U.S. dollar to the Irish punt during this period, which had the currency translation effect of reducing net sales by $4.1 million.

Gross profit increased 6.4% to $59.0 million for the second quarter of fiscal 1998 and 4.4% to $108.5 million for the first six months of fiscal 1998, after eliminating spun cotton yarn operating results from the prior year periods. Gross margin (gross profit as a percentage of net sales) improved 1.2% for the second quarter of fiscal 1998 and 0.9% for the first six months of fiscal 1998 compared to the prior year periods, after removing the spun cotton yarn operating results for these periods. Decreases in fiber and manufacturing components of cost of sales more than offset increases in depreciation and other fixed charges as a percentage of net sales for both current year periods compared to the corresponding prior year periods resulting in the improved gross margin percentages.

Selling, general and administrative expenses as a percentage of net sales increased from 2.7% in the second quarter of fiscal 1997 to 3.1% for the second quarter of fiscal 1998. Selling, general and administration expense as a percentage of net sales increased from 2.6% in the first six months of fiscal 1997 to 3.0% in the first six months of fiscal 1998. On a dollar basis, selling, general and administrative expense declined $0.7 million to $10.6 million for the second quarter of fiscal 1998 and decreased $1.6 million to $20.5 million for the first six months of fiscal 1998. Lower selling, general and administrative expenses for both current year periods reflect cost reductions associated with the contribution of our spun cotton yarn operations at the beginning of the fiscal year. The increase in selling, general and administrative expense as a percentage of net sales for both current year periods is attributable to the lower sales base discussed above.

Interest expense increased $0.3 million to $3.3 million in the second quarter of fiscal 1998 and $0.7 million to $6.6 million for the first six months of fiscal 1998. The increase in interest expense for both fiscal 1998 periods reflects higher levels of outstanding debt at higher average interest rates. Interest income has decreased from $0.6 million in the second quarter of fiscal 1997 to $0.4 million in the second quarter of fiscal 1998. For the six-month period, interest income has decreased from $1.1 million in fiscal 1997 to $0.9 million in fiscal 1998. Other expense declined $0.5 million in the second quarter of fiscal 1998 and $0.6 million for the first six months of fiscal 1998 compared to the corresponding periods in the prior year.

Income from the Company's equity affiliates, Parkdale America and MiCELL, contributed $4.5 million to pre-tax income for the quarter and $9.1 million for the year to date. During the second quarter of fiscal 1997, and for the first six months of fiscal 1997, net sales and operating income from the Company's spun cotton yarn assets contributed to Parkdale America amounted to $72.8 million and $1.0 million, and $148.2 million and $0.2 million, respectively.

The effective tax rate has decreased from 34.7% to 33.3% in the second quarter of fiscal 1998 and from 34.9% to 33.6% for the first six months of fiscal 1998. The difference between the statutory federal income tax rate and the effective tax rate is primarily due to the realization of state and federal tax credits and the results of foreign subsidiaries, which are taxed at rates below those of U.S. operations.

Pursuant to Emerging Issues Tasks Force No. 97-13 issued in November 1997, the Company changed its accounting policy in the second quarter of fiscal 1998 regarding a project to install an entirely new computer software system that it began in fiscal 1995. Previously, substantially all direct costs relating to the project were capitalized, including the portion related to business process reengineering. In accordance with this accounting pronouncement, the unamortized balance of these reengineering costs as of September 28, 1997 of $7.5 million ($4.6 million after tax), or $.08 per share, was written off as a one-time, non-cash, cumulative catch-up adjustment in the second quarter of fiscal 1998.

In February 1997, the FASB issued Statement of Financial Accounting Standards No. 128, "Earnings Per Share," (SFAS 128) which was required to be adopted in the December 1997 fiscal quarter. The Company adopted SFAS 128 in the second quarter of fiscal 1998 and restated all prior periods. Under the new requirements for calculating basic earnings per share, the dilutive effect of stock options is excluded. Diluted earnings per share continues to reflect the assumed conversion of all potentially diluted securities, without significant changes in the method of computation.

As a result of the above, the Company realized during the second quarter of fiscal 1998 income before the cumulative effect of the accounting change of $33.0 million, or diluted earnings per share of $.54, compared to $28.8 million, or $.44 per share, for the second quarter of fiscal 1997. Net income for the second quarter of fiscal 1998 amounted to $28.4 million, or $.46 per diluted share, after the charge for the cumulative effect of the change in accounting of $4.6 million, or $.08 per diluted share. Net income for the first six months of fiscal 1998 amounted to $55.9 million, or $.91 per share, compared to corresponding amounts for the first six months of fiscal 1997 of $52.7 million, or $.81 per share. For the first six months of fiscal 1998, income before the cumulative effect of the accounting change was $60.5 million, or $.98 per share.

FISCAL 1997 COMPARED TO FISCAL 1996

Consolidated net sales increased 6.3% from $1.603 billion in fiscal 1996 to $1.705 billion in 1997. The 1997 fiscal year included fifty-two weeks compared to fifty-three weeks in the 1996 fiscal year. Growth in net sales was achieved by a 7.2% increase in unit volume, which was offset slightly by a modest decline in per unit average sales prices.

Domestically, unit volumes increased 6.3%, while average per unit sales prices remained stable. Increased unit volumes were experienced across all of the Company's sales-yarn operations. Fiscal 1997 unit sales growth benefited from phased-in production of the Company's new polyester texturing facility in Yadkinville, North Carolina, which was substantially completed at fiscal year end, and from realizing a full year's sales activity after purchasing the texturing operations of Glen Raven Mills, Inc.'s Norlina Division in November 1995. In addition, growth in export sales contributed to the increase in unit volume.

Internationally, increased unit growth was offset by lower per unit average sales prices, resulting in a net 8.3% increase in sales. Sales from foreign operations are denominated in local currencies and are hedged in part by the purchases of raw materials and services in those same currencies. Currency exchange rate risk is mitigated by the utilization of foreign currency forward contracts. Additionally, the net asset exposure is hedged by borrowings in local currencies, which minimize the risk of currency fluctuations. The Company does not enter into derivative financial instruments for trading purposes.

Gross margin increased from 12.2% in fiscal 1996 to 13.6% in fiscal 1997. The increased gross margin reflected lower operating costs as a percentage of net sales, due to improved efficiency and volume increases and raw material cost reductions based on product mix.

Selling, general and administrative expense, as a percentage of net sales, decreased from 2.8% in fiscal 1996 to 2.7% in fiscal 1997. On a dollar-basis, selling, general and administrative expense increased $1.1 million to $46.2 million, or 2.5%. Increased selling, general and administrative expenses were primarily attributable to higher information systems' costs and professional fees associated with various technology and corporate reengineering improvement efforts.

Interest expense declined $2.8 million, or 19.5%, from $14.6 million in fiscal 1996 to $11.7 million in fiscal 1997. In the fourth quarter of fiscal 1996, $230 million of the Company's 6% convertible subordinated notes were redeemed utilizing borrowings under the Credit Facility. The effective interest rate under the Credit Facility remained below the convertible debt interest rate, and the average debt level outstanding throughout fiscal 1997 was also lower than the prior year, resulting in reduced interest expense. Interest income declined from $6.8 million in fiscal 1996 to $2.2 million in fiscal 1997. This change reflected lower levels of invested funds, which were primarily used for capital expenditures, and the purchase and retirement of shares of the Company's common stock.

Net other income and expense changed unfavorably by $5.6 million, from $4.4 million of income in fiscal 1996 to $1.2 million of expense in fiscal 1997. In fiscal 1996, gains were recorded from the sale of capital assets and investments.

In the first quarter of fiscal 1996, the Company announced restructuring plans to further reduce the Company's cost structure and improve productivity through the consolidation of certain manufacturing operations and the disposition of under-utilized assets. The estimated cost of restructuring resulted in a non-recurring charge to earnings of $23.8 million, or an after-tax charge to earnings of $14.9 million ($.23 per share). The Company has completed substantially all of these restructuring efforts and anticipates no material differences in actual charges compared to its original estimates.

The effective tax rate decreased from 36.4% in fiscal 1996 to 33.6% in fiscal 1997. The improvement in the effective tax rate was primarily due to the realization of state tax credits during fiscal 1997 and the improved operating results of foreign subsidiaries, which are taxed at rates below those of United States operations.

As a result of the above, the Company realized during fiscal 1997 net income of $115.7 million (6.8% of sales), or $1.83 per share, compared to $72.5 million (4.5% of sales), or $1.10 per share, for fiscal 1996. Before the effects of the non-recurring and the extraordinary charges recognized in the prior year, net earnings would have been $93.3 million (5.8% of sales), or $1.42 per share.

In June 1997, the FASB issued Statement of Financial Accounting Standards No. 130, "Reporting Comprehensive Income" ("SFAS 130"), which is required to be adopted for fiscal years beginning after December 15, 1997, if not previously adopted. SFAS 130 requires the reporting of comprehensive income and its components in complete general purpose financial statements, as well as requires certain interim comprehensive income information be disclosed. Comprehensive income represents the change in net assets of a business during the period from non-owner sources. Such non-owner changes in net assets that are not included in net income include, among others, foreign currency translation adjustments, unrealized gains and losses on available-for-sale securities and certain minimum pension liabilities. The Company has not as yet determined the impact that the adoption of this standard will have on its consolidated financial statements.

Also in June 1997, the FASB issued Statement of Financial Accounting Standards No. 131, "Disclosures about Segments of an Enterprise and Related Information" ("SFAS 131"), which is required to be adopted for fiscal years beginning after December 15, 1997, if not previously adopted. SFAS 131 establishes standards for public companies for the reporting of financial information from operating segments in annual and interim financial statements as well as establishes standards for related disclosures about products and services, geographic areas and major customers. Operating segments are defined in SFAS 131 as components of an enterprise about which separate financial information is available to the chief operating decision maker for purposes of assessing performance and allocating resources. The Company has not completed its analysis of the effect that the adoption of this standard will have on its financial statement disclosure. However, the adoption of SFAS 131 will not affect the Company's results of operations or financial position.

FISCAL 1996 COMPARED TO FISCAL 1995

Consolidated net sales increased 3.1% from $1.555 billion in fiscal 1995 to $1.603 billion in fiscal 1996. The growth in net sales was accomplished by a 6.4% increase in per unit average sales price, which was offset in part by a decline in unit volume of 3.1%. The decline in unit volume corresponded with the general softness experienced by the retail sector during fiscal 1996.

The Company's domestic operations experienced an overall decline in unit volume of 6.2% in fiscal 1996. Average per unit sales price for these operations increased approximately 7.5% during this period, reflecting a change in product mix to lower-volume, higher-priced products and a response to increased raw material costs. Sales growth of 45.4% in the Company's international operations reflected increased capacity due to expansion and higher average unit sales prices.

Gross margin decreased from 14.4% in fiscal 1995 to 12.2% in fiscal 1996. On a per unit basis, increases in raw material, packaging and manufacturing costs and depreciation expense, together with reduced unit volume, offset the effect of higher average sales prices.

Selling, general and administrative expenses, as a percentage of net sales, in fiscal 1996 remained consistent with the prior year at 2.8%. On a dollar basis, selling, general and administrative expenses increased 4.6% from $43.1 million in fiscal 1995 to $45.1 million in fiscal 1996. This increase primarily reflected ongoing efforts to enhance the Company's information systems to improve operating performance throughout the Company and the level of service to customers.

Interest expense declined $0.9 million, or 5.6%, from $15.5 million in fiscal 1995 to $14.6 million in fiscal 1996. In the fourth quarter of fiscal 1996, the $230 million of 6% convertible subordinated notes were redeemed by the Company. The redemption was funded by the proceeds from a $400 million five-year revolving credit facility, which resulted in a lower effective interest rate than the convertible notes. The decrease in the interest rate, in combination with the reduction in the

debt level to $170 million at June 30, 1996, contributed to the decline in interest expense. Interest income declined from $10.4 million in fiscal 1995 to $6.8 million in fiscal 1996. This change reflected lower levels of invested funds, which were used for capital expenditures, acquisitions, long-term debt extinguishment and the purchase and retirement of Company common stock. Other income declined $5.3 million from $9.7 million in fiscal 1995 to $4.4 million in fiscal 1996. In fiscal 1995, gains were recognized from the sale of equity affiliates and capital assets in excess of fiscal 1996 gains from the sale of short-term investments and capital assets.

In the first quarter of fiscal 1996, the Company recorded a non-recurring charge of $23.8 million, or an after-tax charge to earnings of $14.9 million, or $0.23 per share. The significant components of the non-recurring charge included $2.4 million of severance and other employee-related costs ($1.7 million incurred through June 30, 1996, associated with the termination of 275 employees) and a $21.4 million write-down to estimated fair value less the cost of disposal of under-utilized or consolidated assets ($7.4 million realized as of June 30, 1996). The charge resulted from the plan to restructure and further reduce the Company's cost structure and improve productivity through the consolidation of certain manufacturing facilities and the disposition of under-utilized assets. As part of the restructuring plan, the Company closed, effective November 17, 1995, its spun yarn manufacturing facilities in Edenton and Mount Pleasant, North Carolina.

The Company's effective tax rate decreased from 37.4% in fiscal 1995 to 36.4% in fiscal 1996. The decline in the effective tax rate was attributable to the increase in earnings of foreign subsidiaries taxed at rates below the domestic rate and increased federal tax benefits of the Company's foreign sales corporation and research and experimentation tax credits.

During the fourth quarter of fiscal 1996, the Company recognized an extraordinary after-tax charge of $5.9 million, or $0.09 per share, as a result of the premium paid for the early retirement of the $230 million of the Company's 6% convertible subordinated notes due 2002.

As a result of the above, the Company realized during fiscal 1996 net income of $72.5 million, or $1.10 per share, compared to a corresponding total in fiscal 1995 of $116.2 million, or $1.68 per share. Before the effects of the non-recurring and the extraordinary charges recognized in fiscal 1996, net earnings would have been $93.3 million, or $1.42 per share.

LIQUIDITY AND CAPITAL RESOURCES

Cash provided by operations continues to be a primary source of funds to finance operating needs and capital expenditures. Cash generated from operations was $60.7 million for the six-month period ended December 28, 1997, compared to $83.0 million for the fiscal 1997 corresponding period. The primary sources of cash from operations, other than net income, were decreases in accounts receivable of $51.2 million and non-cash adjustments aggregating $35.9 million. Depreciation and amortization of $34.1 million, the after-tax cumulative accounting change of $4.6 million and the deferred income tax provision of $6.3 million, offset by earnings of unconsolidated affiliates of $9.1 million, were the primary components of the non-cash adjustments to cash provided by operations. Offsetting these sources were an increase in inventory of $13.9 million and a decrease in accounts payable and accruals of $68.4 million. All working capital changes have been adjusted to exclude the effect of the current quarter acquisition. The decreases in accounts receivable and accounts payable and accruals were impacted by the contribution of the spun cotton yarn operations at the beginning of fiscal 1998 as well as the timing of the holiday shut down at the end of the second quarter of fiscal 1998 relative to the shutdown that normally occurs near the beginning of the Company's fiscal year. In addition, the timing of the Company's disbursements at the end of the second quarter of fiscal 1998 compared to those at June 29, 1997 contributed to the significant decline in accounts payable for the current period.

The Company utilized $199.0 million for net investing activities and obtained $134.2 million from net financing activities, during the six-month period ended December 28, 1997. Significant expenditures during this period included $136.4 million for capacity expansions and upgrading of facilities, $25.6 million for acquisitions, $35.2 million for investments in equity affiliates, $17.1 million for the payment of the Company's cash dividends, $20.2 million for the purchase and retirement of Company common stock and $0.2 million, net for other activity. The Company obtained proceeds from net borrowings under its long-term debt agreement of $169.9 million to substantially offset these cash expenditures.

The Company ended the second quarter of fiscal 1998 with working capital of $219.2 million, which included cash and cash equivalents of $5.1 million.

As described above, on June 30, 1997, the Company entered into the Contribution Agreement with Parkdale creating Parkdale America. It is anticipated that Parkdale America will distribute dividends to the Company and Parkdale sufficient to satisfy any income tax liability attributable to the taxable earnings of Parkdale America. The Company has no financial obligation to Parkdale America other than a commitment to contribute cash of $10 million on June 30, 1998 and $10 million on June 30, 1999.

At December 28, 1997, the Company had committed approximately $192.4 million for the purchase and upgrade of equipment and facilities, which is scheduled to be expended during fiscal years 1998 and 1999. The Company expects to make capital expenditures of $220 to $230 million in fiscal 1998. A significant component of these committed funds, as well as a major component of the year-to-date capital expenditures, is the continuing construction of a POY production facility in Yadkinville, North Carolina. The Company also has in process several other capital projects, including the construction of a new nylon texturing and covering facility in Madison, North Carolina. This plant will consolidate the existing capacity at several locations, replacing older equipment with state-of-the-art technology, and will provide for additional capacity and expansion capabilities. Certain construction and machinery components of this project are still under negotiation.

On October 21, 1993, the Board of Directors authorized management to repurchase up to 15 million shares of the Company's common stock from time to time at such prices as management feels advisable and in the best interest of the Company. Through December 28, 1997, 10.2 million shares had been repurchased at a total cost of $282.5 million pursuant to this Board authorization. The Company will continue to operate its stock buy back program from time to time as it deems appropriate, based on prevailing financial and market conditions.

Management believes the current financial position of the Company in connection with its operations and its access to debt and equity markets are sufficient to meet anticipated capital expenditure, strategic acquisition, working capital, Company common stock repurchases and other financial needs.

YEAR 2000 COMPUTER CONVERSION STATUS

The Company is in the process of identifying the business issues associated with the year 2000 that impact information systems both internally and in relation to its external customers, suppliers and other business associates. Factors considered in the assessment of the business issues involved with the year 2000 include the evaluation of compliance capabilities and the current status of the Company's enterprise-wide system conversion project, significant customers' and vendors' compliance plans and status thereof (including the impact on electronic commerce systems with these companies) and the compliance plans and status for businesses in which the Company has investments.

The Company has identified a team of professionals with the responsibility of addressing business issues associated with the year 2000 and has completed a preliminary assessment of the issues and actions needed to be performed. The Company does not believe any material exposures or contingencies exist with respect to its internal information systems. The Company has not completed its evaluation of year 2000 compliance for its external business affiliates, but is not aware of any material exposure or contingency to date.

FORWARD-LOOKING STATEMENTS

This Management's Discussion and Analysis of Financial Condition and Results of Operations, other sections of this Prospectus and the documents incorporated by reference contain forward-looking statements about the Company's financial condition and results of operations that are based on management's current expectations, estimates and projections about the markets in which the Company operates, management's beliefs and assumptions made by management. Words such as "expects," "anticipates," "believes," "estimates," variations of such words and other similar expressions are intended to identify such forward-looking statements. These statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions which are difficult to predict. Therefore, actual outcomes and results may differ materially from what is expressed or forecasted in, or implied by, such forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which reflect management's judgment only as of the date hereof. The Company undertakes no obligation to update publicly any of these forward-looking statements to reflect new information or future events or otherwise.

Factors that may cause actual outcomes and results to differ materially from those expressed in, or implied by, these forward-looking statements include, but are not necessarily limited to, availability, sourcing and pricing of raw materials, pressures on sales prices due to competition and economic conditions, reliance on and financial viability of significant customers, technological advancements, employee relations, changes in construction spending and capital equipment expenditures (including those related to unforeseen acquisition opportunities), continued availability of financial resources through financing arrangements and operations, negotiation of new or modifications of existing contracts for asset management and for property and equipment construction and acquisition, regulations governing tax laws, other governmental and authoritative bodies' policies and legislation, the continuation and magnitude of the Company's common stock repurchase program and proceeds received from the sale of assets held for disposal. In addition to these representative factors, forward-looking statements could be impacted by general domestic and international economic and industry conditions in the markets where the Company competes, such as changes in currency exchange rates, interest and inflation rates, recession and other economic and political factors over which the Company has no control.

THE EXCHANGE OFFER

THE SUMMARY HEREIN OF CERTAIN PROVISIONS OF THE REGISTRATION RIGHTS AGREEMENT DOES NOT PURPORT TO BE COMPLETE AND REFERENCE IS MADE TO THE PROVISIONS OF THE REGISTRATION RIGHTS AGREEMENT, WHICH HAS BEEN FILED AS AN EXHIBIT TO THE REGISTRATION STATEMENT AND A COPY OF WHICH IS AVAILABLE AS SET FORTH UNDER THE HEADING "AVAILABLE INFORMATION."

TERMS OF THE EXCHANGE OFFER

GENERAL

In connection with the issuance of the Existing Notes pursuant to a Purchase Agreement, dated February 2, 1998, between the Company and the Initial Purchasers named therein, the Initial Purchasers and their respective assignees became entitled to the benefits of the Registration Rights Agreement.

Under the Registration Rights Agreement, the Company has agreed (i) to file with the Commission within 90 days after February 5, 1998, the date the Existing Notes were issued (the "Issue Date"), the Registration Statement of which this Prospectus is a part with respect to a registered offer to exchange the Existing Notes for the New Notes, and (ii) to use its best efforts to cause the Registration Statement to be declared effective under the Securities Act within 180 days after the Issue Date. The Company will keep the Exchange Offer open for not less than 30 days after the date notice of the Exchange Offer is mailed to holders of the Existing Notes. The Exchange Offer being made hereby, if commenced and consummated within the time periods described in this paragraph, will satisfy those requirements under the Registration Rights Agreement.

Upon the terms and subject to the conditions set forth in this Prospectus and in the Letter of Transmittal, all Existing Notes validly tendered and not withdrawn prior to 5:00 p.m., New York City time, on the Expiration Date will be accepted for exchange. New Notes will be issued in exchange for an equal principal amount of outstanding Existing Notes accepted in the Exchange Offer. Existing Notes may be tendered only in integral multiples of $1,000. This Prospectus, together with the Letter of Transmittal, is being sent to all registered holders as of , 1998. The Exchange Offer is not conditioned upon any minimum principal amount of Existing Notes being tendered for exchange. However, the obligation to accept Existing Notes for exchange pursuant to the Exchange Offer is subject to certain conditions as set forth herein under
" -- Conditions."

Existing Notes shall be deemed to have been accepted as validly tendered when, as and if the Company has given oral or written notice thereof to the Exchange Agent. The Exchange Agent will act as agent for the tendering holders of Existing Notes for the purposes of receiving the New Notes and delivering New Notes to such holders.

Based on interpretations by the Staff of the Commission as set forth in no-action letters issued to third parties, the Company believes that the New Notes issued pursuant to the Exchange Offer may be offered for resale, resold and otherwise transferred by any holder thereof (other than any such holder that is a broker-dealer or an "affiliate" of the Company within the meaning of Rule 405 under the Securities Act) without compliance with the registration and prospectus delivery provisions of the Securities Act, provided that (i) such New Notes are acquired in the ordinary course of business, (ii) at the time of the commencement of the Exchange Offer such holder has no arrangement with any person to participate in a distribution of such New Notes and (iii) such holder is not engaged in, and does not intend to engage in, a distribution of such New Notes. The Company has not sought, and does not intend to seek, a no-action letter from the Commission with respect to the effects of the Exchange Offer, and there can be no assurance that the Staff would make a similar determination with respect to the New Notes as it has in such no-action letters.

By tendering Existing Notes in exchange for New Notes and executing the Letter of Transmittal, each holder will represent to the Company that: (i) it is not an affiliate of the Company, (ii) any New Notes to be received by it will be acquired in the ordinary course of business and (iii) at the time of the commencement of the Exchange Offer it had no arrangement with any person to participate in a distribution of the New Notes and, if such holder is not a broker-dealer, it is not engaged in, and does not intend to engage in, a distribution of New Notes. If a holder of Existing Notes is unable to make the foregoing representations, such holder may not rely on the applicable interpretations of the Staff of the Commission and must comply with the registration and prospectus delivery requirements of the Securities Act in connection with any secondary resale transaction unless such sale is made pursuant to an exemption from such requirements.

Each broker-dealer that receives New Notes for its own account in exchange for Existing Notes where such Existing Notes were acquired by such broker-dealer as a result of market-making or other trading activities, must acknowledge that it will deliver a prospectus in connection with any resale of such New Notes. See "Plan of Distribution."

Upon consummation of the Exchange Offer, subject to certain limited exceptions, holders of Existing Notes who do not exchange their Existing Notes for New Notes in the Exchange Offer will no longer be entitled to registration rights and will not be able to offer or sell their Existing Notes, unless such Existing Notes are subsequently registered under the Securities Act (which, subject to certain limited exceptions, the Company will have no obligation to do), except pursuant to an exemption from, or in a transaction not subject to, the Securities Act and applicable state securities laws.

EXPIRATION DATE; EXTENSIONS; AMENDMENTS; TERMINATION

The term "Expiration Date" shall mean , 1998 (30 calendar days following the commencement of the Exchange Offer), unless the Company, in its sole discretion, extends the Exchange Offer, in which case the term "Expiration Date" shall mean the latest date to which the Exchange Offer is extended. Notwithstanding any extension of the Exchange Offer, if the Exchange Offer is not consummated by , 1998, the interest rate borne by the Existing Notes will increase as provided in the Existing Notes.

To extend the Expiration Date, the Company will notify the Exchange Agent of any extension by oral or written notice and will notify the holders of the Existing Notes by means of a press release or other public announcement prior to 9:00 A.M., New York City time, on the next business day after the previously scheduled Expiration Date. Such announcement may state that the Company is extending the Exchange Offer for a specified period of time.

The Company reserves the right (i) to delay acceptance of any Existing Notes, to extend the Exchange Offer or to terminate the Exchange Offer and not permit acceptance of Existing Notes not previously accepted if any of the conditions set forth herein under " -- Conditions" shall have occurred and shall not have been waived by the Company, by giving oral or written notice of such delay, extension or termination to the Exchange Agent, or (ii) to amend the terms of the Exchange Offer in any manner deemed by it to be advantageous to the holders of the Existing Notes. Any such delay in acceptance, extension, termination or amendment will be followed as promptly as practicable by oral or written notice thereof to the Exchange Agent. If the Exchange Offer is amended in a manner determined by the Company to constitute a material change, the Company will promptly disclose such amendment in a manner reasonably calculated to inform the holders of the Existing Notes of such amendment.

Without limiting the manner in which the Company may choose to make public announcement of any delay, extension, amendment or termination of the Exchange Offer, the Company shall have no obligations to publish, advertise, or otherwise communicate any such public announcement, other than by making a timely release to an appropriate news agency.

INTEREST ON THE NEW NOTES

The New Notes will accrue interest at the rate of 6 1/2% per annum from the Issue Date of the Existing Notes. Interest on the New Notes is payable on February 1 and August 1 of each year, commencing August 1, 1998.

PROCEDURES FOR TENDERING

To tender in the Exchange Offer, a holder must complete, sign and date the Letter of Transmittal, or a facsimile thereof, have the signatures thereon guaranteed if required by the Letter of Transmittal, and mail or otherwise deliver such Letter of Transmittal or such facsimile, together with any other required documents, to the Exchange Agent prior to 5:00 p.m., New York City time, on the Expiration Date. In addition, either (i) a timely confirmation of a book-entry transfer (a "Book-Entry Confirmation") of such Existing Notes into the Exchange Agent's account at DTC (the "Book-Entry Transfer Facility") pursuant to the procedure for book-entry transfer described below, must be received by the Exchange Agent prior to the Expiration Date or (ii) the holder must comply with the guaranteed delivery procedures described below. THE METHOD OF DELIVERY OF LETTERS OF TRANSMITTAL AND ALL OTHER REQUIRED DOCUMENTS IS AT THE ELECTION AND RISK OF THE HOLDERS. IF SUCH DELIVERY IS BY MAIL, IT IS RECOMMENDED THAT REGISTERED MAIL, PROPERLY INSURED, WITH RETURN RECEIPT REQUESTED, BE USED. IN ALL CASES, SUFFICIENT TIME SHOULD BE ALLOWED TO ASSURE TIMELY DELIVERY. NO LETTERS OF TRANSMITTAL OR OTHER REQUIRED DOCUMENTS SHOULD BE SENT TO THE COMPANY. Delivery of all documents must be made to the Exchange Agent at its address set forth below. Holders may also request their respective brokers, dealers, commercial banks, trust companies or nominees to effect such tender for such holders.

The tender by a holder of Existing Notes will constitute an agreement between such holder and the Company in accordance with the terms and subject to the conditions set forth herein and in the Letter of Transmittal. Any beneficial owner whose Existing Notes are registered in the name of a broker, dealer, commercial bank, trust company or other nominee and

who wishes to tender should contact such registered holder promptly and instruct such registered holder to tender on his behalf.

Signatures on a Letter of Transmittal or a notice of withdrawal, as the case may be, must be guaranteed by any member firm of a registered national securities exchange or of the National Association of Securities Dealers, Inc., a commercial bank or trust company having an office or correspondent in the United States or an "eligible guarantor" institution within the meaning of Rule 17Ad-15 under the Exchange Act (each an "Eligible Institution") unless the Existing Notes tendered pursuant thereto are tendered for the account of an Eligible Institution.

If the Letter of Transmittal is signed by trustees, executors, administrators, guardians, attorneys-in-fact, officers of corporations or others acting in a fiduciary or representative capacity, such person should so indicate when signing, and unless waived by the Company, evidence satisfactory to the Company of their authority to so act must be submitted with the Letter of Transmittal.

All questions as to the validity, form, eligibility (including time of receipt) and withdrawal of the tendered Existing Notes will be determined by the Company in its sole discretion, which determination will be final and binding. The Company reserves the absolute right to reject any and all Existing Notes not properly tendered or any Existing Notes which, if accepted, would, in the opinion of counsel for the Company, be unlawful. The Company also reserves the absolute right to waive any irregularities or conditions of tender as to particular Existing Notes. The Company's interpretation of the terms and conditions of the Exchange Offer (including the instructions in the Letter of Transmittal) will be final and binding on all parties. Unless waived, any defects or irregularities in connection with tenders of Existing Notes must be cured within such time as the Company shall determine. Neither the Company, the Exchange Agent nor any other person shall be under any duty to give notification of defects or irregularities with respect to tenders of Existing Notes, nor shall any of them incur any liability for failure to give such notification. Tenders of Existing Notes will not be deemed to have been made until such irregularities have been cured or waived. Any Existing Notes received by the Exchange Agent that are not properly tendered and as to which the defects or irregularities have not been cured or waived will be returned without cost to such holder by the Exchange Agent, unless otherwise provided in the Letter of Transmittal, as soon as practicable following the Expiration Date.

In addition, the Company reserves the right in its sole discretion, subject to the provisions of the Indenture, to (i) purchase or make offers for any Existing Notes that remain outstanding subsequent to the Expiration Date or, as set forth under " -- Conditions," to terminate the Exchange Offer in accordance with the terms of the Registration Agreement, (ii) to redeem Existing Notes as a whole or in part at any time and from time to time, as set forth under "Description of Notes -- Optional Redemption" and (iii) to the extent permitted by applicable law, purchase Existing Notes in the open market, in privately negotiated transactions or otherwise. The terms of any such purchases or offers could differ from the terms of the Exchange Offer.

ACCEPTANCE OF EXISTING NOTES FOR EXCHANGE; DELIVERY OF NEW NOTES

Upon satisfaction or waiver of all of the conditions to the Exchange Offer, all Existing Notes properly tendered will be accepted promptly after the Expiration Date, and the New Notes will be issued promptly after acceptance of the Existing Notes. See " -- Conditions." For purposes of the Exchange Offer, Existing Notes shall be deemed to have been accepted as validly tendered for exchange when, as and if the Company has given oral or written notice thereof to the Exchange Agent.

In all cases, issuance of New Notes for Existing Notes that are accepted for exchange pursuant to the Exchange Offer will be made only after timely receipt by the Exchange Agent of a Book-Entry Confirmation of such Existing Notes into the Exchange Agent's account at the Book-Entry Transfer Facility, a properly completed and duly executed Letter of Transmittal and all other required documents. If any tendered Existing Notes are not accepted for any reason set forth in the terms and conditions of the Exchange Offer, such unaccepted or such nonexchanged Existing Notes will be credited to an account maintained with such Book-Entry Transfer Facility as promptly as practicable after the expiration or termination of the Exchange Offer.

BOOK-ENTRY TRANSFER

The Exchange Agent will make a request to establish an account with respect to the Existing Notes at the Book-Entry Transfer Facility for purposes of the Exchange Offer within two business days after the date of this Prospectus. Any financial institution that is a participant in the Book-Entry Transfer Facility's systems may make book-entry delivery of Existing Notes by causing the Book-Entry Transfer Facility to transfer such Existing Notes into the Exchange Agent's account at the Book-Entry Transfer Facility in accordance with such Book-Entry Transfer Facility's procedures for transfer. However, the Letter

of Transmittal or facsimile thereof with any required signature guarantees and any other required documents must, in any case, be transmitted to and received by the Exchange Agent at one of the addresses set forth below under " -- Exchange Agent" on or prior to the Expiration Date or the guaranteed delivery procedures described below must be complied with.

GUARANTEED DELIVERY PROCEDURES

If the procedures for book-entry transfer cannot be completed on a timely basis, a tender may be effected if (i) the tender is made through an Eligible Institution, (ii) prior to the Expiration Date, the Exchange Agent receives from such Eligible Institution a properly completed and duly executed Letter of Transmittal (or a facsimile thereof) and Notice of Guaranteed Delivery, substantially in the form provided by the Company (by facsimile transmission, mail or hand delivery), setting forth the name and address of the holder of Existing Notes and the amount of Existing Notes tendered, stating that the tender is being made thereby and guaranteeing that within three New York Stock Exchange ("NYSE") trading days after the date of execution of the Notice of Guaranteed Delivery, a Book-Entry Confirmation and any other documents required by the Letter of Transmittal will be deposited by the Eligible Institution with the Exchange Agent and (iii) a Book-Entry Confirmation and all other documents required by the Letter of Transmittal are received by the Exchange Agent within three NYSE trading days after the date of execution of the Notice of Guaranteed Delivery.

WITHDRAWAL OF TENDERS

Tenders of Existing Notes may be withdrawn at any time prior to 5:00 p.m., New York City time on the Expiration Date.

For a withdrawal to be effective, a written notice of withdrawal must be received by the Exchange Agent prior to 5:00 p.m., New York City time on the Expiration Date at one of the addresses set forth below under " -- Exchange Agent." Any such notice of withdrawal must specify the name and number of the account at the Book-Entry Transfer Facility from which the Existing Notes were tendered, identify the principal amount of the Existing Notes to be withdrawn, and specify the name and number of the account at the Book-Entry Transfer Facility to be credited with the withdrawn Existing Notes and otherwise comply with the procedures of such facility. All questions as to the validity, form and eligibility (including time of receipt) of such notice will be determined by the Company, whose determination shall be final and binding on all parties. Any Existing Notes so withdrawn will be deemed not be have been validly tendered for exchange for purposes of the Exchange Offer. Any Existing Notes which have been tendered for exchange but which are not exchanged for any reason will be credited to an account maintained with such Book-Entry Transfer Facility for the Existing Notes as soon as practicable after withdrawal, rejection of tender or termination of the Exchange Offer. Properly withdrawn Existing Notes may be retendered by following one of the procedures described under " -- Procedures for Tendering" and " -- Book-Entry Transfer" above at any time on or prior to the Expiration Date.

CONDITIONS

Notwithstanding any other term of the Exchange Offer, Existing Notes will not be required to be accepted for exchange, nor will New Notes be issued in exchange for any Existing Notes, and the Company may terminate or amend the Exchange Offer as provided herein before the acceptance of such Existing Notes, if because of any change in law, or applicable interpretations thereof by the Commission, the Company determines that it is not permitted to effect the Exchange Offer. The Company has no obligation to, and will not knowingly, permit acceptance of tenders of Existing Notes from Affiliates of the Company or from any other holder or holders who are not eligible to participate in the Exchange Offer under applicable law or interpretations thereof by the Staff of the Commission, or if the New Notes to be received by such holder or holders of Existing Notes in the Exchange Offer, upon receipt, will not be tradable by such holder without restriction under the Securities Act and the Exchange Act and without material restrictions under the "blue sky" or securities laws of substantially all of the states of the United States.

EXCHANGE AGENT

First Union National Bank has been appointed as Exchange Agent for the Exchange Offer. Questions and requests for assistance and requests for additional copies of this Prospectus or of the Letter of Transmittal should be directed to the Exchange Agent addressed as follows:

By Mail:
First Union National Bank
Corporate Trust Reorganization Dept.
1525 West W.T. Harris Blvd., 3C3
Charlotte, North Carolina 28288
Attention: Mr. Mike Klotz

By Hand/Federal Express/UPS:
First Union National Bank
Corporate Trust Reorganization Dept.
1525 West W.T. Harris Blvd., 3C3
Charlotte, North Carolina 28262
Attention: Mr. Mike Klotz

Telephone: 704-590-7408
Facsimile: 704-590-7628

FEES AND EXPENSES

The expenses of soliciting tenders pursuant to the Exchange Offer will be borne by the Company. The principal solicitation for tenders pursuant to the Exchange Offer is being made by mail; however, additional solicitations may be made by telegraph, telephone, telecopy or in person by officers and regular employees of the Company.

The Company will not make any payments to brokers, dealers or other persons soliciting acceptances of the Exchange Offer. The Company, however, will pay the Exchange Agent reasonable and customary fees for its services and will reimburse the Exchange Agent for its reasonable out-of-pocket expenses in connection therewith. The Company may also pay brokerage houses and other custodians, nominees and fiduciaries the reasonable out-of-pocket expenses incurred by them in forwarding copies of the Prospectus and related documents to the beneficial owners of the Existing Notes, and in handling or forwarding tenders for exchange.

The expenses to be incurred in connection with the Exchange Offer will be paid by the Company, including fees and expenses of the Exchange Agent and Trustee and accounting, legal, printing and related fees and expenses.

The Company will pay all transfer taxes, if any, applicable to the exchange of Existing Notes pursuant to the Exchange Offer. If, however, New Notes or Existing Notes for principal amounts not tendered or accepted for exchange are to be registered or issued in the name of any person other than the registered holder of the Existing Notes tendered, or if tendered Existing Notes are registered in the name of any person other than the person signing the Letter of Transmittal, or if a transfer tax is imposed for any reason other than the exchange of Existing Notes pursuant to the Exchange Offer, then the amount of any such transfer taxes (whether imposed on the registered holder or any other persons) will be payable by the tendering holder. If satisfactory evidence of payment of such taxes or exemption therefrom is not submitted with the Letter of Transmittal, the amount of such transfer taxes will be billed directly to such tendering holder.

CONSEQUENCES OF FAILURE TO EXCHANGE

Holders of Existing Notes who do not exchange their Existing Notes for New Notes pursuant to the Exchange Offer will continue to be subject to the restrictions on transfer of such Existing Notes as set forth in the legend thereon as a consequence of the issuance of the Existing Notes pursuant to exemptions from, or in transactions not subject to, the registration requirements of the Securities Act and applicable state securities laws. In general, the Existing Notes may not be offered or sold, unless registered under the Securities Act, except pursuant to an exemption from, or in a transaction not subject to, the Securities Act and applicable state securities laws. The Company does not currently anticipate that it will register the Existing Notes under the Securities Act. To the extent that Existing Notes are tendered and accepted in the Exchange Offer, the trading market for untendered and tendered but unaccepted Existing Notes could be adversely affected.

DESCRIPTION OF NOTES

The Notes are issued as a single series of debt securities under an Indenture, dated as of February 5, 1998 (the "Indenture"), between the Company and First Union National Bank as trustee (the "Trustee"), resolutions of the Company's Board of Directors dated December 31, 1997, and resolutions of the Executive Committee of the Board of Directors dated February 2, 1998 and March 30, 1998. The following summaries of certain provisions of the Indenture do not purport to be complete, and where particular provisions of the Indenture are referred to, such provisions, including definitions of certain terms, are incorporated by reference as a part of such summaries. The summaries are qualified in their entirety by reference to the provisions of the Indenture. The section references below are to sections in the Indenture. The Indenture is by its terms subject to and governed by the Trust Indenture Act of 1939, as amended. Copies of the Indenture are available at the corporate trust office of the Trustee.

GENERAL

The Notes are unsecured senior obligations of the Company, will mature on February 1, 2008, and are limited to $250 million aggregate principal amount. The Notes bear interest at 6 1/2% per annum from February 5, 1998, or from the most recent interest payment date to which interest has been paid or provided for, payable semi-annually on February 1 and August 1 in each year, commencing August 1, 1998, to the person in whose name such Note (or any predecessor Note) is registered at the close of business on the January 15 or July 15, respectively, preceding such interest payment date. Interest shall be calculated based on a 360-day year consisting of twelve 30-day months. (Sections 2.03, 2.04 and 2.05)

Principal of and premium, if any, and interest on the Notes are payable, and the Notes are exchangeable and transfers thereof are registrable, at an office or agency of the Company, one of which is maintained for such purpose in New York, New York (which initially will be the corporate trust office of the Trustee) or such other office or agency permitted under the

Indenture. Payment of any interest due on any Note is made to the person in whose name such Note is registered at the close of business on the regular record date for such interest. (Sections 2.05, 2.07, 3.01, 3.02 and 13.04)

The Company does not intend to list the Notes on a national securities exchange.

The Indenture does not limit the aggregate principal amount of debt securities that may be issued thereunder, and the Indenture provides that debt securities, including the Notes, may be issued thereunder from time to time in one or more series. The Indenture does not contain any provisions that would limit the ability of the Company to incur indebtedness or require the maintenance of financial ratios or specified levels of net worth or liquidity, nor does it contain covenants or other provisions designed to afford holders of the Notes protection in the event of a highly leveraged transaction, change in credit rating or other similar occurrence. However, the provisions of the Indenture do (i) provide that, subject to certain exceptions, neither the Company nor any Restricted Subsidiary (as defined therein) will subject its property or assets to any mortgage or other encumbrance unless the debt securities, including the Notes, issued under the Indenture are secured equally and ratably with such other indebtedness thereby secured, (ii) contain certain limitations on the entry into certain sale and leaseback arrangements by the Company and its Restricted Subsidiaries and (iii) contain certain limitations on the issuance of certain indebtedness by Restricted Subsidiaries. In addition, the Indenture does not contain any provisions which would require the Company to repurchase or redeem or otherwise modify the terms of any of the Notes upon a change in control or other events involving the Company which may adversely affect the creditworthiness of the Notes. See " -- Certain Covenants."

FORM OF NOTES; BOOK ENTRY SYSTEM

The Notes are issued in fully registered form without interest coupons. The Notes are represented by one or more permanent global Notes in definitive, fully registered form without interest coupons (the "Global Securities") and are deposited with the Trustee as custodian for DTC and registered in the name of a nominee of DTC.

Upon the issuance of a Global Security, DTC credited, on its internal system, the respective principal amounts of the individual beneficial interests represented by such Global Security to the accounts of persons that have accounts with DTC or its nominee ("Participants"). Ownership of beneficial interests in a Global Security is limited to Participants or persons that may hold interests through Participants ("Indirect Participants"). Ownership of beneficial interests in such Global Security is shown on, and the transfer of those ownership interests is effected only through, records maintained by DTC (with respect to Participants' interests) and by such Participants (with respect to the owners of beneficial interests in such Global Security). Qualified institutional buyers (as defined in Section 144A of the Securities Act) ("Qualified Institutional Buyers" or "QIBs") may hold their interests in such Global Security directly through DTC if they are Participants or indirectly through Indirect Participants.

So long as DTC, or its nominee, is the registered holder and owner of such Global Security, DTC or such nominee, as the case may be, will be considered the sole owner and holder of the related Notes for all purposes of such Notes and for all purposes under the Indenture. No beneficial owner of an interest in a Global Security will be able to transfer such interest except in accordance with DTC's applicable procedures, in addition to those provided for under the Indenture and, if applicable, those of Morgan Guaranty Trust Company of New York, Brussels office, as operator of the Euroclear System ("Euroclear").

Payment of principal of, and interest on, and any redemption price, of Notes represented by a Global Security are made to DTC or its nominee, as the case may be, as the registered owner and holder of such Global Security.

The Company expects that DTC or its nominee, upon receipt of any payment of principal or interest or redemption price in respect of a Global Security, will immediately credit the accounts of the Participants with such payment in amounts proportionate to their respective holdings in principal amount of beneficial interest in the Global Security as shown in the records of DTC or its nominee. The Company also expects that payments by Participants to owners of beneficial interests in a Global Security held through such Participants will be governed by standing instructions and customary practices, as is now the case with securities held for the accounts of customers registered in "street name,"and will be the responsibility of such Participants. Neither the Company nor the Trustee will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in a Global Security for any Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests or for receipt of notices, voting and requesting or directing the Trustee to take, or not to take, or consenting to, certain actions thereunder or for any other aspect of the relationship between DTC and its Participants or the relationship between such Participants and the owners of beneficial interests in such Global Security owned through such Participants.

Transfers between Participants in DTC are effected in the ordinary way in accordance with DTC rules and are settled in same-day funds. Transfers between Participants in Euroclear are effected in the ordinary way in accordance with its rules and operating procedures.

DTC has advised the Company that it will take any action permitted to be taken by a Holder of Notes (including the presentation of Notes for exchange as described below) only at the direction of one or more Participants to whose account the DTC interests in a Global Security is credited and only in respect of such portion of the aggregate principal amount of Notes as to which such Participant or Participants has or have given such direction. However, if there is an Event of Default (as defined herein) under the Notes, DTC will exchange the Global Securities for certificated notes in definitive form ("Certificated Notes") which it will distribute to its Participants.

DTC has advised the Company and the Trustee as follows: DTC is a limited-purpose trust company organized under New York law, a "banking organization" within the meaning of New York law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the Uniform Commercial Code as in effect in the State of New York and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC was created to hold securities deposited by Participants and to facilitate the clearance and settlement of securities transactions among Participants through electronic computerized book-entry changes in accounts of the Participants, thereby eliminating the need for physical movement of securities certificates. Participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. Indirect access to DTC's book-entry system is also available to Indirect Participants, such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Participant, either directly or indirectly.

Although DTC and Euroclear have agreed to the foregoing procedures in order to facilitate transfers of interests in the Global Securities among participants of DTC and Euroclear, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. Neither the Company nor the Trustee will have any responsibility for the performance by DTC or its Participants or Indirect Participants of their respective obligations under the rules and procedures governing their respective operations.

CERTIFICATED NOTES

If DTC is at any time unwilling or unable to continue as a depositary for the Global Securities and a successor depositary is not appointed by the Company within 90 days, the Company will issue Certificated Notes in exchange for the Global Securities.

OPTIONAL REDEMPTION

The Company, at its option, may at any time redeem all or any portion of the Notes, at a redemption price, plus accrued interest to the date of redemption, equal to the greater of (i) 100% of their principal amount or (ii) the sum of the present values of the remaining scheduled payments of principal and interest thereon discounted to the date of redemption on a semiannual basis (assuming a 360-day year consisting of twelve 30-day months) at the applicable Treasury Yield plus 20 basis points.

"Treasury Yield" means, with respect to any redemption date applicable to the Notes, the rate per annum equal to the semiannual equivalent yield to maturity of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the applicable Comparable Treasury Price for such redemption date.

"Comparable Treasury Issue" means, with respect to the Notes, the United States Treasury security selected by an Independent Investment Banker as having a maturity comparable to the remaining term of the Notes that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of the Notes.

"Independent Investment Banker" means, with respect to the Notes offered hereby, Credit Suisse First Boston Corporation or, if such firm is unwilling or unable to select the applicable Comparable Treasury Issue, an independent investment banking institution of national standing appointed by the Trustee.

"Comparable Treasury Price" means, with respect to any redemption date applicable to the Notes, (i) the average of the applicable Reference Treasury Dealer Quotations for such redemption date, after excluding the highest and lowest such

applicable Reference Treasury Dealer Quotations, or (ii) if the Trustee obtains fewer than four such Reference Treasury Dealer Quotations, the average of all such Quotations.

"Reference Treasury Dealer Quotations" means, with respect to each Reference Treasury Dealer and any redemption date for the Notes, the average, as determined by the Trustee, of the bid and asked prices for the Comparable Treasury Issue for the Notes (expressed in each case as a percentage of its principal amount) quoted in writing to the Trustee by such Reference Treasury Dealer at 5:00 p.m., New York City time, on the third business day preceding such redemption date.

"Reference Treasury Dealer" means, with respect to the Notes offered hereby, Credit Suisse First Boston Corporation; PROVIDED HOWEVER, that if the foregoing shall cease to be a primary United States Government securities dealer in New York City (a "Primary Treasury Dealer"), the Company shall substitute therefor another Primary Treasury Dealer.

Holders of the Notes to be redeemed will receive notice thereof by first-class mail at least 30 and not more than 60 days prior to the date fixed for redemption.

CERTAIN COVENANTS

RESTRICTIONS ON SECURED FUNDED DEBT. The Indenture provides that the Company will not, nor will it permit any Restricted Subsidiary to, incur, issue, assume, guarantee or create any Secured Funded Debt, without effectively providing concurrently with the incurrence, issuance, assumption, guaranty or creation of any such Secured Funded Debt that the Notes (together with, if the Company shall so determine, any other Indebtedness of the Company or such Restricted Subsidiary then existing or thereafter created which is not subordinated to the Notes) will be secured equally and ratably with (or prior to) such Secured Funded Debt, unless, after giving effect thereto, the sum of the aggregate amount of all outstanding Secured Funded Debt of the Company and its Restricted Subsidiaries together with all Attributable Debt in respect of sale and leaseback transactions relating to a Principal Property (with the exception of Attributable Debt which is excluded pursuant to clauses (1) to (6) described under "Limitations on Sale/Leaseback Transactions" below), would not exceed 15% of Consolidated Net Tangible Assets; PROVIDED, HOWEVER, that this restriction will not apply to, and there will be excluded from Secured Funded Debt in any computation under this restriction, Funded Debt secured by: (1) Liens on property, shares of capital stock or indebtedness of any corporation existing at the time such corporation becomes a Subsidiary; (2) Liens on property, shares of capital stock or indebtedness existing at the time of acquisition thereof or incurred within 180 days of the time of acquisition thereof (including, without limitation, acquisition through merger or consolidation) by the Company or any Restricted Subsidiary; (3) Liens on property, shares of capital stock or indebtedness thereafter acquired (or constructed) by the Company or any Restricted Subsidiary and created prior to, at the time of, or within 270 days after such acquisition (including, without limitation, acquisition through merger or consolidation) (or the completion of such construction or commencement of commercial operation of such property, whichever is later) to secure or provide for the payment of all or any part of the purchase price (or the construction price) thereof; (4) Liens in favor of the Company or any Restricted Subsidiary; (5) Liens in favor of the United States of America, any State thereof or the District of Columbia, or any agency, department or other instrumentality thereof, to secure partial, progress, advance or other payments pursuant to any contract or provisions of any statute; (6) Liens incurred or assumed in connection with the issuance of revenue bonds the interest on which is exempt from Federal income taxation pursuant to Section 103(b) of the Internal Revenue Code; (7) Liens securing the performance of any contract or undertaking not directly or indirectly in connection with the borrowing of money, the obtaining of advances or credit or the securing of Funded Debt, if made and continuing in the ordinary course of business; (8) Liens incurred (no matter when created) in connection with the Company's or a Restricted Subsidiary's engaging in leveraged or single-investor lease transactions; PROVIDED, HOWEVER, that the instrument creating or evidencing any borrowings secured by such Lien will provide that such borrowings are payable solely out of the income and proceeds of the property subject to such Lien and are not a general obligation of the Company or such Restricted Subsidiary; (9) Liens under workers' compensation laws, unemployment insurance laws or similar legislation, or good faith deposits in connection with bids, tenders, contracts or deposits to secure public or statutory obligations of the Company or any Restricted Subsidiary, or deposits of cash or obligations of the United States of America to secure surety and appeal bonds to which the Company or any Restricted Subsidiary is a party or in lieu of such bonds, or pledges or deposits for similar purposes in the ordinary course of business, or Liens imposed by law, such as laborers' or other employees', carriers', warehousemen's, mechanics', materialmen's and vendors' Liens, and Liens arising out of judgments or awards against the Company or any Restricted Subsidiary with respect to which the Company or such Restricted Subsidiary at the time shall be prosecuting an appeal or proceedings for review and with respect to which it shall have secured a stay of execution pending such appeal or proceedings for review, or Liens for taxes not yet subject to penalties for nonpayment or the amount or validity of which is being in good faith contested by appropriate proceedings by the Company or any Restricted Subsidiary, as the case may be, or minor survey exceptions, minor encumbrances, easements or reservations of, or rights of others for, rights of way, sewers, electric lines, telegraph and telephone

lines and other similar purposes, or zoning or other restrictions or Liens as to the use of real properties, which Liens, exceptions, encumbrances, easements, reservations, rights and restrictions do not, in the opinion of the Company, in the aggregate materially detract from the value of said properties or materially impair their use in the operation of the business of the Company and its Restricted Subsidiaries; (10) Liens incurred to finance all or any portion of the cost of construction, alteration or repair of any Principal Property and improvements thereto created prior to or within 270 days after completion of such construction, alteration or repair; (11) Liens outstanding on the date of the Indenture; or (12) any extension, renewal, refunding or replacement of the foregoing, PROVIDED THAT (i) such extension, renewal, refunding or replacement Lien shall be limited to all or a part of the same property that secured the Lien extended, renewed, refunded or replaced (plus improvements on such property) and (ii) the Funded Debt secured by such Lien at such time is not increased.

"Attributable Debt" means, as to any particular lease under which either the Company or any Restricted Subsidiary is at the time liable as lessee for a term of more than 12 months and at any date as of which the amount thereof is to be determined, the total net obligations of the lessee for rental payments during the remaining term of the lease (including any period for which such lease has been extended or may, at the option of the lessor, be extended) discounted from the respective due dates thereof to such determination date at a rate per annum equivalent to the greater of (i) the weighted-average Yield to Maturity (as defined in the Indenture) of the Notes, such average being weighted by the principal amount of the Notes or, in the case of Original Issue Discount Securities (as defined in the Indenture), such amount to be the principal amount of such outstanding Original Issue Discount Securities that would be due and payable as of the date of such determination upon a declaration of acceleration of the maturity thereof pursuant to the Indenture and (ii) the interest rate inherent in such lease (as determined in good faith by the Company), both to be compounded semi-annually.

"Consolidated Net Tangible Assets" means, at any date, the total assets appearing on the most recent consolidated balance sheet of the Company and its Restricted Subsidiaries as at the end of the fiscal quarter of the Company ending not more than 135 days prior to such date, prepared in accordance with U.S. generally accepted accounting principles, less (i) all current liabilities (due within one year) as shown on such balance sheet, (ii) investments in and advances to Unrestricted Subsidiaries and (iii) Intangible Assets and liabilities relating thereto.

"Funded Debt" means (i) any indebtedness of the Company or a Restricted Subsidiary maturing more than 12 months after the time of computation thereof, (ii) guarantees of Funded Debt or of dividends of others (except guarantees in connection with the sale or discount of accounts receivable, trade acceptances and other paper arising in the ordinary course of business), (iii) in the case of any Restricted Subsidiary, all preferred stock having mandatory redemption provisions of such Restricted Subsidiary as reflected on such Restricted Subsidiary's balance sheet prepared in accordance with U.S. generally accepted accounting principles, and (iv) all Capital Lease Obligations (as defined in the Indenture).

"Indebtedness" means, at any date, without duplication, (i) all obligations for borrowed money of the Company or a Restricted Subsidiary or any other indebtedness of the Company or a Restricted Subsidiary, evidenced by bonds, debentures, notes or other similar instruments, and (ii) Funded Debt.

"Intangible Assets" means, at any date, the value, as shown on or reflected in the most recent consolidated balance sheet of the Company and its Restricted Subsidiaries as at the end of the fiscal quarter of the Company ending not more than 135 days prior to such date, prepared in accordance with generally accepted accounting principles, of: (i) all trade names, trademarks, licenses, patents, copyrights, service marks, goodwill and other like intangibles; (ii) organizational and development costs; (iii) deferred charges (other than prepaid items, such as insurance, taxes, interest, commissions, rents, pensions, compensation and similar items and tangible assets being amortized); and (iv) unamortized debt discount and expense, less unamortized premium.

"Liens" means such pledges, mortgages, security interests and other liens on any Principal Property of the Company or a Restricted Subsidiary which secure Secured Funded Debt.

"Principal Property" means any manufacturing facility owned and operated by the Company or any Restricted Subsidiary on or after the date hereof, and any manufacturing equipment (as defined in the Indenture) owned by the Company or any Restricted Subsidiary on or after the date hereof in such manufacturing facility.

"Restricted Subsidiary" means each Subsidiary other than Unrestricted Subsidiaries.

"Secured Funded Debt" means Funded Debt which is secured by any pledge of, or mortgage, security interest or other lien on any (i) Principal Property (whether owned on the date of the Indenture or thereafter acquired or created), (ii) shares of stock owned by the Company or a Subsidiary in a Restricted Subsidiary or (iii) indebtedness of a Restricted Subsidiary.

"Subsidiary" means any corporation of which at least a majority of the outstanding stock, which under ordinary circumstances (not dependent upon the happening of a contingency) has voting power to elect a majority of the board of directors of such corporation (or similar management body), is owned directly or indirectly by the Company or by one or more Subsidiaries of the Company, or by the Company and one or more Subsidiaries.

"Unrestricted Subsidiary" means Subsidiaries designated as Unrestricted Subsidiaries from time to time by the Board of Directors of the Company; PROVIDED, HOWEVER, that the Board of Directors of the Company (i) will not designate as an Unrestricted Subsidiary any Subsidiary of the Company that owns any Principal Property or any stock of a Restricted Subsidiary, (ii) will not continue the designation of any Subsidiary of the Company as an Unrestricted Subsidiary at any time that such Subsidiary owns any Principal Property, and (iii) will not, nor will it cause or permit any Restricted Subsidiary to, transfer or otherwise dispose of any Principal Property to any Unrestricted Subsidiary (unless such Unrestricted Subsidiary will in connection therewith be redesignated as a Restricted Subsidiary and any pledge, mortgage, security interest or other lien arising in connection with any Indebtedness of such Unrestricted Subsidiary so redesignated does not extend to such Principal Property (unless the existence of such pledge, mortgage, security interest or other lien would otherwise be permitted under the Indenture)). (Section 3.09)

LIMITATION ON SALE/LEASEBACK TRANSACTIONS. The Indenture provides that the Company will not, nor will it permit any Restricted Subsidiary to, enter into any arrangement with any person providing for the leasing by the Company or any Restricted Subsidiary of any Principal Property of the Company or any Restricted Subsidiary, which Principal Property has been or is to be sold or transferred by the Company or such Restricted Subsidiary to such person (a "sale and leaseback transaction") unless, after giving effect thereto, the aggregate amount of all Attributable Debt with respect to all such sale and leaseback transactions plus all Secured Funded Debt (with the exception of Funded Debt secured by Liens which is excluded pursuant to clauses (1) to (12) described under "Restrictions on Secured Funded Debt" above) would not exceed 15% of Consolidated Net Tangible Assets. This covenant will not apply to, and there will be excluded from Attributable Debt in any computation under this restriction or under "Restrictions on Secured Funded Debt" above, Attributable Debt with respect to any sale and leaseback transaction if (1) the Company or a Restricted Subsidiary is permitted to create Funded Debt secured by a Lien pursuant to clauses (1) to (12) inclusive described under "Restrictions on Secured Funded Debt" above on the Principal Property to be leased, in an amount equal to the Attributable Debt with respect to such sale and leaseback transaction, without equally and ratably securing the Notes; (2) the Company or a Restricted Subsidiary, within 270 days after the sale or transfer shall have been made by the Company or a Restricted Subsidiary, shall apply an amount in cash equal to the greater of (i) the net proceeds of the sale or transfer of the Principal Property leased pursuant to such arrangement or (ii) the fair market value of the Principal Property so leased at the time of entering into such arrangement (as determined by the Chief Executive Officer, the President, the Chief Financial Officer, the Treasurer or the Controller of the Company) to the retirement of Secured Funded Debt of the Company or any Restricted Subsidiary (other than Secured Funded Debt owned by the Company or any Restricted Subsidiary); PROVIDED, HOWEVER, that no retirement referred to in this clause (2) may be effected by payment at maturity or pursuant to any mandatory sinking fund payment or any mandatory prepayment provision of Secured Funded Debt; (3) the Company or a Restricted Subsidiary applies the net proceeds of the sale or transfer of the Principal Property leased pursuant to such transaction to investment in another Principal Property within 270 days prior or subsequent to such sale or transfer; PROVIDED, HOWEVER, that this exception shall apply only if such proceeds invested in such other Principal Property shall not exceed the total acquisition, repair, alteration and construction cost of the Company or any Restricted Subsidiary in such other Principal Property less amounts secured by any purchase money or construction mortgages on such Principal Property; (4) the effective date of any such arrangement is within 270 days of the acquisition of the Principal Property (including, without limitation, acquisition by merger or consolidation) or the completion of construction and commencement of operation thereof, whichever is later; (5) the lease in such sale and leaseback transaction is for a term, including renewals, of not more than three years; or (6) the sale and leaseback transaction is entered into between the Company and a Restricted Subsidiary or between Restricted Subsidiaries. (Section 3.10)

RESTRICTIONS ON FUNDED DEBT OF RESTRICTED SUBSIDIARIES. The Indenture provides that the Company will not permit any Restricted Subsidiary to incur, issue, assume, guarantee or create any Funded Debt, unless after giving effect thereto, the sum of the aggregate amount of all outstanding Funded Debt of the Restricted Subsidiaries would not exceed 15% of Consolidated Net Tangible Assets; PROVIDED, HOWEVER, that this restriction will not apply to, and there will be excluded from, Funded Debt in any computation under this restriction, (i) Funded Debt secured by Liens which is excluded pursuant to clauses (1) to (12) described under "Restrictions on Secured Funded Debt," above, (ii) Funded Debt of any corporation existing at the time such

corporation becomes a Restricted Subsidiary and (iii) Indebtedness among the Company and its Subsidiaries and Indebtedness between Subsidiaries; PROVIDED, FURTHER, that this restriction will not prohibit the incurrence of Indebtedness in connection with any extension, renewal, refinancing, replacement or refunding (including successive extensions, renewals, refinancings, replacements and refundings), in whole or in part, of any Indebtedness of the Restricted Subsidiaries (provided that the principal amount of such Indebtedness being extended, renewed, refinanced, replaced or refunded is not increased), but any such Indebtedness shall be included in the computation of Funded Debt under this restriction. (Section 3.11)

MERGER, CONSOLIDATION AND DISPOSITION OF ASSETS

The Company will not consolidate with or merge into any other entity or convey, transfer or lease its properties and assets substantially as an entirety to any person, and the Company will not permit any person to consolidate with or merge into the Company or convey, transfer or lease its properties and assets substantially as an entirety to the Company, unless (i) the successor person or purchaser shall be a corporation, partnership, trust or other entity organized and validly existing under the law of the United States of America, any State or the District of Columbia and shall expressly assume the Company's obligations under the Indenture and the Notes, (ii) immediately after giving effect to such transaction, no Event of Default under the Indenture or event which, after notice or lapse of time or both, would become an Event of Default thereunder would exist and be continuing, and (iii) the Company has delivered to the Trustee an Officers' Certificate and, if requested by the Trustee, an opinion of counsel, each stating that such transaction complies with the Indenture. Upon any consolidation or merger by the Company into any other person or any conveyance, transfer or lease of the Company's properties substantially as an entirety to any person in compliance with these provisions, the successor person will succeed to, and be substituted for, the Company under the Indenture, and the Company, except in the case of a lease, will be relieved of its obligations under the Indenture and the Notes. (Sections 3.06, 10.01, 10.02 and 10.03)

The Indenture does not restrict, or require the Company to redeem or permit holders of the Notes to cause a redemption of Notes in the event of, (i) a consolidation, merger, sale of assets or other similar transaction that may adversely affect the creditworthiness of the Company or its successor or combined entity, (ii) a change in control of the Company or (iii) a highly leveraged transaction involving the Company, whether or not involving a change in control. Accordingly, the Holders of the Notes would not have protection in the event of a highly leveraged transaction, reorganization, restructuring, merger or similar transaction involving the Company that may adversely affect the Holders of Notes. The existing protective covenants applicable to the Notes would continue to apply to the Company, or its successor, in the event of such a transaction initiated or supported by the Company, the management of the Company, or any affiliate of the Company or its management, but may not prevent such a transaction from taking place.

EVENTS OF DEFAULT, WAIVER AND NOTICE

"Event of Default" is defined in the Indenture with respect to the Notes as being (i) default for 30 days in the payment of any interest installment on any Notes, (ii) default in the payment when due of principal of any Note, (iii) default for 90 days, after notice to the Company by the Trustee or to the Company and the Trustee by the holders of not less than 25% in principal amount of the Notes at that time outstanding, in the performance, or breach, of any covenant or warranty of the Indenture (other than covenants and warranties specifically dealt with elsewhere), (iv) the acceleration or failure to pay at maturity (including any applicable grace period) of any indebtedness in excess of $15,000,000 for money borrowed by the Company, which acceleration is not rescinded or annulled, or which indebtedness is not paid in full, within 30 days after notice specified in the next preceding clause and (v) certain events of bankruptcy, insolvency and reorganization. (Section 5.01)

If an Event of Default with respect to the Notes at that time outstanding shall occur and be continuing, either the Trustee or the holders of not less than 25% in principal amount of the outstanding Notes may, by notice in writing to the Company (and to the Trustee if given by holders), declare the principal amount of all Notes to be due and payable. (Section 5.01) In certain cases, the holders of a majority in principal amount of the outstanding Notes may, on behalf of the holders of all the Notes, rescind and annul such acceleration or waive any past default or Event of Default, except a default not theretofore cured in payment of the principal of or interest on any of the Notes or a default relating to a covenant or provision of the Indenture that could not be modified or amended without the consent of all holders of Notes. (Sections 5.01 and 5.07) See " -- Modification and Waiver."

The Indenture provides that the Trustee shall, within 90 days after the occurrence of a default with respect to the Notes, give to the holders of the Notes notice of such default known to it, unless such default shall have been cured or waived. (Section 5.08) The Indenture contains a provision entitling the Trustee, subject to the duty of the Trustee during a default to act with the required standard of care, to be indemnified by holders of the Notes before proceeding to exercise any right or

power under the Indenture at the request of such holders. (Sections 6.01) The Indenture provides that the holders of a majority in principal amount of the outstanding Notes may direct the time, method and place of conducting proceedings for remedies available to the Trustee or of exercising any trust or power conferred on the Trustee with respect to the Notes. (Section 5.07)

No holder of any Notes will have any right to institute any proceeding with respect to the Indenture or for any remedy thereunder, unless (i) such holder shall have previously given to the Trustee written notice of a continuing Event of Default with respect to the Notes, (ii) the holders of at least 25% in aggregate principal amount of the outstanding Notes shall have made written request to the Trustee to institute proceedings as Trustee, (iii) such holder or holders shall have offered to the Trustee reasonable indemnity, (iv) the Trustee shall have failed to institute such proceeding within 60 days thereafter and (v) the Trustee shall not have received from the holders of a majority in aggregate principal amount of the outstanding Notes a direction inconsistent with such request. (Section 5.04) However, the holder of any Notes will have an absolute right to receive payment of the principal of and any interest on such Notes on or after the due dates expressed in such Notes and to institute suit for the enforcement of any such payment. (Section 5.04)

The Company will be required to file with the Trustee annually, within 120 days of the end of each fiscal year of the Company, a certificate as to the compliance with all conditions and covenants of the Indenture. (Section 3.05)

DISCHARGE AND DEFEASANCE OF NOTES AND COVENANTS

The Indenture provides that the Company, at its option, (i) will be discharged from any and all obligations with respect to the Notes (except for certain obligations that include registering the transfer or exchange of the Notes, replacing stolen, lost or mutilated Notes, maintaining paying agencies and holding monies for payment in trust), or (ii) need not comply with certain restrictive covenants of the Indenture, upon the irrevocable deposit with the Trustee (and in the case of a discharge, 91 days after such deposit), in trust, cash in U.S. dollars or U.S. Government Obligations (as defined in the Indenture), or a combination thereof, which through the payment of interest thereon and principal thereof in accordance with their terms will provide money in an amount sufficient to pay each installment of principal of, premium, if any and any interest on the Notes on the dates such payments are due in accordance with the terms of the Indenture. Such a trust may be established only if, among other things, (i) no Event of Default or event which with the giving of notice or lapse of time, or both, would become an Event of Default under the Indenture shall have occurred and be continuing on the date of such deposit or on such later date specified in the Indenture in the case of certain events in bankruptcy, insolvency or reorganization of the Company, (ii) such deposit will not cause the Trustee to have any conflicting interest with respect to other securities of the Company, (iii) such defeasance will not result in a breach or violation of, or constitute a default under, the Indenture or any other agreement or instrument to which the Company is a party or by which it is bound and (iv) the Company shall have delivered an Opinion of Counsel to the effect that the Holders of the Notes will not recognize income, gain or loss for federal income tax purposes as a result of such deposit or defeasance and will be subject to federal income tax in the same manner as if such defeasance had not occurred, which Opinion of Counsel, in the case of clause (i) above, must refer to and be based upon a published ruling of the Internal Revenue Service, a private ruling of the Internal Revenue Service addressed to the Company, or otherwise a change in applicable federal income tax law occurring after the date of the Indenture. In the event the Company omits to comply with its remaining obligations under the Indenture after a defeasance of the Indenture with respect to the Notes and the Notes are declared due and payable because of the occurrence of any Event of Default, the amount of money and U.S. Government Obligations on deposit with the Trustee may be insufficient to pay amounts due on the Notes at the time of the acceleration resulting from such Event of Default. However, the Company will remain liable in respect of such payments. (Sections 5.02, 11.01 and 11.05)

MODIFICATION AND WAIVER

Modifications and amendments of the Indenture may be made by the Company and the Trustee, with the consent of the Holders of not less than a majority in principal amount of the Notes at the time outstanding; PROVIDED, HOWEVER, that no such modification or amendment may, without the consent of the Holder of each outstanding Note affected thereby, (i) extend the stated maturity of the principal of, or any installment of interest on the time of payment of interest on any Note, (ii) reduce the principal amount of, or the premium, if any, or interest on, or any amount payable on redemption of, any Note, (iii) change the place or currency of payment of principal of, or premium, if any, or interest on, any Note, (iv) impair the right to institute suit for the enforcement of any payment on or with respect to any Note, (v) reduce the above-stated percentage of outstanding Notes necessary to modify or amend the Indenture or (vi) reduce the percentage of aggregate principal amount of outstanding Notes necessary for waiver of compliance with certain provisions of the Indenture or for waiver of certain defaults. (Section 9.02)

The Company and the Trustee may from time to time enter into an indenture or a supplemental indenture without the consent of the Holders for one or more of the following purposes: (i) to evidence the succession of another corporation to the Company, or successive successions, and the assumption by the successor corporation of the covenants, agreements and obligations of the Company pursuant to the terms of the Indenture; (ii) to add to the covenants of the Company such further covenants, restrictions or conditions for the protection of the Holders as the Company and Trustee shall consider to be for the protection of the Holders; (iii) to provide for the issuance under the Indenture of Securities (as defined in the Indenture) in coupon form and to provide for exchangeability of such Securities with the Securities issued hereunder in fully registered form and to make all appropriate changes for such purposes; (iv) to cure any ambiguity or to correct or supplement any provision in the Indenture or supplemental indenture or to make such other provisions provided that any such action shall not adversely affect the interests of the Holders; (v) to add to, delete from, or revise the terms of Securities of any series as permitted by Sections 2.01 and 2.03 of the Indenture; (vi) to evidence and provide for the acceptance of appointment by a successor trustee and to add or change any of the provisions of the Indenture as shall be necessary to provide for or facilitate the administration by more than one trustee; (vii) to provide for uncertificated Securities in addition to or in place of certificated Securities; (viii) to make any change that does not adversely affect the rights of any Holder in any material respect; or (ix) to provide for the issuance of and establish the form and terms and conditions of the Securities of any series, to establish the form of any certifications required to be furnished pursuant to the terms of the Indenture or any series of Securities, or to add to the rights of the Holders of any series of Securities.

The Holders of not less than a majority in principal amount of the Notes at the time outstanding may on behalf of the holders of all Notes waive compliance by the Company with certain restrictive provisions of the Indenture. (Section 5.07) The holders of a majority in principal amount of the Notes at the time outstanding may on behalf of the Holders of all Notes waive any past default under the Indenture except a default not theretofore cured in the payment of the principal of or any interest on any Note or in respect of a provision under which the Indenture cannot be modified or amended without the consent of the holder of each outstanding Note. (Sections 5.01 and 5.07)

NOTICE TO CANADIAN RESIDENTS

Canadian holders of Notes should consult their own legal and tax advisors with respect to the consequences of an exchange of the Notes in their particular circumstances.

THE TRUSTEE

The Trustee is First Union National Bank, which also serves as transfer agent and registrar for the Company's common stock and as the Exchange Agent.

CERTAIN UNITED STATES FEDERAL TAX CONSIDERATIONS FOR NON-UNITED STATES HOLDERS

The following is a general discussion of certain United States federal income and estate tax consequences of the acquisition, ownership and disposition of Notes by a purchaser of Notes that, for United States federal income tax purposes, is not a "U.S. person" (a "Non-U.S. Holder"). For purposes of this discussion, a "U.S. person" means (i) a citizen or resident of the United States, (ii) a corporation, partnership or other entity created or organized in the United States or under the laws of the United States or of any political subdivision thereof, (iii) an estate whose income is includable in gross income for United States federal income tax purposes regardless of its source, (iv) a trust subject to the primary supervision of a court within the United States and the control of one or more United States fiduciaries, or (v) any other person whose income or gain with respect to a Note is effectively connected with the conduct of a United States trade or business. For purposes of the following discussion, interest and gain on the sale, exchange or other disposition of a Note will be considered to be "U.S. trade or business income" if such income or gain is (i) effectively connected with the conduct of a U.S. trade or business, or (ii) in the case of most treaty residents attributable to a permanent establishment (or, in the case of an individual, a fixed base) in the United States.

This discussion is based upon the Internal Revenue Code of 1986, as amended (the "Code"), Treasury Regulations, Internal Revenue Service ("IRS") rulings and judicial decisions now in effect, all of which are subject to change (possibly with retroactive effect) or different interpretations. There can be no assurance that the IRS will not challenge one or more of the tax consequences described herein, and the Company has not obtained, nor does it intend to obtain, a ruling from the IRS with respect to any of the U.S. federal income tax consequences of acquiring or holding the Notes. In addition, this discussion is limited to original purchasers of Notes who acquire the Notes at their original issue price within the meaning of Section 1273 of the Code and who will hold the Notes as "capital assets" within the meaning of Section 1221 of the Code. The tax treatment of the holders of each series of Notes may vary depending upon their particular situations. Certain holders (including insurance companies, tax exempt organizations, financial institutions and broker-dealers) may be subject to special rules not discussed below. Prospective investors are strongly urged to consult their tax advisors regarding the United States federal tax consequences of acquiring, holding and disposing of Notes, as well as any tax consequences that may arise under the laws of any foreign, state, local or other taxing jurisdiction.

INTEREST

Interest paid by the Company to a Non-U.S. Holder will not be subject to United States federal income or withholding tax if such interest is not effectively connected with the conduct of a trade or business within the United States by such Non-U.S. Holder and (i) the Non-U.S. Holder does not actually or constructively own 10% or more of the total voting power of all voting stock of the Company, (ii) the Non-U.S. Holder is not a controlled foreign corporation with respect to which the Company is a "related person" within the meaning of the Code, (iii) the U.S. withholding agent receives from the beneficial owner of the Notes a statement, signed under penalties of perjury, that the beneficial owner is not a U.S. person and providing the beneficial owner's name and address, and (iv) the Notes are in registered form. The gross amount of interest payments to a Non-U.S. Holder that does not qualify for this exemption and that are not U.S. trade or business income will be subject to U.S. federal income tax at the rate of 30%, unless a U.S. income tax treaty applies to reduce or eliminate withholding.

GAIN ON DISPOSITION

A Non-U.S. Holder will generally not be subject to United States federal income tax on gain recognized on a sale, exchange, redemption or other disposition of a Note unless (i) the gain is effectively connected with the conduct of a trade or business within the United States by the Non-U.S. Holder, (ii) subject to certain exceptions, the Non-U.S. Holder is a U.S. nonresident alien individual and holds the Notes as a capital asset and is present in the United States for 183 or more days in the taxable year and certain other requirements are met, and (iii) the Non-U.S. Holder is subject to tax pursuant to the provisions of U.S. tax law applicable to certain U.S. expatriates (including certain former citizens or residents of the United States).

FEDERAL ESTATE TAXES

If interest on the Notes is exempt from withholding of United States federal income tax under the rules described above, the Notes will not be included in the estate of a deceased Non-U.S. Holder for United States federal estate tax purposes.

INFORMATION REPORTING AND BACKUP WITHHOLDING

The Company will, where required, report to the holder of Notes and the Internal Revenue Service the amount of any interest paid on the Notes in each calendar year and the amounts of tax withheld, if any, with respect to such payments.

In the case of payments to Non-U.S. Holders, Treasury Regulations provide that the 31% backup witholding tax and certain information reporting will not apply to such payments. Treasury Regulations provide that backup withholding and additional information reporting will not apply to payments of principal on the Notes by the Company to a Non-U.S. Holder if the holder certifies as to its Non-U.S. status under penalty of perjury or otherwise establishes an exemption (provided that neither the Company or its paying agent has actual knowledge that the holder is a U.S. Person or that the conditions of any other exemption are not, in fact, satisfied).

The payment of the proceeds from the disposition of the Notes to or through the U.S. office of any broker, U.S. or foreign, will be subject to information reporting and possible backup withholding unless the owner certifies as to its Non-U.S. Holder status under penalty of perjury or otherwise establishes an exemption, provided that the broker does not have actual knowledge that the holder is a U.S. person or that the conditions of any other exemption are not, in fact, satisfied. The payment of the proceeds from the disposition of a Note to or through a non-U.S. office of a non-U.S. broker that is not a U.S. related person will not be subject to information reporting or backup withholding. For this purpose, a "U.S. related person" is

(i) a "controlled foreign corporation" for U.S. federal income tax purposes, (ii) a foreign person 50% or more of whose gross income from all sources for the three-year period ending with the close of its taxable year preceding the payment (or for such part of the period that the broker has been in existence) is derived from activities that are effectively connected with the conduct of a U.S. trade or business, or (iii) with respect to payments made after December 31, 1998, a foreign partnership that, at any time during its taxable year, is 50% or more (by income or capital interest) owned by U.S. persons or is engaged in the conduct of a U.S. trade or business.

Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules may be refunded or credited against the Non-U.S. Holder's United States federal income tax liability, provided that the required information is furnished to the IRS.

THE PRECEDING DISCUSSION OF CERTAIN UNITED STATES FEDERAL INCOME AND ESTATE TAX CONSEQUENCES IS FOR GENERAL INFORMATION ONLY AND IS NOT TAX ADVICE. ACCORDINGLY, EACH INVESTOR SHOULD CONSULT ITS OWN TAX ADVISOR AS TO PARTICULAR TAX CONSEQUENCES TO IT OF PURCHASING, HOLDING AND DISPOSING OF THE NOTES, INCLUDING THE APPLICABILITY AND EFFECT OF ANY STATE, LOCAL OR FOREIGN TAX LAWS, AND OF ANY PROPOSED CHANGES IN APPLICABLE LAWS.

PLAN OF DISTRIBUTION

Each broker-dealer that receives New Notes for its own account pursuant to the Exchange Offer must acknowledge that it will deliver a prospectus in connection with any resale of such New Notes. This Prospectus, as it may be amended or supplemented from time to time, may be used by a broker-dealer in connection with resales of New Notes received in exchange for Existing Notes where such Existing Notes were acquired as a result of market-making activities or other trading activities. The Company has agreed that, starting on the Expiration Date and ending on the close of business 90 days after the Expiration Date, it will make this Prospectus, as amended or supplemented, available to any broker-dealer for use in connection with any such resale.

The Company will not receive any proceeds from any sale of New Notes by broker-dealers. New Notes received by broker-dealers for their own account pursuant to the Exchange Offer may be sold from time to time in one or more transactions in the over-the-counter market, in negotiated transactions, through the writing of options on the New Notes or a combination of such methods of resale, at market prices prevailing at the time of resale, at prices related to such prevailing market prices or negotiated prices. Any such resale may be made directly to purchasers or to or through brokers or dealers who may receive compensation in the form of commissions or concessions from any such broker-dealer and/or the purchasers of any such New Notes. Any broker-dealer that resells New Notes that were received by it for its own account pursuant to the Exchange Offer and any broker or dealer that participates in a distribution of such New Notes may be deemed to be an "underwriter" within the meaning of the Securities Act and any profit on any such resale of New Notes and any commissions or concessions received by any such persons may be deemed to be underwriting compensation under the Securities Act. The Letter of Transmittal states that by acknowledging that it will deliver and by delivering a prospectus, a broker-dealer will not be deemed to admit that it is an "underwriter" within the meaning of the Securities Act.

For a period of 90 days after the Expiration Date, the Company will promptly send additional copies of this Prospectus and any amendment or supplement to this Prospectus to any broker-dealer that requests such documents in the Letter of Transmittal. The Company has agreed to pay all expenses incident to the Exchange Offer (including the expenses of one counsel for the holders of the Notes) other than commissions or concessions of any brokers or dealers and will indemnify the holders of the New Notes (including any broker-dealers) against certain liabilities, including liabilities under the Securities Act.

LEGAL MATTERS

The validity of the New Notes will be passed upon by Smith Helms Mulliss & Moore, L.L.P., Charlotte, North Carolina, who may rely upon the opinion of New York counsel as to New York law matters. As of December 31, 1997, certain members of Smith Helms Mulliss & Moore, L.L.P. beneficially own approximately 20,000 shares of the Company's Common Stock.

EXPERTS

The consolidated financial statements of Unifi, Inc. incorporated by reference in the Company's Annual Report (Form 10-K) for the year ended June 29, 1997, have been audited by Ernst & Young LLP, independent auditors, as set forth in their report thereon incorporated by reference therein and incorporated herein by reference. Such consolidated financial statements are incorporated herein by reference in reliance upon such report given upon the authority of such firm as experts in accounting and auditing.

NO PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS OTHER THAN THOSE CONTAINED OR INCORPORATED BY REFERENCE IN THIS PROSPECTUS AND THE ACCOMPANYING LETTER OF TRANSMITTAL AND, IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE COMPANY OR THE EXCHANGE AGENT. NEITHER THIS PROSPECTUS NOR THE ACCOMPANYING LETTER OF TRANSMITTAL, OR BOTH TOGETHER, CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY SECURITIES IN ANY JURISDICTION TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE SUCH OFFER OR SOLICITATION. NEITHER THE DELIVERY OF THIS PROSPECTUS, NOR THE ACCOMPANYING LETTER OF TRANSMITTAL, OR BOTH TOGETHER, NOR ANY SALE MADE HEREUNDER SHALL, UNDER ANY CIRCUMSTANCES, CREATE AN IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE COMPANY SINCE THE DATE HEREOF OR THEREOF OR THAT THE INFORMATION CONTAINED HEREIN IS CORRECT AT ANY TIME SUBSEQUENT TO THE DATE HEREOF OR THEREOF.

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UNIFI
QUALITY THROUGH PRIDE

OFFER TO EXCHANGE
6 1/2% NOTES DUE 2008, SERIES B

WHICH HAVE BEEN REGISTERED UNDER
THE SECURITIES ACT OF 1933,
AS AMENDED,

FOR ANY AND ALL OUTSTANDING
6 1/2% NOTES DUE 2008

PROSPECTUS

, 1998

PART II: INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 20. INDEMNIFICATION OF DIRECTORS AND OFFICERS

The Registrant's Restated Bylaws provide that the Registrant shall indemnify a director, officer or employee of the Registrant who is a party to or is threatened to be made a party to any proceeding or action by reason of the fact that he is or was a director, officer or employee against all expenses, liability and loss reasonably incurred in connection with such a proceeding, to the fullest extent authorized by the New York Business Corporation Law, except that the Registrant shall indemnify a director, officer or employee for expenses in connection with a proceeding that such director, officer or employee initiated only if the Registrant authorized the proceeding. Section 721 of the New York Business Corporation Law prohibits indemnification of directors and officers if (i) in a judgment against the director or officer or in another final adjudication adverse to him it is determined that such director or officer either acted in bad faith or acted with deliberate dishonesty, and his actions were material to the cause of action so adjudicated, or (ii) the director or officer personally gained a financial profit or other advantage to which he was not legally entitled.

The foregoing is only a general summary of certain aspects of New York law dealing with indemnification of directors and officers and does not purport to be complete. It is qualified in its entirety by reference to the relevant statutes which contain detailed, specific provisions regarding the circumstances under which the person for whose benefit indemnification shall or may be made. Section 721 of the New York Business Corporation Law is set forth in Exhibit 99.1 hereto and is incorporated herein by reference.

As authorized by the Restated Bylaws and by statute, the Registrant has purchased liability insurance policies providing an aggregate of $5,000,000 coverage for all directors and officers of the Registrant and providing for reimbursement to the Registrant for payments made on behalf of directors and officers pursuant to the indemnification provisions.

Pursuant to the Registrant's Restated Certificate of Incorporation, a director of the Registrant is not liable to the Company or its shareholders for monetary damages for breach of duty as a director, except to the extent that such exemption from liability is not permitted under the New York Business Corporation Law. The New York Business Corporation Law generally provides that a director is not so liable for negligence and gross negligence, including grossly negligent business decisions involving takeover proposals for the Registrant, in the performance of the director's duty of care. Other remedies are available, such as injunctive relief against, and rescission of actions taken by, the directors. A director remains liable for monetary damages, however, if (i) the director's acts or omissions were in bad faith or involved active and deliberate dishonesty; (ii) the director personally gained a financial profit or other advantage to which the director was not legally entitled; or (iii) the director's acts violated laws of the New York Business Corporation Law relating to the payment of dividends, purchase of shares, distributions of assets after dissolution or the making of loans.

ITEM 21. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

The following exhibits are filed with or incorporated by reference in this Registration statement:

(A) List of Exhibits

EXHIBIT NO.	DESCRIPTION OF EXHIBIT
3(I)	Restated Certificate of Incorporation of the Registrant, dated July 21, 1994 (filed as Exhibit (3a) with the Registrant's Annual Report on Form 10-K for the fiscal year ended June 26, 1994 and incorporated herein by reference).
3(II)	Restated Bylaws of the Registrant (filed as Exhibit (3b) with the Registrant's Annual Report on Form 10-K for the fiscal year ended June 29, 1997 and incorporated herein by reference).
4.1	Specimen Certificate of the Registrant's Common Stock (filed as Exhibit 4(a) to the Registrant's Registration Statement on Form S-1 (Registration No. 33-23201) and incorporated herein by reference).
4.2	Indenture, dated as of February 5, 1998, between the Registrant and First Union National Bank, as trustee.
4.3	Resolutions of the Registrant's Board of Directors, dated December 31, 1997.
4.4	Written Consent to Action Without a Meeting of the Executive Committee of the Board of Directors, dated March 30, 1998.
4.5	Registration Rights Agreement, dated as of February 5, 1998, among the Registrant, Credit Suisse First Boston Corporation and Invemed Associates, Inc.
4.6	Form of 6 1/2% Note due 2008, Series B.
5.1	Opinion of Smith Helms Mulliss & Moore, L.L.P. as to the legality of the securities being registered.

EXHIBIT NO.	DESCRIPTION OF EXHIBIT
12.1	Statement regarding Computation of Ratio of Earnings to Fixed Charges.
23.1	Consent of Smith Helms Mulliss & Moore, L.L.P. (included in Exhibit 5.1).
23.2	Consent of Ernst & Young LLP.
24.1	Powers of Attorney (included with the signature page to this Registration Statement).
25.1	Statement of Eligibility and Qualification Under the Trust Indenture Act of 1939 (Form T-1) of First Union National Bank.
99.1	Form of Letter of Transmittal.
99.2	Form of Notice of Guaranteed Delivery.
99.3	Form of Letter to Brokers, Dealers, Commercial Banks, Trust Companies and Other Nominees.
99.4	Form of Letter to Clients.
99.5	Provisions of the New York Business Corporation Law relating to indemnification of directors and officers (filed as Exhibit 99.1 to the Registrant's Registration Statement on Form S-3 (Registration No. 333-40531) and incorporated herein by reference.)

(B) Financial Statement Schedules.

Financial statement schedules of the Registrant for which provision is made in the applicable accounting regulations of the Commission are not required, are inapplicable or have been disclosed in the Notes to the financial statements and, therefore, have been omitted.

ITEM 22. UNDERTAKINGS

(a) The Registrant hereby undertakes that, for purposes of determining any liability under the Securities Act of 1933, each filing of the Registrant's annual report pursuant to Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934 (and, where applicable, each filing of an employee benefit plan's annual report pursuant to Section 15(d) of the Securities Exchange Act of 1934) that is incorporated by reference in the registration statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(b) Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the Registrant pursuant to the foregoing provisions, or otherwise, the Registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act of 1933 and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act of 1933 and will be governed by the final adjudication of such issue.

(c) The Registrant hereby undertakes to respond to requests for information that is incorporated by reference into the Prospectus pursuant to Items 4, 10(b), 11 or 13 of this form, within one business day of receipt of such request, and to send the incorporated documents by first class mail or other equally prompt means. This includes information contained in documents filed subsequent to the effective date of the Registration Statement through the date of responding to the request.

(d) The Registrant hereby undertakes to supply by means of a post-effective amendment all information concerning a transaction, and the company being acquired involved therein, that was not the subject of and included in the Registration Statement when it became effective.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the Registrant has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Greensboro, State of North Carolina, on March 30, 1998.

UNIFI, INC.

By: /s/ WILLIS C. MOORE, III

WILLIS C. MOORE, III
VICE PRESIDENT AND CHIEF FINANCIAL OFFICER

Each of the several undersigned Officers and Directors of Unifi, Inc. (the "Company") whose signature appears below hereby makes, constitutes and appoints Willis C. Moore, III and C. Clifford Frazier, Jr., and each of them acting individually, his true and lawful attorney-in-fact, with full power to act without the other and with full power of substitution, to execute, deliver and file with the Securities and Exchange Commission in his name and on his behalf, and in each of the undersigned Officer's and Director's capacity or capacities as shown below, (a) this Registration Statement on Form S-4 with respect to the registration under the Securities Act of 1933, as amended, of $250,000,000 of the Company's 6 1/2% Notes due 2008, Series B, and any amendments thereto and all documents in support thereof or supplemental thereto and any and all amendments, including any and all post-effective amendments to the foregoing, and (b) such registration statements, petitions, applications, consents to service of process or other instruments, and any and all amendments or supplements to the foregoing, as may be necessary or advisable to qualify or register the securities covered by said Registration Statement under such state or other securities laws, regulations and requirements as may be applicable; and each of said Officers and Directors hereby grants to said attorneys-in-fact, and each of them, full power and authority to do and perform each and every act and thing whatsoever as said attorney-in-fact may deem necessary or advisable to carry out fully the intent of this power of attorney to the same extent and with the same effect as each of said Officers and Directors might or could do personally in his capacity or capacities as aforesaid; and each of said Officers and Directors hereby ratifies and confirms all acts and things which said attorneys-in-fact or attorney-in-fact might lawfully do or cause to be done by virtue of this power of attorney.

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed by the following persons in the capacities and on the dates indicated.

/s/ G. ALLEN MEBANE, IV --- G. ALLEN MEBANE, IV	Chairman of the Board	March 30, 1998
/s/ WILLIAM T. KRETZER --- WILLIAM T. KRETZER	President, Chief Executive Officer and Director (principal executive officer)	March 30, 1998
/s/ WILLIS C. MOORE, III --- WILLIS C. MOORE, III	Vice President and Chief Financial Officer (principal financial officer and principal accounting officer)	March 30, 1998
/s/ R. WILEY BOURNE, JR. --- R. WILEY BOURNE, JR.	Director	March 30, 1998
/s/ CHARLES R. CARTER --- CHARLES R. CARTER	Director	March 30, 1998
/s/ J. B. DAVIS --- J. B. DAVIS	Director	March 30, 1998

/s/ JERRY W. ELLER JERRY W. ELLER	Executive Vice President and Director	March 30, 1998
/s/ KENNETH G. LANGONE KENNETH G. LANGONE	Director	March 30, 1998
/s/ DONALD F. ORR DONALD F. ORR	Director	March 30, 1998
/s/ ROBERT A. WARD ROBERT A. WARD	Director	March 30, 1998
/s/ G. ALFRED WEBSTER G. ALFRED WEBSTER	Executive Vice President and Director	March 30, 1998

INDEX TO EXHIBITS

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UNIFI, INC.

INDENTURE

DATED AS OF FEBRUARY 5, 1998

FIRST UNION NATIONAL BANK

AS TRUSTEE

SENIOR NOTES

TIE-SHEET

of provisions of Trust Indenture Act of 1939 with Indenture dated as of February 5, 1998 between Unifi, Inc. and First Union National Bank, as Trustee:

ACT SECTION	INDENTURE SECTION
310(a)(1)	6.09
(a)(2)	6.09
310(a)(3)	N.A.
(a)(4)	N.A.
310(b)	6.08; 6.10(a)(b) and (d)
310(c)	N.A.
311(a) and (b)	6.13
311(c)	N.A.
312(a)	4.01; 4.02(a)
312(b) and (c)	4.02(b) and (c)
313(a)	4.04(a)
313(b)(1)	N.A.
313(b)(2)	4.04(a)
313(c)	4.04(a)
313(d)	4.04(d)
314(a)(1) and (2)	4.03(a) and (b)
314(a)(3)	4.03(d)
314(a)(4)	3.05
314(b)	N.A.
314(c)(1) and (2)	13.06
314(c)(3)	N.A.
314(d)	N.A.
314(e)	13.06
314(f)	N.A.
315(a)(c) and (d)	6.01
315(b)	5.08
315(e)	5.09
316(a)(1)	5.01; 5.07
316(a)(2)	Omitted
316(a) last sentence	7.04
316(b)	5.04
317(a)	5.02
317(b)	3.04(a)
318(a)	13.08

THIS TIE-SHEET IS NOT PART OF THE INDENTURE AS EXECUTED.

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* THIS TABLE OF CONTENTS SHALL NOT, FOR ANY PURPOSE, BE DEEMED TO BE A PART OF THE INDENTURE.

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CONCERNING THE SECURITYHOLDERS

ARTICLE EIGHT

SECURITYHOLDERS' MEETINGS

ARTICLE NINE

SUPPLEMENTAL INDENTURES

ARTICLE TEN

CONSOLIDATION, MERGER, SALE AND CONVEYANCE

ARTICLE ELEVEN

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IMMUNITY OF INCORPORATORS, STOCKHOLDERS, OFFICERS AND DIRECTORS

ARTICLE THIRTEEN

MISCELLANEOUS PROVISIONS

ARTICLE FOURTEEN

REDEMPTION OF SECURITIES

THIS INDENTURE, dated as of _____, between UNIFI, INC., a New York corporation (hereinafter sometimes called the "Company"), and FIRST UNION NATIONAL BANK, a national banking association, as trustee (hereinafter sometimes called the "Trustee"),

W I T N E S S E T H :

WHEREAS, for its lawful corporate purposes, the Company has duly authorized the issue from time to time of its senior debt securities, notes or other evidence of indebtedness to be issued in one or more series (the "Securities") up to such principal amount or amounts as may from time to time be authorized by the Company, and, to provide the terms and conditions upon which the Securities are to be authenticated, issued and delivered, the Company has duly authorized the execution of this Indenture; and

WHEREAS, all acts and things necessary to make this Indenture a valid agreement according to its terms, have been done and performed;

NOW, THEREFORE:

In consideration of the premises, and the purchase of the Securities by the holders thereof, the Company covenants and agrees with the Trustee for the equal and proportionate benefit of the respective holders from time to time of the Securities or of a series thereof, as follows:

ARTICLE ONE

DEFINITIONS

SECTION 1.01. Definitions.

The terms defined in this Section 1.01 (except as herein otherwise expressly provided or unless the context otherwise requires) for all purposes of this Indenture and of any indenture supplemental hereto shall have the respective meanings specified in this Section 1.01. All other terms used in this Indenture which are defined in the Trust Indenture Act (as defined herein), or which are by reference therein defined in the Securities Act of 1933, as amended (the "Securities Act"), shall (except as herein otherwise expressly provided or unless the context otherwise requires) have the meanings assigned to such terms in said Trust Indenture Act and in the Securities Act as in force at the date of this Indenture as originally executed. All accounting terms used herein and not expressly defined shall have the meanings assigned to such terms in accordance with generally accepted accounting principles, and the term "generally accepted accounting principles" means such accounting principles as are

generally accepted at the time of any computation. The words "herein", "hereof" and "hereunder" and other words of similar import refer to this Indenture as a whole and not to any particular Article, Section or other subdivision.

"Affiliate" means, with respect to a specified Person, (a) any Person directly or indirectly owning, controlling or holding with power to vote 10% or more of the outstanding voting securities or other ownership interests of the specified Person, (b) any Person 10% or more of whose outstanding voting securities or other ownership interests are directly or indirectly owned, controlled or held with power to vote by the specified Person, (c) any Person directly or indirectly controlling, controlled by, or under common control with the specified Person, (d) a partnership in which the specified Person is a general partner, (e) any officer or director of the specified Person, and (f) if the specified Person is an individual, any entity of which the specified Person is an officer, director or general partner.

"Attributable Debt" means as to any particular lease under which either the Company or any Restricted Subsidiary is at the time liable as lessee for a term of more than 12 months and, at any date as of which the amount thereof is to be determined, the total net obligations of the lessee for rental payments during the remaining term of the lease (including any period for which such lease has been extended or may, at the option of the lessor, be extended) discounted from the respective due dates thereof to such determination date at a rate per annum equivalent to the greater of (a) the weighted-average Yield to Maturity of the Outstanding Securities, such average being weighted by the principal amount of the Outstanding Securities of each series or, in the case of Original Issue Discount Securities, such amount to be the principal amount of such outstanding Original Issue Discount Securities that would be due and payable as of the date of such determination upon a declaration of acceleration of the maturity thereof pursuant to this Indenture and (b) the interest rate inherent in such lease (as determined in good faith by the Company), both to be compounded semi-annually. The net total obligations of the lessee for rental payments under any such lease for any such period shall be the aggregate amount of the rent payable by the lessee with respect to such period after excluding amounts required to be paid on account of maintenance and repairs, services, insurance, taxes, assessments, water rates and similar charges and contingent rents (such as those based on sales or monetary inflation). If any lease is terminable by the lessee upon the payment of a penalty and under the terms of the lease the termination right is not exercisable until after the determination date and the amount of such penalty discounted to the determination date as provided above is less than the net amount of rentals payable after the time as of which such termination could occur (the "termination time") discounted to the determination date as provided above, then such discounted penalty amount shall be used instead of such discounted amount of

net rentals payable after the termination time in calculating the Attributable Debt for such lease. If any lease is terminable by the lessee upon the payment of a penalty and such termination right is exercisable on the determination date and the amount of the net rentals payable under such lease after the determination date discounted to the determination date as provided above is greater than the amount of such penalty, the "Attributable Debt" for such lease as of such determination date shall be equal to the amount of such penalty.

"Authenticating Agent" shall mean any agent or agents of the Trustee which at the time shall be appointed and acting pursuant to Section 6.14.

"Bankruptcy Law" shall mean Title 11, U.S. Code, or any similar federal or state law for the relief of debtors.

"Board of Directors" shall mean the Board of Directors or the Executive Committee or any other duly authorized designated officers of the Company.

"Board Resolution" shall mean a resolution certified by the Secretary or an Assistant Secretary of the Company to have been duly adopted by the Board of Directors or by a committee acting under authority of or appointment by the Board of Directors and to be in full force and effect on the date of such certification.

"Business Day" shall mean, with respect to any series of Securities, any day other than a day on which federal or state banking institutions in New York, New York, or Charlotte, North Carolina, are authorized or obligated by law, executive order or regulation to close.

"Capital Lease Obligations" of either the Company or any Restricted Subsidiary means the obligations of such Person to pay rent or other amounts under any lease of (or other arrangement conveying the right to use) real property, the term of which extends beyond 12 months, which obligations are required to be classified and accounted for as a capital lease on a balance sheet of such Person under generally accepted accounting principles (including Statement No. 13 of Financial Accounting Standards Board) and, for the purposes of this Indenture, the amount of such obligation shall be the capitalized amount thereof, determined in accordance with generally accepted accounting principles (including such Statement No. 13).

"Certificate" shall mean a certificate signed by the Chief Executive Officer, President, Chief Financial Officer, any Vice President or Treasurer of the Company.

"Commission" means the U.S. Securities and Exchange Commission or any successor thereto.

"Company" shall mean Unifi, Inc., a New York corporation, and, subject to the provisions of Article Ten, shall include its successors and assigns.

"Company Common Stock" shall mean the Common Stock of the Company or any other class of stock resulting from changes or reclassifications of such Common Stock consisting solely of changes in par value, or from par value to no par value, or from no par value to par value. Subject to the anti-dilution provisions of any convertible Security, however, shares of Company Common Stock issuable on conversion of a Security shall include only shares of the class designated as Common Stock of the Company at the date of the supplemental indenture, Board Resolution or other instrument authorizing such Security or shares of any class or classes resulting from any reclassification or reclassifications thereof and which have no preference in respect of the payment of dividends or the distribution of assets upon any voluntary or involuntary liquidation, dissolution or winding-up of the Company and which are not subject to redemption by the Company, provided that if at any time there shall be more than one such resulting class, the shares of each such class then so issuable shall be substantially in the proportion which the total number of shares of such class resulting from all such reclassifications bears to the total number of shares of such classes resulting from all such reclas-sifications.

"Consolidated Net Tangible Assets" means, at any date, the total assets appearing on the most recent consolidated balance sheet of the Company and its Restricted Subsidiaries as at the end of the fiscal quarter of the Company ending not more than 135 days prior to such date, prepared in accordance with generally accepted accounting principles, less (a) all current liabilities (due within one year) as shown on such balance sheet, (b) investments in and advances to Unrestricted Subsidiaries, and (c) Intangible Assets and liabilities relating thereto.

"Custodian" shall mean any receiver, trustee, assignee, liquidator, or similar official under any Bankruptcy Law.

"Default" means any event, act or condition that with notice or lapse of time, or both, would constitute an Event of Default.

"Depositary" shall mean, with respect to Securities of any series, for which the Company shall determine that such Securities will be issued as a Global Security, The Depository

Trust Company, New York, New York, another clearing agency, or any successor registered as a clearing agency pursuant to Section 17A of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or other applicable statute or regulation, which, in each case, shall be designated by the Company pursuant to either Section 2.04 or 2.11.

"Event of Default" shall mean any event specified in Section 5.01, continued for the period of time, if any, and after the giving of the notice, if any, therein designated.

"Funded Debt" means (i) any indebtedness of the Company or a Restricted Subsidiary maturing more than 12 months after the time of computation thereof, (ii) guarantees of Funded Debt or of dividends of others (except guarantees in connection with the sale or discount of accounts receivable, trade acceptances and other paper arising in the ordinary course of business), (iii) in the case of any Restricted Subsidiary, all preferred stock having mandatory redemption provisions of such Restricted Subsidiary as reflected on such Restricted Subsidiary's balance sheet prepared in accordance with U.S. generally accepted accounting principles, and (iv) all Capital Lease Obligations.

"Global Security" means, with respect to any series of Securities, a Security executed by the Company and delivered by the Trustee to the Depositary or pursuant to the Depositary's instruction, all in accordance with the Indenture, which shall be registered in the name of the Depositary or its nominee.

"Indebtedness" means, at any date, without duplication, (i) all obligations for borrowed money of the Company or a Restricted Subsidiary or any other indebtedness of the Company or a Restricted Subsidiary, evidenced by bonds, debentures, notes or other similar instruments, and (ii) Funded Debt.

"Indenture" shall mean this instrument as originally executed or, if amended or supplemented as herein provided, as so amended or supplemented, or both, and shall include the form and terms of particular series of Securities established as contemplated hereunder.

"Intangible Assets" means, at any date, the value (net of any applicable reserves), as shown on or reflected in the most recent consolidated balance sheet of the Company and its Restricted Subsidiaries as at the end of the fiscal quarter of the Company ending not more than 135 days prior to such date, prepared in accordance with generally accepted accounting principles, of: (i) all trade names, trademarks, licenses, patents, copyrights, service marks, goodwill and other like intangibles; (ii) organization and development costs; (iii) deferred charges (other than prepaid items, such as insurance, taxes, interest, commissions, rents, pensions, compensation and similar items and intangible assets amortized), and (iv) unamortized debt discount and expense, less unamortized premium.

"Interest" shall mean, when used with respect to non-interest bearing Securities, interest payable after maturity.

"Interest Payment Date", when used with respect to any installment of interest on a Security of a particular series, shall mean the date specified in such Security or in a Board Resolution or in an indenture supplemental hereto with respect to such series as the fixed date on which an installment of interest with respect to Securities of that series is due and payable.

"Liens" means such pledges, Mortgages, security interests and other liens on any Principal Property of the

Company or a Restricted Subsidiary which secure Secured Funded Debt.

"Maturity Date" shall mean the date on which any Securities mature and on which the principal shall be due and payable together with all accrued and unpaid interest thereon.

"Mortgage" shall mean and include any mortgage, pledge, lien, security interest, conditional sale or other title retention agreement or other similar encumbrance.

"Nonpayment" shall have the meaning set forth in Section 5.08.

"Officers' Certificate" shall mean a certificate signed by the Chief Executive Officer, the President or any Vice President, by the Treasurer or an Assistant Treasurer and delivered to the Trustee. Each such certificate shall include the statements provided for in Section 13.06 if and to the extent provided by the provisions of such Section.

"Opinion of Counsel" shall mean an opinion in writing signed by legal counsel, who may be an employee of or counsel to the Company, or may be other counsel satisfactory to the Trustee. Each such opinion shall include the statements provided for in Section 13.06 if and to the extent required by the provisions of such Section.

"Original Issue Date" of any Security (or any portion thereof) shall mean the earlier of (a) the date of such Security or (b) the date of any Security (or portion thereof) for which such Security was issued (directly or indirectly) on registration of transfer, exchange or substitution.

"Original Issue Discount Security" shall mean any Security which provides for an amount less than the principal amount thereof to be due and payable upon a declaration of acceleration of the maturity thereof pursuant to Section 5.01.

The term "outstanding" (except as otherwise provided in Section 6.08), when used with reference to Securities, shall, subject to the provisions of Section 7.04, mean, as of any particular time, all Securities authenticated and delivered by the Trustee or the Authenticating Agent under this Indenture, except

(a) Securities theretofore canceled by the Trustee or the Authenticating Agent or delivered to the Trustee for cancellation;

(b) Securities, or portions thereof, for the payment or redemption of which moneys in the necessary amount shall have been deposited in trust with the Trustee or with any paying agent

(other than the Company) or shall have been set aside and segregated in trust by the Company (if the Company shall act as its own paying agent); provided that, if such Securities, or portions thereof, are to be redeemed prior to maturity thereof, notice of such redemption shall have been given as provided in Article Fourteen or provision satisfactory to the Trustee shall have been made for giving such notice; and

(c) Securities paid pursuant to Section 2.08 or in lieu of or in substitution for which other Securities shall have been authenticated and delivered pursuant to the terms of Section 2.08 unless proof satisfactory to the Company and the Trustee is presented that any such Securities are held by bona fide holders in due course.

In determining whether the holders of the requisite principal amount of outstanding Securities have given any request, demand, authorization, direction, notice, consent or waiver hereunder, the principal amount of an Original Issue Discount Security that shall be deemed to be outstanding for such purposes shall be the amount of the principal thereof that would be due and payable as of the date of such determination upon a declaration of acceleration of the maturity thereof pursuant to Section 5.01.

"Person" shall mean any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization or government or any agency or political subdivision thereof.

"Predecessor Security" of any particular Security means every previous Security evidencing all or a portion of the same debt and as that evidenced by such particular Security; and, for the purposes of this definition, any Security authenticated and delivered under Section 2.08 in lieu of a lost, destroyed or stolen Security shall be deemed to evidence the same debt as the lost, destroyed or stolen Security.

"Principal Office of the Trustee", or other similar term, shall mean the principal office of the Trustee, at which at any particular time its corporate trust business shall be administered.

"Principal Property" means any manufacturing facility owned and operated by the Company or any Restricted Subsidiary on or after the date hereof, and any manufacturing equipment owned by the Company or any Restricted Subsidiary on or after the date hereof in such manufacturing plant. "Manufacturing equipment" means manufacturing equipment in such manufacturing plant directly used in the production of the Company's products and parts and components thereof, and shall not include office equipment, rolling stock and other equipment not directly used in the production of the Company's products.

"Responsible Officer", when used with respect to the Trustee, shall mean the chairman and vice chairman of the board of directors, the chairman or vice chairman of the executive committee of the board of directors, the president, any vice president, any assistant vice president, the cashier, any assistant cashier, the secretary, any assistant secretary, the treasurer, any assistant treasurer, any senior trust officer, any trust officer, the controller, any assistant controller or any other officer or assistant officer of the Trustee customarily performing functions similar to those performed by the persons who at the time shall be such officers, respectively, or to whom any corporate trust matter is referred because of his or her knowledge of and familiarity with the particular subject.

"Restricted Subsidiary" means each Subsidiary other than Unrestricted Subsidiaries.

"Secured Funded Debt" means Funded Debt which is secured by any pledge of, or Mortgage, security interest or other Lien on any (i) Principal Property (whether owned on the date hereof or hereafter acquired or created), (ii) shares of stock owned by the Company or a Subsidiary in a Restricted Subsidiary or (iii) indebtedness of a Restricted Subsidiary.

"Security" or "Securities" shall have the meaning stated in the first recital of this Indenture and more particularly means any security or securities, as the case may be, authenticated and delivered under this Indenture.

"Securityholder", "holder of Securities", or other similar terms, shall mean any person in whose name at the time a particular Security is registered on the register kept by the Company or the Trustee for that purpose in accordance with the terms hereof.

"Subsidiary" shall mean with respect to any Person, (i) any corporation at least a majority of whose outstanding voting stock of which is owned, directly or indirectly, by such Person or by one or more of its Subsidiaries, or by such Person and one or more of its Subsidiaries, (ii) any general partnership, joint venture or similar entity, at least a majority of whose outstanding partnership or similar interests shall at the time be owned by such Person, or by one or more of its Subsidiaries, or by such Person and one or more of its Subsidiaries and (iii) any limited partnership of which such Person or any of its Subsidiaries is a general partner, (iv) any limited liability corporation of which such Person or any of its Subsidiaries is a member. For the purposes of this definition, "voting stock" means shares, interests, participations or other equivalents in the equity interest (however designated) in such Person having ordinary voting power for the election of a majority of the directors (or the equivalent) of such Person, other than shares,

interests, participations or other equivalents having such power only by reason of the occurrence of a contingency.

"Trust Indenture Act of 1939" shall mean the Trust Indenture Act of 1939 as in force at the date of execution of this Indenture, except as provided in Section 9.03; provided, however, that if the Trust Indenture Act of 1939 is amended after such date, "Trust Indenture Act" means, to the extent required by any such amendment, the Trust Indenture Act of 1939 as so amended.

"Trustee" shall mean the Person identified as "Trustee" in the first paragraph hereof, and, subject to the provisions of Article Six hereof, shall also include its successors and assigns as Trustee hereunder. The term "Trustee" as used with respect to a particular series of the Securities shall mean the trustee with respect to that series.

"Unrestricted Subsidiary" means any Subsidiary designated as an Unrestricted Subsidiary from time to time by the Board of Directors of the Company; provided, however, that the Board of Directors of the Company (i) shall not designate as an Unrestricted Subsidiary any Subsidiary of the Company that owns any Principal Property or any stock of a Restricted Subsidiary, (ii) shall not continue the designation of any Subsidiary of the Company as an Unrestricted Subsidiary at any time that such Subsidiary owns any Principal Property, and (iii) shall not, nor shall it cause or permit any Restricted Subsidiary to, transfer or otherwise dispose of any Principal Property to any Unrestricted Subsidiary (unless such Unrestricted Subsidiary shall in connection therewith be designated as a Restricted Subsidiary and any pledge, Mortgage, security interest or other Lien arising in connection with any Indebtedness of such Unrestricted Subsidiary so designated does not extend to such Principal Property (unless the existence of such pledge, mortgage, security interest or other lien would otherwise be permitted under this Indenture)).

"U.S. Government Obligations" shall mean securities that are (i) direct obligations of the United States of America for the 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 payment of which is unconditionally guaranteed as a full faith and credit obligation by the United States of America, which, in either case under clauses (i) or (ii), are not callable or redeemable at the option of the issuer thereof, and shall also include a depository receipt issued by a bank or trust company as custodian with respect to any such U.S. Government Obligation or a specific payment of interest on or principal of any such U.S. Government Obligation held by such custodian for the account of the holder of a 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 U.S. Government Obligation or the specific payment of interest on or principal of the U.S. Government Obligation evidenced by such depository receipt.

"Vice President", when used with respect to the Company or the Trustee, shall mean any vice president, whether or not designated by a number or word or words added before or after the title "vice president," including any Assistant, Executive or Senior Vice President.

"Yield to Maturity" shall mean the yield to maturity on a series of Securities, calculated at the time of issuance of such series of Securities, or if applicable, at the most recent redetermination of interest on such series and calculated in accordance with accepted financial practice.

ARTICLE TWO

SECURITIES

SECTION 2.01. Forms Generally.

The Securities of each series shall be in substantially the form as shall be established by or pursuant to a Board Resolution and as set forth in an Officers' Certificate of the Company or in one or more indentures supplemental hereto, in each case with such appropriate insertions, omissions, substitutions and other variations as are required or permitted by this Indenture, and may have such letters, numbers or other marks of identification and such legends or endorsements placed thereon as may be required to comply with any law or with any rules made pursuant thereto or with any rules of any securities exchange or all as may, consistently herewith, be determined by the officers executing such Securities, as evidenced by their execution of the Securities.

In the event the Securities are issued in definitive form pursuant to this Indenture, such Securities shall be typewritten, printed, lithographed or engraved on steel engraved borders or may be produced in any other manner, all as determined by the officers executing such Securities, as evidenced by their execution of such Securities.

SECTION 2.02. Form of Trustee's Certificate of Authentication.

The Trustee's certificate of authentication on all Securities shall be in substantially the following form:

This is one of the Securities of the series designated therein referred to in the within-mentioned Indenture.

First Union National Bank
as Trustee

By_____
Authorized Signatory

SECTION 2.03. Amount Unlimited; Issuable in Series.

The aggregate principal amount of Securities which may be authenticated and delivered under this Indenture or otherwise by the Corporation is unlimited.

The Securities may be issued in one or more series up to the aggregate principal amount of securities of that series from time to time authorized by or pursuant to a Board Resolution of the Company or pursuant to one or more indentures supplemental hereto. Prior to the initial issuance of Securities of any series, there shall be established in or pursuant to a Board Resolution of the Company and set forth in an Officers' Certificate of the Company or established in one or more indentures supplemental hereto:

(1) the title of the Securities of the series (which shall distinguish the Securities of the series from all other Securities);

(2) any limit upon the aggregate principal amount of the Securities of the series which may be authenticated and delivered under this Indenture (except for Securities authenticated and delivered upon registration of transfer of, or in exchange for, or in lieu of, other Securities of the series pursuant to Section 2.07, 2.08, 2.09, 9.04 or 14.03);

(3) the date or dates on which the principal of and premium, if any, on the Securities of the series is payable;

(4) the rate or rates at which the Securities of the series shall bear interest, if any, or the method by which such interest may be determined, the date or dates from which such interest shall accrue, the Interest Payment Dates on which such interest shall be payable or the manner of determination of such Interest Payment Dates and the record dates for the determination of holders to whom interest is payable on any such Interest Payment Dates;

(5) the place or places where the principal of, and premium, if any, and any interest on Securities of the series shall be payable;

(6) the right, if any, to extend the interest payment periods and the duration of such extension;

(7) the price or prices at which, the period or periods within which and the terms and conditions upon which Securities of the series may be redeemed, in whole or in part, at the option of the Company, pursuant to any sinking fund or otherwise;

(8) the obligation, if any, of the Company to redeem, purchase or repay Securities of the series pursuant to any sinking fund or analogous provisions or at the option of a Securityholder thereof and the period or periods within which the price or prices at which, and the terms and conditions upon which Securities of the series shall be redeemed, purchased or repaid, in whole or in part, pursuant to such obligation;

(9) if other than denominations of $1,000 and any integral multiple thereof, the denominations in which Securities of the series shall be issuable;

(10) if other than the principal amount thereof, the portion of the principal amount of Securities of the series which shall be payable upon declaration of acceleration of the maturity thereof pursuant to Section 5.01 or provable in bankruptcy pursuant to Section 5.02;

(11) any Events of Default with respect to the Securities of a particular series, if not set forth herein;

(12) the form of the Securities of the series including the form of the Certificate of Authentication of such series;

(13) any trustee, authenticating or paying agents, warrant agents, transfer agents or registrars with respect to the Securities of such series;

(14) whether the Securities of the series shall be issued in whole or in part in the form of one or more Global Securities and, in such case, the Depositary for such Global Security or Securities, and whether beneficial owners of interests in any such Global Securities may exchange such interests

for other Securities of such series in the manner provided in Section 2.07, and the manner and the circumstances under which and the place or places where any such exchanges may occur if other than in the manner provided in Section 2.07, and any other terms of the series relating to the global nature of the Global Securities of such series and the exchange, registration or transfer thereof and the payment of any principal thereof, or interest or premium, if any, thereon;

(15) whether the Securities of any series shall be convertible or non-convertible and, if convertible, the terms thereof; and

(16) any other terms of the series (which terms shall not be inconsistent with the provisions of this Indenture).

All Securities of any one series shall be substantially identical except as to denomination and except as may otherwise be provided in or pursuant to such Board Resolution or in any such indenture supplemental hereto.

If any of the terms of the series are established by action taken pursuant to a Board Resolution, a copy of an appropriate record of such action shall be certified by the Secretary or an Assistant Secretary of the Company and delivered to the Trustee at or prior to the delivery of the Officers' Certificate of the Company setting forth the terms of the series.

SECTION 2.04. Authentication and Dating.

At any time and from time to time after the execution and delivery of this Indenture, the Company may deliver Securities of any series executed by the Company to the Trustee for authentication, and the Trustee shall thereupon authenticate and make available for delivery said Securities to or upon the written order of the Company, signed by any two of its Chairman, Chief Executive Officer, Chief Financial Officer, President, Vice Presidents or Treasurer, without any further action by the Company hereunder. In authenticating such Securities, and accepting the additional responsibilities under this Indenture in relation to such Securities, the Trustee shall be entitled to receive, and (subject to Section 6.01) shall be fully protected in relying upon:

(1) a copy of any Board Resolution or Resolutions relating thereto and, if applicable, an appropriate record of any action taken pursuant to such resolution, in each case certified by the Secretary or an Assistant Secretary of the Company;

(2) an executed supplemental indenture, if any;

(3) an Officers' Certificate setting forth the form and terms of the Securities as required pursuant to Sections 2.01 and 2.03, respectively; and

(4) an Opinion of Counsel which shall also state:

(a) that the form of such Securities has been established by or pursuant to a Board Resolution or by a supplemental indenture as permitted by Section 2.01 in conformity with the provisions of this Indenture;

(b) that the terms of such Securities have been established by or pursuant to a Board Resolution or by a supplemental indenture as permitted by Section 2.03 in conformity with the provisions of this Indenture;

(c) that such Securities, when authenticated and delivered by the Trustee and issued by the Company in the manner and subject to any conditions specified in such Opinion of Counsel, will constitute valid and legally binding obligations of the Company;

(d) that all laws and requirements in respect of the execution and delivery by the Company of the Securities have been complied with in all material respects and that authentication and delivery of the Securities by the Trustee will not violate the terms of the Indenture; and

(e) such other matters as the Trustee may reason- ably request.

The Trustee shall have the right to decline to authenticate and deliver any Securities under this Section if the Trustee, being advised by counsel, determines that such action may not lawfully be taken or if the Trustee in good faith by its board of directors or trustees, executive committee, or a trust committee of directors or trustees and/or vice presidents shall determine that such action would expose the Trustee to personal liability to existing holders.

SECTION 2.05. Date and Denomination of Securities.

The Securities shall be issuable as registered Securities without coupons and in such denominations as shall be specified as contemplated by Section 2.03. In the absence of any such specification with respect to the Securities of any series,

the Securities of such Series shall be issuable in the denominations of $1,000 and any multiple thereof. The Securities shall be numbered, lettered, or otherwise distinguished in such manner or in accordance with such plans as the officers of the Company executing the same may determine with the approval of the Trustee as evidenced by the execution and authentication thereof.

Every Security shall be dated the date of its authentication, shall bear interest, if any, from such date and shall be payable on such dates, in each case, as contemplated by Section 2.03. The interest installment on any Security that is payable, and is punctually paid or duly provided for, on any Interest Payment Date for Securities of that series shall be paid to the Person in whose name said Security (or one or more Predecessor Securities) is registered at the close of business on the regular record date for such interest installment. In the event that any Security of a particular series or portion thereof is called for redemption and the redemption date is subsequent to a regular record date with respect to any Interest Payment Date and prior to such Interest Payment Date, interest on such Security will be paid upon presentation and surrender of such Security as provided in Section 3.02.

Any interest on any Security that is payable, but is not punctually paid or duly provided for, on any Interest Payment Date for Security of the same series (herein called "Defaulted Interest") shall forthwith cease to be payable to the registered holder on the relevant regular record date by virtue of having been such holder; and such Defaulted Interest shall be paid by the Company, at its election, as provided in clause (1) or clause (2) below:

(1) The Company may make payment of any Defaulted Interest on Securities to the Persons in whose names such Securities (or their respective Predecessor Securities) are registered at the close of business on a special record date for the payment of such Defaulted Interest, which shall be fixed in the following manner: the Company shall notify the Trustee in writing of the amount of Defaulted Interest proposed to be paid on each such Security and the date of the proposed payment, and at the same time the Company shall deposit with the Trustee an amount of money equal to the aggregate amount proposed to be paid in respect of such Defaulted Interest or shall make arrangements satisfactory to the Trustee for such deposit prior to the date of the proposed payment, such money when deposited to be held in trust for the benefit of the Persons entitled to such Defaulted Interest as in this clause provided. Thereupon the Trustee shall fix a special record date for the payment of such Defaulted Interest

which shall not be more than 15 nor less than 10 days prior to the date of the proposed payment and not less than 10 days after the receipt by the Trustee of the notice of the proposed payment. The Trustee shall promptly notify the Company of such special record date and, in the name and at the expense of the Company, shall cause notice of the proposed payment of such Defaulted Interest and the special record date therefor to be mailed, first class postage prepaid, to each Securityholder at his or her address as it appears in the Security Register (as hereinafter defined), not less than 10 days prior to such special record date. Notice of the proposed payment of such Defaulted Interest and the special record date therefor having been mailed as aforesaid, such Defaulted Interest shall be paid to the Persons in whose names such Securities (or their respective Predecessor Securities) are registered on such special record date and shall be no longer payable pursuant to the following clause (2).

(2) The Company may make payment of any Defaulted Interest on any Securities in any other lawful manner not inconsistent with the requirements of any securities exchange on which such Securities may be listed, and upon such notice as may be required by such exchange, if, after notice given by the Company to the Trustee of the proposed payment pursuant to this clause, such manner of payment shall be deemed practicable by the Trustee.

Unless otherwise set forth in a Board Resolution or one or more indentures supplemental hereto establishing the terms of any series of Securities pursuant to Sections 2.01 and 2.03 hereof, the term "regular record date" as used in this Section with respect to a series of Securities with respect to any Interest Payment Date for such series shall mean either the fifteenth day of the month immediately preceding the month in which an Interest Payment Date established for such series pursuant to Sections 2.01 and 2.03 hereof shall occur, if such Interest Payment Date is the first day of a month, or the last day of the month immediately preceding the month in which an Interest Payment Date established for such series pursuant to Sections 2.01 and 2.03 hereof shall occur, if such Interest Payment Date is the fifteenth day of a month, whether or not such date is a Business Day.

Subject to the foregoing provisions of this Section, each Security of a series delivered under this Indenture upon transfer of or in exchange for or in lieu of any other Security of such series shall carry the rights to interest accrued and unpaid, and to accrue, that were carried by such other Security.

SECTION 2.06. Execution of Securities.

The Securities shall be signed in the name and on behalf of the Company by the manual or facsimile signature of its Chief Executive Officer, President or one of its Vice-Presidents and may be attested by the manual or facsimile signature of its Secretary or one of its Assistant Secretaries, under its corporate seal which may be affixed thereto or printed, engraved or otherwise reproduced thereon, by facsimile or otherwise, and which need not be attested. Only such Securities as shall bear thereon a certificate of authentication substantially in the form hereinbefore recited, executed by the Trustee or the Authenticating Agent, shall be entitled to the benefits of this Indenture or be valid or obligatory for any purpose. Such certificate by the Trustee or the Authenticating Agent upon any Security executed by the Company shall be conclusive evidence that the Security so authenticated has been duly authenticated and delivered hereunder and that the holder is entitled to the benefits of this Indenture.

In case any officer of the Company who shall have signed any of the Securities shall cease to be such officer before the Securities so signed shall have been authenticated and delivered by the Trustee or the Authenticating Agent, or disposed of by the Company, such Securities nevertheless may be authenticated and delivered or disposed of as though the person who signed such Securities had not ceased to be such officer of the Company; and any Security may be signed on behalf of the Company by such persons as, at the actual date of the execution of such Security, shall be the proper officers of the Company, although at the date of the execution of this Indenture any such person was not such an officer.

SECTION 2.07. Exchange and Registration of Transfer of Securities.

Subject to Section 2.03(12), Securities of any series may be exchanged for a like aggregate principal amount of Securities of the same series of other authorized denominations. Securities to be exchanged may be surrendered at the principal corporate trust office of the Trustee or at any office or agency to be maintained by the Company for such purpose as provided in Section 3.02, and the Company or the Trustee shall execute and register and the Trustee or the Authenticating Agent shall authenticate and make available for delivery in exchange therefor the Security or Securities which the Securityholder making the exchange shall be entitled to receive. Upon due presentment for registration of transfer of any Security of any series at the principal corporate trust office of the Trustee or at any office or agency of the Company maintained for such purpose as provided in Section 3.02, the Company or the Trustee shall execute and register and the Trustee or the Authenticating Agent shall authenticate and make available for delivery in the name of the

transferee or transferees a new Security or Securities of the same series for a like aggregate principal amount. Registration or registration of transfer of any Security by the Trustee or by any agent of the Company appointed pursuant to Section 3.02, and delivery of such Security, shall be deemed to complete the registration or registration of transfer of such Security.

The Company or the Trustee shall keep, at the Principal Office of the Trustee, a register for each series of Securities issued hereunder in which, subject to such reasonable regulations as it may prescribe, the Company or the Trustee shall register all Securities and shall register the transfer of all Securities as in this Article Two provided. Such register shall be in written form or in any other form capable of being converted into written form within a reasonable time.

All Securities presented for registration of transfer or for exchange or payment shall (if so required by the Company or the Trustee or the Authenticating Agent) be duly endorsed by, or be accompanied by a written instrument or instruments of transfer in form satisfactory to the Company and the Trustee or the Authenticating Agent duly executed by, the holder or his attorney duly authorized in writing.

No service charge shall be made for any exchange or registration of transfer of Securities, but the Company or the Trustee may require payment of a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in connection therewith.

The Company or the Trustee shall not be required to exchange or register a transfer of (a) any Security for a period of 15 days next preceding the date of selection of Securities of such series for redemption, or (b) any Securities of any series selected, called or being called for redemption in whole or in part, except in the case of any Securities of any series to be redeemed in part, the portion thereof not so to be redeemed.

SECTION 2.08. Mutilated, Destroyed, Lost or Stolen Securities.

In case any temporary or definitive Security shall become mutilated or be destroyed, lost or stolen, the Company shall execute, and upon its request the Trustee shall authenticate and deliver, a new Security of the same series bearing a number not contemporaneously outstanding, in exchange and substitution for the mutilated Security, or in lieu of and in substitution for the Security so destroyed, lost or stolen. In every case the applicant for a substituted Security shall furnish to the Company and the Trustee such security or indemnity as may be required by them to save each of them harmless, and, in every case of destruction, loss or theft, the applicant shall also furnish to the Company and the Trustee evidence to their satis-

faction of the destruction, loss or theft of such Security and of the ownership thereof.

The Trustee may authenticate any such substituted Security and deliver the same upon the written request or authorization of any officer of the Company. Upon the issuance of any substituted Security, the Company may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses connected therewith. In case any Security which has matured or is about to mature or has been called for redemption in full shall become mutilated or be destroyed, lost or stolen, the Company may, instead of issuing a substitute Security, pay or authorize the payment of the same (without surrender thereof except in the case of a mutilated Security) if the applicant for such payment shall furnish to the Company and the Trustee such security or indemnity as may be required by them to save each of them harmless and, in case of destruction, loss or theft, evidence satisfactory to the Company and to the Trustee of the destruction, loss or theft of such Security and of the ownership thereof.

Every substituted Security of any series issued pursuant to the provisions of this Section 2.08 by virtue of the fact that any such Security is destroyed, lost or stolen shall constitute an additional contractual obligation of the Company, whether or not the destroyed, lost or stolen Security shall be found at any time, and shall be entitled to all the benefits of this Indenture equally and proportionately with any and all other Securities of the same series duly issued hereunder. All Securities shall be held and owned upon the express condition that, to the extent permitted by applicable law, the foregoing provisions are exclusive with respect to the replacement or payment of mutilated, destroyed, lost or stolen Securities and shall preclude any and all other rights or remedies notwithstanding any law or statute existing or hereafter enacted to the contrary with respect to the replacement or payment of negotiable instruments or other securities without their surrender.

SECTION 2.09. Temporary Securities.

Pending the preparation of definitive Securities of any series, the Company may execute and the Trustee shall authenticate and make available for delivery temporary Securities (typed, printed or lithographed). Temporary Securities shall be issuable in any authorized denomination, and substantially in the form of the definitive Securities but with such omissions, insertions and variations as may be appropriate for temporary Securities, all as may be determined by the Company. Every such temporary Security shall be executed by the Company and be authenticated by the Trustee upon the same conditions and in substantially the same manner, and with the same effect, as the definitive Securities. Without unreasonable delay, the Company will execute and deliver to the Trustee or the Authenticating Agent definitive Securities

and thereupon any or all temporary Securities of such series may be surrendered in exchange therefor, at the principal corporate trust office of the Trustee or at any office or agency maintained by the Company for such purpose as provided in Section 3.02, and the Trustee or the Authenticating Agent shall authenticate and make available for delivery in exchange for such temporary Securities a like aggregate principal amount of such definitive Securities. Such exchange shall be made by the Company at its own expense and without any charge therefor except that, in case of any such exchange involving a registration of transfer, the Company may require payment of a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in relation thereto. Until so exchanged, the temporary Securities of any series shall in all respects be entitled to the same benefits under this Indenture as definitive Securities of the same series authenticated and delivered hereunder.

SECTION 2.10. Cancellation of Securities Paid, etc.

All Securities surrendered for the purpose of payment, redemption, exchange or registration of transfer, shall, if surrendered to the Company or any paying agent, be surrendered to the Trustee and promptly canceled by it, or, if surrendered to the Trustee or any Authenticating Agent, shall be promptly cancelled by it, and no Securities shall be issued in lieu thereof except as expressly permitted by any of the provisions of this Indenture. All Securities cancelled by any Authenticating Agent shall be delivered to the Trustee. The Trustee shall deliver all cancelled Securities to the Company. If the Company shall acquire any of the Securities, however, such acquisition shall not operate as a redemption or satisfaction of the indebtedness represented by such Securities unless and until the same are surrendered to the Trustee for cancellation.

SECTION 2.11. Global Securities.

(a) If the Company shall establish pursuant to Section 2.03 that the Securities of a particular series are to be issued as a Global Security, then the Company shall execute and the Trustee shall, in accordance with Section 2.04, authenticate and deliver, a Global Security that (i) shall represent, and shall be denominated in an amount equal to the aggregate principal amount of, all of the outstanding Securities of such series, (ii) shall be registered in the name of the nominee of the Depositary, (iii) shall be delivered by the Trustee to the Depositary or pursuant to the Depositary's instruction and (iv) shall bear a legend substantially to the following effect: "Except as otherwise provided in Section 2.11 of the Indenture, this Security may be transferred, in whole but not in part, only to the Depositary or to another nominee of the Depositary or to a successor Depositary or to a nominee of such successor Depositary."

(b) Notwithstanding the provisions of Section 2.07, the Global Security of a series may be transferred, in whole but not in part and in the manner provided in Section 2.07, only to the Depositary or to another nominee of the Depositary for such series, or to a successor Depositary for such series selected or approved by the Company or to a nominee of such successor Depositary.

(c) If at any time the Depositary for a series of the Securities notifies the Company that it is unwilling or unable to continue as Depositary for such series or if at any time the Depositary for such series shall no longer be registered or in good standing under the Exchange Act, or other applicable statute or regulation, and a successor Depositary for such series is not appointed by the Company within 90 days after the Company re-ceives such notice or becomes aware of such condition, as the case may be, this Section 2.11 shall no longer be applicable to the Securities of such series and the Company will execute, and subject to Section 2.07, the Trustee will authenticate and make available for delivery the Securities of such series in definitive registered form without coupons, in authorized denominations, and in an aggregate principal amount equal to the principal amount of the Global Security of such series in exchange for such Global Security. In addition, the Company may at any time determine that the Securities of any series shall no longer be represented by a Global Security and that the provisions of this Section 2.11 shall no longer apply to the Securities of such series. In such event the Company will execute and subject to Section 2.07, the Trustee, upon receipt of an Officers' Certificate evidencing such determination by the Company, will authenticate and make available for delivery the Securities of such series in definitive registered form without coupons, in authorized denominations, and in an aggregate principal amount equal to the principal amount of the Global Security of such series in exchange for such Global Security. Upon the exchange of the Global Security for such Securities in definitive registered form without coupons, in authorized denominations, the Global Security shall be cancelled by the Trustee. Such Securities in definitive registered form issued in exchange for the Global Security pursuant to this Section 2.11(c) shall be registered in such names and in such authorized denominations as the Depositary, pursuant to instructions from its direct or indirect participants or otherwise, shall instruct the Trustee. The Trustee shall deliver such Securities to the Depositary for delivery to the Persons in whose names such Securities are so registered.

So long as the system of registration described in this Section 2.11 is in effect, (a) the records of the Depositary will be determinative for all purposes and (b) neither the Company, the Trustee nor any paying agent, Security registrar or transfer agent for such Securities will have any responsibility or liability for (i) any aspect of the records relating to or payments made on account of owners of beneficial interests in the Securities of such series, (ii) maintaining, supervising or

reviewing any records relating to such beneficial interests, (iii) receipt of notices, voting and requesting or directing the Trustee to take, or not to take, or consenting to, certain actions hereunder, or (iv) the records and procedures of the Depositary.

SECTION 2.12. CUSIP Numbers

The Company in issuing the Securities may use "CUSIP" numbers (if then generally in use), and, if so, the Trustee shall use "CUSIP" numbers in notices of redemption as a convenience to Securityholders; provided that any such notice may state that no representation is made as to the correctness of such numbers either as printed on the Securities or as contained in any notice of a redemption and that reliance may be placed only on the other identification numbers printed on the Securities, and any such redemption shall not be affected by any defect in or omission of such numbers. The Company will promptly notify the Trustee of any change in the CUSIP numbers.

ARTICLE THREE

PARTICULAR COVENANTS OF THE COMPANY.

SECTION 3.01. Payment of Principal, Premium and Interest.

The Company covenants and agrees for the benefit of each series of Securities that it will duly and punctually pay or cause to be paid the principal of, premium, if any, and interest on each of the Securities of that series at the place, at the respective times and in the manner provided in such Securities. Each installment of interest on the Securities of any series may be paid by mailing checks for such interest payable to the order of the holders of Securities entitled thereto as they appear on the registry books of the Company.

SECTION 3.02. Offices for Notices and Payments, etc.

So long as any of the Securities remains outstanding, the Company will maintain in New York, New York, an office or agency where the Securities of each series may be presented for payment, an office or agency where the Securities of that series may be presented for registration of transfer and for exchange as in this Indenture provided and an office or agency where notices and demands to or upon the Company in respect of the Securities of that series or of this Indenture may be served. The Company will give to the Trustee written notice of the location of any such office or agency and of any change of location thereof. Until otherwise designated from time to time by the Company in a notice to the Trustee, or specified as contemplated by Section 2.03, any such office or agency for all of the above purposes

shall be the office or agency of the Trustee. In case the Company shall fail to maintain any such office or agency in New York, New York, or shall fail to give such notice of the location or of any change in the location thereof, presentations and demands may be made and notices may be served at the principal corporate trust office of the Trustee.

In addition to any such office or agency, the Company may from time to time designate one or more offices or agencies outside New York, New York, where the Securities may be presented for registration of transfer and for exchange in the manner provided in this Indenture, and the Company may from time to time rescind such designation, as the Company may deem desirable or expedient; provided, however, that no such designation or rescission shall in any manner relieve the Company of its obligation to maintain any such office or agency in New York, New York, for the purposes above mentioned. The Company will give to the Trustee prompt written notice of any such designation or rescission thereof.

SECTION 3.03. Appointments to Fill Vacancies in Trustee's Office.

The Company, whenever necessary to avoid or fill a vacancy in the office of Trustee, will appoint, in the manner provided in Section 6.10, a Trustee, so that there shall at all times be a Trustee hereunder.

SECTION 3.04. Provision as to Paying Agent.

(a) If the Company shall appoint a paying agent other than the Trustee with respect to the Securities of any series, it will cause such paying agent to execute and deliver to the Trustee an instrument in which such agent shall agree with the Trustee, subject to the provision of this Section 3.04,

(1) that it will hold all sums held by it as such agent for the payment of the principal of and premium, if any, or interest, if any, on the Securities of such series (whether such sums have been paid to it by the Company or by any other obligor on the Securities of such series) in trust for the benefit of the holders of the Securities of such series; and

(2) that it will give the Trustee notice of any failure by the Company (or by any other obli- gor on the Securities of such series) to make any payment of the principal of and premium, if any, or interest, if any, on the Securities of such series when the same shall be due and payable.

(b) If the Company shall act as its own paying agent, it will, on or before each due date of the principal of and premium, if any, or interest, if any, on the Securities of any series, set aside, segregate and hold in trust for the benefit of the holders of the Securities of such series a sum sufficient to pay such principal, premium or interest so becoming due and will notify the Trustee of any failure to take such action and of any failure by the Company (or by any other obligor under the Securities of such series) to make any payment of the principal of and premium, if any, or interest, if any, on the Securities of such series when the same shall become due and payable.

(c) Anything in this Section 3.04 to the contrary notwithstanding, the Company may, at any time, for the purpose of obtaining a satisfaction and discharge with respect to one or more or all series of Securities hereunder, or for any other reason, pay or cause to be paid to the Trustee all sums held in trust for any such series by the Trustee or any paying agent hereunder, as required by this Section 3.04, such sums to be held by the Trustee upon the trusts herein contained.

(d) Anything in this Section 3.04 to the contrary notwithstanding, the agreement to hold sums in trust as provided in this Section 3.04 is subject to Sections 11.03 and 11.04.

SECTION 3.05. Certificate to Trustee.

The Company will deliver to the Trustee on or before 120 days after the end of each fiscal year in each year, so long as Securities of any series are outstanding hereunder, a Certificate stating that in the course of the performance by the signers of their duties as officers of the Company they would normally have knowledge of the Company's compliance with all conditions and covenants and of any default by the Company in the performance of any covenants contained herein, stating whether or not they have knowledge of the Company's compliance with all conditions and covenants and of any such default and, if so, specifying each such default of which the signers have knowledge and the nature thereof.

SECTION 3.06. Compliance with Consolidation Provisions.

The Company will not, while any of the Securities remain outstanding, consolidate with, or merge into, any other entity or convey, transfer or lease its properties and assets substantially as an entirety to any entity, and the Company will not permit any entity to consolidate with or merge into the Company or convey all or transfer or lease its properties and assets substantially as an entity to the Company unless the provisions of Article Ten hereof are complied with.

SECTION 3.07. Calculation of Original Issue Discount.

The Company shall file with the Trustee promptly at the end of each calendar year a written notice specifying the amount

of any original issue discount (including daily rates and accrual periods) accrued on outstanding Securities as of the end of such year.

SECTION 3.08. Existence.

The Company will do or cause to be done all things necessary to preserve and keep in full force and effect its existence, rights (charter and statutory) and franchises; provided, however, that the Company shall not be required to preserve any such right or franchise if the Board of Directors shall determine that the preservation thereof is no longer desirable in the conduct of the business of the Company and that the loss thereof is not disadvantageous in any material respect to the Holders.

SECTION 3.09. Restrictions on Secured Funded Debt.

The Company will not, nor will it permit any Restricted Subsidiary to, incur, issue, assume, guarantee or create any Secured Funded Debt, without effectively providing concurrently with the incurrence, issuance, assumption, guaranty or creation of any such Secured Funded Debt that the outstanding Securities (together with, if the Company shall so determine, any other Indebtedness of the Company or such Restricted Subsidiary then existing or thereafter created which is not subordinated to the outstanding Securities) shall be secured equally and ratably with (or prior to) such Secured Funded Debt, unless after giving effect thereto, the sum of the aggregate amount of all outstanding Secured Funded Debt of the Company and its Restricted Subsidiaries together with all Attributable Debt in respect of sale and leaseback transactions relating to a Principal Property (with the exception of Attributable Debt which is excluded pursuant to clause (1) to (6) of Section 10.7), would not exceed 15% of Consolidated Net Tangible Assets; provided, however, that this Section 3.09 shall not apply to, and there shall be excluded from Secured Funded Debt in any computation under this Section 3.09, Funded Debt secured by:

(1) Liens on property, shares of capital stock or indebtedness of any corporation existing at the time such corporation becomes a Subsidiary;

(2) Liens on property, shares of capital stock or indebtedness existing at the time of acquisition thereof or incurred within 180 days of the time of acquisition thereof (including, without limitation, acquisition through merger or consolidation) by the Company or any Restricted Subsidiary;

(3) Liens on property, shares of capital stock or indebtedness hereafter acquired (or constructed) by the

Company or any Restricted Subsidiary and created prior to, at the time of, or within 270 days after such acquisition (including, without limitation, acquisition through merger or consolidation) (or the completion of such construction or commencement of commercial operation of such property, whichever is later) to secure or provide for the payment of all or any part of the purchase price (or the construction price) thereof;

(4) Liens in favor of the Company or any Restricted Subsidiary;

(5) Liens in favor of the United States of America, any State thereof or the District of Columbia, or any agency, department or other instrumentality thereof, to secure partial, progress, advance or other payments pursuant to any contract or provisions of any statute;

(6) Liens incurred or assumed in connection with an issuance of revenue bonds the interest on which is exempt from Federal income taxation pursuant to Section 103(b) of the Internal Revenue Code of 1986, as amended;

(7) Liens securing the performance of any contract or undertaking not directly or indirectly in connection with the borrowing of money, the obtaining of advances or credit or the securing of Funded Debt, if made and continuing in the ordinary course of business;

(8) Liens incurred (no matter when created) in connection with the Company's or a Restricted Subsidiary's engaging in leveraged or single-investor lease transactions; provided, however, that the instrument creating or evidencing any borrowings secured by such Lien shall provide that such borrowings are payable solely out of the income and proceeds of the property subject to such Lien and are not a general obligation of the Company or such Restricted Subsidiary;

(9) Liens under workers' compensation laws, unemployment insurance laws or similar legislation, or good faith deposits in connection with bids, tenders, contracts or deposits to secure public or statutory obligations of the Company or any Restricted Subsidiary, or deposits of cash or obligations of the United States of America to secure surety and appeal bonds to which the Company or any Restricted Subsidiary is a party or in lieu of such bonds, or pledges or deposits for similar purposes in the ordinary course of business, or Liens imposed by law, such as laborers' or other employees', carriers', warehousemen's, mechanics', materialmen's and vendors' Liens, and Liens arising out of judgments or awards against the Company or any Restricted Subsidiary with respect to which the Company or such

Restricted Subsidiary at the time shall be prosecuting an appeal or proceedings for review and with respect to which it shall have secured a stay of execution pending such appeal or proceedings for review, or Liens for taxes not yet subject to penalties for nonpayment or the amount or validity of which is being in good faith contested by appropriate proceedings by the Company or any Restricted Subsidiaries, as the case may be, or minor survey exceptions, minor encumbrances, easements or reservations of, or rights of others for, rights of way, sewers, electric lines, telegraph and telephone lines and other similar purposes, or zoning or other restrictions or Liens as to the use of real properties, which Liens, exceptions, encumbrances, easements, reservations, rights and restrictions do not, in the opinion of the Company, in the aggregate materially detract from the value of said properties or materially impair their use in the operation of the business of the Company and its Restricted Subsidiaries;

(10) Liens incurred to finance all or any portion of the cost of construction, alteration or repair of any Principal Property and improvements thereto prior to or within 270 days after completion of such construction, alteration or repair;

(11) Liens outstanding on the date of this Indenture; or

(12) any extension, renewal, refunding or replacement (or successive extensions, renewals, refundings or replacements), as a whole or in part, of any Lien referred to in the foregoing clauses (1) to (11), inclusive; provided, however, that (i) such extension, renewal, refunding or replacement Lien shall be limited to all or a part of the same property that secured the Lien extended, renewed, refunded or replaced (plus improvements on such property) and (ii) the Funded Debt secured by such Lien at such time is not increased.

SECTION 3.10. Limitation on Sales and Leasebacks.

The Company will not, nor will it permit any Restricted Subsidiary to, enter into any arrangement with any Person providing for the leasing by the Company or any Restricted Subsidiary of any Principal Property of the Company or any Restricted Subsidiary, which Principal Property has been or is to be sold or transferred by the Company or such Restricted Subsidiary to such Person (herein referred to as a "sale and leaseback transaction") unless, after giving effect thereto, the aggregate amount of all Attributable Debt with respect to all such sale and leaseback transactions plus all Secured Funded Debt (with the exception of Funded Debt secured by liens which is

excluded pursuant to clauses (1) to (12) of Section 3.09) would not exceed 15% of Consolidated Net Tangible Assets. This covenant shall not apply to, and there shall be excluded from Attributable Debt in any computation under Section 3.09 or this Section 3.10, Attributable Debt with respect to, any sale and leaseback transaction if:

(1) the Company or a Restricted Subsidiary is permitted to create Funded Debt secured by a Lien pursuant to clauses (1) to (12) of Section 3.09 on the Principal Property to be leased, in an amount equal to the Attributable Debt with respect to such sale and leaseback transaction, without equally and ratably securing the Outstanding Securities;

(2) the Company or a Restricted Subsidiary, within 270 days after the sale or transfer shall have been made by the Company or a Restricted Subsidiary, shall apply an amount in cash equal to the greater of (i) the net proceeds of the sale or transfer of the Principal Property leased pursuant to such arrangement or (ii) the fair market value of the Principal Property so leased at the time of entering into such arrangement (as determined by the Chief Executive Officer, the President, the Chief Financial Officer, the Treasurer or the Controller of the Company) to the retirement of Secured Funded Debt of the Company or any Restricted Subsidiary (other than Secured Funded Debt owned by the Company or any Restricted Subsidiary); provided, however, that no retirement referred to in this clause (2) may be effected by payment at maturity or pursuant to any mandatory sinking fund payment or any mandatory prepayment provision of Secured Funded Debt;

(3) the Company or a Restricted Subsidiary applies the net proceeds of the sale or transfer of the Principal Property leased pursuant to such transaction to investment in another Principal Property within 270 days prior or subsequent to such sale or transfer; provided, however, that this exception shall apply only if such proceeds invested in such other Principal Property shall not exceed the total acquisition, repair, alteration and construction cost of the Company or any Restricted Subsidiary in such other Principal Property less amounts secured by any purchase money or construction mortgages on such Principal Property;

(4) the effective date of any such arrangement is within 270 days of the acquisition of the Principal Property (including, without limitation, acquisition by merger or consolidation) or the completion of construction and commencement of operation thereof, whichever is later;

(5) the lease in such sale and leaseback transaction is for a term, including renewals, of not more than three years; or

(6) such sale and leaseback transaction is entered into between the Company and a Restricted Subsidiary or between Restricted Subsidiaries.

SECTION 3.11. Restrictions on Funded Debt of Restricted Subsidiaries.

The Company shall not permit any Restricted Subsidiary to incur, issue, assume, guarantee or create any Funded Debt, unless after giving effect thereto, the sum of the aggregate amount of all outstanding Funded Debt of the Restricted Subsidiaries would not exceed 15% of Consolidated Net Tangible Assets; provided, however, that this Section 3.11 shall not apply to, and there shall be excluded from, Funded Debt in any computation under this Section 3.11, (i) Funded Debt secured by Liens which is excluded pursuant to clauses (1) to (12) of Section 3.09, (ii) Funded Debt of any corporation existing at the time such corporation becomes a Restricted Subsidiary and (iii) Indebtedness among the Company and its Subsidiaries and Indebtedness between Subsidiaries; provided, further, that this Section 3.11 shall not prohibit the incurrence of Indebtedness in connection with any extension, renewal, refinancing, replacement or refunding (including successive extensions, renewals, refinancings, replacements and refundings), in whole or in part, of any Indebtedness of the Restricted Subsidiaries (provided that the principal amount of such Indebtedness being extended, renewed, refinanced, replaced or refunded is not increased) but any such Indebtedness shall be included in the computation of Funded Debt under this Section 3.11.

SECTION 3.12. Waiver of Certain Covenants.

The Company may omit in any particular instance to comply with any term, provision or condition set forth in Sections 3.09 to 3.11, inclusive, with respect to the Securities of any series if before the time for such compliance the holders of at least a majority in principal amount of the outstanding securities of such series shall, by Act of such holders, either waive such compliance in such instance or generally waive compliance with such term, provision or condition, but no such waiver shall extend to or affect such term, provision or condition except to the extent so expressly waived, and, until such waiver shall become effective, the obligations of the Company and the duties of the Trustee in respect of any such term, provision or condition shall remain in full force and effect.

ARTICLE FOUR

SECURITYHOLDERS' LISTS AND REPORTS BY THE COMPANY AND THE TRUSTEE.

SECTION 4.01. Securityholders' Lists.

The Company covenants and agrees that it will furnish or cause to be furnished to the Trustee:

(a) on a monthly basis on each regular record date for each series of Securities, a list, in such form as the Trustee may reasonably require, of the names and addresses of the Securityholders of such series of Securities as of such record date (and on dates to be determined pursuant to Section 2.03 for non-interest bearing securities in each year); and

(b) at such other times as the Trustee may request in writing, within 30 days after the receipt by the Company, of any such request, a list of similar form and content as of a date not more than 15 days prior to the time such list is furnished, except that no such lists need be furnished so long as the Trustee is in possession thereof by reason of its acting as Security registrar for such series.

SECTION 4.02. Preservation and Disclosure of Lists.

(a) The Trustee shall preserve, in as current a form as is reasonably practicable, all information as to the names and addresses of the holders of each series of Securities (1) contained in the most recent list furnished to it as provided in Section 4.01 or (2) received by it in the capacity of Securities registrar (if so acting) hereunder. The Trustee may destroy any list furnished to it as provided in Section 4.01 upon receipt of a new list so furnished.

(b) In case three or more holders of Securities of any series (hereinafter referred to as "applicants") apply in writing to the Trustee and furnish to the Trustee reasonable proof that each such applicant has owned a Security of such series for a period of at least six months preceding the date of such application, and such application states that the applicants desire to communicate with other holders of Securities of such series or with holders of all Securities with respect to their rights under this Indenture or under such Securities and is accompanied by a copy of the form of proxy or other communication which such applicants propose to transmit, then the Trustee shall

within five business days after the receipt of such application, at its election, either:

(1) afford such applicants access to the information preserved at the time by the Trustee in accordance with the provisions of subsection (a) of this Section 4.02, or

(2) inform such applicants as to the approximate number of holders of such series or all Securities, as the case may be, whose names and addresses appear in the information preserved at the time by the Trustee in accordance with the provisions of subsection (a) of this Section 4.02, and as to the approximate cost of mailing to such Securityholders the form of proxy or other communication, if any, specified in such application.

If the Trustee shall elect not to afford such applicants access to such information, the Trustee shall, upon the written request of such appli- cants, mail to each Securityholder of such series or all Securities, as the case may be, whose name and address appear in the information preserved at the time by the Trustee in accordance with the provisions of subsection (a) of this Section 4.02 a copy of the form of proxy or other communication which is specified in such request with reasonable promptness after a tender to the Trustee of the material to be mailed and of payment, or provision for the payment, of the reasonable expenses of mailing, unless within five days after such tender, the Trustee shall mail to such applicants and file with the Commission, together with a copy of the material to be mailed, a written statement to the effect that, in the opinion of the Trustee, such mailing would be contrary to the best interests of the holders of Securities of such series or all Securities, as the case may be, or would be in violation of applicable law. Such written statement shall specify the basis of such opinion. If the Commission, after opportunity for a hearing upon the objections specified in the written statement so filed, shall enter an order refusing to sustain any of such objections or if, after the entry of an order sustaining one or more of such objections, the Commission shall find, after notice and opportunity for hearing, that all the objections so sustained have been met and shall enter an order so declaring, the Trustee shall mail copies of such material to all such Securityholders with reasonable promptness after the entry of such order and the renewal of such

tender; otherwise the Trustee shall be relieved of any obligation or duty to such applicants respecting their application.

(c) Each and every holder of Securities, by receiving and holding the same, agrees with the Company and the Trustee that neither the Company nor the Trustee nor any paying agent shall be held accountable by reason of the disclosure of any such information as to the names and addresses of the holders of Securities in accordance with the provisions of subsection (b) of this Section 4.02, regardless of the source from which such information was derived, and that the Trustee shall not be held accountable by reason of mailing any material pursuant to a request made under said subsection (b).

SECTION 4.03. Reports by Company.

(a) The Company covenants and agrees to file with the Trustee, within 15 days after the Company is required to file the same with the Commission, copies of the annual reports and of the information, documents and other reports (or copies of such portions of any of the foregoing as the Commission may from time to time by rules and regulations prescribe) which the Company may be required to file with the Commission pursuant to Section 13 or Section 15(d) of the Securities Exchange Act of 1934; or, if the Company is not required to file information, documents or reports pursuant to either of such sections, then to file with the Trustee and the Commission, in accordance with rules and regulations prescribed from time to time by the Commission, such of the supplementary and periodic information, documents and reports which may be required pursuant to Section 13 of the Exchange Act in respect of a security listed and registered on a national securities exchange as may be prescribed from time to time in such rules and regulations.

(b) The Company covenants and agrees to file with the Trustee and the Commission, in accordance with the rules and regulations prescribed from time to time by the Commission, such additional information, documents and reports with respect to compliance by the Company with the conditions and covenants provided for in this Indenture as may be required from time to time by such rules and regulations.

(c) Delivery of such reports, information and documents to the Trustee is for informational purposes only and the Trustee's receipt of such shall not constitute constructive notice of any information contained therein or determinable from information contained therein, including the Company's compliance with any of its covenants hereunder (as to which the Trustee is entitled to rely exclusively on Certificates and Officers' Certificates).

(d) The Company covenants and agrees to transmit to the Securityholders, in the manner and to the extent required by Section 313(c) of the Trust Indenture Act, such summaries of any information, documents, and reports required to be filed by the Company in subsections (a) and (b) of this Section 4.03 or pursuant to any other applicable provision under the U.S. securities laws, including but not limited to Rule 144A(d)(4) under the U.S. Securities Act of 1933, as amended.

SECTION 4.04. Reports by the Trustee.

(a) The Trustee shall transmit to Securityholders such reports concerning the Trustee and its actions under this Indenture as may be required pursuant to the Trust Indenture Act at the times and in the manner provided pursuant thereto. If required by Section 313(a) of the Trust Indenture Act, the Trustee shall, within 60 days after each May 15 following the date of this Indenture deliver to Securityholders a brief report, dated as of such May 15, which complies with the provisions of such Section 313(a).

(b) A copy of each such report shall, at the time of such transmission to Securityholders, be filed by the Trustee with each stock exchange, if any, upon which the Securities are listed, with the Commission and with the Company. The Company will promptly notify the Trustee when the Securities are listed on any stock exchange.

ARTICLE FIVE

REMEDIES OF THE TRUSTEE AND SECURITYHOLDERS

SECTION 5.01. Events of Default.

In case one or more of the following Events of Default with respect to Securities of any series or such other events as may be established with respect to the Securities of that series as contemplated by Section 2.03 hereof shall have occurred and be continuing:

(a) in case of nonpayment of any installment of interest upon any of the Securities of any series as and when the same shall become due and payable, and such nonpayment shall have continued for a period of 30 days; or

(b) in case of nonpayment of any of the principal of or premium, if any, on any of the Securities of any series as and when the same shall have become due and payable, whether at maturity of the Securities of that series or upon redemption or by declaration or otherwise; or

(c) in case of default in the deposit of any sinking fund or other payment required pursuant to the

terms of a Security of that Series as established by or pursuant to a Board Resolution as permitted by Section 2.03(8), when and as due by the terms of a Security of that series; or

(d) in case of a default or defaults under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced by any Indebtedness (including this Indenture), in an aggregate principal amount exceeding $15 million, individually or in the aggregate, whether such Indebtedness now exists or shall hereafter be created, which default or defaults shall have resulted in such Indebtedness, having been declared due and payable prior to the date on which it would otherwise have become due and payable, or the failure to pay at maturity (including any applicable grace period) any Indebtedness in an aggregate principal amount exceeding $15 million individually or in the aggregate whether such Indebtedness now exists or shall hereafter be created, without in any such case such Indebtedness having been discharged, or such acceleration having been rescinded or annulled, or there having been deposited in trust, a sum of money sufficient to discharge in full such indebtedness, within a period of 30 days after there shall have been given, by registered mail, to the Company by the Trustee or to the Company and the Trustee by the holder or holders of at least 25% in aggregate principal amount of the outstanding Securities of such series a written notice specifying such default and requiring the Company to cause such Indebtedness to be discharged, cause to be deposited in trust a sum sufficient to discharge in full such Indebtedness or cause such acceleration to be rescinded or annulled and stating that such notice is a "Notice of Default" hereunder; provided, however, that, subject to the provisions of Sections 5.08 and 6.02, the Trustee shall not be deemed to have knowledge of such default unless either (A) the Trustee shall have actual knowledge of such default or (B) the Trustee shall have received written notice thereof from the Company, from the holder of any such Indebtedness or from any trustee under any such mortgage, indenture or other instrument; or

(e) a court having jurisdiction in the premises shall enter a decree or order for relief in respect of the Company in an involuntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or appointing a receiver, liquidator, assignee, custodian, trustee, sequestrator (or similar official) of the Company or for any substantial part of its property, or ordering the winding-up or liquidation of

its affairs and such decree or order shall remain unstayed and in effect for a period of 90 consecutive days; or

(f) the Company shall commence a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, shall consent to the entry of an order for relief in an involuntary case under any such law, or shall consent to the appointment of or taking possession by a receiver, liquidator, assignee, trustee, custodian, sequestrator (or other similar official) of the Company or of any substantial part of its property, or shall make any general assignment for the benefit of creditors, or shall fail generally to pay its debts as they become due; or

(g) in case there shall have occurred a failure in the performance, or breach, of any covenant or warranty of the Company in this Indenture (other than those set forth exclusively in terms of any particular series of Securities established as contemplated in this Indenture), and continuance of such failure or breach for a period of 90 days after there has been given, by registered or certified mail, to the Company by the Trustee or to the Company and the Trustee by the holders of at least 25% in aggregate principal amount of the outstanding Securities a written notice specifying such failure or breach and requiring it to be remedied and stating that such notice is a "Notice of Default" hereunder; or

(h) in case of any event which constitutes an "Event of Default" under the terms governing Securities of that series established as provided in Section 2.03;

then, and in each and every such case, unless the principal of all of the Securities of such series shall have already become due and payable, either the Trustee or the holders of not less than 25% in aggregate principal amount of the Securities of that series then outstanding hereunder, by notice in writing to the Company (and to the Trustee if given by Securityholders), may declare the entire principal (or, if the Securities of that series are Original Issue Discount Securities, such portion of the principal amount as may be specified in the terms of that series) of all Securities of that series and the interest accrued thereon, if any, to be due and payable immediately, and upon any such declaration the same shall become immediately due and payable.

The foregoing provisions, however, are subject to the condition that if, at any time after the principal (or, if the Securities are Original Issue Discount Securities, such portion of the principal as may be specified in the terms thereof) of the Securities of any series (or of all the Securities, as the case may be) shall have been so declared due and payable, and before any judgment or decree for the payment of the moneys due shall have been obtained or entered as hereinafter provided, the Company shall pay or shall deposit with the Trustee a sum sufficient to pay all matured installments of interest upon all the Securities of such series (or of all the Securities, as the case may be) and the principal of and premium, if any, on any and all Securities of such series (or of all the Securities, as the case may be) which shall have become due otherwise than by acceleration (with interest upon such principal and premium, if any, and, to the extent that payment of such interest is enforceable under applicable law, on overdue installments of interest, at the same rate as the rate of interest or Yield to Maturity (in the case of Original Issue Discount Securities) specified in the Securities of such series, (or at the respective rates of interest or Yields to Maturity of all the Securities, as the case may be) to the date of such payment or deposit) and such amount as shall be sufficient to cover reasonable compensation to the Trustee and each predecessor Trustee, their respective agents, attorneys and counsel, and all other expenses and liabilities incurred, and all advances made, by the Trustee and each predecessor Trustee except as a result of negligence or bad faith, and if any and all Events of Default under the Indenture, shall have been cured, waived or otherwise remedied as provided herein -- then and in every such case the holders of a majority in aggregate principal amount of the Securities of such series (or of all the Securities, as the case may be) then outstanding, by written notice to the Company and to the Trustee, may waive all defaults with respect to that series (or with respect to all Securities, as the case may be, in such case, treated as a single class) and rescind and annul such declaration and its consequences, but no such waiver or rescission and annulment shall extend to or shall affect any subsequent default or shall impair any right consequent thereon.

In case the Trustee shall have proceeded to enforce any right under this Indenture and such proceedings shall have been discontinued or abandoned because of such rescission or annulment or for any other reason or shall have been determined adversely to the Trustee, then and in every such case the Company, the Trustee and the holders of the Securities shall be restored respectively to their several positions and rights hereunder, and all rights, remedies and powers of the Company, the Trustee and the holders of the Securities shall continue as though no such proceeding had been taken.

SECTION 5.02. Payment of Securities on Default; Suit Therefor.

The Company covenants that:

(a) in case of nonpayment of any installment of interest upon any of the Securities of any series as and when the same shall become due and payable, and such nonpayment shall have continued for a period of 30 days; or

(b) in case of nonpayment of any of the principal of or premium, if any, on any of the Securities of any series as and when the same shall have become due and payable, whether at maturity of the Securities of that series or upon redemption or by declaration or otherwise; or

(c) in case of default in the deposit of any sinking fund or other payment required pursuant to the terms of a Security of that Series as established by or pursuant to a Board Resolution as permitted by Section 2.03(8), when and as due by the terms of a Security of that series;

then, upon demand of the Trustee, the Company will pay to the Trustee, for the benefit of the holders of the Securities of that series, the amount that then shall have become due and payable on all such Securities of that series for principal and premium, if any, or interest, or both, as the case may be, with interest upon the overdue principal and premium, if any, and (to the extent that payment of such interest is enforceable under applicable law) upon the overdue installments of interest at the rate or Yield to Maturity (in the case of Original Issue Discount Securities) borne by the Securities of that series; and, in addition thereto, such further amount as shall be sufficient to cover the costs and expenses of collection, including a reasonable compensation to the Trustee, its agents, attorneys and counsel, and any expenses or liabilities incurred by the Trustee hereunder other than through its negligence or bad faith.

In case the Company shall fail forthwith to pay such amounts upon such demand, the Trustee, in its own name and as trustee of an express trust, shall be entitled and empowered to institute any actions or proceedings at law or in equity for the collection of the sums so due and unpaid, and may prosecute any such action or proceeding to judgment or final decree, and may enforce any such judgment or final decree against the Company or any other obligor on such Securities and collect in the manner provided by law out of the property of the Company or any other obligor on such Securities wherever situated the moneys adjudged or decreed to be payable.

In case there shall be pending proceedings for the bankruptcy or for the reorganization of the Company or any other obligor on the Securities of any series under Title 11, United States Code, or any other applicable law, or in case a receiver or trustee shall have been appointed for the property of the Company or such other obligor, or in the case of any other similar judicial proceedings relative to the Company or other obligor upon the Securities of any series, or to the creditors or property of the Company or such other obligor, the Trustee, irrespective of whether the principal of the Securities of any series shall then be due and payable as therein expressed or by declaration or otherwise and irrespective of whether the Trustee shall have made any demand pursuant to the provisions of this Section 5.02, shall be entitled and empowered, by intervention in such proceedings or otherwise, to file and prove a claim or claims for the whole amount of principal and interest (or, if the Securities of that series are Original Issue Discount Securities such portion of the principal amount as may be specified in the terms of that series) owing and unpaid in respect of the Securities of such series and, in case of any judicial proceedings, 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 reasonable compensation to the Trustee and each predecessor Trustee, and their respective agents, attorneys and counsel, and for reimbursement of all expenses and liabilities incurred, and all advances made, by the Trustee and each predecessor Trustee, except as a result of their negligence or bad faith) and of the Securityholders allowed in such judicial proceedings relative to the Company or any other obligor on the Securities of any series, or to the creditors or property of the Company or such other obligor, unless prohibited by applicable law and regulations, to vote on behalf of the holders of the Securities or any series in any election of a trustee or a standby trustee in arrangement, reorganization, liquidation or other bankruptcy or insolvency proceedings or person performing similar functions in comparable proceedings, and to collect and receive any moneys or other property payable or deliverable on any such claims, and to distribute the same after the deduction of its charges and expenses; and any receiver, assignee or trustee in bankruptcy or reorganization is hereby authorized by each of the Securityholders 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 Securityholders, to pay to the Trustee such amounts as shall be sufficient to cover reasonable compensation to the Trustee, each predecessor Trustee and their respective agents, attorneys and counsel, and all other expenses and liabilities incurred, and all advances made, by the Trustee and each predecessor Trustee except as a result of their negligence or bad faith.

Nothing herein contained shall be construed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Securityholder any plan of reorganization, arrange-

ment, adjustment or composition affecting the Securities of any series or the rights of any holder thereof or to authorize the Trustee to vote in respect of the claim of any Securityholder in any such proceeding.

All rights of action and of asserting claims under this Indenture, or under any of the Securities, may be enforced by the Trustee without the possession of any of the Securities, or the production thereof on any trial or other proceeding relative thereto, and any such suit or proceeding instituted by the Trustee shall be brought in its own name as trustee of an express trust, and any recovery of judgment shall be for the ratable benefit of the holders of the Securities.

In any proceedings brought by the Trustee (and also any proceedings involving the interpretation of any provision of this Indenture to which the Trustee shall be a party), the Trustee shall be held to represent all the holders of the Securities, and it shall not be necessary to make any holders of the Securities parties to any such proceedings.

Notwithstanding any provision in this Section 5.02, neither the Trustee nor the Securityholders shall have the right to accelerate payment of any series of the Securities or otherwise to declare such Securities due and payable except as specifically set forth in Section 5.01.

SECTION 5.03. Application of Moneys Collected by Trustee.

Any moneys collected by the Trustee shall be applied in the following order, at the date or dates fixed by the Trustee for the distribution of such moneys, upon presentation of the several Securities in respect of which moneys have been collected, and stamping thereon the payment, if only partially paid, and upon surrender thereof if fully paid:

First: To the payment of costs and expenses of collection applicable to such series and reasonable compensation to the Trustee, its agents, attorneys and counsel, and of all other expenses and liabilities incurred, and all advances made, by the Trustee except as a result of its negligence or bad faith;

Second: To the payment of the amounts then due and unpaid upon Securities of such series for principal (and premium, if any) and interest on the Securities of such series, in respect of which or for the benefit of which money has been collected, ratably, without preference or priority of any kind, according to the amounts due on such Securities for principal (and premium, if any) and interest, respectively.

Third: To the Company or its successors or assigns, or to whomsoever may be lawfully entitled to receive the same.

SECTION 5.04. Proceedings by Securityholders.

(a) No holder of any Security of any series shall have any right by virtue of or by availing of any provision of this Indenture to institute any suit, action or proceeding in equity or at law upon or under or with respect to this Indenture or for the appointment of a receiver or trustee, or for any other remedy hereunder, unless (i) such holder previously shall have given to the Trustee written notice of an Event of Default and of the continuance thereof with respect to the Securities of such series specifying such Event of Default, as hereinbefore provided; (ii) the holders of not less than 25% in aggregate principal amount of the Securities of that series then outstanding shall have made written request upon the Trustee to institute such action, suit or proceeding in its own name as Trustee hereunder; (iii) such holder or holders shall have offered to the Trustee such reasonable indemnity as it may require against the costs, expenses and liabilities to be incurred therein or thereby; (iv) the Trustee for 60 days after its receipt of such notice, request and offer of indemnity shall have failed to institute any such action, suit or proceeding, and (v) during such 60 day period the holders of a majority in principal amount of the Securities of that series do not give the Trustee a direction inconsistent with the request; it being understood and intended, and being expressly covenanted by the taker and holder of every Security with every other taker and holder and the Trustee, that no one or more holders of Securities of any series shall have any right in any manner whatever by virtue of or by availing of any provision of this Indenture to affect, disturb or prejudice the rights of any other holder of Securities, or to obtain or seek to obtain priority over or preference to any other such holder, or to enforce any right under this Indenture, except in the manner herein provided and for the equal, ratable and common benefit of all holders of Securities of the applicable series.

Notwithstanding any other provisions in this Indenture, however, the right of any holder of any Security to receive payment of the principal of (premium, if any) and interest, if any, on such Security, on or after the same shall have become due and payable, and to institute suit for the enforcement of any such payment, shall not be impaired or affected without the consent of such holder and by accepting a Security hereunder it is expressly understood, intended and covenanted by the taker and holder of every Security of such series, with every other such taker and holder and the Trustee, that no one or more holders of Securities of such series shall have any right in any manner whatsoever by virtue or by availing of any provision of this Indenture to affect, disturb or prejudice the rights of the holders of any other such Securities, or to obtain or seek to obtain priority over or preference to any other such holder, or to enforce any

right under this Indenture, except in the manner herein provided and for the equal, ratable and common benefit of all holders of Securities of series. For the protection and enforcement of the provisions of this Section, each and every Securityholder and the Trustee shall be entitled to such relief, and to institute suit therefor, as can be given either at law or in equity.

SECTION 5.05. Proceedings by Trustee.

In case of an Event of Default hereunder the Trustee may in its discretion proceed to protect and enforce the rights vested in it by this Indenture by such appropriate judicial proceedings as the Trustee shall deem most effectual to protect and enforce any of such rights, either by suit in equity or by action at law or by proceeding in bankruptcy or otherwise, whether for the specific enforcement of any covenant or agreement contained in this Indenture or in aid of the exercise of any power granted in this Indenture, and to enforce any other legal or equitable right vested in the Trustee by this Indenture or by law.

SECTION 5.06. Remedies Cumulative and Continuing.

Except as otherwise provided in Section 2.08, all powers and remedies given by this Article Five to the Trustee or to the Securityholders shall, to the extent permitted by law, be deemed cumulative and not exclusive of any other powers and remedies available to the Trustee or the holders of the Securities, by judicial proceedings or otherwise, to enforce the performance or observance of the covenants and agreements contained in this Indenture or otherwise established with respect to such series, and no delay or omission of the Trustee or of any holder of any of the Securities to exercise any right or power accruing upon any Event of Default occurring and continuing as aforesaid shall impair any such right or power, or shall be construed to be a waiver of any such default or an acquiescence therein; and, subject to the provisions of Section 5.04, every power and remedy given by this Article Five or by law to the Trustee or to the Securityholders may be exercised from time to time, and as often as shall be deemed expedient, by the Trustee or by the Securityholders.

SECTION 5.07. Direction of Proceedings and Waiver of Defaults by Majority of Securityholders.

The holders of a majority in aggregate principal amount of the Securities of any or all series affected (voting as one class) at the time outstanding shall have the right to direct the time, method, and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred on the Trustee; provided, however, that (subject to the provisions of Section 6.01) the Trustee shall have the right to decline to follow any such direction if the Trustee shall deter-

mine that the action so directed would be unjustly prejudicial to the holders not taking part in such direction or if the Trustee being advised by counsel determines that the action or proceeding so directed may not lawfully be taken or if the Trustee in good faith by its board of directors or trustees, executive committee, or a trust committee of directors or trustees and/or Responsible Officers shall determine that the action or proceedings so directed would involve the Trustee in personal liability. Prior to any declaration accelerating the maturity of any series of the Securities, or of all the Securities, as the case may be, the holders of a majority in aggregate principal amount of the Securities of that series at the time outstanding may on behalf of the holders of all of the Securities of such series waive any past default or Event of Default including any default established pursuant to Section 2.03, and its consequences, except a default (a) in the payment of principal of, premium, if any, or interest on any of the Securities, (b) in respect of covenants or provisions hereof which cannot be modified or amended without the consent of the holder of each Security affected. Upon any such waiver, the default covered thereby shall be deemed to be cured for all purposes of this Indenture and the Company, the Trustee and the holders of the Securities of such series shall be restored to their former positions and rights hereunder, respectively; but no such waiver shall extend to any subsequent or other default or impair any right consequent thereon. Upon any such waiver the Company, the Trustee and the holders of the Securities of that series (or of all Securities, as the case may be) shall be restored to their former positions and rights hereunder, respectively; but no such waiver shall extend to any subsequent or other default or Event of Default or impair any right consequent thereon. Whenever any default or Event of Default hereunder shall have been waived as permitted by this Section 5.07, such default or Event of Default shall for all purposes of the Securities of that series (or of all Securities, as the case may be) and this Indenture be deemed to have been cured and to be not continuing.

SECTION 5.08. Notice of Defaults and Nonpayments.

The Trustee shall, within 90 days after the occurrence of a default with respect to the Securities of any series, mail to all Securityholders of that series, as the names and addresses of such holders appear upon the Security register, notice of all defaults with respect to that series or nonpayment of principal, premium, if any, or interest, when due on the Securities of such series ("Nonpayments") known to the Trustee, unless such defaults or Nonpayments shall have been cured before the giving of such notice (the term "defaults" for the purpose of this Section 5.08 being hereby defined to be the events specified in clauses (a) through (h) of Section 5.01, not including periods of grace, if any, provided for therein.

SECTION 5.09. Undertaking to Pay Costs.

All parties to this Indenture agree, and each holder of any Security by his acceptance thereof shall be deemed to have agreed, that any court may in its discretion require, 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 Trustee, the filing by any party litigant in such suit of an undertaking to pay the costs of such suit, and that such court may in its discretion assess reasonable costs, including reasonable attorneys' fees and expenses, against any party litigant in such suit, having due regard to the merits and good faith of the claims or defenses made by such party litigant; but the provisions of this Section 5.09 shall not apply to any suit instituted by the Trustee, to any suit instituted by any Securityholder, or group of Securityholders of any series, holding in the aggregate more than 10% in principal amount of the Securities of that series outstanding, or to any suit instituted by any Securityholder for the enforcement of the payment of the principal of (or premium, if any) or interest on any Security against the Company on or after the same shall have become due and payable.

ARTICLE SIX

CONCERNING THE TRUSTEE

SECTION 6.01. Duties and Responsibilities of Trustee.

With respect to the holders of any series of Securities issued hereunder, the Trustee, prior to the occurrence of an Event of Default with respect to Securities of that series and after the curing or waiving of all Events of Default which may have occurred, with respect to Securities of that series, undertakes to perform such duties and only such duties as are specifically set forth in this Indenture. In case an Event of Default with respect to the Securities of a series has occurred (which has not been cured or waived as provided herein) 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 their exercise, as a prudent person would exercise or use under the circumstances in the conduct of his or her own affairs.

No provision of this Indenture shall be construed to relieve the Trustee from liability for its own negligent action, its own negligent failure to act or its own willful misconduct, except that

(a) prior to the occurrence of an Event of Default with respect to Securities of a series and after the curing or waiving of all Events of Default with respect to that series which may have occurred.

(1) the duties and obligations of the Trustee with respect to Securities of a series shall be determined solely by the express provisions of this Indenture, and the Trustee shall not be liable except for the performance of such duties and obligations with respect to such series as are specifically set forth in this Indenture, and no implied covenants or obligations shall be read into this Indenture against the Trustee; and

(2) in the absence of bad faith on the part of the Trustee, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon any Certificates or Opinions of Counsel furnished to the Trustee and conforming to the requirements of this Indenture; but, in the case of any such Certificates or Opinions of Counsel which by any provision hereof are specifically required to be furnished to the Trustee, the Trustee shall be under a duty to examine the same to determine whether or not they conform to the requirements of this Indenture;

(b) the Trustee shall not be liable for any error of judgment made in good faith by a Responsible Officer or Officers of the Trustee, unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts; and

(c) the Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith, in accordance with the direction of the Securityholders pursuant to Section 5.07, relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee, under this Indenture.

None of the provisions contained in this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur personal financial liability in the performance of any of its duties or in the exercise of any of its rights or powers, if there is reasonable ground for believing that the repayment of such funds or liability is not reasonably assured to

it under the terms of this Indenture or adequate indemnity against such risk is not reasonably assured to it.

SECTION 6.02. Reliance on Documents, Opinions, etc.

Except as otherwise provided in Section 6.01:

(a) the Trustee may rely and shall be protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, consent, order, bond, note, debenture or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties;

(b) any request, direction, order or demand of the Company mentioned herein shall be sufficiently evidenced by an Officers' Certificate (unless other evidence in respect thereof be herein specifically prescribed); and any Board Resolution may be evidenced to the Trustee by a copy thereof certified by the Secretary or an Assistant Secretary of the Company;

(c) the Trustee may consult with counsel of its selection and any advice or Opinion of Counsel shall be full and complete authorization and protection in respect of any action taken or suffered omitted by it hereunder in good faith and in accordance with such advice or Opinion of Counsel;

(d) the Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Indenture at the request, order or direction of any of the Securityholders, pursuant to the provisions of this Indenture, unless such Securityholders shall have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities which may be incurred therein or thereby;

(e) the Trustee shall not be liable for any action taken or omitted by it in good faith and believed by it to be authorized or within the discretion or rights or powers conferred upon it by this Indenture; nothing contained herein shall, however, relieve the Trustee of the obligation, upon the occurrence of an Event of Default with respect to a series of the Securities (that has not been cured or waived or provided herein) to exercise with respect to Secu- rities of that series such of the rights and pow- ers vested in it by this Indenture, and to use the same degree of care and skill in their exercise

as a prudent person would exercise or use under the circumstances in the conduct of his or her own affairs;

(f) 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, consent, order, approval, bond, debenture, coupon or other paper or document, unless requested in writing to do so by the holders of not less than a majority in principal amount of the outstanding Securities of the series affected thereby; provided, however, that if the payment within a reasonable time to the Trustee of the costs, expenses or liabilities likely to be incurred by it in the making of such investigation is, in the opinion of the Trustee, not reasonably assured to the Trustee by the security afforded to it by the terms of this Indenture, the Trustee may require reasonable indemnity against such expense or liability as a condition to so proceeding; and

(g) the Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents (including any Authenticating Agent) or attorneys, and the Trustee shall not be responsible for any misconduct or negligence on the part of any such agent or attorney appointed by it with due care.

SECTION 6.03. No Responsibility for Recitals, etc.

The recitals contained herein and in the Securities (except in the certificate of authentication of the Trustee or the Authenticating Agent) shall be taken as the statements of the Company, and the Trustee and the Authenticating Agent assume no responsibility for the correctness of the same. The Trustee and the Authenticating Agent make no representations as to the validity or sufficiency of this Indenture or of the Securities. The Trustee and the Authenticating Agent shall not be accountable for the use or application by the Company of any Securities or the proceeds of any Securities authenticated and delivered by the Trustee or the Authenticating Agent in conformity with the provisions of this Indenture.

SECTION 6.04. Trustee, Authenticating Agent, Paying Agents, Transfer Agents or Registrar May Own Securities.

The Trustee or any Authenticating Agent or any paying agent or any transfer agent or any Security registrar, in its individual or any other capacity, may become the owner or pledgee of Securities with the same rights it would have if it were not

Trustee, Authenticating Agent, paying agent, transfer agent or Security registrar.

SECTION 6.05. Moneys to be Held in Trust.

Subject to the provisions of Section 11.04, all moneys received by the Trustee or any paying agent shall, until used or applied as herein provided, be held in trust for the purpose for which they were received, but need not be segregated from other funds except to the extent required by law. The Trustee and any paying agent shall be under no liability for interest on any money received by it hereunder, except as otherwise agreed in writing with the Company. So long as no Event of Default shall have occurred and be continuing, all interest allowed on any such moneys shall be paid from time to time upon the written order of the Company, signed by the Chief Executive Officer, the Chief Financial Officer, the President or a Vice President or the Treasurer or an Assistant Treasurer of the Company.

SECTION 6.06. Compensation and Expenses of Trustee.

The Company covenants and agrees to pay to the Trustee from time to time, and the Trustee shall be entitled to, such compensation as shall be agreed to in writing between the Company and the Trustee (which shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust), and the Company will pay or reimburse the Trustee upon its request for all reasonable expenses, disbursements and advances incurred or made by the Trustee in accordance with any of the provisions of this Indenture (including the reasonable compensation and the expenses and disbursements of its counsel and of all persons not regularly in its employ) except any such expense, disbursement or advance as may arise from its negligence or bad faith. The Company also covenants to indemnify each of the Trustee or any predecessor Trustee (and its officers, agents, directors and employees) for, and to hold it harmless against, any and all losses, claims, liabilities or expenses, including taxes (other than taxes based on the income of the Trustee), incurred without negligence or bad faith on the part of the Trustee or predecessor, and arising out of or in connection with the acceptance or administration of this trust, including the costs and expenses of defending itself against any claim of liability in the premises. The obligations of the Company under this Section 6.06 to compensate and indemnify the Trustee and to pay or reimburse the Trustee for expenses, disbursements and advances shall constitute additional Indebtedness hereunder. Such additional Indebtedness shall be secured by a Lien prior to that of the Securities upon all property and funds held or collected by the Trustee as such, except funds held in trust for the benefit of the holders of particular Securities.

When the Trustee incurs expenses or renders services in connection with an Event of Default specified in Section 5.01(a)

or Section 5.01(b), the expenses (including the reasonable charges and expenses of its counsel) and the compensation for the services are intended to constitute expenses of administration under any applicable federal or state bankruptcy, insolvency or other similar law.

The provisions of this Section shall survive the termination of this Indenture.

SECTION 6.07. Officers' Certificate as Evidence.

Except as otherwise provided in Sections 6.01 and 6.02, whenever in the administration of the provisions of this Indenture the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or omitting any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may, in the absence of negligence or bad faith on the part of the Trustee, be deemed to be conclusively proved and established by an Officers' Certificate delivered to the Trustee, and such certificate, in the absence of negligence or bad faith on the part of the Trustee, shall be full warrant to the Trustee for any action taken or omitted by it under the provisions of this Indenture upon the faith thereof.

SECTION 6.08. Conflicting Interest of Trustee.

If the Trustee has or shall acquire any "conflicting interest" within the meaning of Section 310(b) of the Trust Indenture, the Trustee and the Company shall in all respects comply with the provisions of Section 310(b) of the Trust Indenture Act.

SECTION 6.09. Eligibility of Trustee.

The Trustee hereunder shall at all times be a corporation organized and doing business under the laws of the United States of America or any state or territory thereof or of the District of Columbia or a corporation or other Person permitted to act as trustee by the Commission authorized under such laws to exercise corporate trust powers, having a combined capital and surplus of at least $50,000,000 and subject to supervision or examination by federal, state, territorial, or District of Columbia authority. If such corporation publishes reports of condition at least annually, pursuant to law or to the requirements of the aforesaid supervising or examining authority, then for the purposes of this Section 6.09 the combined capital and surplus of such corporation shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

The Company may not, nor may any Person directly or indirectly controlling, controlled by, or under common control with the Company, serve as Trustee.

In case at any time the Trustee shall cease to be eligible in accordance with the provisions of this Section 6.09, the Trustee shall resign immediately in the manner and with the effect specified in Section 6.10.

SECTION 6.10. Resignation or Removal of Trustee.

(a) The Trustee, or any Trustee or Trustees hereafter appointed, may at any time resign with respect to one or more or all series of Securities by giving written notice of such resignation to the Company and by mailing notice thereof to the holders of the applicable series of Securities at their addresses as they shall appear on the Security register. Upon receiving such notice of resignation, the Company shall promptly appoint a successor Trustee or Trustees with respect to the applicable series by written instrument, in duplicate, executed under the authority of a Board Resolution, one copy of which instrument shall be delivered to the resigning Trustee and one copy to the successor Trustee. If no successor Trustee shall have been so appointed with respect to any series of Securities and have accepted appointment within 30 days after the mailing of such notice of resignation to the affected Securityholders, the resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor trustee, or any Securityholder who has been a bona fide holder of a Security or Securities of the applicable series for at least six months may, subject to the provisions of Section 5.09, on behalf of himself and all others similarly situated, petition any such court for the appointment of a successor trustee. Such court may thereupon, after such notice, if any, as it may deem proper and prescribe, appoint a successor Trustee.

(b) In case at any time any of the following shall occur --

(1) the Trustee shall fail to comply with the provisions of subsection (a) of Section 6.08 after written request therefor by the Company or by any Securityholder who has been a bona fide holder of a Security or Securities for at least six months, or

(2) the Trustee shall cease to be eligible in accordance with the provisions of Section 6.09 and shall fail to resign after written request therefor by the Company or by any such Securityholder, or

(3) the Trustee shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or a receiver of the Trustee or of its property shall be appointed, or any public officer shall take charge or control of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation,

then, in any such case, the Company may remove the Trustee and appoint a successor Trustee by written instrument, in duplicate, executed under the authority of a Board Resolution, one copy of which instrument shall be delivered to the Trustee so removed and one copy to the successor Trustee, or, subject to the provisions of Section 5.09, any Securityholder who has been a bona fide holder of a Security or Securities of the applicable series for at least six months may, on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor Trustee. Such court may thereupon, after such notice, if any, as it may deem proper and prescribe, remove the Trustee and appoint a successor Trustee.

(c) The holders of a majority in aggregate principal amount of the Securities of any series at the time outstanding may at any time remove the Trustee with respect to such series and nominate a successor Trustee with respect to the applicable series of Securities or all series, as the case may be, which shall be deemed appointed as successor Trustee with respect to the applicable series unless within 10 days after such nomination the Company objects thereto, in which case the Trustee so removed or any Securityholder of the applicable series, upon the terms and conditions and otherwise as in subsection (a) of this Section 6.10 provided, may petition any court of competent jurisdiction for an appointment of a successor Trustee with respect to such series.

(d) Any resignation or removal of the Trustee and appointment of a successor Trustee pursuant to any of the provisions of this Section 6.10 shall become effective upon acceptance of appointment by the successor Trustee as provided in Section 6.11.

SECTION 6.11. Acceptance by Successor Trustee.

Any successor Trustee appointed as provided in Section 6.10 shall execute, acknowledge and deliver to the Company and to its predecessor Trustee an instrument accepting such appointment hereunder, and thereupon the resignation or removal of the retiring Trustee with respect to all or any applicable series shall become effective and such successor Trustee, without any further act, deed or conveyance, shall become vested with all the rights, powers, duties and obligations with respect to such

series of its predecessor hereunder, with like effect as if originally named as Trustee herein; but, nevertheless, on the written request of the Company or of the successor Trustee, the Trustee ceasing to act shall, upon payment of any amounts then due it pursuant to the provisions of Section 6.06, execute and deliver an instrument transferring to such successor Trustee all the rights and powers of the Trustee so ceasing to act and shall duly assign, transfer and deliver to such successor Trustee all property and money held by such retiring Trustee thereunder. Upon request of any such successor Trustee, the Company shall execute any and all instruments in writing for more fully and certainly vesting in and confirming to such successor Trustee all such rights and powers. Any Trustee ceasing to act shall, nevertheless, retain a lien upon all property or funds held or collected by such Trustee to secure any amounts then due it pursuant to the provisions of Section 6.06.

If a successor Trustee is appointed with respect to the Securities of one or more (but not all) series, the Company, the retiring Trustee and each successor Trustee with respect to the Securities of any applicable series shall execute and deliver an indenture supplemental hereto which shall contain such provisions as shall be deemed necessary or desirable to confirm that all the rights, powers, trusts and duties of the retiring Trustee with respect to the Securities of any series as to which the predecessor Trustee is not retiring shall continue to be vested in the predecessor Trustee, and shall add to or change any of the provisions of this Indenture as shall be necessary to provide for or facilitate the administration of the Trustee hereunder by more than one Trustee, it being understood that nothing herein or in such supplemental indenture shall constitute such Trustees co-Trustees of the same trust and that each such Trustee shall be Trustee of a trust or trusts hereunder separate and apart from any trust or trusts hereunder administered by any other such Trustee.

No successor Trustee shall accept appointment as provided in this Section 6.11 unless at the time of such acceptance such successor Trustee shall be qualified under the provisions of Section 6.08 and eligible under the provisions of Section 6.09.

Upon acceptance of appointment by a successor Trustee as provided in this Section 6.11, the Company shall mail notice of the succession of such Trustee hereunder to the holders of Securities of any applicable series at their addresses as they shall appear on the Security register. If the Company fails to mail such notice within 10 days after the acceptance of appointment by the successor Trustee, the successor Trustee shall cause such notice to be mailed at the expense of the Company.

SECTION 6.12. Succession by Merger, etc.

Any corporation into which the Trustee may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which the Trustee shall be a party, or any corporation succeeding to all or substantially all of the corporate trust business of the Trustee, shall be the successor of the Trustee hereunder without the execution or filing of any paper or any further act on the part of any of the parties hereto.

In case at the time such successor to the Trustee shall succeed to the trusts created by this Indenture any of the Securities of any series shall have been authenticated but not delivered, any such successor to the Trustee may adopt the certificate of authentication of any predecessor Trustee, and deliver such Securities so authenticated; and in case at that time any of the Securities of any series shall not have been authenticated, any successor to the Trustee may authenticate such Securities either in the name of any predecessor hereunder or in the name of the successor Trustee; and in all such cases such certificates shall have the full force which it is anywhere in the Securities of such series or in this Indenture provided that the certificate of the Trustee shall have; provided, however, that the right to adopt the certificate of authentication of any predecessor Trustee or authenticate Securities of any series in the name of any predecessor Trustee shall apply only to its successor or successors by merger, conversion or consolidation.

SECTION 6.13. Limitation on Rights of Trustee as a Creditor.

The Trustee shall comply with Section 3.11(a) of the Trust Indenture Act, excluding any creditor relationship described in Section 3.11(b) of the Trust Indenture Act. A Trustee who has resigned or been removed shall be subject to Section 3.11(a) of the Trust Indenture Act to the extent included therein.

SECTION 6.14. Authenticating Agents.

There may be one or more Authenticating Agents appointed by the Trustee upon the request of the Company with power to act on its behalf and subject to its direction in the authentication and delivery of Securities of any series issued upon exchange or transfer thereof as fully to all intents and purposes as though any such Authenticating Agent had been expressly authorized to authenticate and deliver Securities of such series; provided, that the Trustee shall have no liability to the Company for any acts or omissions of the Authenticating Agent with respect to the authentication and delivery of Securities of any series. Any such Authenticating Agent shall at all times be a corporation organized and doing business under the

laws of the United States or of any state or territory thereof or of the District of Columbia authorized under such laws to act as Authenticating Agent, having a combined capital and surplus of at least $5,000,000 and being subject to supervision or examination by federal, state, territorial or District of Columbia authority. If such corporation publishes reports of condition at least annually pursuant to law or the requirements of such authority, then for the purposes of this Section 6.14 the combined capital and surplus of such corporation shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. If at any time an Authenticating Agent shall cease to be eligible in accordance with the provisions of this Section, it shall resign immediately in the manner and with the effect herein specified in this Section.

Any corporation into which any Authenticating Agent may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, consolidation or conversion to which any Authenticating Agent shall be a party, or any corporation succeeding to the corporate trust business of any Authenticating Agent, shall be the successor of such Authenticating Agent hereunder, if such successor corporation is otherwise eligible under this Section 6.14 without the execution or filing of any paper or any further act on the part of the parties hereto or such Authenticating Agent.

Any Authenticating Agent may at any time resign with respect to one or more or all series of Securities by giving written notice of resignation to the Trustee and to the Company. The Trustee may at any time terminate the agency of any Authenticating Agent with respect to one or more or all series of Securities by giving written notice of termination to such Authenticating Agent and to the Company. Upon receiving such a notice of resignation or upon such a termination, or in case at any time any Authenticating Agent shall cease to be eligible under this Section 6.14, the Trustee may, and upon the request of the Company shall, promptly appoint a successor Authenticating Agent with respect to the applicable series eligible under this Section 6.14, shall give written notice of such appointment to the Company and shall mail notice of such appointment to all holders of the applicable series of Securities as the names and addresses of such holders appear on the Security register. Any successor Authenticating Agent with respect to all or any series upon acceptance of its appointment hereunder shall become vested with all rights, powers, duties and responsibilities with respect to such series of its predecessor hereunder, with like effect as if originally named as Authenticating Agent herein.

The Company agrees to pay to any Authenticating Agent from time to time reasonable compensation for its services. Any Authenticating Agent shall have no responsibility or liability for any action taken by it as such in accordance with the directions of the Trustee.

ARTICLE SEVEN

CONCERNING THE SECURITYHOLDERS

SECTION 7.01. Action by Securityholders.

Whenever in this Indenture it is provided that the holders of a specified percentage in aggregate principal amount of the Securities of any or all series may take any action (including the making of any demand or request, the giving of any notice, consent or waiver or the taking of any other action) the fact that at the time of taking any such action the holders of such specified percentage have joined therein may be evidenced (a) by any instrument or any number of instruments of similar tenor executed by such Securityholders in person or by agent or proxy appointed in writing, or (b) by the record of such holders of Securities voting in favor thereof at any meeting of such Securityholders duly called and held in accordance with the provisions of Article Eight, or (c) by a combination of such instrument or instruments and any such record of such a meeting of such Securityholders.

If the Company shall solicit from the Securityholders of any series any request, demand, authorization, direction, notice, consent, waiver or other action, the Company may, at its option, as evidenced by an Officers' Certificate, fix in advance a record date for such series for the determination of Securityholders entitled to give such request, demand, authorization, direction, notice, consent, waiver or other action, but the Company shall have no obligation to do so. If such a record date is fixed, such request, demand, authorization, direction, notice, consent, waiver or other action may be given before or after the record date, but only the Securityholders of record at the close of business on the record date shall be deemed to be Securityholders for the purposes of determining whether Securityholders of the requisite proportion of outstanding Securities of that series have authorized or agreed or consented to such request, demand, authorization, direction, notice, consent, waiver or other action, and for that purpose the outstanding Securities of that series shall be computed as of the record date; provided, however, that no such authorization, agreement or consent by such Securityholders on the record date shall be deemed effective unless it shall become effective pursuant to the provisions of this Indenture not later than six months after the record date.

SECTION 7.02. Proof of Execution by Securityholders.

Subject to the provisions of Section 6.01, 6.02 and 8.05, proof of the execution of any instrument by a Securityholder or his agent or proxy shall be sufficient if made in accordance with such reasonable rules and regulations as may be prescribed by the Trustee or in such manner as shall be

satisfactory to the Trustee. The ownership of Securities shall be proved by the Security register or by a certificate of the Security registrar. The Trustee may require such additional proof of any matter referred to in this Section as it shall deem necessary.

The record of any Securityholders' meeting shall be proved in the manner provided in Section 8.06.

SECTION 7.03. Who Are Deemed Absolute Owners.

Prior to due presentment for registration of transfer of any Security, the Company, the Trustee, any Authenticating Agent, any paying agent, any transfer agent and any Security registrar may deem the Person in whose name such Security shall be registered upon the Security register (including a Depositary in the case of a Global Security) to be, and may treat him as, the absolute owner of such Security (whether or not such Security shall be overdue) for the purpose of receiving payment of or on account of the principal of, premium, if any, and interest on such Security and for all other purposes; and neither the Company nor the Trustee nor any Authenticating Agent nor any paying agent nor any transfer agent nor any Security registrar shall be affected by any notice to the contrary. All such payments so made to any holder for the time being or upon his order shall be valid, and, to the extent of the sum or sums so paid, effectual to satisfy and discharge the liability for moneys payable upon any such Security.

SECTION 7.04. Securities Owned by Company Deemed Not Outstanding.

In determining whether the holders of the requisite aggregate principal amount of Securities have concurred in any direction, consent or waiver under this Indenture, Securities which are owned by the Company or any other obligor on the Securities or by any person directly or indirectly controlling or controlled by or under direct or indirect common control with the Company or any other obligor on the Securities shall be disregarded and deemed not to be outstanding for the purpose of any such determination; provided that for the purposes of determining whether the Trustee shall be protected in relying on any such direction, consent or waiver, only Securities which the Trustee actually knows are so owned shall be so disregarded. Securities so owned which have been pledged in good faith may be regarded as outstanding for the purposes of this Section 7.04 if the pledgee shall establish to the satisfaction of the Trustee the pledgee's right to vote such Securities and that the pledgee is not the Company or any such other obligor or person directly or indirectly controlling or controlled by or under direct or indirect common control with the Company or any such other obligor. In the case of a dispute as to such right, any decision by the

Trustee taken upon the advice of counsel shall be full protection to the Trustee.

SECTION 7.05. Revocation of Consents; Future Holders Bound.

At any time prior to (but not after) the evidencing to the Trustee, as provided in Section 7.01, of the taking of any action by the holders of the percentage in aggregate principal amount of the Securities specified in this Indenture in connection with such action, any holder of a Security (or any Security issued in whole or in part in exchange or substitution therefor) the serial number of which is shown by the evidence to be included in the Securities the holders of which have consented to such action may, by filing written notice with the Trustee at its principal office and upon proof of holding as provided in Section 7.02, revoke such action so far as concerns such Security (or so far as concerns the principal amount represented by any exchanged or substituted Security). Except as aforesaid, any such action taken by the holder of any Security shall be conclusive and binding upon such holder and upon all future holders and owners of such Security, and of any Security issued in exchange or substitution therefor, irrespective of whether or not any nota- tion in regard thereto is made upon such Security or any Security issued in exchange or substitution therefor.

ARTICLE EIGHT

SECURITYHOLDERS' MEETINGS

SECTION 8.01. Purposes of Meetings.

A meeting of Securityholders of any or all series may be called at any time and from time to time pursuant to the provisions of this Article Eight for any of the following purposes:

(a) to give any notice to the Company or to the Trustee, or to give any directions to the Trustee, or to consent to the waiving of any default hereunder and its consequences, or to take any other action authorized to be taken by Securityholders pursuant to any of the provisions of Article Five;

(b) to remove the Trustee and nominate a successor Trustee pursuant to the provisions of Article Six;

(c) to consent to the execution of an indenture or indentures supplemental hereto pursuant to the provisions of Section 9.02; or

(d) to take any other action authorized to be taken by or on behalf of the holders of any specified aggregate principal amount of such Securities under any other provision of this Indenture or under applicable law.

SECTION 8.02. Call of Meetings by Trustee.

The Trustee may at any time call a meeting of Securityholders of any or all series to take any action specified in Section 8.01, to be held at such time and at such place in New York, New York, as the Trustee shall determine. Notice of every meeting of the Securityholders of any or all series, setting forth the time and the place of such meeting and in general terms the action proposed to be taken at such meeting, shall be mailed to holders of Securities of each series affected at their addresses as they shall appear on the Security register of each series affected. Such notice shall be mailed not less than 20 nor more than 180 days prior to the date fixed for the meeting.

SECTION 8.03. Call of Meetings by Company or Securityholders.

In case at any time the Company pursuant to a resolution of the Board of Directors, or the holders of at least 10% in aggregate principal amount of the Securities of any or all series, as the case may be, then outstanding, shall have requested the Trustee to call a meeting of Securityholders of any or all series, as the case may be, by written request setting forth in reasonable detail the action proposed to be taken at the meeting, and the Trustee shall not have mailed the notice of such meeting within 20 days after receipt of such request, then the Company or such Securityholders may determine the time and the place in said Borough of Manhattan for such meeting and may call such meeting to take any action authorized in Section 8.01, by mailing notice thereof as provided in Section 8.02.

SECTION 8.04. Qualifications for Voting.

To be entitled to vote at any meeting of Securityholders a person shall (a) be a holder of one or more Securities with respect to which the meeting is being held or (b) a person appointed by an instrument in writing as proxy by a holder of one or more such Securities. The only persons who shall be entitled to be present or to speak at any meeting of Securityholders shall be the persons entitled to vote at such meeting and their counsel and any representatives of the Trustee and its counsel and any representatives of the Company and its counsel.

SECTION 8.05. Regulations.

Notwithstanding any other provisions of this Indenture, the Trustee may make such reasonable regulations as it may deem advisable for any meeting of Securityholders, in regard to proof of the holding of Securities and of the appointment of proxies, and in regard to the appointment and duties of inspectors of votes, the submission and examination of proxies, certificates and other evidence of the right to vote, and such other matters concerning the conduct of the meeting as it shall think fit.

The Trustee shall, by an instrument in writing, appoint a temporary chairman of the meeting, unless the meeting shall have been called by the Company or by Securityholders as provided in Section 8.03, in which case the Company or the Securityholders calling the meeting, as the case may be, shall in like manner appoint a temporary chairman. A permanent chairman and a permanent secretary of the meeting shall be elected by majority vote of the meeting.

Subject to the provisions of Section 7.04 and unless otherwise provided in an indenture supplemental hereto, at any meeting each holder of Securities with respect to which such meeting is being held or proxy therefor shall be entitled to one vote for each $25 principal amount (in the case of Original Issue Discount Securities, such principal amount to be determined as provided in the definition "outstanding") of Securities held or represented by him or her; provided, however, that no vote shall be cast or counted at any meeting in respect of any Security challenged as not outstanding and ruled by the chairman of the meeting to be not outstanding. The chairman of the meeting shall have no right to vote other than by virtue of Securities held by the Chairman or instruments in writing as aforesaid duly designating the Chairman as the person to vote on behalf of other Securityholders. Any meeting of Securityholders duly called pursuant to the provisions of Section 8.02 or 8.03 may be adjourned from time to time by a majority of those present, whether or not constituting a quorum, and the meeting may be held as so adjourned without further notice.

SECTION 8.06. Voting.

The vote upon any resolution submitted to any meeting of holders of Securities with respect to which such meeting is being held shall be by written ballots on which shall be subscribed the signatures of such holders or of their representatives by proxy and the serial number or numbers of the Securities held or represented by them. The permanent chairman of the meeting shall appoint two inspectors of votes who shall count all votes cast at the meeting for or against any resolution and who shall make and file with the secretary of the meeting their verified written reports in triplicate of all votes cast at the meeting. A record in duplicate of the proceedings of each

meeting of Securityholders shall be prepared by the secretary of the meeting and there shall be attached to said record the original reports of the inspectors of votes on any vote by ballot taken thereat and affidavits by one or more persons having knowledge of the facts setting forth a copy of the notice of the meeting and showing that the notice was mailed as provided in Section 8.02. The record shall show the serial numbers of the Securities voting in favor of or against any resolution. The record shall be signed and verified by the affidavits of the permanent chairman and secretary of the meeting and one of the duplicates shall be delivered to the Company and the other to the Trustee to be preserved by the Trustee, the latter to have attached thereto the ballots voted at the meeting.

Any record so signed and verified shall be conclusive evidence of the matters therein stated.

ARTICLE NINE

SUPPLEMENTAL INDENTURES

SECTION 9.01. Supplemental Indentures without Consent of Securityholders.

The Company and the Trustee may from time to time and at any time enter into an indenture or indentures supplemental hereto (which shall conform to the provisions of the Trust Indenture Act as then in effect), without the consent of the Securityholders, for one or more of the following purposes:

(a) to evidence the succession of another corporation to the Company, or successive successions, and the assumption by the successor corporation of the covenants, agreements and obligations of the Company pursuant to the terms of this Indenture;

(b) to add to the covenants of the Company such further covenants, restrictions or conditions for the protection of the holders of all or any series of Securities, (and, if such covenants are to be for the benefit of less than all series of Securities stating that such covenants are expressly being included for the benefit of such series) as the Company and the Trustee shall consider to be for the protection of the holders of such Securities, and to make the occurrence, or the occurrence and continuance, of a default in any of such additional covenants, restrictions or conditions a default or an Event of Default permitting the enforcement of all or any of the several remedies provided in this Indenture as herein set forth; provided, however, that in respect of any such additional Covenant, restriction or condition, such

additional covenant, restriction or condition such supplemental indenture may provide for a particular period of grace after default (which period may be shorter or longer than that allowed in the case of other defaults) or may provide for an immediate enforcement upon such default or may limit the remedies available to the Trustee upon such default;

(c) to provide for the issuance under this Indenture of Securities in coupon form (including Securities registrable as to principal only) and to provide for exchangeability of such Securities with the Securities issued hereunder in fully registered form and to make all appropriate changes for such purpose;

(d) to cure any ambiguity or to correct or supplement any provision contained herein or in any supplemental indenture which may be defective or inconsistent with any other provision contained herein or in any supplemental indenture, or to make such other provisions in regard to matters or questions arising under this Indenture; provided that any such action shall not adversely affect the interests of the holders of the Securities;

(e) to add to, delete from, or revise the terms of Securities of any series as permitted by Section 2.01 and 2.03, including, without limitation, any terms relating to the issuance, exchange, registration or transfer of Securities issued in whole or in part in the form of one or more global Securities and the payment of any principal thereof, or interest or premium, if any, thereon;

(f) to evidence and provide for the acceptance of appointment hereunder by a successor Trustee with respect to the Securities of one or more series and to add to or change any of the provisions of this Indenture as shall be necessary to provide for or facilitate the administration of the trusts hereunder by more than one Trustee, pursuant to the requirements of Section 6.11;

(g) to provide for uncertificated Securities in addition to or in place of certificated Securities;

(h) to make any change that does not adversely affect the rights of any Securityholder in any material respect; or

(i) to provide for the issuance of and establish the form and terms and conditions of the Securities of any series, to establish the form of any certifications required to be furnished pursuant to the terms of this Indenture or any series of Securities, or to add to the rights of the holders of any series of Securities.

The Trustee is hereby authorized to join with the Company in the execution of any such supplemental indenture, to make any further appropriate agreements and stipulations which may be therein contained and to accept the conveyance, transfer and assignment of any property thereunder, but the Trustee shall not be obligated to, but may in its discretion, enter into any such supplemental indenture which affects the Trustee's own rights, duties or immunities under this Indenture or otherwise.

Any supplemental indenture authorized by the provisions of this Section 9.01 may be executed by the Company and the Trustee without the consent of the holders of any of the Securities at the time outstanding, notwithstanding any of the provisions of Section 9.02.

SECTION 9.02. Supplemental Indentures with Consent of Securityholders.

With the consent (evidenced as provided in Section 7.01) of the holders of not less than a majority in aggregate principal amount of the Securities at the time outstanding of all series affected by such supplemental indenture (each voting as a separate class), the Company and the Trustee may from time to time and at any time enter into an indenture or indentures supplemental hereto (which shall conform to the provisions of the Trust Indenture Act then in effect) for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of this Indenture or of any supplemental indenture or of modifying in any manner the rights of the holders of the Securities of each series so affected; provided, however, that no such supplemental indenture shall, without the consent of the holders of each security then outstanding and affected thereby, (i) extend the fixed maturity of any Security of any series, or reduce the rate or extend the time of payment of interest thereon, or (ii) reduce the principal amount thereof or any premium thereon, or reduce any amount payable on redemption thereof, or (iii) make the principal thereof or any interest or premium thereon payable in any place or any coin or currency other than that provided in the Securities, or (iv) reduce the amount of the principal of an Original Issue Discount Security that would be due and payable upon an acceleration of the maturity thereof pursuant to Section 5.01 or the amount thereof provable in bankruptcy pursuant to Section 5.02, or (v) impair or affect the right of any Securityholder to institute suit for payment thereof or the right of repayment, if any, at the option of the holder,

or (vi) adversely affect any right of Security holders to convert Securities, or (vii) reduce the aforesaid percentage of Securities the holders of which are required to consent to any such supplemental indenture, or any modification hereof or amendment hereto, or the consent of the holders of which is required for any waiver (of compliance with certain provisions of this Indenture or certain defaults hereunder and their covenants) provided for in this Indenture, or (viii) modify any of the provisions of this Section, Section 5.04 or Section 5.07, except to increase any such percentage or to provide that certain other provisions of this Indenture cannot be modified or waived without the consent of the holder of each outstanding Security affected thereby.

A supplemental indenture which changes or eliminates any covenant or other provision of this Indenture which has expressly been included solely for the benefit of one or more particular series of Securities, or which modifies the rights of Securityholders of such series with respect to such covenant or provision, shall be deemed not to affect the rights under this Indenture or the Securityholders of any other series.

Upon the request of the Company accompanied by a copy of a Board Resolution authorizing the execution of any such supplemental indenture, and upon the filing with the Trustee of evidence of the consent of Securityholders as aforesaid, the Trustee shall join with the Company in the execution of such supplemental indenture unless such supplemental indenture 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 supplemental indenture. The Trustee may receive an Opinion of Counsel as conclusive evidence that any supplemental indenture executed pursuant to this Article is authorized or permitted by, and conforms to, the terms of this Article and that it is proper for the Trustee under the provisions of this Article to join in the execution thereof.

Promptly after the execution by the Company and the Trustee of any supplemental indenture pursuant to the provisions of this Section, the Trustee shall transmit by mail, first class postage prepaid, a notice, prepared by the Company, setting forth in general terms the substance of such supplemental indenture, to the Securityholders of all series affected thereby as their names and addresses appear upon the Security register. Any failure of the Trustee to mail such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such supplemental indenture.

It shall not be necessary for the consent of the Securityholders under this Section 9.02 to approve the particular form of any proposed supplemental indenture, but it shall be sufficient if such consent shall approve the substance thereof.

SECTION 9.03. Compliance with Trust Indenture Act; Effect of Supplemental Indentures.

Any supplemental indenture executed pursuant to the provisions of this Article Nine shall comply with the Trust Indenture Act (to the extent applicable), as then in effect. Upon the execution of any supplemental indenture pursuant to the provisions of this Article Nine, this Indenture shall be and be deemed to be modified and

amended in accordance therewith and the respective rights, limitations of rights, obligations, duties and immunities under this Indenture of the Trustee, the Company and the holders of Securities of each series affected thereby shall thereafter be determined, exercised and enforced hereunder subject in all respects to such modifications and amendments and all the terms and conditions of any such supplemental indenture shall be and be deemed to be part of the terms and conditions of this Indenture for any and all purposes.

SECTION 9.04. Notation on Securities.

Securities of any series authenticated and delivered after the execution of any supplemental indenture affecting such series pursuant to the provisions of this Article Nine may bear a notation in form approved by the Trustee as to any matter provided for in such supplemental indenture. If the Company or the Trustee shall so determine, new Securities of any series so modified as to conform, in the opinion of the Trustee and the Board of Directors, to any modification of this Indenture contained in any such supplemental indenture may be prepared and executed by the Company, authenticated by the Trustee or the Authenticating Agent and delivered in exchange for the Securities of any series then outstanding.

SECTION 9.05. Evidence of Compliance of Supplemental Indenture to be Furnished Trustee.

The Trustee, subject to the provisions of Sections 6.01 and 6.02, may receive an Officers' Certificate and an Opinion of Counsel as conclusive evidence that any supplemental indenture executed pursuant hereto complies with the requirements of this Article Nine.

ARTICLE TEN

CONSOLIDATION, MERGER, SALE AND CONVEYANCE

SECTION 10.01. Company May Consolidate, etc., on Certain Terms.

Nothing contained in this Indenture or in any of the Securities shall prevent any consolidation or merger of the Company with or into any other entity (whether or not affiliated with the Company, as the case may be), or successive consolidations or mergers in which the Company, as the case may be, or its successor or successors shall be a party or parties, or shall prevent any sale, conveyance, transfer, lease or other disposition of the property of the Company, as the case may be, or its successor or successors as an entirety, or substantially as an entirety, to any other entity (whether or not affiliated with the Company, as the case may be, or its successor or successors)

authorized to acquire and operate the same so long as any successor entity or purchaser shall be a corporation, partnership, trust or other entity organized and validly existing under the laws of the United States of America, any State or the District of Columbia; provided, however, the Company hereby covenants and agrees that, upon any such consolidation or merger, or upon any sale, conveyance, transfer, lease or other disposition of all or substantially all of the property of the Company, the due and punctual payment, in the case of the Company, of the principal of, premium, if any, and interest on all of the Securities of all series in accordance with the terms of each series, according to their tenor and the due and punctual performance and observance of all the covenants and conditions of this Indenture with respect to each series or established with respect to such series pursuant to Section 2.03 to be kept or performed by the Company shall be expressly assumed, by supplemental indenture (which shall conform to the provisions of the Trust Indenture Act, as then in effect) satisfactory in form to the Trustee executed and delivered to the Trustee by the entity formed by such consolidation, or into which the Company, as the case may be, shall have been merged, or by the entity which shall have acquired such property, and that immediately after giving effect to such transaction, no Event of Default or event which, after notice or lapse of time or both, would become an Event of Default hereunder would exist and be continuing.

SECTION 10.02. Successor Corporation to be Substituted for Company.

In case of any such consolidation or merger, or upon any sale, conveyance, transfer or other disposition of all or substantially all of the property of the Company and upon the assumption by the successor entity, by supplemental indenture, executed and delivered to the Trustee and satisfactory in form to the Trustee, of the due and punctual payment of the principal of and premium, if any, and interest on all of the Securities and the due and punctual performance and observance of all of the covenants and conditions of this Indenture or the Declaration to be performed or observed by the Company, such successor entity shall succeed to and be substituted for the Company, with the same effect as if it had been named herein as the party of the first part, and the Company thereupon shall be relieved of any further liability or obligation hereunder or upon the Securities. Such successor entity thereupon may cause to be signed, and may issue either in its own name or in the name of the Company, any or all of the Securities issuable hereunder which theretofore shall not have been signed by the Company and delivered to the Trustee or the Authenticating Agent; and, upon the order of such successor entity instead of the Company and subject to all the terms, conditions and limitations in this Indenture prescribed, the Trustee or the Authenticating Agent shall authenticate and deliver any Securities which previously shall have been signed and delivered by the officers of the Company to the Trustee or the Authenticating Agent for authentication, and any Securities which such successor corporation thereafter shall cause to be signed and delivered to the Trustee or the Authenticating Agent for that purpose. All the Securities

so issued shall in all respects have the same legal rank and benefit under this Indenture as the Securities theretofore or thereafter issued in accordance with the terms of this Indenture as though all of such Indentures had been issued at the date of the execution hereof.

SECTION 10.03. Opinion of Counsel to be Given Trustee.

The Trustee, subject to the provisions of Sections 6.01 and 6.02, shall receive an officer's certificate and, at the Trustee's option, an Opinion of Counsel, as conclusive evidence that any consolidation, merger, conveyance or transfer, and any assumption, permitted or required by the terms of this Article Ten complies with the provisions of this Article Ten.

ARTICLE ELEVEN

SATISFACTION AND DISCHARGE OF INDENTURE.

SECTION 11.01. Discharge of Indenture.

When (a) the Company shall deliver to the Trustee for cancellation all Securities theretofore authenticated (other than any Securities which shall have been destroyed, lost or stolen and which shall have been replaced or paid as provided in Section 2.08) and not theretofore canceled, or (b) all the Securities not theretofore canceled or delivered to the Trustee for cancellation shall have become due and payable, or are by their terms to become due and payable within one year or are to be called for redemption within one year under arrangements satisfactory to the Trustee for the giving of notice of redemption, and the Company shall deposit with the Trustee, in trust, funds sufficient to pay at maturity or upon redemption all of the Securities (other than any Securities which shall have been destroyed, lost or stolen and which shall have been replaced or paid as provided in Section 2.08) not theretofore canceled or delivered to the Trustee for cancellation, including principal and premium, if any, and interest due or to become due to such date of maturity or redemption date, as the case may be, but excluding, however, the amount of any moneys for the payment of principal of, and premium, if any, or interest on the Securities (1) theretofore repaid to the Company in accordance with the provisions of Section 11.04, or (2) paid to any state or to the District of Columbia pursuant to its unclaimed property or similar laws, and if in either case the Company shall also pay or cause to be paid all other sums payable hereunder by the Company, then this Indenture shall cease to be of further effect except that the provisions of Sections 2.05, 2.07, 2.08, 3.01, 3.02, 3.04, 6.06, 6.10 and 11.04 hereof shall survive until such Securities shall mature and be paid. Thereafter, Sections 6.10 and 11.04 shall survive, and the Trustee, on demand of the Company accompanied by any Officers' Certificate and an Opinion of Counsel and at the cost and expense of the Company, shall execute proper instruments acknowledging satisfac-

tion of and discharging this Indenture, the Company, however, hereby agreeing to reimburse the Trustee for any costs or expenses thereafter reasonably and properly incurred by the Trustee in connection with this Indenture or the Securities.

SECTION 11.02. Deposited Moneys and U.S. Government Obligations to be Held in Trust by Trustee.

Subject to the provisions of Section 11.04, all moneys and U.S. Government Obligations deposited with the Trustee pursuant to Sections 11.01 or 11.05 shall be held in trust and applied by it to the payment, either directly or through any paying agent (including the Company if acting as its own paying agent), to the holders of the particular Securities for the payment of which such moneys or U.S. Government Obligations have been deposited with the Trustee, of all sums due and to become due thereon for principal, premium, if any, and interest.

The Company shall pay and indemnify the Trustee against any tax, fee or other charge imposed on or assessed against the U.S. Government Obligations deposited pursuant to Section 11.05 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 outstanding Securities.

SECTION 11.03. Paying Agent to Repay Moneys Held.

Upon the satisfaction and discharge of this Indenture, all moneys then held by any paying agent of the Securities (other than the Trustee) shall, upon demand of the Company, be repaid to it or paid to the Trustee, and thereupon such paying agent shall be released from all further liability with respect to such moneys.

SECTION 11.04. Return of Unclaimed Moneys.

Any moneys deposited with or paid to the Trustee or any paying agent for payment of the principal of, and premium, if any, or interest on Securities and not applied but remaining unclaimed by the holders of Securities for three years after the date upon which the principal of, and premium, if any, or interest on such Securities, as the case may be, shall have become due and payable, shall be repaid to the Company by the Trustee or such paying agent on written demand; and the holder of any of the Securities shall thereafter look only to the Company for any payment which such holder may be entitled to collect, and all liability of the Trustee or such paying agent with respect to such moneys shall thereupon cease.

SECTION 11.05. Defeasance Upon Deposit of Moneys or U.S. Government Obligations.

The Company shall be deemed to have been Discharged (as defined below) from its respective obligations with respect to any series of Securities on the 91st day after the applicable conditions set forth below have been satisfied with respect to any series of Securities at any time after the applicable conditions set forth below have been satisfied:

(1) The Company shall have deposited or caused to be deposited irrevocably with the Trustee or the Defeasance Agent (as defined below) as trust funds in trust, specifically pledged as security for, and dedicated solely to, the benefit of the holders of the Securities of such series (i) money in an amount, or (ii) U.S. Government Obligations which through the payment of interest and principal in respect thereof in accordance with their terms will provide, not later than one day before the due date of any payment, money in an amount, or (iii) a combination of (i) and (ii), sufficient, in the opinion (with respect to (ii) and (iii)) of a nationally recognized firm of independent public accountants expressed in a written certification thereof delivered to the Trustee and the Defeasance Agent, if any, to pay and discharge each installment of principal (including any mandatory sinking fund payments) of, and interest and premium, if any, on, the outstanding Securities of such series on the dates such installments of principal, interest or premium are due;

(2) such deposit will not cause the Trustee to have any conflicting interest with respect to other securities of the Company;

(3) if the Securities of such series are then listed on any national securities exchange, the Company shall have delivered to the Trustee and the Defeasance Agent, if any, an Opinion of Counsel to the effect that the exercise of the option under this Section 11.05 would not cause such Securities to be delisted from such exchange;

(4) no Event of Default or event which with notice or lapse of time would become an Event of Default with respect to the Securities of such series shall have occurred and be continuing on the date of such deposit or on such later date specified in this Indenture in the case of certain events in bankruptcy, insolvency or reorganization of the Company;

(5) such defeasance will not result in a breach or violation of, or constitute a default under, the

Indenture or any other agreement or instrument to which the Company is a party or by which it is bound; and

(6) the Company shall have delivered to the Trustee and the Defeasance Agent, if any, an Opinion of Counsel to the effect that holders of the Securities of such series will not recognize income, gain or loss for United States federal income tax purposes as a result of the exercise of the option under this Section 11.05 and will be subject to United States federal income tax on the same amount and in the same manner and at the same times as would have been the case if such option had not been exercised, and, in the case of the Securities of such series being Discharged, such opinion shall be accompanied by a private letter ruling to that effect received from the United States Internal Revenue Service, a revenue ruling pertaining to a comparable form of transaction to that effect published by the United States Internal Revenue Service, or otherwise a change in applicable Federal income tax law occurring after the date of the Indenture.

"Discharged" means that the Company shall be deemed to have paid and discharged the entire indebtedness represented by, and obligations under, the Securities of such series and to have satisfied all the obligations under this Indenture relating to the Securities of such series (and the Trustee, at the expense of the Company, shall execute proper instruments acknowledging the same), except (A) the rights of holders of Securities of such series to receive, from the trust fund described in clause (1) above, payment of the principal of and the interest and premium, if any, on such Securities when such payments are due; (B) the Company's obligations with respect to such Securities under Sections 2.07, 2.08, 5.02 and 11.04; and (C) the rights, powers, trusts, duties and immunities of the Trustee hereunder.

"Defeasance Agent" means another financial institution which is eligible to act as Trustee hereunder and which assumes all of the obligations of the Trustee necessary to enable the Trustee to act hereunder. In the event such a Defeasance Agent is appointed pursuant to this section, the following conditions shall apply:

1. The Trustee shall have approval rights over the document appointing such Defeasance Agent and the document setting forth such Defeasance Agent's rights and responsibilities;

2. The Defeasance Agent shall provide verification to the Trustee acknowledging receipt of sufficient

money and/or U. S. Government Obligations to meet the applicable conditions set forth in this Section 11.05; and

3. The Trustee shall determine whether the Company shall be deemed to have been Discharged from its respective obligations with respect to any series of Securities.

If the amount of money and U.S. government obligations due on deposit is insufficient to pay amounts due on the Securities at the time of acceleration resulting from an Event of Default, the Company shall remain liable in respect of such amounts.

ARTICLE TWELVE

IMMUNITY OF INCORPORATORS, STOCKHOLDERS, OFFICERS AND DIRECTORS.

SECTION 12.01. Indenture and Securities Solely Corporate Obligations.

No recourse for the payment of the principal of or premium, if any, or interest on any Security, or for any claim based thereon or otherwise in respect thereof, and no recourse under or upon any obligation, covenant or agreement of the Company in this Indenture or in any supplemental indenture, or in any Security, or because of the creation of any indebtedness represented thereby, shall be had against any incorporator, stockholder, officer or director, as such, past, present or future, of the Company or of any successor corporation of the Company, either directly or through the Company or any successor corporation of the Company, whether by virtue of any constitution, statute or rule of law, or by the enforcement of any assessment or penalty or otherwise; it being expressly understood that all such liability is hereby expressly waived and released as a condition of, and as a consideration for, the execution of this Indenture and the issue of the Securities.

ARTICLE THIRTEEN

MISCELLANEOUS PROVISIONS.

SECTION 13.01. Successors.

All the covenants, stipulations, promises and agreements in this Indenture contained by the Company shall bind its successors and assigns whether so expressed or not.

SECTION 13.02. Official Acts by Successor Corporation.

Any act or proceeding by any provision of this Indenture authorized or required to be done or performed by any board, committee or officer of the Company shall and may be done and performed with like force and effect by the like board, committee

or officer of any corporation that shall at the time be the lawful sole successor of the Company.

SECTION 13.03. Surrender of Company Powers.

The Company by instrument in writing executed by appropriate authority of its Board of Directors and delivered to the Trustee may surrender any of the powers reserved to the Company, and thereupon such power so surrendered shall terminate both as to the Company, as the case may be, and as to any successor corporation.

SECTION 13.04. Addresses for Notices, etc.

Any notice or demand which by any provision of this Indenture is required or permitted to be given or served by the Trustee or by the holders of Securities on the Company may be given or served by being deposited postage prepaid by registered or certified mail in a post office letter box addressed (until another address is filed by the Company with the Trustee for the purpose) to the Company, Unifi, Inc., 7201 West Friendly Avenue, Greensboro, North Carolina 27410, Attention: Chief Financial Officer. Any notice, direction, request or demand by any Securityholder to or upon the Trustee shall be deemed to have been sufficiently given or made, for all purposes, if given or made in writing at the office of the Trustee, addressed to the Trustee, First Union National Bank, 230 S. Tryon Street, 9th Floor, Charlotte, North Carolina 28288-1179, Attention: Corporate Trust Department.

Section 13.05. Governing Law.

This Indenture and each Security shall be deemed to be a contract made under the laws of the State of New York, and for all purposes shall be governed by and construed in accordance with the laws of said State, without regard to conflicts of laws principles thereof.

SECTION 13.06. Evidence of Compliance with Conditions Precedent.

Upon any application or demand by the Company to the Trustee to take any action under any of the provisions of this Indenture, the Company shall furnish to the Trustee an Officers' Certificate stating that in the opinion of the signers all conditions precedent, if any, provided for in this Indenture relating to the proposed action have been complied with and an Opinion of Counsel stating that, in the opinion of such counsel, all such conditions precedent have been complied with.

Each certificate or opinion of the Company provided for in this Indenture and delivered to the Trustee with respect to compliance with a condition or covenant provided for in this

Indenture shall include (1) a statement that the person making such certificate or opinion has read such covenant or condition; (2) 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; (3) a statement that, in the opinion of such person, such person has made such examination or investigation as is necessary to enable such person to express an informed opinion as to whether or not such covenant or condition has been complied with; and (4) a statement as to whether or not, in the opinion of such person, such condition or covenant has been complied with.

SECTION 13.07. Legal Holidays.

In any case where the date of payment of interest on or principal of the Securities will be in New York, New York, Charlotte, North Carolina or in Greensboro, North Carolina a legal holiday or a day on which banking institutions are authorized by law to close, the payment of such interest on or principal of the Securities need not be made on such date but may be made on the next succeeding Business Day, with the same force and effect as if made on the date of payment and no interest shall accrue for the period from and after such date.

SECTION 13.08. Trust Indenture Act to Control.

If and to the extent that any provision of this Indenture limits, qualifies or conflicts with another provision included in this Indenture which is required to be included in this Indenture by any of Sections 310 to 317, inclusive, of the Trust Indenture Act of 1939 (to the extent applicable), such required provision shall control.

SECTION 13.09. Table of Contents, Headings, etc.

The table of contents and the titles 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 hereof, and shall in no way modify or restrict any of the terms or provisions hereof.

SECTION 13.10. Execution in Counterparts.

This Indenture may be executed in any number of counterparts, each of which shall be an original, but such counterparts shall together constitute but one and the same instrument.

SECTION 13.11. Separability.

In case any one or more of the provisions contained in this Indenture or in the Securities of any series shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall

not affect any other provisions of this Indenture or of such Securities, but this Indenture and such Securities shall be construed as if such invalid or illegal or unenforceable provision had never been contained herein or therein.

SECTION 13.12. Assignment.

The Company will have the right at all times to assign any of its respective rights or obligations under this Indenture to a direct or indirect wholly owned Subsidiary of the Company, provided that, in the event of any such assignment, the Company, as the case may be, will remain liable for all such obligations. Subject to the foregoing, the Indenture is binding upon and inures to the benefit of the parties thereto and their respective successors and assigns. This Indenture may not otherwise be assigned by the parties thereto.

ARTICLE FOURTEEN

REDEMPTION OF SECURITIES

SECTION 14.01. Applicability of Article.

The provisions of this Article shall be applicable to the Securities of any series which are redeemable before their maturity or to any sinking fund for the retirement of Securities of a series except as otherwise specified as contemplated by Section 2.03 for Securities of such series.

SECTION 14.02. Notice of Redemption; Selection of Securities.

In case the Company shall desire to exercise the right to redeem all, or, as the case may be, any part of the Securities of any series in accordance with their terms, it shall fix a date for redemption and shall mail a notice of such redemption at least 30 and not more than 60 days prior to the date fixed for redemption to the holders of Securities of such series so to be redeemed as a whole or in part at their last addresses as the same appear on the Security register. Such mailing shall be by first class mail. The notice if mailed in the manner herein provided shall be conclusively presumed to have been duly given, whether or not the holder receives such notice. In any case, failure to give such notice by mail or any defect in the notice to the holder of any Security of a series designated for redemption as a whole or in part shall not affect the validity of the proceedings for the redemption of any other Security of such series.

Each such notice of redemption shall specify the CUSIP number of the Securities to be redeemed, the date fixed for redemption, the redemption price at which Securities of such

series are to be redeemed, the place or places of payment, that payment will be made upon presentation and surrender of such Securities, that interest accrued to the date fixed for redemption will be paid as specified in said notice, and that on and after said date interest thereon or on the portions thereof to be redeemed will cease to accrue. If less than all the Securities of such series are to be redeemed the notice of redemption shall specify the numbers of the Securities of that series to be redeemed. In case any Security of a series is to be redeemed in part only, the notice of redemption shall state the portion of the principal amount thereof to be redeemed and shall state that on and after the date fixed for redemption, upon surrender of such Security, a new Security or Securities of that series in principal amount equal to the unredeemed portion thereof will be issued.

Prior to the redemption date specified in the notice of redemption given as provided in this Section, the Company will deposit with the Trustee or with one or more paying agents an amount of money sufficient to redeem on the redemption date all the Securities so called for redemption at the appropriate redemption price, together with accrued interest to the date fixed for redemption.

If all, or less than all, the Securities of a series are to be redeemed, the Company will give the Trustee notice not less than 45 or 60 days, respectively, prior to the redemption date as to the aggregate principal amount of Securities of that series to be redeemed and the Trustee shall select, in such manner as in its sole discretion it shall deem appropriate and fair, the Securities of that series or portions thereof (in integral multiples of $1,000, except as otherwise set forth in the applicable form of Security) to be redeemed.

SECTION 14.03. Payment of Securities Called for Redemption.

If notice of redemption has been given as provided in Section 14.02, the Securities or portions of Securities of the series with respect to which such notice has been given shall become due and payable on the date and at the place or places stated in such notice at the applicable redemption price, together with interest accrued to the date fixed for redemption, and on and after said date (unless the Company shall default in the payment of such Securities at the redemption price, together with interest accrued to said date) interest on the Securities or portions of Securities of any series so called for redemption shall cease to accrue. On presentation and surrender of such Securities at a place of payment specified in said notice, the said Securities or the specified portions thereof shall be paid and redeemed by the Company at the applicable redemption price, together with interest accrued thereon to the date fixed for redemption.

Upon presentation of any Security of any series redeemed in part only, the Company shall execute and the Trustee shall authenticate and make available for delivery to the holder thereof, at the expense of the Company, a new Security or Securities of such series of authorized denominations, in principal amount equal to the unredeemed portion of the Security so presented.

First Union National Bank hereby accepts the trusts in this Indenture declared and provided, upon the terms and conditions hereinabove set forth.

IN WITNESS WHEREOF, the parties hereto have caused this Indenture to be duly executed by their respective authorized officers, as of the day and year first above written.

UNIFI, INC.

By /s/ Willis C. Moore, III
_____
Name: Willis C. Moore, III
Title: Senior V.P. & CFO

FIRST UNION NATIONAL BANK,
as Trustee

By /s/ S. Schwartz
_____
Name: Shannon Schwartz
Title: Asst. Vice President

STATE OF NORTH CAROLINA
COUNTY OF MECKLENBURG

On the 5th day of February, 1998, before me personally came Willis C. Moore, III, to me known, who, being by me duly sworn, did depose and say that he resides at Greensboro, North Carolina; that he is a Senior Vice President and Chief Financial Officer of Unifi, Inc., one of the parties described in and which executed the above instrument; and that he signed his name thereto by authority of the board of directors of such corporation.

/s/ Cheryl Smith

Notary Public

[NOTARIAL SEAL] June 30, 2001

STATE OF NORTH CAROLINA
COUNTY OF MECKLENBURG

On the 5th day of February, 1998, before me personally came Shannon Schwartz, to me known, who, being by me duly sworn, did depose and say that she resides at Charlotte, North Carolina; that she is an Assistant Vice President of First Union National Bank, one of the parties described in and which executed the above instrument; and that such execution was by authority of the board of directors of said corporation.

/s/ Cheryl Smith

Notary Public

[NOTARIAL SEAL] June 30, 2001

Exhibit 4.3

CERTIFIED COPY OF CORPORATE RESOLUTIONS
OF THE BOARD OF DIRECTORS OF
UNIFI, INC.

I hereby certify that I am the duly elected and qualified Secretary of Unifi, Inc., a corporation organized and existing under the laws of the State of New York; that the following resolutions were duly adopted by a Consent to Action Without Meeting of the Board of Directors of Unifi, Inc., effective as of December 31, 1997; and that such resolutions are in full force and effect and have not been amended or rescinded:

RESOLUTIONS REGARDING OFFERING OF NOTES

NOW, THEREFORE, BE IT RESOLVED, that the Corporation may issue and sell its debt securities in an aggregate amount up to $300,000,000, which amount may be increased to up to $400,000,000 in the discretion of the Executive Committee of this Board of Directors (the "Executive Committee"), with the Notes to have such terms as may be approved by the Executive Committee, which committee may take all actions and shall have the full power and authority of the Board of Directors:

(i) to determine and establish one or more series of Notes and to determine for any such series of Notes: (a) the amount and specific title of such series of Notes; (b) whether the series of Notes are senior notes or subordinated notes; (c) the aggregate principal amount of such series of Notes to be offered and sold; (d) the date or dates on which such series of Notes will be issued; (e) the date or dates on which such series of Notes will mature; (f) the rate or rates per annum or the method for determining such rate or rates, if any, at which such series of Notes will bear interest (which may be fixed or floating), and the dates or dates from which such interest shall accrue; (g) the times at which any such interest will be payable and the record date or dates for interest payable on any such date, (h) the denominations in which such series of are authorized to be issued; (i) the currency, currencies or currency units in which payment of the principal of (and premium, if any) and interest, if any, on the Notes of that series shall be payable, if other than the currency of the United States of America; (j) any provisions relating to the mandatory or optional redemption of such series of Notes by the Corporation or the holder; (k) whether such series of Notes will be original issue discount; (l) any sinking

fund to be provided in connection with such series of Notes; (m) the place or places at which the Corporation will make payments of principal (and premium, if any) and interest, if any, with respect to such series of Notes and the method of such payment; (n) the person or persons who, from time to time, will serve as paying agent, calculation agent, registrar or transfer agent with respect to such series of Notes, which may or may not be the same person and which may or may not maintain a place of business in the City of New York; (o) the method of and date for sale and delivery of such series of Notes; (p) whether such series of Notes will be sold to an agent as principal or through an agent as agent for the Corporation, or whether the Corporation will sell such series of Notes directly on its own behalf; (q) the fee or commission to be paid in connection with any such sale; (r) the aggregate principal amount of such series of Notes which may be authenticated and delivered at any such time; (s) any terms by which such series of may be convertible into Common Stock or other securities of the Corporation; (t) any provisions relating to the conversion or exchange of the series of Notes into Notes of another series; (u) any additional covenants and events of default and the remedies with respect to such series of Notes not set forth in the applicable Indenture for such Notes; (v) whether such series of Notes will be issued in book-entry form and represented by one or more global securities, and any depositary with respect to such global securities; and (w) any other term and provisions of the series of Notes required by or consistent with the provisions of the applicable Indenture for such Notes of such series; and

(ii) to authorize and approve (a) the selection of underwriters, dealers or agents for such Notes, if any, which underwriters, dealers or agents may be affiliates of the Corporation, and the form of any underwrite purchase or distribution agreement for such Notes, its terms and conditions and the execution and delivery thereof, (b) the form of trust indenture, or any indenture supplemental to any existing trust indenture, as the case may be, to be used with respect to the issuance and sale of such Notes, its terms and conditions, and the execution and delivery thereof, (c) the form of such Notes, and the execution and delivery thereof to the trustee for authentication and delivery; (d) the form of any registration rights agreement for such Notes, its terms and conditions and the execution and delivery thereof, (e) the appointment of trustees, registrars, transfer agents and paying agents with respect to such Notes and the designation of the office

or agency of the Corporation where any series of the Notes may be presented for registration, transfer, exchange and payment; (f) the listing of such Notes in the New York Stock Exchange, Inc. and any other United States or international stock exchange or exchanges and, in connection therewith, the filing of all requisite listing applications, fee agreements, papers and documents and the payment of all fees as deemed necessary or desirable; and (g) any and all actions and documents required to complete the issuance, sale and delivery of any such Notes, their terms and conditions and the execution and delivery thereof, and

RESOLVED FURTHER, that, subject to the terms and provisions of any indenture pursuant to which any series of Notes may be issued, any of the Chairman of the Board, President and Chief Executive Officer, the Senior Vice President and Chief Financial Officer, or any Executive Vice President (each, a "Designated Officer") hereby is authorized and empowered to execute and deliver the Notes or other certificates evidencing the Notes in such form as the Executive Committee shall determine and that the Secretary hereby is authorized and empowered to attest any Notes or certificate so executed; and

RESOLVED FURTHER, that the net proceeds from the sale of the Notes may be used to repay a portion of the Corporation's long-term revolving bank credit facility and/or for general corporate purposes, which may include capital expenditures for possible acquisitions, expansion of the Corporation's facilities, purchase of additional texturing equipment and working capital needs, as is determined by the Executive Committee; and

Private Placement Exchange Offer
- --------------------------------

RESOLVED FURTHER, that the Notes be offered and sold pursuant to an exemption from registration under the Securities Act of 1933, as amended (the "Securities Act"), in accordance with Section 4(2) thereof, or such other exemption as the proper officers of the Corporation deem appropriate, based on the advice of counsel to the Corporation; and

RESOLVED FURTHER, that the Corporation is hereby authorized to issue a second series of debt securities in like principal amount and with terms identical in all material respects to the Notes (the "Exchange Notes"), which Exchange Notes shall be registered under the Securities Act and shall be issued and exchanged for the Notes (the "Exchange Offer") and the Executive Committee is hereby authorized to set the terms thereof in the same manner as provided above with regards to the Notes; and

RESOLVED FURTHER, that if, upon consummation of the Exchange Offer, any person acting as distribution agent for the Notes (an "Initial Purchaser") holds Notes acquired by it as part of its initial distribution thereof the Corporation is hereby authorized to issue and deliver to such Initial Purchaser upon the written request of such Initial Purchaser, in exchange for the Notes held by such Initial Purchaser (the "Private Exchange Offer"), a third series of debt securities (the "Private Exchange Notes") in like principal amount and identical in all material respects to the Notes, but excluding any provisions relating to the Exchange Offer or the payment of additional interest in connection therewith, and the Executive Committee is hereby authorized to set the terms thereof in the same manner as provided above with regard to the Notes; and

RESOLVED FURTHER, that the Corporation may execute and deliver and perform a Registration Rights Agreement obligating the Corporation to issue the Exchange Notes and effect the Exchange Offer and obligating the Corporation to issue the Private Exchange Notes and effect the Private Exchange Offer, as appropriate, all as shall be approved and directed by the Executive Committee, and

RESOLVED FURTHER, that the Corporation prepare, execute and file a Registration Statement on Form S-4, or such other form as shall be appropriate, and any and all exhibits and other documents relating thereto, under the Securities Act relating to the proposed Exchange Offer (the "Exchange Registration Statement"), and that the Executive Committee is hereby authorized to approve the form of the Exchange Registration Statement, and the officers of the Corporation are hereby authorized to prepare, execute and file the Exchange Registration Statement and any amendment or amendments thereto (including any pre-effective or post-effective amendments) as they deem necessary or desirable or as shall be required by the Securities and Exchange Commission (the "Commission"), and the President and Chief Executive Officer, the Senior Vice President and Chief Financial Officer, and any Executive Vice President, one and each of them, hereby is authorized to execute the same on behalf of the Corporation; and

RESOLVED FURTHER, that if the Exchange Offer is not permitted by law, or if the designated officer of the Corporation deem it necessary or desirable pursuant to the Registration Rights Agreement, or otherwise, the Corporation shall prepare, execute and file a Registration Statement on Form S-3, or such other form as shall be appropriate, and any and all exhibits and other documents relating thereto, under the Securities Act to register resales of the Notes by the holders thereof (the "Shelf Registration Statement"), and that the Executive Committee is hereby authorized to approve the form Shelf

Registration Statement, and the officers of the Corporation are hereby authorized to prepare, execute and file the Shelf Registration Statement and any amendment or amendments thereto including any pre-effective or post-effective amendments) as they deem necessary or desirable or as shall be required by the Commission, and the President, the Senior Vice President and Chief Financial Officer, and any Executive Vice President, one and each of them, hereby is authorized to execute the same on behalf of the Corporation; and

RESOLVED FURTHER, that Willis C. Moore, III, Senior Vice President and Chief Financial Officer of the Corporation, and R. Douglas Harmon of Smith Helms Mulliss & Moore, L.L.P., special counsel to the Corporation, are hereby appointed and designated as the persons duly authorized to receive communications and notices from the Commission with respect to the Exchange Registration Statement and the Shelf Registration Statement and to exercise powers given to such person under the rules and regulations of the Commission; and

RESOLVED FURTHER, that the signature of any officers or directors of the corporation required by law to be affixed to the Exchange Registration Statement or the Shelf Registration Statement, or to any amendment thereof, may be affixed by said officer or director personally or by an attorney-in-fact duly constituted in writing by said officer or director to sign his name thereto; and

RESOLVED FURTHER, that William T. Kretzer and Willis C. Moore, III hereby are appointed attorneys-in-fact for, and each of them with full power to act without the other hereby is authorized and empowered to sign the Exchange Registration Statement or the Shelf Registration Statement and any amendment or amendments (including any pre-effective or post-effective amendments) thereto on behalf of the Corporation and any of the following, to wit: the Principal Executive Officer, the Principal Financial Officer, the Principal Accounting Officer, and any other officer of the Corporation; and

RESOLVED FURTHER, that Willis C. Moore, III is hereby designated as Agent for Service of the Corporation with all such powers as are provided by the Rules and Regulations of the Commission; and

RESOLVED FURTHER, that the officers of the Corporation hereby are authorized for and on behalf of the Corporation to do any and all acts and things necessary or appropriate for the completion of the Exchange Registration Statement or the Shelf Registration Statement and thereafter for the continuation of the effectiveness thereof; and

State Qualification and Broker/Dealer Registration
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RESOLVED FURTHER, that it is desirable and in the best interest of the Corporation that its securities be qualified or registered for sale in various states; that the President and Chief Executive Officer or the Senior Vice President and Chief Financial Officer or the Secretary of the Corporation are hereby authorized to determine the states in which appropriate action shall be taken to qualify or register for sale all or such part of the securities of the Corporation as said officers may deem advisable; that said officers are hereby authorized to perform on behalf of the Corporation any and all such actions as they may deem necessary or advisable in order to comply with the applicable laws of any such states, and in connection therewith to execute and file all requisite papers and documents, reports, surety bonds, irrevocable consents and appointments of attorneys for service of process and the execution of such officers of any such paper or document or the doing by them of any act in connection with the foregoing matter shall conclusively establish their authority therefor from the Corporation and approval and ratification of the Corporation of the papers and documents so executed and the action so taken; and

RESOLVED FURTHER, that if the securities or Blue Sky laws of any states of the United States of America in which the designated officers of the Corporation deem it necessary or advisable to qualify or register for sale all or any part of the securities of the Corporation, or any authority administering such laws, requires a prescribed form of preamble, preambles, resolution or resolutions relating to such sale or to any application, statement, instrument or other document connected therewith, each such preamble or resolution is hereby adopted by this Board of Directors and the Secretary of the Corporation is hereby authorized and directed to certify the adoption of any such preamble or resolution as though the same was presented to the directors and to insert all such preambles and resolutions in the minute book of the Corporation immediately following the minutes of this meeting; and

RESOLVED FURTHER, that if it should be necessary or is desirable and in the best interest of the Corporation that it be registered as a broker/ dealer in various states for the purpose of selling the Notes, the President and Chief Executive Officer, the Senior Vice President and Chief Financial Officer, and the Secretary are hereby authorized to determine the states in which appropriate action will be taken to register; that said officers are hereby authorized to perform on behalf of the Corporation any and all such acts as they may deem necessary or advisable in order to comply with

the applicable laws of any such states, and in connection therewith to execute and file all requisite papers and documents, including, but not limited to, applications, reports, surety bonds, irrevocable consents and appointments of attorneys for service of process; and the execution by such officers of any such paper or document or the doing by them of any act in connection with the foregoing matters shall conclusively establish their authority therefore from the Corporation and the approval and ratification by the Corporation of the papers and documents so executed and the action so taken; and

Miscellaneous
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RESOLVED FURTHER, that the President and Chief Executive Officer, the Senior Vice President and Chief Financial Officer, and the Secretary of the Corporation are hereby authorized and directed to obtain from such creditors of the Corporation as they may deem necessary, all such waivers, consents or amendments under the Corporation's loan agreements and other contracts as they may deem necessary or advisable to permit the consummation of the transactions contemplated by the foregoing resolutions; and

RESOLVED FURTHER, that the President and Chief Executive Officer, the Senior Vice President and Chief Financial Officer, and such other officers of the Corporation as may be designated by the Executive Committee, be and they hereby are authorized, empowered and directed to do or cause to be done any and all such other acts and things, to execute and deliver any and all such agreements, documents, papers and instrument, and to take any and all steps deemed by them to be necessary or desirable to carry out the purpose and intent of and to consummate any of the actions contemplated by the foregoing resolutions.

IN WITNESS WHEREOF, I have hereupon set my hand and affixed the seal of Unifi, Inc., as of the 5th day of February, 1998.

/s/ C. Clifford Frazier, Jr.

C. Clifford Frazier, Jr.
Secretary

(CORPORATE SEAL)

CONSENT TO ACTION WITHOUT A
MEETING OF THE EXECUTIVE COMMITTEE OF
THE BOARD OF DIRECTORS OF UNIFI, INC.

Pursuant to the provisions of Section 708 of the New York Business Corporation Law and the By-Laws of Unifi, Inc. (the "Corporation"), the Executive Committee of the Board of Directors of the Corporation hereby adopts the resolutions set forth below and consents in writing to taking the action adopting said resolutions without the holding of a meeting:

6 1/2% NOTES DUE 2008, SERIES B

WHEREAS, the Board of Directors of this Corporation, by resolutions adopted by Consent to Action Without a Meeting dated December 31, 1997 (the "Board Resolutions") authorized the Executive Committee of the Board of Directors (the "Executive Committee") to take all actions in connection with the proposed issue by the Corporation of certain of its debt securities; and

WHEREAS, by resolutions adopted by Consent to Action Without a Meeting dated February 2, 1998, the Executive Committee approved certain actions related to the private offer and sale of $250,000,000 in aggregate principal amount of the Corporation's 6 1/2 Notes due 2008 (the "Existing Notes"); and

WHEREAS, the sale of the Existing Notes to the Initial Purchasers was consummated on February 5, 1998; and

WHEREAS, pursuant to the terms of the Existing Notes, and the related Registration Rights Agreement, dated February 5, 1998 (the "Registration Rights Agreement"), among the Corporation, Credit Suisse First Boston Corporation and Invemed Associates, Inc. (the "Initial Purchasers"), the Corporation agreed to issue under the Indenture dated February 5, 1998 (the "Indenture") between the Corporation and First Union National Bank, as trustee (the "Trustee"), a second series of debt securities in the aggregate principal amount of $250,000,000 with terms identical in all respects to the Existing Notes (the "New Notes"), which New Notes would be registered under the Securities Act of 1933, as amended (the "Securities Act"), and exchanged for the Existing Notes;

NOW, THEREFORE, BE IT RESOLVED, that $250,000,000 aggregate principal amount of debt securities, designated as the 6 1/2% Notes due 2008, Series B, shall be offered and exchanged for the Existing Notes pursuant to the Registration Rights Agreement; and

FURTHER RESOLVED, that the interest rate on the New Notes shall be 6 1/2% per annum, that interest shall accrue from February 5, 1998, shall be payable semi-annually on February 1 and August 1, commencing August 1, 1998, to holders of record at the close of business on the preceding January 15 and July 15, respectively, and shall be calculated based on a 360-day year consisting of twelve 30-day months; and

FURTHER RESOLVED, that the New Notes shall be eligible for redemption by the Corporation at any time prior to the maturity date at a redemption price together with accrued interest to the date fixed for redemption equal to the greater of (i) 100% of their principal amount or (ii) the sum of the present values of the remaining scheduled payments of principal and interest thereon discounted to the date of redemption on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the applicable treasury yield plus 20 basis points and that the designated officers of the Corporation are authorized to deliver to the Trustee (as defined below) a certificate calculating such amount and on which the Trustee may rely; and

FURTHER RESOLVED, that the New Notes shall not be entitled to any sinking fund; and

FURTHER RESOLVED, that the proper officers of the Corporation are hereby authorized and empowered to execute and file with the Securities and Exchange Commission (the "Commission") a Registration Statement on Form S-4 (or such other form as such officers, upon advice of counsel, may determine to be necessary or appropriate) under the Securities Act (the "Registration Statement"), to execute and file all such other instruments and documents, to make all such payments, and to do all such other acts and things in connection with said Registration Statement, including the execution and filing of such amendment or amendments (including any pre-effective or post-effective amendments) thereto as they may deem necessary or advisable to effect such filings and to procure the effectiveness of said Registration Statement (and any such pre-effective or post-effective amendments) and to make such supplements to the Prospectus forming a part of said Registration Statement as may be required or otherwise as they may deem advisable; and

FURTHER RESOLVED, that William T. Kretzer and Willis C. Moore, III, be, and each of them with full power to act without the other hereby is, authorized and empowered to sign the Registration Statement and any amendment or amendments thereto (including any pre-effective or post-effective amendments) on behalf of and as attorneys for the Corporation and on behalf of and as attorneys for any of the following, to wit: the

Principal Executive Officer, the Principal Financial Officer, the Principal Accounting Officer and any other officer of the Corporation; and

FURTHER RESOLVED, that Willis C. Moore, III, is hereby designated as Agent for Service of the Corporation with all such powers as are provided by the Rules and Regulations of the Commission; and

FURTHER RESOLVED, that the draft Registration Statement, in substantially the form attached hereto as Exhibit A, including the Prospectus contained therein, is hereby approved in all respects, subject to such changes as the proper officers of the Corporation shall deem necessary or advisable; and

FURTHER RESOLVED, that the selection of First Union National Bank as Exchange Agent for the exchange of New Notes for Existing Notes, as described in the Registration Statement, is hereby approved in all respects, and the proper officers of the Corporation are

hereby authorized to enter into such agreements with the Exchange Agent and to pay such fees to the Exchange Agent as they shall deem appropriate; and

FURTHER RESOLVED, that the designated officers of the Corporation hereby are authorized to execute and deliver to the Trustee any and all documents, papers and instruments which such officers may deem necessary or desirable in connection with the Indenture; and

FURTHER RESOLVED, that designated officers of the Corporation hereby are authorized and empowered in their discretion to execute and attest, manually or in facsimile, and to deliver to the Trustee under the Indenture, and the Trustee hereby is requested, upon satisfaction of the conditions specified in the Indenture, or upon the written order, to date, authenticate (by manual execution) and deliver to a designated officer of the Corporation in an aggregate principal amount of $250,000,000 one or more Global Securities (collectively a "New Global Note") registered in the name of the Depository Trust Company ("DTC") or its nominee and dated the date of authentication as provided in the Indenture, such New Global Note, to be substantially in the form attached hereto as Exhibit B with such changes therein, additions thereto and deletions therefrom as may be approved by the officers executing the same, such approval and their authority therefore to be conclusively evidenced by their execution thereof; and

FURTHER RESOLVED, that the designated officers of the Corporation hereby are authorized to file with the Trustee such written orders, certificates and other documents and requests as may be necessary to obtain the authentication and delivery of the New Global Note upon initial issuance and upon subsequent transfers, substitutions and exchanges; and

FURTHER RESOLVED, that the New Global Note shall be signed on behalf of the Corporation by a designated officer of the Corporation, under the corporate seal of the Corporation, attested by the Secretary of the Corporation, provided that the signature of any such officer upon the New Global Note may be in facsimile or may be imprinted or otherwise reproduced on the New Global Note, the Corporation hereby adopting as binding upon it the facsimile signature of any person who shall be any such officer of the Corporation at the time of the execution of the New Global Note, notwithstanding the fact that at the time the New Global Note shall be authenticated or delivered or disposed of, he shall have ceased to be such officer of the Corporation; and

FURTHER RESOLVED, that, without limiting the generality of the preceding resolution, the Corporation hereby initially adopts as and for its signature on the New Global Note authorized to be executed on his behalf pursuant to the provisions of these resolutions the facsimile signatures of William T. Kretzer, President and Chief Executive Officer, and Willis C. Moore, III, Senior Vice President and Chief Financial Officer, when used and imprinted on the New Global Note, and the Corporation hereby adopts as and for its corporate seal a facsimile thereof when used and imprinted on the New Global Note; and

FURTHER RESOLVED, that the Trustee hereby is appointed Paying Agent of the Corporation for the payment of the principal of and interest on the New Notes at the corporate trust office of the Trustee in the City of Charlotte, State of North Carolina, or such other location as may be designated by the Executive Committee, hereby is designated as the office or agency of the Corporation where the New Notes may be presented for payment in accordance with their respective terms as provided in the New Notes and the Indenture; and

FURTHER RESOLVED, that if, pursuant to the Indenture, New Notes represented by the New Global New Notes are exchanged for New Notes in definitive form, the Trustee hereby is appointed agent of the Corporation with the title of Registrar for the registration of New Notes and for the registration of transfers of New Notes or for exchanges of New Notes as provided in the Indenture, and that the Trustee hereby is authorized (a) to keep appropriate books for the registration of transfers of New Notes entitled to registration upon presentation for such purposes, (b) to register or cause to be registered New Notes therein, and (c) to permit the transfer of New Notes thereon, as provided in the Indenture and under such reasonable regulations as the Corporation and the Registrar may prescribe; and

FURTHER RESOLVED, that if, pursuant to the Indenture, New Notes represented by the New Global Notes are exchanged for Notes in definitive form the Trustee is hereby authorized and directed in its capacity as Trustee to authenticate (by manual execution) and issue from time to time without further action or approval by or on behalf of the Corporation, a replacement New Note in replacement New Note in replacement of any New Note reported lost, stolen or destroyed, upon receipt of an affidavit of loss and bond of indemnity in form and amount and with corporate surety satisfactory to the Trustee in each instance protecting it and the Corporation; and

FURTHER RESOLVED, that the Trustee shall be entitled to receive compensation for all services to be rendered by it on behalf of the Corporation in accordance with the foregoing resolutions and the Indenture and to be reimbursed for all reasonable expenses necessarily incurred and actually disbursed by it in connection with such duties; and

FURTHER RESOLVED, that, pursuant to the Board Resolutions and if required by the Registration Rights Agreement, the Corporation is hereby authorized and directed to issue under the Indenture a third series of debt securities in the aggregate principal amount of $250,000,000 with terms identical in all respects to the Existing Notes (the "Private Exchange Notes"), but excluding provisions relating to the matters described in Section 6 of the Registration Rights Agreement, which Private Exchange Notes shall be issued and exchanged for the Existing Notes; and

FURTHER RESOLVED, that the designated officers of this Corporation are hereby authorized and directed to do any and all things necessary or appropriate to carry into effect the foregoing resolutions, and the Secretary of the Corporation is hereby directed to attest and affix the corporate seal, as may be necessary, to such document or documents as executed by a designated officer pursuant to the foregoing resolutions.

This Consent is effective the 30th day of March, 1998, and may be signed in counterparts.

/s/ G. Allen Mebane

G. Allen Mebane

/s/ William T. Kretzer

William T. Kretzer

/s/ Jerry W. Eller

Jerry W. Eller

/s/ G. Alfred Webster

G. Alfred Webster

$250,000,000

UNIFI, INC.

6 1/2% Notes due 2008

REGISTRATION RIGHTS AGREEMENT

February 5, 1998

Credit Suisse First Boston Corporation
Invemed Associates, Inc.
c/o Credit Suisse First Boston Corporation
Eleven Madison Avenue New York, New York 10010-3629

Dear Sirs:

Unifi, Inc., a New York corporation (the "Company"), proposes to issue and sell to Credit Suisse First Boston Corporation and Invemed Associates, Inc. (collectively, the "Initial Purchasers"), upon the terms set forth in a purchase agreement of even date herewith (the "Purchase Agreement"), $250,000,000 aggregate principal amount of its 6 1/2% Notes due 2008 (the "Initial Securities"). The Initial Securities will be issued pursuant to an Indenture, dated as of February 5, 1998 (the "Indenture"), among the Company and First Union National Bank (the "Trustee"). As an inducement to the Initial Purchasers, the Company agrees with the Initial Purchasers, for the benefit of the holders of the Initial Securities (including, without limitation, the Initial Purchasers), the Exchange Securities (as defined below) and the Private Exchange Securities (as defined below) (collectively the "Holders"), as follows:

1. Registered Exchange Offer. The Company shall, at its own cost, prepare and, not later than 90 days after (or if the 90th day is not a business day, the first business day thereafter) the date of original issue of the Initial Securities (the "Issue Date"), file with the Securities and Exchange Commission (the "Commission") a registration statement (the "Exchange Offer Registration Statement") on an appropriate form under the Securities Act of 1933, as amended (the "Securities Act"), with respect to a proposed offer (the "Registered Exchange Offer") to the Holders of Transfer Restricted Securities (as defined in Section 6 hereof) who are not prohibited by any law or policy of the Commission from participating in the Registered Exchange Offer, to issue and deliver to such Holders, in exchange for the Initial Securities, a like aggregate principal amount of debt securities (the "Exchange Securities") of the Company issued under the Indenture and identical in all material respects to the Initial Securities (except for the transfer restrictions relating to the Initial Securities and the provisions relating to the matters described in Section 6 hereof) that would be registered under the Securities Act. The Company shall use its best efforts to cause such Exchange Offer Registration Statement to become effective under the Securities Act within 180 days (or if the 180th day is not a business day, the first business day thereafter) after the Issue Date of the Initial Securities and shall keep the Exchange Offer Registration Statement

effective for not less than 30 days (or longer, if required by applicable law) after the date notice of the Registered Exchange Offer is mailed to the Holders (such period being called the "Exchange Offer Registration Period").

If the Company effects the Registered Exchange Offer, the Company will be entitled to close the Registered Exchange Offer 30 days after the commencement thereof provided that the Company has accepted all the Initial Securities theretofore validly tendered in accordance with the terms of the Registered Exchange Offer.

Following the declaration of the effectiveness of the Exchange Offer Registration Statement, the Company shall promptly commence the Registered Exchange Offer, it being the objective of such Registered Exchange Offer to enable each Holder of Transfer Restricted Securities (as defined in Section 6 hereof) electing to exchange the Initial Securities for Exchange Securities (assuming that such Holder is not an affiliate of the Company within the meaning of the Securities Act, acquires the Exchange Securities in the ordinary course of such Holder's business and has no arrangements with any person to participate in the distribution of the Exchange Securities and is not prohibited by any law or policy of the Commission from participating in the Registered Exchange Offer) to trade such Exchange Securities from and after their receipt without any limitations or restrictions under the Securities Act and without material restrictions under the securities laws of the several states of the United States.

The Company acknowledges that, pursuant to current interpretations by the Commission's staff of Section 5 of the Securities Act, in the absence of an applicable exemption therefrom, (i) each Holder which is a broker-dealer electing to exchange Initial Securities, acquired for its own account as a result of market making activities or other trading activities, for Exchange Securities (as "Exchanging Dealer"), is required to deliver a prospectus containing the information set forth in (a) Annex A hereto on the cover, (b) Annex B hereto in the "Exchange Offer Procedures" section and the "Purpose of the Exchange Offer" section, and (c) Annex C hereto in the "Plan of Distribution" section of such prospectus in connection with a sale of any such Exchange Securities received by such Exchanging Dealer pursuant to the Registered Exchange Offer and (ii) an Initial Purchaser that elects to sell

Exchange Securities acquired in exchange for Initial Securities constituting any portion of an unsold allotment is required to deliver a prospectus containing the information required by Items 507 and 508 of Regulation S-K under the Securities Act, as applicable, in connection with such sale.

The Company shall use its best efforts to keep the Exchange Offer Registration Statement effective and to amend and supplement the prospectus contained therein, in order to permit such prospectus to be lawfully delivered by all persons subject to the prospectus delivery requirements of the Securities Act for such period of time as such persons must comply with such requirements in order to resell the Exchange Securities; provided, however, that (i) in the case where such prospectus and any amendment or supplement thereto must be delivered by an Exchanging Dealer or an Initial Purchaser, such period shall be the lesser of 180 days and the date on which all Exchanging Dealers and the Initial Purchasers have sold all Exchange Securities held by them

(unless such period is extended pursuant to Section 3(j) below) and (ii) the Company shall make such prospectus and any amendment or supplement thereto, available to any broker-dealer for use in connection with any resale of any Exchange Securities for a period of not less than 90 days after the consummation of the Registered Exchange Offer.

If, upon consummation of the Registered Exchange Offer, any Initial Purchaser holds Initial Securities acquired by it as part of its initial distribution, the Company, simultaneously with the delivery of the Exchange Securities pursuant to the Registered Exchange Offer, shall issue and deliver to such Initial Purchaser upon the written request of such Initial Purchaser, in exchange (the "Private Exchange") for the Initial Securities held by such Initial Purchaser, a like principal amount of debt securities of the Company issued under the Indenture and identical in all material respects (including the existence of restrictions on transfer under the Securities Act and the securities laws of the several states of the United States, but excluding provisions relating to the matters described in Section 6 hereof) to the Initial Securities (the "Private Exchange Securities"). The Initial Securities, the Exchange Securities and the Private Exchange Securities are herein collectively called the "Securities".

In connection with the Registered Exchange Offer, the Company shall:

(a) mail to each Holder a copy of the prospectus forming part of the Exchange Offer Registration Statement, together with an appropriate letter of transmittal and related documents;

(b) keep the Registered Exchange Offer open for not less than 30 days (or longer, if required by applicable law) after the date notice thereof is mailed to the Holders;

(c) utilize the services of a depositary for the Registered Exchange Offer with an address in the Borough of Manhattan, The City of New York, which may be the Trustee or an affiliate of the Trustee;

(d) permit Holders to withdraw tendered Securities at any time prior to the close of business, New York time, on the last business day on which the Registered Exchange Offer shall remain open; and

(e) otherwise comply with all applicable laws.

As soon as practicable after the close of the Registered Exchange Offer or the Private Exchange, as the case may be, the Company shall:

(x) accept for exchange all the Securities validly tendered and not withdrawn pursuant to the Registered Exchange Offer and the Private Exchange;

(y) deliver to the Trustee for cancellation all the Initial Securities so accepted for exchange; and

(z) cause the Trustee to authenticate and deliver promptly to each Holder of the Initial Securities, Exchange Securities or Private Exchange Securities, as the case may be, equal in principal amount to the Initial Securities of such Holder so accepted for exchange.

The Indenture will provide that the Exchange Securities will not be subject to the transfer restrictions set forth in the Indenture and that, to the extent required by applicable law or otherwise, all the Securities will vote and consent together on all matters as one class and that none of the Securities will have the right to vote or consent as a class separate from one another on any matter.

Interest on each Exchange Security and Private Exchange Security issued pursuant to the Registered Exchange Offer and in the Private Exchange will accrue from the last interest payment date on which interest was paid on the Initial Securities surrendered in exchange therefor or, if no interest has been paid on the Initial Securities, from the date of original issue of the Initial Securities.

Each Holder participating in the Registered Exchange Offer shall be required to represent to the Company that at the time of the consummation of the Registered Exchange Offer (i) any Exchange Securities received by such Holder will be acquired in the ordinary course of business, (ii) such Holder will have no arrangements or understanding with any person to participate in the distribution of the Securities or the Exchange Securities within the meaning of the Securities Act, (iii) such Holder is not an "affiliate," as defined in Rule 405 of the Securities Act, of the Company or if it is an affiliate, such Holder will comply with the registration and prospectus delivery requirements of the Securities Act to the extent applicable, (iv) if such Holder is not a broker-dealer, that it is not engaged in, and does not intend to engage in, the distribution of the Exchange Securities and (v) if such Holder is a broker-dealer, that it will receive Exchange Securities for its own account in exchange for Initial Securities that were acquired as a result of market-making activities or other trading activities and that it will be required to acknowledge that it will deliver a prospectus in connection with any resale of such Exchange Securities.

Notwithstanding any other provisions hereof, the Company will ensure that (i) any Exchange Offer Registration Statement and any amendment thereto and any prospectus forming part thereof any supplement thereto complies in all material respects with the Securities Act and the rules and regulations thereunder, (ii) any Exchange Offer Registration Statement and any amendment thereto does not, when it becomes effective, contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading and (iii) any prospectus forming part of any Exchange Offer Registration Statement, and any supplement to such prospectus, does not include an untrue statement of a material fact or omit to state a material fact required to be stated therein or

necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading.

2. Shelf Registration. If, (i) because of any change in law or in applicable interpretations thereof by the staff of the Commission, the Company is not permitted to effect a Registered Exchange Offer, as contemplated by Section 1 hereof, (ii) the Registered Exchange Offer is not consummated within 210 days of the Issue Date, (iii) any Initial Purchaser so requests with respect to the Initial Securities (or the Private Exchange Securities) not eligible to be exchanged for Exchange Securities in the Registered Exchange Offer and held by it following consummation of the Registered Exchange Offer or (iv) any Holder (other than an Exchanging Dealer) is not eligible to participate in the Registered Exchange Offer or, in the case of any Holder (other than an Exchanging Dealer) that participates in the Registered Exchange Offer, such Holder does not receive freely tradeable Exchange Securities on the date of the exchange, the Company shall take the following actions:

(a) The Company shall, at its cost, as promptly as practicable (but in no event more than 30 days after so required or requested pursuant to this Section 2) file with the Commission and thereafter shall use its best efforts to cause to be declared effective a registration statement (the "Shelf Registration Statement" and, together with the Exchange Offer Registration Statement, a "Registration Statement") on an appropriate form under the Securities Act relating to the offer and sale of the Transfer Restricted Securities (as defined in Section 6 hereof) by the Holders thereof from time to time in accordance with the methods of distribution set forth in the Shelf Registration Statement and Rule 415 under the Securities Act (hereinafter, the "Shelf Registration"); provided, however, that no Holder (other than an Initial Purchaser) shall be entitled to have the Securities held by it covered by such Shelf Registration Statement unless such Holder agrees in writing to be bound by all the provisions of this Agreement applicable to such Holder.

(b) The Company shall use its best efforts to keep the Shelf Registration Statement continuously effective in order to permit the prospectus included therein to be lawfully delivered by the Holders of the relevant Securities, for a period of two years (or for such longer period if extended pursuant to Section (j) below) from the date of its effectiveness or such shorter period that will terminate when all the Securities covered by the Shelf Registration Statement (i) have been sold pursuant thereto or (ii) are no longer restricted securities (as defined in Rule 144 under the Securities Act, or any successor rule thereof). The Company shall be deemed not to have used its best efforts to keep the Shelf Registration Statement effective during the requisite period if it voluntarily takes any action that would result in Holders of Securities covered thereby not being able to offer and sell such Securities during that period, unless (x) such action is required by applicable law or (y) such action is a material financing, acquisition or other corporate transaction which the Board of Directors of the Company shall have determined in good faith is in the best interests of the Company and the holders of its outstanding Common Stock, and (A) the Company thereafter promptly complies with the requirements of Section 3(j) hereof and

(B) the Company complies with its obligations, if any, to pay Additional Interest (as defined in Section 6 hereof.)

(c) Notwithstanding any other provisions of this Agreement to the contrary, the Company shall cause the Shelf Registration Statement and the related prospectus and any amendment or supplement thereto, as of the effective date of the Shelf Registration Statement, amendment or supplement, (i) to comply in all material respects with the applicable requirements of the Securities Act and the rules and regulations of the Commission and (ii) not to contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading.

3. Registration Procedures. In connection with any Shelf Registration contemplated by Section 2 hereof and, to the extent applicable, any Registered Exchange Offer contemplated by Section 1 hereof, the following provisions shall apply:

(a) The Company shall (i) furnish to each Initial Purchaser, prior to the filing thereof with the Commission, a copy of the Registration Statement and each amendment thereof and each supplement, if any, to the prospectus included therein and, in the event that an Initial Purchaser (with respect to any portion of an unsold allotment from the original offering) is participating in the Registered Exchange Offer or the Shelf Registration Statement, the Company shall use its best efforts to reflect in each such document, when so filed with the Commission, such comments as such Initial Purchaser reasonably may propose; (ii) include the information set forth in Annex A hereto on the cover, in Annex B hereto in the "Exchange Offer Procedures" section and the "Purpose of the Exchange Offer" section and in Annex C hereto in the "Plan of Distribution" section of the prospectus forming a part of the Exchange Offer Registration Statement and include the information set forth in Annex D hereto in the Letter of Transmittal delivered pursuant to the Registered Exchange Offer; (iii) if requested by an Initial Purchaser, include the information required by Items 507 and 508 of Regulation S-K under the Securities Act, as applicable, in the prospectus forming a part of the Exchange Offer Registration Statement; (iv) include within the prospectus contained in the Exchange Offer Registration Statement a section entitled "Plan of Distribution," reasonably acceptable to the Initial Purchasers, which shall contain a summary statement of the positions taken or policies made by the staff of the Commission with respect to the potential "underwriter" status of any broker-dealer that is the beneficial owner (as defined in Rule 13d-3 under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) of Exchange Securities received by such broker-dealer in the Registered Exchange Offer (a "Participating Broker-Dealer"), whether such positions or policies have been publicly disseminated by the staff of the Commission or such positions or policies, in the reasonable judgment of the Initial Purchasers based upon advice of counsel (which may be in house counsel), represent the prevailing views of the staff of the Commission, and (v) in the case

of a Shelf Registration Statement, include the names of the Holders who propose to sell Securities pursuant to the Shelf Registration Statement, as selling security holders.

(b) The Company shall give written notice to the Initial Purchasers, the Holders of the Securities and any Participating Broker-Dealer from whom the Company has received prior written notice that it will be a Participating Broker-Dealer in the Registered Exchange Offer (which notice pursuant to clauses (ii)-(v) hereof shall be accompanied by an instruction to suspend the use of the prospectus until the requisite changes have been made):

(i) when the Registration Statement of any amendment thereto has been filed with the Commission and when the Registration Statement or any post-effective amendment thereto has become effective;

(ii) of any request by the Commission for amendments or supplements to the Registration Statement or the prospectus included therein or for additional information;

(iii) of the issuance by the Commission of any stop order suspending the effectiveness of the Registration Statement or the initiation of any proceedings for that purpose;

(iv) of the receipt by the Company or its legal counsel of any notification with respect to the suspension of the qualification of the Securities for sale in any jurisdiction or the initiation or threatening of any proceeding for such purpose; and

(v) of the happening of any event that requires the Company to make changes in the Registration Statement or the prospectus in order that the Registration Statement or the prospectus do not contain an untrue statement of a material fact nor omit to state a material fact required to be stated therein or necessary to make the statements therein (in the case of the prospectus, in light of the circumstances under which they were made) not misleading.

(c) The Company shall make every reasonable effort to obtain the withdrawal at the earliest possible time, of any order suspending the effectiveness of the Registration Statement.

(d) The Company shall furnish to each Holder of Securities included within the coverage of the Shelf Registration, without charge, at least one copy of the Shelf Registration Statement and any post-effective amendment thereto, including financial statements and schedules, and, if the Holder so requests in writing, all exhibits thereto (including those, if any, incorporated by reference).

(e) The Company shall deliver to each Exchanging Dealer and each Initial Purchaser, and to any other Holder who so requests, without charge, at least one copy of the Exchange Offer Registration Statement and any post-effective amendment thereto, including financial statements and schedules, and, if any Initial Purchaser or any such Holder requests, all exhibits thereto (including those incorporated by reference).

(f) The Company shall, during the Shelf Registration Period, deliver to each Holder of Securities included within the coverage of the Shelf Registration, without charge, as many copies of the prospectus (including each preliminary prospectus) included in the Shelf Registration Statement and any amendment or supplement thereto as such person may reasonably request. The Company consents, subject to the provisions of this Agreement, to the use of the prospectus or any amendment or supplement thereto by each of the selling Holders of the Securities in connection with the offering and sale of the Securities covered by the prospectus, or any amendment or supplement thereto, included in the Shelf Registration Statement.

(g) the Company shall deliver to each Initial Purchaser, any Exchanging Dealer, any Participating Broker-Dealer and such other persons required to deliver a prospectus following the Registered Exchange Offer, without charge, as many copies of the final prospectus included in the Exchange Offer Registration Statement and any amendment or supplement thereto as such persons may reasonably request. The Company consents, subject to the provisions of this Agreement, to the use of the prospectus or any amendment or supplement thereto by any Initial Purchaser, if necessary, any Participating Broker-Dealer and such other persons required to deliver a prospectus following the Registered Exchange Offer in connection with the offering and sale of the Exchange Securities covered by the prospectus, or any amendment or supplement thereto, included in such Exchange Offer Registration Statement.

(h) Prior to any public offering of the Securities, pursuant to any Registration Statement, the Company shall register or qualify or cooperate with the Holders of the Securities included therein and their respective counsel in connection with the registration or qualification of the Securities for offer and sale under the securities or "blue sky" laws of such states of the United States as any Holder of the Securities reasonably requests in writing and do any and all other acts or things necessary or advisable to enable the offer and sale in such jurisdictions of the Securities covered by such Registration Statement; provided, however, that the Company shall not be required to (i) qualify generally to do business in any jurisdiction where it is not then so qualified or (ii) take any action which would subject it to general service of process or to taxation in any jurisdiction where it is not then so subject.

(i) If The Depository Trust Company is at any time unwilling or unable to continue as depository for permanent global securities, in fully registered form, representing the Securities, the Company shall cooperate with the Holders of the Securities

to facilitate the timely preparation and delivery of certificates representing the Securities to be sold pursuant to any Registration Statement free of any restrictive legends and in such denominations and registered in such names as the Holders may request a reasonable period of time prior to sales of the Securities pursuant to such Registration Statement.

(j) Upon the occurrence of any event contemplated by paragraphs (ii) through (v) of Section 3(b) above during the period for which the Company is required to maintain an effective Registration Statement, the Company shall promptly prepare and file a post-effective amendment to the Registration Statement or a supplement to the related prospectus and any other required document so that, as thereafter delivered to Holders of the Securities or purchasers of Securities, the prospectus will not contain an untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. If the Company notifies the Initial Purchasers, the Holders of the Securities and any known Participating Broker-Dealer in accordance with paragraphs (ii) through (v) of Section 3(b) above to suspend the use of the prospectus until the requisite changes to the prospectus have been made, then the Initial Purchasers, the Holders of the Securities and any such Participating Broker-Dealers shall suspend use of such prospectus, and the period of effectiveness of the Shelf Registration Statement provided for in Section 2(b) above and the Exchange Offer Registration Statement provided for in Section 1 above shall each be extended by the number of days from and including the date of the giving of such notice to and including the date when the Initial Purchasers, the Holders of the Securities and any known Participating Broker-Dealer shall have received such amended or supplemented prospectus pursuant to this Section 3(j).

(k) Not later than the effective date of the applicable Registration Statement, the Company will provide a CUSIP number for the Initial Securities, the Exchange Securities or the Private Exchange Securities, as the case may be, and provide the applicable trustee with printed certificates for the Initial Securities, the Exchange Securities or the Private Exchange Securities, as the case may be, in a form eligible for deposit with The Depository Trust Company.

(l) The Company will comply with all rules and regulations of the Commission to the extent and so long as they are applicable to the Registered Exchange Offer or the Shelf Registration and will make generally available to its security holders (or otherwise provide in accordance with Section 11(a) of the Securities Act) an earnings statement satisfying the provisions of Section 11 (a) of the Securities Act, no later than 45 days after the end of a 12 month period (or 90 days, if such period is a fiscal year) beginning with the first month of the Company's first fiscal quarter commencing after the effective date of the Registration Statement, which statement shall cover such 12-month period.

(m) The Company shall cause the Indenture to be qualified under the Trust Indenture Act of 1939, as amended, in a timely manner and containing such changes, if

any, as shall be necessary for such qualification. In the event that such qualification would require the appointment of a new trustee under the Indenture, the Company shall appoint a new trustee thereunder pursuant to the applicable provisions of the Indenture.

(n) The Company may require each Holder of Securities to be sold pursuant to the Shelf Registration Statement to furnish to the Company such information regarding the Holder and the distribution of the Securities as the Company may from time to time reasonably require for inclusion in the Shelf Registration Statement, and the Company may exclude from such registration the Securities of any Holder that unreasonably fails to furnish such information within a reasonable time after receiving such request.

(o) The Company shall enter into such customary agreements (including, if requested, an underwriting agreement in customary form) and take all such other action, if any, as any Holder of the Securities shall reasonably request in order to facilitate the disposition of the Securities pursuant to any Shelf Registration.

(p) In the case of any Shelf Registration, the Company shall (i) make reasonably available for inspection by the Holders of the Securities, any underwriter participating in any disposition pursuant to the Shelf Registration Statement and any attorney, accountant or other agent retained by the Holders of the Securities or any such underwriter all relevant financial and other records, pertinent corporate documents and properties of the Company and (ii) cause the Company's officers, directors, employees, accountants and auditors to supply all relevant information reasonably requested by the Holders of the Securities or any such underwriter, attorney, accountant or agent in connection with the Shelf Registration Statement, in each case as shall be reasonably necessary to enable such persons, to conduct a reasonable investigation within the meaning of Section 11 of the Securities Act; provided, however, that the foregoing inspection and information gathering shall be coordinated on behalf of the Initial Purchasers by you and, on behalf or the other parties, by one counsel designated by and on behalf of such other parties as described in Section 4 hereof.

(q) In the case of any Shelf Registration, the Company, if requested by any Holder of Securities covered thereby, shall cause (i) its counsel to deliver an opinion and updates thereof relating to the Securities in customary form addressed to such Holders and the managing underwriters, if any, thereof and dated, in the case of the initial opinion, the effective date of such Shelf Registration Statement (it being agreed that the matters to be covered by such opinion shall include, without limitation, the due incorporation and good standing of the Company and its subsidiaries; the qualification of the Company and its subsidiaries to transact business as foreign corporations; the due authorization, execution and delivery of the relevant agreements of the type referred to in Section 3(o) hereof, the due authorization, execution, authentication and issuance, and the validity and enforceability, of the applicable Securities, the absence of material legal or governmental proceedings involving the Company and its subsidiaries; the absence of governmental

approvals required to be obtained in connection with the Shelf Registration Statement, the offering and sale of the applicable Securities, or any agreement of the type referred to in Section 3(o) hereof; the compliance as to form of such Shelf Registration Statement and any documents incorporated by reference therein and of the Indenture with the requirements of the Securities Act and the Trust Indenture Act, respectively; and, as of the date of the opinion and as of the effective date of the Shelf Registration Statement or most recent post-effective amendment thereto, as the case may be, the absence from such Shelf Registration Statement and the prospectus included therein, as then amended or supplemented, and from any documents incorporated by reference therein of an untrue statement of a material fact or the omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading (in the case of any such documents, in the light of the circumstances existing at the time that such documents were filed with the Commission under the Exchange Act); (ii) its officers to execute and deliver all customary documents and certificates and updates thereof requested by any underwriters of the applicable Securities and (iii) its independent public accountants to provide to the selling Holders of the applicable Securities and any underwriter therefor a comfort letter in customary form and covering matters of the type customarily covered in comfort letters in connection with primary underwritten offerings, subject to receipt of appropriate documentation as contemplated, and only if permitted, by Statement of Auditing Standards No. 72.

(r) In the case of the Registered Exchange Offer, if requested by any Initial Purchaser or any known Participating Broker-Dealer, the Company shall cause (i) its counsel to deliver to such Initial Purchaser or such Participating Broker-Dealer a signed opinion in the form set forth in Section 6(c) of the Purchase Agreement with such changes as are customary in connection with the preparation of a Registration Statement and (ii) its independent public accountants to deliver to such Initial Purchaser or such Participating Broker-Dealer a comfort letter, in customary form, meeting the requirements as to the substance thereof as set forth in Sections 6(a) and (f) of the Purchase Agreement, with appropriate date changes.

(s) If a Registered Exchange Offer or a Private Exchange is to be consummated, upon delivery of the Initial Securities by Holders to the Company (or to such other Person as directed by the Company) in exchange for the Exchange Securities or the Private Exchange Securities, as the case may be, the Company shall mark, or caused to be marked, on the Initial Securities so exchanged, or otherwise caused to be noted on the Initial Securities register, that such Initial Securities are being canceled in exchange for the Exchange Securities or the Private Exchange Securities, as the case may be; in no event shall the Initial Securities be marked as paid or otherwise satisfied.

(t) The Company will use its best efforts to (a) if the Initial Securities have been rated prior to the initial sale of such Initial Securities, confirm such ratings will apply to the Securities covered by a Registration Statement, or (b) if the Initial Securities were

not previously rated, cause the Securities covered by a Registration Statement to be rated with the appropriate rating agencies, if so requested by Holders of a majority in aggregate principal amount of Securities covered by such Registration Statement, or by the managing underwriters, if any.

(u) In the event that any broker-dealer registered under the Exchange Act shall underwrite any Securities or participate as a member of an underwriting syndicate of selling group or "assist in the distribution" (within the meaning of the Conduct Rules (the "Rules") of the National Association of Securities Dealers, Inc. ("NASD")) thereof, whether as a Holder of such Securities or as an underwriter, a placement or sales agent or a broker or dealer in respect thereof, or otherwise, the Company will assist such broker-dealer in complying with the requirements of such Rules, including, without limitation, by (i) if such Rules, including Rule 2720, shall so require, engaging a "qualified independent underwriter" (as defined in Rule 2720) to participate in the preparation of the Registration Statement relating to such Securities, to exercise usual standards of due diligence in respect thereto and, if any portion of the offering contemplated by such Registration Statement is an underwritten offering or is made through a placement or sales agent, to recommend the yield of such Securities, (ii) indemnifying any such qualified independent underwriter to the extent of the indemnification of underwriters provided in Section 5 hereof and (iii) providing such information to such broker-dealer as may be required in order for such broker-dealer to comply with the requirements of the Rules.

(v) The Company shall use its best efforts to take all other steps necessary to effect the registration of the Securities covered by a Registration Statement contemplated hereby.

4. Registration Expenses. The Company shall bear all fees and expenses incurred in connection with the performance of its obligations under Sections 1 through 3 hereof, whether or not the Registered Exchange Offer or a Shelf Registration is filed or becomes effective, and, in the event of a Shelf Registration, shall (unless the Initial Purchasers are the sole Holders of the Securities covered thereby) bear or reimburse the Holders of the Securities covered thereby for the reasonable fees and disbursements of one firm of counsel designated by the Holders of a majority in principal amount of the Initial Securities covered thereby to act as counsel for the Holders of the Initial Securities in connection therewith. The Company shall not bear any fees or expenses incurred by the Initial Purchasers (including fees or expenses of counsel for the Initial Purchasers) in connection with the Registered Exchange Offer.

5. Indemnification.

(a) The Company agrees to indemnify and hold harmless each Holder of the Securities, any participating Broker-Dealer and each person, if any, who controls such Holder or such Participating Broker-Dealer within the meaning of the Securities Act or the Exchange Act (each Holder, any Participating Broker-Dealer and such controlling persons

are referred to collectively as the "Indemnified Parties") from and against any losses, claims, damages or liabilities, joint or several, or any actions in respect thereof (including, but not limited to, any losses, claims, damages, liabilities or actions relating to purchases and sales of the Securities) to which each Indemnified Party may become subject under the Securities Act, the Exchange Act or otherwise, insofar as such losses, claims, damages, liabilities or actions arise out of or are based upon any untrue statement or alleged untrue statement of a material fact contained in a Registration Statement or prospectus or in any amendment or supplement thereto or in any preliminary prospectus relating to a Shelf Registration, 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 shall reimburse, as incurred, the Indemnified Parties for any legal or other expenses reasonably incurred by them in connection with investigating or defending such loss, claim, damage, liability or action in respect thereof, provided, however, that (i) the Company shall not be liable in any such case to the extent that such loss, claim, damage or liability arises out of or is based upon any untrue statement or alleged untrue statement or omission or alleged omission made in a Registration Statement or prospectus or in any amendment or supplement thereto or in any preliminary prospectus relating to a Shelf Registration in reliance upon and in conformity with written information pertaining to such Holder and furnished to the Company by or on behalf of such Holder specifically for inclusion therein and, (ii) with respect to any untrue statement or omission or alleged untrue statement or omission made in any preliminary prospectus relating to a Shelf Registration Statement, the indemnity agreement contained in this subsection (a) shall not inure to the benefit of any Holder or Participating Broker-Dealer from whom the person asserting any such losses, claims, damages or liabilities purchased the Securities concerned, to the extent that a prospectus relating to such Securities was required to be delivered by such Holder or Participating Broker-Dealer under the Securities Act in connection with such purchase and any such loss, claims, damage or liability of such Holder or Participating Broker-Dealer results from the fact that there was not sent or given to such person, at or prior to the written confirmation of the sale of such Securities to such person, a copy of the final prospectus if the Company had previously furnished copies thereof to such Holder or Participating Broker-Dealer; provided further, however, that this indemnity agreement will be in addition to any liability which the Company may otherwise have to such Indemnified Party. The Company shall also indemnify underwriters, their officers and directors and each person who controls such underwriters within the meaning of the Securities Act or the Exchange Act to the same extent as provided above with respect to the indemnification of the Holders of the Securities, if requested by such Holders.

(b) Each Holder of the Securities, severally and not jointly, will indemnify and hold harmless the Company and each person, if any, who controls the Company within the meaning of the Securities Act or the Exchange Act from and against any losses, claims, damages or liabilities or any actions in respect thereof, to which the Company or any such controlling person may become subject under the Securities Act, the Exchange Act or

otherwise, insofar as such losses, claims, damages, liabilities or actions arise out of or are based upon any untrue statement or alleged untrue statement of a material fact contained in a Registration Statement or prospectus or in any amendment or supplement thereto or in any preliminary prospectus relating to a Shelf Registration, or arise out of or are based upon the omission or alleged omission to state therein a material fact necessary to make the statements therein not misleading, but in each case only to the extent that the untrue statement or omission or alleged untrue statement or omission was made in reliance upon and in conformity with written information pertaining to such Holder and furnished to the Company by or on behalf of such Holder specifically for inclusion therein; and, subject to the limitation set forth immediately preceding this clause, shall reimburse, as incurred, the Company for any legal or other expenses reasonably incurred by the Company or any such controlling person in connection with investigating or defending any loss, claim, damage, liability or action in respect thereof. This indemnity agreement will be in addition to any liability which such Holder may otherwise have to the Company or any of its controlling persons.

(c) Promptly after receipt by an indemnified party under this Section 5 of notice of the commencement of any action or proceeding (including a governmental investigation), such indemnified party will, if a claim in respect thereof is to be made against the indemnifying party under this Section 5, notify the indemnifying party of the commencement thereof, but the omission so to notify the indemnifying party will not, in any event, relieve the indemnifying party from any obligations to any indemnified party, except to the extent such indemnifying party is prejudiced thereby. In case any such action is brought against any indemnified party and it notifies the indemnifying party of the commencement thereof, the indemnifying party will be entitled to participate therein and, to the extent that it may wish, jointly with any other indemnifying party similarly notified, to assume the defense thereof, with counsel reasonably satisfactory to such indemnified party (who shall not, except with the consent of the indemnified party, be counsel to the indemnifying party), and after notice from the indemnifying party to such indemnified party of its election so to assume the defense thereof, the indemnifying party will not be liable to such indemnified party under this Section 5 for any legal or other expenses, other than reasonable costs of investigation, subsequently incurred by such indemnified party in connection with the defense thereof. No indemnifying party shall, without the prior written consent of the indemnified party, effect any settlement of any pending or threatened action in respect of which any indemnified party is or could have been a party and indemnity could have been sought hereunder by such indemnified party unless such settlement includes an unconditional release of such indemnified party from all liability on any claims that are the subject matter of such action.

(d) If the indemnification provided for in this Section 5 is unavailable or insufficient to hold harmless an indemnified party under subsections (a) or (b) above, then each indemnifying party shall contribute to the amount paid or payable by such indemnified party as a result of the losses, claims, damages or liabilites (or actions in

respect thereof) referred to in subsection (a) or (b) above (i) in such proportion as is appropriate to reflect the relative benefits received by the indemnifying party or parties on the one hand and the indemnified party on the other from the exchange of the Securities, pursuant to the Registered Exchange Offer, or (ii) if the allocation provided by the foregoing clause (i) is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (i) above but also the relative fault of the indemnifying party or parties on the one hand and the indemnified party on the other in connection with the statements or omissions that resulted in such losses, claims, damages or liabilities (or actions in respect thereof) as well as any other relevant equitable considerations. The relative fault of the parties 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 on the one hand or such Holder or such other indemnified party, as the case may be, on the other, and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. The amount paid by an indemnified party as a result of the losses, claims, damages or liabilites referred to in the first sentence of the subsection (d) shall be deemed to include any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any action or claim which is the subject of this subsection (d). Notwithstanding any other provision of this Section 5(d), the Holders of the Securities shall not be required to contribute any amount in excess of the amount by which the net proceeds received by such Holders from the sale of the Securities pursuant to a Registration Statement exceeds the amount of damages which such Holders have 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 Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. For purposes of this paragraph (d), each person, if any, who controls an indemnified party within the meaning of the Securities Act or the Exchange Act shall have the same rights to contribution as such indemnified party, and each person, if any, who controls the Company within the meaning of the Securities Act or the Exchange Act shall have the same rights to contribution as the Company.

(e) The agreements contained in this Section 5 shall survive the sale of the Securities pursuant to a Registration Statement and shall remain in full force and effect, regardless of any termination or cancellation of this Agreement or any investigation made by or on behalf of any indemnified party.

6. Additional Interest Under Certain Circumstances.

(a) Additional interest (the "Additional Interest") with respect to the Initial Securities shall be assessed as follows if any of the following events occur (each such event in clauses (i) through (iii) below a "Registration Default"):

(i) If by May 6, 1998, neither the Exchange Offer Registration Statement nor a Shelf Registration Statement has been filed with the Commission;

(ii) If by August 4, 1998, neither the Registered Exchange Offer is consummated nor, if required in lieu thereof, the Shelf Registration Statement is declared effective by the Commission; or

(iii) If after either the Exchange Offer Registration Statement or the Shelf Registration Statement is declared effective, (A) such Registration Statement thereafter ceases to be effective during the periods specified herein, or (B) such Registration Statement or the related prospectus ceases to be usuable (except as permitted in paragragh (b)) in connection with resales of Transfer Restricted Securities during the periods specified herein because either (1) any event occurs as a result of which the related prospectus forming part of such Registration Statement would include any 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 (2) it shall be necessary to amend such Registration Statement or supplement the related prospectus to comply with the Securities Act or the Exchange Act or the respective rules thereunder.

Additional Interest shall accrue on the Initial Securities over and above the interest set forth in the title of the Securities from and including the date on which any such Registration Default shall occur to but excluding the date on which all such Registration Defaults have been cured, at a rate of 0.50% per annum.

(b) A Registration Default referred to in Section 6(a)(iii)(B) hereof shall be deemed not to have occurred and be continuing in relation to a Shelf Registration Statement or the related prospectus if (i) such Registration Default has occurred solely as a result of (x) the filing of a post-effective amendment to such Shelf Registration Statement to incorporate annual audited financial information with respect to the Company where such post-effective amendment is not yet effective and needs to be declared effective to permit Holders to use the related prospectus or (y) other material events with respect to the Company that would need to be described in such Shelf Registration Statement or the related prospectus and, (ii) in the case of clause (y), the Company is proceeding promptly and in good faith to amend or supplement such Shelf Registration Statement and related prospectus to described such events; provided, however, that in any case if such Registration Default occurs for a continuous period in excess of 60 days. Additional Interest shall be payable in accordance with the above paragraph from the day such Registration Default occurs until such Registration Default is cured.

(c) Any amounts of Additional Interest due pursuant to clause (i), (ii) or (iii) of Section 6(a) above will be payable in cash on the regular interest payment dates with respect to the Initial Securities. The amount of Additional Interest will be determined by

multiplying the applicable Additional Interest rate by the principal amount of the Initial Securities, multiplied by a fraction, the numerator to which is the number of days such Additional Interest rate was applicable during such period (determined on the basis of a 360-day year comprised of twelve 30-day months), and the denominator of which is 360.

(d) "Transfer Restricted Securities" means each Security until (i) the date on which such Transfer Restricted Security has been exchanged by a person other than a broker-dealer for a freely transferable Exchange Security in the Registered Exchange Offer, (ii) following the exchange by a broker-dealer in the Registered Exchange Offer of a Initial Security for an Exchange Security, the date on which such Exchange Security 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, (iii) the date on which such Initial Security has been effectively registered under the Securities Act and disposed of in accordance with the Shelf Registration Statement or (iv) the date on which such Initial Security is distributed to the public pursuant to Rule 144 under the Securities Act or is saleable pursuant to Rule 144(k) under the Securities Act.

7. Rules 144 and 144A. The Company shall use its best efforts to file the reports required to be filed by it under the Securities Act and the Exchange Act in a timely manner and, if at any time the Company is not required to file such reports, it will, upon the request of any Holder of Initial Securities, make publicly available other information so long as necessary to permit sales of their Securities pursuant to Rules 144 and 144A. The Company covenants that it will take such further action as any Holder of Initial Securities may reasonable request, all to the extent required from time to time to enable such Holder to sell Initial Securities without registration under the Securities Act within the limitation of the exemptions provided by Rules 144 and 144A (including the requirements of Rule 144(d)(4)). The Company will provide a copy of this Agreement to prospective purchasers of Initial Securities identified to the Company by the Initial Purchasers upon request. Upon the request of any Holder of Initial Securities, the Company shall deliver to such Holder a written statement as to whether it has complied with such requirements. Notwithstanding the foregoing, nothing in this Section 7 shall be deemed to require the Company to register any of its securities pursuant to the Exchange Act.

8. Underwritten Registrations. If any of the Transfer Restricted Securities covered by any Shelf Registration are to be sold in an underwritten offering, the investment banker or investment bankers and manager or managers that will administer the offering ("Managing Underwriters") will be selected by the Holders of a majority in aggregate principal amount of such Transfer Restricted Securities to be included in such offering.

No person may participate in any underwritten registration hereunder unless such person (i) agrees to sell such person's Transfer Restricted Securities on the basis reasonably provided in any underwriting arrangements approved by the persons entitled hereunder to approve such arrangements and (ii) completes and executes all questionnaires, powers of attorney, indemnities,

underwriting agreements and other documents reasonably required under the terms of such underwriting arrangements.

9. Miscellaneous.

(a) Amendments and Waivers. The provisions of this Agreement may not be amended, modified or supplemented, and waivers or consents to departures from the provisions hereof may not be given, except by the Company and the written consent of the Holders of a majority in principal amount of the Securities affected by such amendment, modification , supplement, waivers, or consents.

(b) Notices. All notices and other communications provided for or permitted hereunder shall be made in writing by hand delivery; certified or registered mail, return receipt requested; facsimile transmission; or air courier which guarantees overnight delivery:

(1) if to a Holder of the Securities, at the most current address given by such Holder to the Company.

(2) if to the Initial Purchasers:

Credit Suisse First Boston Corporation
Eleven Madison Avenue
New York, NY 10010-3629
Fax No.: (212)325-8278
Attention: Transactions Advisory Group

with a copy to:

Katten Muchin & Zavis
525 West Monroe Street
Suite 1600
Chicago, IL 60661-3693
Attention: Howard S. Lanznar

(3) if to the Company, at its address as follows:

Unifi, Inc.
7201 West Friendly Avenue
Greensboro, North Carolina 27410
Attention: Willis C. Moore, III

with a copy to:

Smith Helms Mulliss & Moore, L.L.P.
201 North Tryon Street
Charlotte, North Carolina 28202
Attention: R. Douglas Harmon

All such notices and communications shall be deemed to have been duly given: at the time delivered by hand, if personally delivered; three business days after being deposited in the mail, postage prepaid, if mailed; when receipt is acknowledged by recipient's facsimile machine operator, if sent by facsimile transmission; and the day after delivery to an overnight air courier, if sent by overnight air courier guaranteeing next day delivery.

(c) No Inconsistent Agreements. The Company has not, as of the date hereof, entered into, nor shall it, on or after the date hereof, enter into, any agreement with respect to its securities that is inconsistent with the rights granted to the Holders herein or otherwise conflicts with the provisions hereof.

(d) Successors and Assigns. This Agreement shall be binding upon the Company and its successors and assigns.

(e) 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.

(f) Headings. The headings in this Agreement are for convenience of reference only and shall not limit or otherwise affect the meaning hereof.

(g) Governing Law. THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAWS.

(h) Severability. If 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.

(i) Securities Held by the Company. Whenever the consent or approval of Holders of a specified percentage of principal amount of Securities is required hereunder, Securities held by the Company or its affiliates (other than subsequent Holders of Securities if such subsequent Holders are deemed to be affiliates solely by reason of their

holdings of such Securities) shall not be counted in determining whether such consent or approval was given by the Holders of such required percentage.

(j) Submission to Jurisdiction. The Company hereby submits to the non-exclusive jurisdiction of the federal and state courts in the Borough of Manhattan in the city of New York in any suit or proceeding arising out of or relating to this Agreement or the transactions contemplated hereby.

If the foregoing is in accordance with your understanding of our agreement kindly sign and return to us one of counterparts hereof, whereupon it will become a binding agreement between the Company and the Purchasers in accordance with its terms.

Very truly yours,

UNIFI, Inc.

By: /s/ William C. Morris

Its: Senior V.P. and CFO

CREDIT SUISSE FIRST BOSTON CORPORATION

/s/Andrew R. Taussig
- ---
By: Andrew R. Taussig
Its: Managing Director

INVEMED ASSOCIATES, INC.

By: /s/ Cynthia N. Kepner

Its: Exec. V.P.

ANNEX A

Each broker-dealer that receives Exchange Securities for its own account pursuant to the Exchange Offer must acknowledge that it will deliver a prospectus in connection with any resale of such Exchange Securities. The Letter of Transmittal states that by so acknowledging and by delivering a prospectus, a broker-dealer will not be deemed to admit that it is an "underwriter" within the meaning of the Securities Act. This Prospectus, as it may be amended or supplemented from time to time, may be used by a broker-dealer in connection with resales of Exchange Securities received in exchange for Initial Securities where such Initial Securities were acquired by such broker-dealer as a result of market-making activities or other trading activities. The Company has agreed that, for a period of 180 days after the Expiration Date (as defined herein), it will make this Prospectus available to any broker-dealer for use in connection with any such resale. See "Plan of Distribution."

ANNEX B

Each broker-dealer that receives Exchange Securities for its account in exchange for Securities, where such Initial Securities were acquired by such broker-dealer as a result of market-making activities or other trading activities, must acknowledge that it will deliver a prospectus in connection with any resale of such Exchange Securities. See "Plan of Distribution."

ANNEX C

PLAN OF DISTRIBUTION

Each broker-dealer that receives Exchange Securities for its own account pursuant to the Exchange Offer must acknowledge that it will deliver a prospectus in connection with any resale of such Exchange Securities. This Prospectus, as it may be amended or supplemented from time to time, may be used by a broker-dealer in connection with resales of Exchange Securities received in exchange for Initial Securities where such Initial Securities were acquired as a result of market-making activities or other trading activities. The Company has agreed that, for a period of 180 days after the Expiration Date, it will make this prospectus, as amended or supplemented, available to any broker-dealer for use in connection with any such resale.

The Company will not receive any proceeds from any sale of Exchange Securities by broker-dealers. Exchange Securities received by broker-dealers for their own account pursuant to the Exchange Offer may be sold from time to time in one or more transactions in the over-the-counter market, in negotiated transactions, through the writing of options on the Exchange Securities or a combination of such methods of resale, at market prices prevailing at the time of resale, at prices related to such prevailing market prices or at negotiated prices. Any such resale may be made directly to purchasers or to or through brokers or dealers who may receive compensation in the form of commissions or concessions from any such broker-dealer or the purchasers of any such Exchange Securities. Any broker-dealer that resells Exchange Securities that were received by it for its own account pursuant to the Exchange Offer and any broker-dealer that participates in a distribution of such Exchange Securities may be deemed to be an "underwriter" within the meaning of the Securities Act and any profit on any such resale of Exchange Securities and any commission or concessions received by any such persons may be deemed to be underwriting compensation under the Securities Act. The Letter of Transmittal state that, by acknowledging that it will deliver and by delivering a prospectus, a broker-dealer will not be deemed to admit that it is an "underwriter" within the meaning of the Securities Act.

For a period of 180 days after the Expiration Date the Company will promptly send additional copies of this Prospectus and any amendment or supplement to this Prospectus to any broker-dealer that requests such documents in the Letter of Transmittal. The Company has agreed to pay all expenses incident to the Exchange Offer (including the expenses of one counsel for the Holders of the Securities), other than commissions or concessions of any broker-dealer, and will indemnify the Holders of the Securities (including any broker-dealers) against certain liabilities, including liabilities under the Securities Act.

[ ] CHECK HERE IF YOU ARE A BROKER-DEALER AND WISH TO RECEIVE 10 ADDITIONAL COPIES OF THE PROSPECTUS AND 10 COPIES OF ANY AMENDMENTS OR SUPPLEMENTS THERETO.

Name:

Address:

If the undersigned is not a broker-dealer, the undersigned represents that it is not engaged in, and does not intend to engage in, a distribution of Exchange Securities. If the undersigned is a broker-dealer that will receive Exchange Securities for its own account in exchange for Initial Securities that were acquired as result of market-making activities or other trading activities, it acknowledges that it will deliver a prospectus in connection with any resale of such Exchange Securities; however, by so acknowledging and by delivering a prospectus, the undersigned will not be deemed to admit that it is an "underwriter" within the meaning of the Securities Act.

THIS SECURITY IS A GLOBAL SECURITY WITHIN THE MEANING OF THE INDENTURE HEREINAFTER REFERRED TO AND IS REGISTERED IN THE NAME OF A NOMINEE OF THE DEPOSITORY TRUST COMPANY (THE "DEPOSITARY") . THIS SECURITY IS NOT EXCHANGEABLE FOR NOTES REGISTERED IN THE NAME OF A PERSON OTHER THAN THE DEPOSITARY OR ITS NOMINEE EXCEPT IN THE LIMITED CIRCUMSTANCES DESCRIBED IN THE INDENTURE, AND NO TRANSFER OF THIS NOTE (OTHER THAN A TRANSFER OF THIS NOTE AS A WHOLE BY THE DEPOSITARY TO A NOMINEE OF THE DEPOSITARY OR BY A NOMINEE OF THE DEPOSITARY TO THE DEPOSITARY OR ANOTHER NOMINEE OF THE DEPOSITARY) MAY BE REGISTERED EXCEPT IN THE LIMITED CIRCUMSTANCES DESCRIBED IN THE INDENTURE.

Unless this certificate is presented by an authorized representative of the Depositary 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 requested by an authorized representative of the Depositary (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of the Depositary), 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.

REGISTERED NUMBER $

CUSIP NUMBER 904677 AE 1

SEE REVERSE FOR CERTAIN DEFINITIONS AND ADDITIONAL PROVISIONS

UNIFI, INC.

6 1/2% NOTE DUE 2008, SERIES B

UNIFI, INC., a company duly organized and existing under the laws of the State of New York (herein called the "Company," which term includes any successor Company under the Indenture referred to on the reverse hereof), for value received, hereby promises to pay to CEDE & CO., or its registered assigns, the principal sum of _____ MILLION DOLLARS on February 1, 2008, and to pay interest on said principal sum, semi-annually in arrears on February 1 and August 1 of each year, commencing August 1, 1998, at the rate of 6 1/2% per annum. The interest so payable, and punctually paid or duly provided for, on any interest payment date will be paid to the person in whose name this Note (or one or more predecessor Notes evidencing all or a portion of the same debt as this Note) is registered at the close of business on January 15 or July 15, respectively, preceding such interest payment date. Interest shall be calculated based on a 360-day year consisting of twelve 30-day months.

Reference is made to the further provisions of this Note set forth on the reverse hereof, which shall have the same effect as though fully set forth at this place.

Unless the certificate of authentication hereon has been executed by or on behalf of the Trustee or an authenticating agent on behalf of the Trustee by manual signature, this Note shall not be entitled to any benefit under such Indenture, or be valid or obligatory for any purpose.

IN WITNESS WHEREOF, the Company has caused this instrument to be duly executed by manual or facsimile signature under its corporate seal or a facsimile thereof.

Attest: UNIFI, INC.

_____ By:_____
Secretary Willis C. Moore, III
Senior Vice President and
Chief Financial Officer

[CORPORATE SEAL]

CERTIFICATE OF AUTHENTICATION

The undersigned, as Trustee, certifies that this is one of the Securities of the series designated therein referred to in the within-mentioned Indenture.

FIRST UNION NATIONAL BANK,
as Trustee

Dated: _____, 1998

By:_____
Authorized Signatory
Title:_____

[Reverse Side of Note]

UNIFI, INC.
6 1/2% NOTE DUE 2008, SERIES B

This Note is one of a duly authorized series of Securities of the Company unlimited in aggregate principal amount issued and to be issued under an Indenture dated as of February 5, 1998 (herein called the "Indenture"), between the Company and First Union National Bank (herein called the "Trustee," which term includes any successor trustee under the Indenture), to which Indenture and all indentures supplemental thereto reference is hereby made for a statement of the respective rights thereunder of the Company, the Trustee and the holders of the Notes, and the terms upon which the Notes are, and are to be, authenticated and delivered. This Note is one of the Notes designated as the Company's 6 1/2% Notes due 2008, Series B (herein called the "Notes"), which are unsecured obligations of the Company and are limited in aggregate principal amount to $250,000,000. First Union National Bank initially has been appointed Security Registrar, Authenticating Agent and Paying Agent in connection with the Notes.

The summary of the terms of this Note contained herein does not purport to be complete and is qualified by reference to the Indenture. To the extent permitted by applicable law, in the event of any inconsistency between the terms of this Note and the terms of the Indenture, the terms of the Indenture shall control. All terms used in this Note which are defined in the Indenture shall have the meanings assigned to them in the Indenture.

The Notes are redeemable in whole or in part at any time at the option of the Company at a redemption price, plus accrued interest to the date of redemption, equal to the greater of (i) 100% of the principal amount of such Notes or (ii) the sum of the present values of the remaining scheduled payments of principal and interest thereon discounted to the date of redemption on a semiannual basis (assuming a 360-day year consisting of twelve 30-day months) at the applicable Treasury Yield (as defined in the Indenture) plus 20 basis points.

"Treasury Yield" means, with respect to any redemption date applicable to the Notes, the rate per annum equal to the semiannual equivalent yield to maturity of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the applicable Comparable Treasury Price for such redemption date.

"Comparable Treasury Issue" means, with respect to the Notes, the United States Treasury security selected by an Independent Investment Banker as having a maturity comparable to the remaining term of the Notes that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of the Notes.

"Independent Investment Banker" means, with respect to the Notes offered hereby, Credit Suisse First Boston Corporation or, if such firm is unwilling or unable to select the applicable

Comparable Treasury Issue, an independent investment banking institution of national standing appointed by the Trustee.

"Comparable Treasury Price" means, with respect to any redemption date applicable to the Notes, (i) the average of the applicable Reference Treasury Dealer Quotations for such redemption date, after excluding the highest and lowest such applicable Reference Treasury Dealer Quotations, or (ii) if the Trustee obtains fewer than four such Reference Treasury Dealer Quotations, the average of all such Quotations.

"Reference Treasury Dealer Quotations" means, with respect to each Reference Treasury Dealer and any redemption date for the Notes, the average, as determined by the Trustee, of the bid and asked prices for the Comparable Treasury Issue for the Notes (expressed in each case as a percentage of its principal amount) quoted in writing to the Trustee by such Reference Treasury Dealer at 5:00 p.m., New York City time, on the third business day preceding such redemption date.

"Reference Treasury Dealer" means, with respect to the Notes offered hereby, Credit Suisse First Boston Corporation; PROVIDED HOWEVER, that if the foregoing shall cease to be a primary United States Government securities dealer in New York City (a "Primary Treasury Dealer"), the Company shall substitute therefor another Primary Treasury Dealer.

The Company shall not be required to make mandatory redemption payments with respect to the Notes.

Notice of redemption will be sent by first-class mail at least 30 days but not more than 60 days before the redemption date to each holder whose Notes are to be redeemed at the holder's registered address. On and after the redemption date, interest ceases to accrue on Notes or portions thereof called for redemption.

As provided in the Indenture and subject to certain limitations therein set forth, the transfer of this Note may be registered on the Security Register of the Company relating to the Notes, upon surrender of this Note for registration of transfer at the office or agency of the Company designated by it pursuant to the Indenture, duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Company and the Trustee or the Security Registrar duly executed by the registered holder hereof or his attorney duly authorized in writing, and thereupon one or more new Notes, of authorized denominations and for the same aggregate principal amount, will be issued to the designated transferee or transferees.

The Notes are issuable only in fully registered form without interest coupons in denominations of $1,000 and any integral multiple in excess thereof. As provided in the Indenture, and subject to certain limitations therein set forth, Notes are exchangeable for a like aggregate principal amount of Notes of different authorized denominations, as requested by the holder surrendering the same.

The principal of and interest on the Notes are payable 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, at the office or agency of the Company in New York, New York or such other places that the Company shall designate as provided in the Indenture; PROVIDED, HOWEVER, that interest may be paid, at the option of the Company, by check mailed to the person entitled thereto at his address last appearing on the Security Register of the Company relating to the Notes. Any interest not punctually paid or duly provided for shall be payable as provided in the Indenture.

If any interest payment date or maturity date for a Note falls on a day that is not a Business Day, the interest payment date or maturity date will be the following day that is a Business Day, and the payment of interest or principal will be made on such next Business Day as if it were made on the date such payment was due, and no additional interest will accrue on the amount so payable for the period from and after such interest payment date or maturity date.

No service charge will 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.

Prior to due presentment for registration of transfer of this Note, the Company, the Trustee and any agent of the Company or the Trustee may treat the person in whose name this Note is registered as the absolute owner hereof for the purpose of receiving payment as herein provided and for all other purposes, whether or not this Note be overdue, and neither the Company, the Trustee nor any such agent shall be affected by notice to the contrary.

If an Event of Default (as defined in the Indenture) shall occur with respect to the Notes, the principal of all the Notes may be declared due and payable in the manner and with the effect provided in the Indenture. Upon an Event of Default, the Depositary will exchange the Global Security for certificated notes in definitive form, which it will distribute to its Participants and which will bear the legends appearing on the face of this Note.

The Indenture permits, with certain exceptions as therein provided, the amendment thereof and the modification of the rights and obligations of the Company and the rights of the holders of the Notes under the Indenture at any time by the Company with the consent of the holders of not less than a majority of the aggregate principal amount of the Notes then outstanding and all other Securities then outstanding issued under the Indenture and affected by such amendment and modification. The Indenture also contains provisions permitting the holders of a majority in aggregate principal amount of the Notes then outstanding and all other Securities then outstanding issued under the Indenture and affected thereby, on behalf of the holders of all such Securities, to waive compliance by the Company with certain provisions of the Indenture and certain past defaults under the Indenture and their consequences. Any such consent or waiver by the holder of this Note shall be conclusive and binding upon such holder and upon all future holders of this Note and of any Note issued upon the registration of transfer hereof or in exchange therefor or in lieu hereof, whether or not notation of such consent or waiver is made upon this Note. Without the consent of any holder of a Note, the Indenture or the Notes may be amended or supplemented

to cure any ambiguity, defect or inconsistency or to make any change that would not adversely affect the legal rights or benefits to the holders of the Notes or that does not adversely affect the legal rights under the Indenture of any such holder, including certain other such changes specified in the Indenture.

No reference herein to the Indenture and no provision of this Note or of the Indenture shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay the principal of and interest on this Note at the times, place and rate, and in the coin or currency, herein prescribed.

No recourse shall be had for the payment of the principal of or the interest on this Note, or for any claim based hereon, or otherwise in respect hereof, or based on or in respect of the Indenture or any indenture supplemental thereto, against any incorporator, stockholder, officer or director, as such, past, present or future, of the Company or any predecessor or successor Company, whether by virtue of any constitution, statute or rule of law, or by the enforcement of any assessment or penalty or otherwise, all such liability being, by the acceptance hereof and as part of the consideration for the issue hereof, expressly waived and released.

Subject to certain conditions set forth in the Indenture, the Company at any time may terminate some or all of the obligations of the Company under the Notes and the Indenture if the Company irrevocably deposits in trust with the Trustee cash or U.S. Government Obligations, or a combination thereof, for the payment of principal and interest on the Notes in accordance with the terms of the Indenture.

The Notes shall be dated the date of their authentication.

The Notes are being issued by means of a book-entry system with no physical distribution of certificates to be made except as provided in the Indenture. The book-entry system maintained by the Depositary will evidence ownership of the Notes, with transfers of ownership effected on the records of the Depositary and its participants pursuant to rules and procedures established by the Depositary and its participants. The Company will recognize Cede & Co., as nominee of the Depositary, while the registered owner of the Notes, as the owner of the Notes for all purposes, including payment of principal and interest, notices and voting. Transfer of principal and interest to participants of the Depositary will be the responsibility of the Depositary, and transfer of principal and interest to beneficial owners of the Notes by participants of the Depositary will be the responsibility of such participants and other nominees of such beneficial owners. The Company will not be responsible or liable for such transfers or payments or for maintaining, supervising or reviewing the records maintained by the Depositary, its participants or persons acting through such participants.

Transfers of Notes in Europe may be effected through the facilities of Morgan Guaranty Trust Company of New York, Brussels office, as operator of the Euroclear system, in accordance with the rules and procedures established by such depositary.

THE INDENTURE, THE REGISTRATION RIGHTS AGREEMENT AND THIS NOTE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK APPLICABLE TO AGREEMENTS MADE AND TO BE PERFORMED IN SAID STATE.

The following abbreviations, when used in the inscription on the face of the within Note, shall be construed as though they were written out in full according to applicable laws or regulations:

TEN COM	--	as tenants in common
TEN ENT	--	as tenants by the entireties
JT TEN	--	as joint tenants with right of survivorship and not as tenants in common

UNIF GIFT MIN ACT -- _____ Custodian _____
(Cust) (Minor)
under Uniform Gifts to Minors
Act _____ (State)

Additional abbreviations may also be used though not in the above list.

FOR VALUE RECEIVED the undersigned hereby sells, assigns and transfers unto

PLEASE INSERT SOCIAL SECURITY OR
OTHER IDENTIFYING NUMBER OF ASSIGNEE

- ---

(Name and Address of Assignee, including zip code, must be printed or typewritten.)

_____ the within Note, and all rights thereunder, hereby irrevocably constituting and appointing

_____ Attorney to transfer said Note on the books of the Company, with full power of substitution in the premises.

Dated:_____

_____

NOTICE: The signature to this assignment must correspond with the name as it appears upon the face of the within Note in every particular, without alteration or enlargement or any change whatever and must be guaranteed.

EXHIBIT 5.1

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

April 2, 1998

Unifi, Inc.
7201 West Friendly Avenue
Greensboro, North Carolina 27419

RE: REGISTRATION STATEMENT ON FORM S-4 RELATED TO OFFER TO EXCHANGE 6 1/2% NOTES DUE 2008,
SERIES B, FOR ANY AND ALL 6 1/2% NOTES DUE 2008

Ladies and Gentlemen:

We have acted as special counsel to Unifi, Inc., a New York corporation (the "Corporation"), in connection with the registration under the Securities Act of 1933, as amended, pursuant to the Registration Statement on Form S-4 (the "Registration Statement") filed with the Securities and Exchange Commission (the "Commission") on April 2, 1998, of $250,000,000 aggregate principal amount of the Corporation's 6 1/2% Notes due 2008, Series B (the "New Notes"). The New Notes are to be offered pursuant to an exchange offer (the "Exchange Offer") for a like principal amount of the Corporation's issued and outstanding 6 1/2% Notes due 2008 (the "Existing Notes") and are issued as a single series under an Indenture, dated as of February 5, 1998, as supplemented by resolutions of the Executive Committee of the Corporation's Board of Directors dated March 30, 1998 (the "Indenture"), by and between the Corporation and First Union National Bank, as trustee (the "Trustee"). This opinion letter is Exhibit 5.1 to the Registration Statement.

As such counsel, we have examined and are familiar with originals or photocopies or certified copies of such records of the Corporation, certificates of officers of the Corporation, and public officials, and such other documents as we have deemed relevant or necessary as the basis for the opinions set forth below. In such examination, we have assumed the legal capacity of natural persons, the genuineness of all signatures on, and the authenticity of all documents submitted to us as originals, the conformity to original documents of all documents submitted to us as certified copies or photocopies and the authenticity of the originals of such copies. We have relied upon statements of fact contained in documents that we have examined in connection with our representation of the Corporation. We have also relied on an opinion of counsel licensed to practice law in the State of New York as to matters of law in that State.

Based on the foregoing, and in reliance thereon, and subject to the limitations, qualifications and exceptions set forth below, we are of the opinion that when (i) the Registration Statement becomes effective and the Indenture has been qualified under the Trust Indenture Act of 1939, as amended, and (ii) the New Notes have been duly executed by the Corporation and authenticated by the Trustee in accordance with the provisions of the Indenture and have been delivered against receipt of the Existing Notes in accordance with the terms of the Exchange Offer, then the New Notes will be valid and binding obligations of the Corporation entitled to the benefits of the Indenture and enforceable against the Corporation in accordance with their terms, except to the extent that the enforcement thereof may be limited by bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance or similar laws now or hereafter in effect relating to creditors' rights generally and general principles of equity (regardless of whether enforceability is considered in a proceeding at law or in equity).

We are licensed to practice law in the State of North Carolina and the United States of America. In rendering this opinion, we are not expressing an opinion as to the laws of any jurisdiction other than the State of North Carolina and the United States of America, and we assume no responsibility as to the applicability of the laws of any other jurisdiction.

We hereby consent (1) to be named in the Registration Statement and in the prospectus contained therein as attorneys who passed upon the legality of the New Notes and (2) to the filing of a copy of this opinion as Exhibit 5.1 to the Registration Statement.

Very truly yours,

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

EXHIBIT 12.1

COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES
AND COMPUTATION OF PROFORMA RATIO OF EARNINGS TO FIXED CHARGES
(AMOUNTS IN 000, EXCEPT RATIOS)

	FISCAL YEAR ENDED						SIX MONTHS ENDED
	6/27/93	6/26/94	6/25/95	6/30/96	6/29/97	PROFORMA 6/29/97 (1)	12/28/97
Net income	$136,644	$ 76,492	$116,171	$ 72,479	$115,665	$ 115,665	$55,908
Add: Income tax expense	82,924	60,344	69,439	44,939	58,617	58,617	30,683
Extraordinary loss	--	--	--	5,898	--	--	--
Cumulative effect of change in accounting	--	--	--	--	--	--	4,636
Consolidated pretax income from continuing operations	219,568	136,836	185,610	123,316	174,282	174,282	91,227
Add: Losses in less-than-50% equity investees with no debt guarantees	1,026	--	--	--	399	399	593
Less: Share of undistributed pre-tax earnings in less-than-50%-owned equity affiliates	--	(490)	(649)	--	--	--	(9,730)
Add: Interest charges	26,364	18,926	16,242	15,789	13,630	13,630	10,101
Less: Interest capitalized during the period	--	--	--	--	(813)	(813)	(3,076)
Earnings as defined	$246,958	$155,272	$201,203	$139,105	$187,498	$ 187,498	$89,115
Interest charges	$ 26,364	$ 18,926	$ 16,242	$ 15,789	$ 12,817	$ 14,334	$ 7,025
Interest capitalized during the period	--	--	--	--	813	1,082	3,076
Fixed charges	$ 26,364	$ 18,926	$ 16,242	$ 15,789	$ 13,630	$ 15,416	$10,101
Ratio of earnings to fixed charges	9.4x	8.2x	12.4x	8.8x	13.8x	12.2x	8.8x

	PROFORMA 12/28/97 (1)
Net income	$ 55,908
Add: Income tax expense	30,683
Extraordinary loss	--
Cumulative effect of change in accounting	4,636
Consolidated pretax income from continuing operations	91,227
Add: Losses in less-than-50% equity investees with no debt guarantees	593
Less: Share of undistributed pre-tax earnings in less-than-50%-owned equity affiliates	(9,730)
Add: Interest charges	10,101
Less: Interest capitalized during the period	(3,076)
Earnings as defined	$ 89,115
Interest charges	$ 7,423
Interest capitalized during the period	3,485
Fixed charges	$ 10,908
Ratio of earnings to fixed charges	8.2x

- ---

(1) Utilizing interest rate of 6.704%.

EXHIBIT 23.2

CONSENT OF INDEPENDENT AUDITORS

We consent to the reference to our firm under the caption "Experts" in the Registration Statement (Form S-4) and related Prospectus of Unifi, Inc. for the registration of $250,000,000 6 1/2% Notes Due 2008 and to the incorporation by reference therein of our report dated July 15, 1997, with respect to the consolidated financial statements of Unifi, Inc. incorporated by reference in its Annual Report (Form 10-K) for the year ended June 29, 1997 and the related financial statement schedule included therein, filed with the Securities and Exchange Commission.

/s/ ERNST & YOUNG LLP

Greensboro, North Carolina
March 31, 1998

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM T-1

STATEMENT OF ELIGIBILITY AND QUALIFICATION UNDER THE TRUST INDENTURE ACT OF 1939, AS AMENDED, OF A CORPORATION DESIGNATED TO ACT AS TRUSTEE

CHECK IF AN APPLICATION TO DETERMINE ELIGIBILITY OF A TRUSTEE PURSUANT TO SECTION 305(b)(2)_____

FIRST UNION NATIONAL BANK
(Exact name of trustee as specified in its charter)

United States National Bank (State of incorporation if not a national bank)	56-0900030 I.R.S. employer identification no.)
First Union National Bank 230 South Tryon Street, 9th Floor Charlotte, North Carolina (Address of principal executive offices)	28288-1179 (Zip Code)

Same as above

(Name, address and telephone number, including area code, of trustee's agent for service)

UNIFI, INC.

(Exact name of obligor as specified in its charter)

NEW YORK

(State or other jurisdiction of incorporation or organization)

11-2165495
(I.R.S. employer identification no.)

Willis C. Moore, III
Senior Vice President and Chief Executive Officer
7201 West Friendly Avenue
Greensboro, North Carolina 27410
(336) 316-5664

(Address, including zip code, of principal executive offices)

US $250,000,000
UNIFI, Inc.
6 1/2% Notes due 2008, Series B

(Title of the indenture securities)

Item 1. General information.

Furnish the following information as to the trustee:

(a) Name and address of each examining or supervising authority to which it is subject.

Name	Address
Federal Reserve Bank of Richmond, VA	Richmond, VA
Comptroller of the Currency	Washington, D.C.
Securities and Exchange Commission Division of Market Regulation	Washington, D.C.
Federal Deposit Insurance Corporation	Washington, D.C.

(b) Whether it is authorized to exercise corporate trust powers.

The trustee is authorized to exercise corporate trust powers.

Item 2. Affiliations with the obligor and underwriters.

If the obligor or any underwriter for the obligor is an affiliate of the trustee, describe each such affiliation.

None. Inasmuch as this Form T-1 is filed prior to the ascertainment by the Trustee of all facts on which to base a responsive answer this Item 2, the answer to said Item is based on incomplete information. Item 2 may, however, be considered correct unless amended by an amendment to this Form T-1.

Items 3-15.

Not applicable

Item 16. List of Exhibits.

All exhibits identified below are filed as a part of this statement of eligibility.

1. A copy of the Articles of Association of First Union National Bank as now in effect, which contain the authority to commence business and a grant of powers to exercise corporate trust powers.

2. A copy of the certificate of authority of the trustee to commence business, if not contained in the Articles of Association.

3. A copy of the authorization of the trustee to exercise corporate trust powers, if such authorization is not contained in the documents specified in exhibits (1) or (2) above.

4. A copy of the existing By-laws of First Union National Bank, or instruments corresponding thereto.

5. Inapplicable.

6. The consent of the trustee required by Section 321(b) of the Trust Indenture Act of 1939. Included on signature page of this Form T-1 Statement.

7. A copy of the latest report of condition of the trustee published pursuant to law or to the requirements of its supervising or examining authority.

8. Inapplicable.

9. Inapplicable.

SIGNATURE

Pursuant to the requirements of the Trust Indenture Act of 1939, as amended, the trustee, First Union National Bank, a national association organized and existing under the laws of the United States of America, has duly caused this statement of eligibility and qualification to be signed on its behalf by the undersigned, thereunto duly authorized, all in the City of Charlotte, and State of North Carolina, on the 30th day of March, 1998.

FIRST UNION NATIONAL BANK
(trustee)

By: /s/ S. Schwartz
Name: Shannon Schwartz
Title: Assistant Vice President

CONSENT OF TRUSTEE

Under section 321(b) of the Trust Indenture Act of 1939, as amended, and in connection with the proposed issuance by UNIFI, Inc. of its 6 1/2 Notes Due 2008, Series B, First Union National Bank as the trustee herein named, hereby consents that reports of examinations of said Trustee by Federal, State, Territorial or District authorities may be furnished by such authorities to the Securities and Exchange Commission upon requests therefor.

FIRST UNION NATIONAL BANK

By: /s/ S. Schwartz

Name: Shannon Schwartz
Title: Assistant Vice President

Dated: March 30, 1998

ARTICLES OF ASSOCIATION OF

FIRST UNION NATIONAL BANK

Charter No. 22693

As Restated Effective February 26, 1998

Charter No. 22693

FIRST UNION NATIONAL BANK

ARTICLES OF ASSOCIATION

(as restated effective February 26, 1998)

For the purpose of organizing an Association to carry on the business of banking under the laws of the United States, the undersigned do enter into the following Articles of Association:

FIRST. The title of this Association shall be FIRST UNION NATIONAL BANK.

SECOND. The main office of the Association shall be in Charlotte, County of Mecklenburg, State of North Carolina. The general business of the Association shall be conducted at its main office and its branches.

THIRD. The Board of Directors of this Association shall consist of not less than five nor more than twenty-five directors, the exact number of directors within such minimum and maximum limits to be fixed and determined from time to time by resolution of a majority of the full Board of Directors or by resolution of the shareholders at any annual or special meeting thereof. Unless otherwise provided by the laws of the United States, any vacancy in the Board of Directors for any reason, including an increase in the number thereof, may be filled by action of the Board of Directors.

FOURTH. The annual meeting of the shareholders for the election of directors and the transaction of whatever other business may be brought before said meeting shall be held at the main office or such other place as the Board of Directors may designate, on the day of each year specified therefor in the By-Laws, but if no election is held on that day, it may be held on any subsequent day according to the provisions of law; and all elections shall be held according to such lawful regulations as may be prescribed by the Board of Directors.

Nominations for election to the Board of Directors may be made by the Board of Directors or by any stockholder of any outstanding class of capital stock of the bank entitled to vote for election of directors. Nominations, other than those made by or on behalf of the existing management of the bank, shall be made in writing and shall be delivered or mailed to the President of the bank and to the Comptroller of the Currency, Washington, D.C., not less than 14 days nor more than 50 days prior to any meeting of stockholders called for the election of directors, provided, however, that if less than 21 days' notice of the meeting is given to shareholders, such nomination shall be mailed or delivered to the President of the Bank and to the Comptroller of the Currency not later than the close of business on the seventh day following the day on which the notice of meeting was mailed. Such notification shall contain the following information to the extent known to the notifying shareholder: (a) the name and address of each proposed nominee; (b) the principal occupation of each proposed nominee; (c) the total number of shares of capital stock of the bank that will be voted for each proposed nominee; (d) the name and residence address of the notifying shareholder; and (e) the number of shares of capital stock of the bank owned by the notifying shareholder. Nominations not made in accordance herewith may, in his discretion, be disregarded by the Chairman of the meeting, and upon his instructions, the vote tellers may disregard all votes cast for each such nominee.

FIFTH.

(a) General. The amount of capital stock of this Association shall be (I) 25,000,000 shares of common stock of the par value of twenty dollars ($20.00) each (the "Common Stock") and (ii) 160,540 shares of preferred stock of the par value of one dollar ($ 1. 00) each (the "Non-Cumulative Preferred Stock"), having the rights, privileges and preferences set forth below, but said capital stock may be increased or decreased from time to time in accordance with the provisions of the laws of the United States.

(b) Terms of the Non-Cumulative Preferred Stock.

1. General. Each share of Non-Cumulative Preferred Stock shall be identical in all respects with the other shares of Non-Cumulative Preferred Stock. The authorized number of shares of Non-Cumulative Preferred Stock may from time to time be increased or decreased (but not below the number then outstanding) by the Board of Directors. Shares of Non-Cumulative Preferred Stock redeemed by the Association shall be canceled and shall revert to authorized but unissued shares of Non-Cumulative Preferred Stock.

2. Dividends.

(a) General. The holders of Non-Cumulative Preferred Stock shall be entitled to receive, when, as and if declared by the Board of Directors, but only out of funds legally available therefor, non-cumulative cash dividends at the annual rate of $83.75 per share, and no more, payable quarterly on the first days of December, March, June and September, respectively, in each year with respect to the quarterly dividend period (or portion thereof) ending on the day preceding such respective dividend payment date, to shareholders of record on the respective date, not exceeding fifty days preceding such dividend payment date, fixed for that purpose by the Board of Directors in advance of payment of each particular dividend. Notwithstanding the foregoing, the cash dividend to be paid on the first dividend payment date after the initial issuance of Non-Cumulative Preferred Stock and on any dividend payment date with respect to a partial dividend period shall be $83.75 per share multiplied by the fraction produced by dividing the number of days since such initial issuance or in such partial dividend period, as the case may be, by 360.

(b) Non-cumulative Dividends. Dividends on the shares of Non-cumulative Stock shall not be cumulative and no rights shall accrue to the holders of shares of Non-Cumulative Preferred Stock by reason of the fact that the Association may fail to declare or pay dividends on the shares of Non-Cumulative Preferred Stock in any amount in any quarterly dividend period, whether or not the earnings of the Association in any quarterly dividend period were sufficient to pay such dividends in whole or in part, and the Association shall have no obligation at any time to pay any such dividend.

(c) Payment of Dividends. So long as any share of Non-Cumulative Preferred Stock remains outstanding, no dividend whatsoever shall be paid or declared and no distribution made on any junior stock other than a dividend payable in junior stock, and no shares of junior stock shall be purchased, redeemed or otherwise acquired for consideration by the Association, directly or indirectly (other than as a result of a reclassification of junior stock, or the exchange or conversion of one junior stock for or into another junior stock, or other than through the use of the proceeds of a substantially contemporaneous sale of other junior stock), unless all dividends on all shares of non-cumulative Preferred Stock and non-cumulative Preferred Stock ranking on a parity as to dividends with the shares of Non-Cumulative Preferred Stock for the most recent dividend period ended prior to the date of such payment or declaration shall have been paid in full and all dividends on all shares of cumulative Preferred Stock ranking on a parity as to dividends with the shares of Non-Cumulative Stock (notwithstanding that dividends on such stock are cumulative) for all past dividend periods shall have been paid in full. Subject to the foregoing, and not otherwise, such dividends (payable in cash, stock or otherwise) as may be determined by the Board of Directors may be declared and paid on any junior stock from time to time out of any funds legally available therefor, and the Non-Cumulative Preferred Stock shall not be entitled to participate in any such dividends, whether payable in cash, stock or otherwise. No dividends shall be paid or declared upon any shares of any class or series of stock of the Association ranking on a parity (whether dividends on such stock are cumulative or non-cumulative) with the Non-Cumulative Preferred Stock in the payment of dividends for any period unless at or prior to the time of such payment or declaration all dividends payable on the Non-cumulative Preferred Stock for the most recent dividend period ended prior to the date of such payment or declaration shall have been paid in full. When dividends are not paid in full, as aforesaid, upon the Non-Cumulative Preferred Stock and any other series of Preferred Stock ranking on a parity as to dividends (whether dividends on such stock are cumulative or non-cumulative) with the Non-Cumulative Preferred Stock, all dividends declared upon the Non-Cumulative Preferred Stock and any other series of Preferred Stock ranking on a parity as to dividends with the Non-Cumulative Preferred Stock shall be declared pro rata so that the amount of dividends declared per share on the Non-cumulative Preferred Stock and such other Preferred Stock shall in all cases bear to each other the same ratio that accrued dividends per share on the Non-Cumulative Preferred Stock (but without any accumulation in respect of any unpaid dividends for prior dividend periods on the shares of Non-Cumulative Stock) and such other Preferred Stock bear to each other. No interest, or sum of money in lieu of interest, shall be payable in respect of any dividend payment or payments on the Non-Cumulative Preferred Stock which may be in arrears.

3. Voting. The holders of Non-Cumulative Preferred Stock shall not have any right to vote for the election of directors or for any other purpose.

4. Redemption.

(a) Optional Redemption. The Association, at the option of the Board of Directors, may redeem the whole or any part of the shares of Non-Cumulative Preferred Stock at the time outstanding, at any time or from time to time after the fifth anniversary of the date of original issuance of the Non-Cumulative Preferred Stock, upon notice given as hereinafter specified, at the redemption price per share equal to $1,000 plus an amount equal to the amount of accrued and unpaid

dividends from the immediately preceding dividend payment date (but without any accumulation for unpaid dividends for prior dividend periods on the shares of Non-Cumulative Preferred Stock) to the redemption date.

(b) Procedures. Notice of every redemption of shares of Non-Cumulative Preferred Stock shall be mailed by first class mail, postage prepaid, addressed to the holders of record of the shares to be redeemed at their respective last addresses as they shall appear on the books of the Association. Such mailing shall be at least 10 days and not more than 60 days prior to the date fixed for redemption. Any notice which is mailed in the manner herein provided shall be conclusively presumed to have been duly given, whether or not the shareholder receives such notice, and failure duly to give such notice by mail, or any defect in such notice, to any holder of shares of Non-Cumulative Preferred Stock designated for redemption shall not affect the validity of the proceedings for the redemption of any other shares of Non-Cumulative Preferred Stock.

In case of redemption of a part only of the shares of Non-Cumulative Preferred Stock at the time outstanding the redemption may be either pro rata or by lot or by such other means as the Board of Directors of the Association in its discretion shall determine. The Board of Directors shall have full power and authority, subject to the provisions herein contained, to prescribe the terms and conditions upon which shares of the Non-Cumulative Preferred Stock shall be redeemed from time to time.

If notice of redemption shall have been duly given, and, if on or before the redemption date specified therein, all funds necessary for such redemption shall have been set aside by the Association, separate and apart from its other funds, in trust for the pro rata benefit of the holders of the shares called for redemption, so as to be and continue to be available therefor, then, notwithstanding that any certificate for shares so called for redemption shall not have been surrendered for cancellation, all shares so called for redemption shall no longer be deemed outstanding on and after such redemption date, and all rights with respect to such shares shall forthwith on such redemption date cease and terminate, except only the right of the holders thereof to, receive the amount payable on redemption thereof, without interest.

If such notice of redemption shall have been duly given or if the Association shall have given to the bank or trust company hereinafter referred to irrevocable authorization promptly to give such notice, and, if on or before the redemption date specified therein, the funds necessary for such redemption shall have been deposited by the Association with such bank or trust company in trust for the pro rata benefit of the holders of the shares called for redemption, then, notwithstanding that any certificate for shares so called for redemption shall not have been surrendered for cancellation, from and after the time of such deposit, all shares so called for redemption shall no longer be deemed to be outstanding and all rights with respect to such shares shall forthwith cease and terminate, except only the right of the holders thereof to receive from such bank or trust company at any time after the time of such deposit the funds so deposited, without interest. The aforesaid bank or trust company shall be organized and in good standing under the laws of the United States of America or any state thereof, shall have capital, surplus and undivided profits aggregating at least $50,000,000 according to its last published statement of condition, and shall be identified in the notice of redemption. Any interest accrued on such funds shall be paid to the Association from time to time. In case fewer than all the shares of Non-Cumulative Preferred Stock represented by a stock certificate are redeemed, a new certificate shall be issued representing the unredeemed shares without cost to the holder thereof.

Any funds so set aside or deposited, as the case may be, and unclaimed at the end of the relevant escheat period under applicable state law from such redemption date shall, to the extent permitted by law, be released or repaid to the Association, after which repayment the holders of the shares so called for redemption shall look only to the Association for payment thereof.

5. Liquidation.

(a) Liquidation Preference. In the event of any voluntary liquidation, dissolution or winding up of the affairs of the Association, the holders of Non-cumulative Preferred Stock shall be entitled, before any distribution or payment is made to the holders of any junior stock, to be paid in full an amount per share equal to an amount equal to $1,000 plus an amount equal to the amount of accrued and unpaid dividends per share from the immediately preceding dividend payment date (but without any accumulation for unpaid dividends for prior dividend periods on the shares of Non-cumulative Preferred Stock) per share to such distribution or payment date (the "liquidation amount").

In the event of any involuntary liquidation, dissolution or winding up of the affairs of the Association, then, before any distribution or payment shall be made to the holders of any junior stock, the holders of Non-Cumulative Preferred Stock shall be entitled to be paid in full an amount per share equal to the liquidation amount.

If such payment shall have been made in full to all holders of shares of Non-Cumulative Preferred Stock, the remaining assets of the Association shall be distributed among the holders of junior stock, according to their respective rights and preferences and in each case

according to their respective numbers of shares.

(b) Insufficient Assets. In the event that, upon any such voluntary or involuntary liquidation, dissolution or winding up, the available assets of the Association are insufficient to pay such liquidation amount on all outstanding shares of Non-cumulative Preferred Stock, then the holders of Non-Cumulative Preferred Stock shall share ratably in any distribution of assets in proportion to the full amounts to which they would otherwise be respectively entitled.

(c) Interpretation. For the purposes of this paragraph 5, the consolidation or merger of the Association with any other corporation or association shall not be deemed to constitute a liquidation, dissolution or winding up of the Association.

6. Preemptive Rights. The Non-Cumulative Preferred Stock is not entitled to any preemptive, subscription, conversion or exchange rights in respect of any securities of the Association.

7. Definitions. As used herein with respect to the Non-Cumulative Preferred Stock, the following terms shall have the following meanings:

(a) The term "junior stock" shall mean the Common Stock and any other class or series of shares of the Association hereafter authorized over which the Non-Cumulative Preferred Stock has preference or priority in the payment of dividends or in the distribution of assets on any liquidation, dissolution or winding up of the Association.

(b) The term "accrued dividends", with respect to any share of any class or series, shall mean an amount computed at the annual dividend rate for the class or series of which the particular share is a part, from, if such share is cumulative, the date on which dividends on such share became cumulative to and including the date to which such dividends are to be accrued, less the aggregate amount of all dividends theretofore paid thereon and, if such share is noncumulative, the relevant date designated to and including the date to which such dividends are accrued, less the aggregate amount of all dividends theretofore paid with respect to such period.

(c) The term "Preferred Stock" shall mean all outstanding shares of all series of preferred stock of the Association as defined in this Article Fifth of the Articles of Association, as amended, of the Association.

8. Restriction on Transfer. No shares of Non-Cumulative Preferred Stock, or any interest therein, may be sold, pledged, transferred or otherwise disposed of without the prior written consent of the Association. The foregoing restriction shall be stated on any certificate for any shares of Non-Cumulative Preferred Stock.

9. Additional Rights. The shares of Non-Cumulative Preferred Stock shall not have any relative, participating, optional or other special rights and powers other than as set forth herein.

SIXTH. The Board of Directors shall appoint one of its members President of this Association, who shall be Chairman of the Board, unless the Board appoints another director to be the Chairman. The Board of Directors shall have the power to appoint one or more Vice Presidents; and to appoint a cashier or such other officers and employees as may be required to transact the business of this Association.

The Board of Directors shall have the power to define the duties of the officers and employees of the Association, to fix the salaries to be paid to them; to dismiss them, to require bonds from them and to fix the penalty thereof; to regulate the manner in which any increase of the capital of the Association shall be made; to manage and administer the business and affairs of the Association; to make all By-Laws that it may be lawful for them to make; and generally to do and perform all acts that it may be legal for a Board of Directors to do and perform.

SEVENTH. The Board of Directors shall have the power to change the location of the main office to any other place within the limits of Charlotte, North Carolina, without the approval of the shareholders but subject to the approval of the Comptroller of the Currency; and shall have the power to establish or change the location of any branch or branches of the Association to any other location, without the approval of the shareholders but subject to the approval of the Comptroller of the Currency.

EIGHTH. The corporate existence of this Association shall continue until terminated in accordance with the laws of the United States.

NINTH. The Board of Directors of this Association, or any three or more shareholders owning, in the aggregate, not less than 10 percent of the stock of this Association, may call a special meeting of shareholders at any time. Unless otherwise provided by the laws of the United States, a notice of the time, place, and purpose of every annual and special meeting of the shareholders shall be given by first-class mail, postage prepaid, mailed at least ten days prior to the date of such meeting to each shareholder of record at his address as shown upon the books of this Association.

TENTH. Each director and executive officer of this Association shall be indemnified by the association against liability in

any proceeding (including without limitation a proceeding brought by or on behalf of the Association itself) arising out of his status as such or his activities in either of the foregoing capacities, except for any liability incurred on account of activities which were at the time taken known or believed by such person to be clearly in conflict with the best interests of the Association. Liabilities incurred by a director or executive officer of the Association in defending a proceeding shall be paid by the Association in advance of the final disposition of such proceeding upon receipt of an undertaking by the director or executive officer to repay such amount if it shall be determined, as provided in the last paragraph of this Article Tenth, that he is not entitled to be indemnified by the Association against such liabilities.

The indemnity against liability in the preceding paragraph of this Article Tenth, including liabilities incurred in defending a proceeding, shall be automatic and self-operative.

Any director, officer or employee of this Association who serves at the request of the Association as a director, officer, employee or agent of a charitable, not-for-profit, religious, educational or hospital corporation, partnership, joint venture, trust or other enterprise, or a trade association, or as a trustee or administrator under an employee benefit plan, or who serves at the request of the Association as a director, officer or employee of a business corporation in connection with the administration of an estate or trust by the Association, shall have the right to be indemnified by the Association, subject to the provisions set forth in the following paragraph of this Article Tenth, against liabilities in any manner arising out of or attributable to such status or activities in any such capacity, except for any liability incurred on account of activities which were at the time taken known or believed by such person to be clearly in conflict with the best interests of the Association, or of the corporation, partnership, joint venture, trust, enterprise, Association or plan being served by such person.

In the case of all persons except the directors and executive officers of the Association, the determination of whether a person is entitled to indemnification under the preceding paragraph of this Article Tenth shall be made by and in the sole discretion of the Chief Executive Officer of the Association. In the case of the directors and executive officers of the Association, the indemnity against liability in the preceding paragraph of this Article Tenth shall be automatic and self-operative.

For purposes of this Article Tenth of these Articles of Association only, the following terms shall have the meanings indicated:

(a) "Association" means First Union National Bank and its direct and indirect wholly-owned subsidiaries.

(b) "Director" means an individual who is or was a director of the Association.

(c) "Executive officer" means an officer of the Association who by resolution of the Board of Directors of the Association has been determined to be an executive officer of the Association for purposes of Regulation O of the Federal Reserve Board.

(d) "Liability" means the obligation to pay a judgment, settlement, penalty, fine (including an excise tax assessed with respect to an employee benefit plan), or reasonable expenses, including counsel fees and expenses, incurred with respect to a proceeding.

(e) "Party" includes an individual who was, is, or is threatened to be made a named defendant or respondent in a proceeding.

(f) "Proceeding" means any threatened, pending, or completed claim, action, suit, or proceeding, whether civil, criminal, administrative, or investigative and whether formal or informal.

The Association shall have no obligation to indemnify any person for an amount paid in settlement of a proceeding unless the Association consents in writing to such settlement.

The right to indemnification herein provided for shall apply to persons who are directors, officers, or employees of banks or other entities that are hereafter merged or otherwise combined with the Association only after the effective date of such merger or other combination and only as to their status and activities after such date.

The right to indemnification herein provided for shall inure to the benefit of the heirs and legal representatives of any person entitled to such right.

No revocation of, change in, or adoption of any resolution or provision in the Articles of Association or By-laws of the Association inconsistent with, this Article Tenth shall adversely affect the rights of any director, officer, or employee of the Association with respect to (i) any proceeding commenced or threatened prior to such revocation, change, or adoption, or (ii) any proceeding arising out of any act or omission occurring prior to such revocation, change, or adoption, in either case, without the

written consent of such director, officer, or employee.

The rights hereunder shall be in addition to and not exclusive of any other rights to which a director, officer, or employee of the Association may be entitled under any statute, agreement, insurance policy, or otherwise.

The Association shall have the power to purchase and maintain insurance on behalf of any person who is or was a director, officer, or employee of the Association, or is or was serving at the request of the Association as a director, officer, employee, or agent of another corporation, partnership, joint venture, trust, trade association, employee benefit plan, or other enterprise, against any liability asserted against such director, officer, or employee in any such capacity, or arising out of their status as such, whether or not the Association would have the power to indemnify such director, officer, or employee against such liability, excluding insurance coverage for a formal order assessing civil money penalties against an Association director or employee.

Notwithstanding anything to the contrary provided herein, no person shall have a right to indemnification with respect to any liability (i) incurred in an administrative proceeding or action instituted by an appropriate bank regulatory agency which proceeding or action results in a final order assessing civil money penalties or requiring affirmative action by an individual or individuals in the form of payments to the Association, (ii) to the extent such person is entitled to receive payment therefor under any insurance policy or from any corporation, partnership, joint venture, trust, trade association, employee benefit plan, or other enterprise other than the Association, or (iii) to the extent that a court of competent jurisdiction determines that such indemnification is void or prohibited under state or federal law.

ELEVENTH. These Articles of Association may be amended at any regular or special meeting of the shareholders by the affirmative vote of the holders of a majority of the stock of this Association, unless the vote of holders of a greater amount of stock is required by law, and in that case, by the vote of the holders of such greater amount.

[LOGO]

Comptroller of the Currency
Administrator of National Banks
Bank Organization and Structure, 3-8
Washington, D.C. 20219-0001

February 20, 1998 OCC Control Nr. 97-ML-02-0050

Mr. Robert L. Andersen
Assistant General Counsel
First Union Corporation
301 South College Street
Charlotte, North Carolina 28288-0630

Dear Mr. Andersen:

This letter is the official certification of the Office of the Comptroller of the Currency for the merger of First Union National Bank, Charlotte, North Carolina, Charter Nr. 15650, into and under the charter and title of First Union National Bank, Avondale, Pennsylvania, Charter Nr. 22693, with the resulting bank located in Charlotte, North Carolina, effective February 26, 1998.

This letter also serves as the official authorization for First Union National Bank, Charter Nr. 22693, to operate its former head office in Avondale, Pennsylvania as a branch at the following location:

Popular Name	:	Avondale Branch
Certificate Nr	:	111588A
Address	:	102 Pennsylvania Avenue Avondale, Pennsylvania

Branch authorizations previously granted to First Union National Bank, Charter Nr. 15650 automatically convey to the resulting bank and will not be reissued. Please furnish a copy of this certificate to personnel responsible for branch administration. In the event of questions, please contact Senior Licensing Analyst Cindy L. Hausch-Booth at (202) 874-5060.

Sincerely,

/s/ Richard T. Erb

Richard T. Erb
Licensing Manager

[SEAL OF THE COMPTROLLER OF THE CURRENCY]

[LOGO]

Comptroller of the Currency
Administrator of National Banks
Bank Organization and Structure, 3-8
Washington, D.C. 20219-0001

CERTIFICATE

I, Eugene A. Ludwig, Comptroller of the Currency, do hereby certify that the document hereto attached is a true and correct copy, as recorded in this Office, of the Charter Certificate for "First Union National Bank," Charlotte, North Carolina, (Charter No. 22693).

IN TESTIMONY WHEREOF, I have hereunto subscribed my name and caused my seal of office to be affixed to these presents at the Treasury Department in the City of Washington and District of Columbia, this 4th day of March, 1998.

/s/ Eugene A. Ludwig

Comptroller of the Currency

[SEAL OF THE COMPTROLLER
OF THE CURRENCY]

[LOGO]

Comptroller of the Currency
Administrator of National Banks
Bank Organization and Structure, 3-8
Washington, D.C. 20219-0001

CERTIFICATE

I, Eugene A. Ludwig, Comptroller of the Currency, do hereby certify that:

1. The Comptroller of the Currency, pursuant to Revised Statutes 324, et seq., as amended, 12 U.S.C. 1, et seq., as amended, has possession, custody and control of all records pertaining to the chartering of all National Banking Associations.

2. "First Union National Bank," Charlotte, North Carolina, (Charter No. 22693) is a National Banking Association formed under the laws of the United States and is authorized thereunder to transact the business of banking on the date of this Certificate.

IN TESTIMONY WHEREOF, I have hereunto subscribed my name and caused my seal of office to be affixed to these presents at the Treasury Department in the City of Washington and District of Columbia, this 4th day of March, 1998.

/s/ Eugene A. Ludwig

Comptroller of the Currency

[SEAL OF THE COMPTROLLER
OF THE CURRENCY]

[LOGO]

Comptroller of the Currency
Administrator of National Banks
Bank Organization and Structure, 3-8
Washington, D.C. 20219-0001

Certificate of Fiduciary Powers

I, Eugene A. Ludwig, Comptroller of the Currency, do hereby certify that:

1. The Comptroller of the Currency, pursuant to Revised Statutes 324, et seq., as amended, 12 U.S.C. 1, et seq., as amended, has possession, custody and control of all records pertaining to the chartering of all National Banking Associations.

2. "First Union National Bank," Charlotte, North Carolina, (Charter No. 22693) was granted, under the hand and seal of the Comptroller, the right to act in all fiduciary capacities authorized under the provisions of the Act of Congress approved September 28, 1962, 76 Stat. 668, 12 U.S.C. 92a, and that the authority so granted remains in full force and effect on the date of the Certificate.

IN TESTIMONY WHEREOF, I have hereunto subscribed my name and caused my seal of office to be affixed to these presents at the Treasury Department in the City of Washington and District of Columbia, this 4th day of March, 1998.

/s/ Eugene A. Ludwig

Comptroller of the Currency

[SEAL OF THE COMPTROLLER
OF THE CURRENCY]

BY-LAWS OF

FIRST UNION NATIONAL BANK

Charter No. 22693

As Restated Effective February 26, 1998

BY-LAWS OF

FIRST UNION NATIONAL BANK

ARTICLE I

Meetings of Shareholders

Section 1.1 Annual Meeting. The annual meeting of the shareholders for the election of directors and for the transaction of such other business as may properly come before the meeting shall be held on the third Tuesday of April in each year, commencing with the year 1998, except that the Board of Directors may, from time to time and upon passage of a resolution specifically setting forth its reasons, set such other date for such meeting during the month of April as the Board of Directors may deem necessary or appropriate; provided, however, that if an annual meeting would otherwise fall on a legal holiday, then such annual meeting shall be held on the second business day following such legal holiday. The holders of a majority of the outstanding shares entitled to vote which are represented at any meeting of the shareholders may choose persons to act as Chairman and as Secretary of the meeting.

Section 1.2 Special Meetings. Except as otherwise specifically provided by statute, special meetings of the shareholders may be called for any purpose at any time by the Board of Directors or by any three or more shareholders owning, in the aggregate, not less than ten percent of the stock of the Association. Every such special meeting, unless otherwise provided by law, shall be called by mailing, postage prepaid, not less than ten days prior to the date fixed for such meeting, to each shareholder at his address appearing on the books of the Association, a notice stating the purpose of the meeting.

Section 1.3 Nominations for Directors. Nominations for election to the Board of Directors may be made by the Board of Directors or by any stockholder of any outstanding class of capital stock of the bank entitled to vote for the election of directors. Nominations, other than those made by or on behalf of the existing management of the bank, shall be made in writing and shall be delivered or mailed to the President of the Bank and to the Comptroller of the Currency, Washington, D. C., not less than 14 days nor more than 50 days prior to any meeting of stockholders called for the election of directors, provided however, that if less than 21 days' notice of such meeting is given to shareholders, such nomination shall be mailed or delivered to the President of the Bank and to the Comptroller of the Currency not later than the close of business on the seventh day following the day on which the notice of meeting was mailed. Such notification shall contain the following information to the extent known to the notifying shareholder: (a) the name and address of each proposed nominee; (b) the principal occupation of each proposed nominee; (c) the total number of shares of capital stock of the bank that will be voted for each proposed nominee; (d) the name and residence address of the notifying shareholder; and (e) the number of shares of capital stock of the bank owned by the notifying shareholder. Nominations not made in accordance herewith may, in his discretion, be disregarded by the chairman of the meeting, and upon his instructions, the vote tellers may disregard all votes cast for each such nominee.

Section 1.4 Judges of Election. The Board may at any time appoint from among the shareholders three or more persons to serve as Judges of Election at any meeting of shareholders; to act as judges and tellers with respect to all votes by ballot at such meeting and to file with the Secretary of the meeting a Certificate under their hands, certifying the result thereof.

Section 1.5 Proxies. Shareholders may vote at any meeting of the shareholders by proxies duly authorized in writing, but no officer or employee of this Association shall act as proxy. Proxies shall be valid only for one meeting, to be specified therein, and any adjournments of such meeting. Proxies shall be dated and shall be filed with the records of the meeting.

Section 1.6 Quorum. A majority of the outstanding capital stock, represented in person or by proxy, shall constitute a quorum at any meeting of shareholders, unless otherwise provided by law; but less than a quorum may adjourn any meeting, from time to time, and the meeting may be held, as adjourned, without further notice. A majority of the votes cast shall decide every question or matter submitted to the shareholders at any meeting, unless otherwise provided by law or by the Articles of Association.

ARTICLE II

Directors

Section 2.1 Board of Directors. The Board of Directors (hereinafter referred to as the "Board"), shall have power to manage and administer the business and affairs of the Association. Except as expressly limited by law, all corporate powers of the Association shall be vested in and may be exercised by said Board.

Section 2.2 Number. The Board shall consist of not less than five nor more than twenty-five directors, the exact number within such minimum and maximum limits to be fixed and determined from time to time by resolution of a majority of the full Board or by resolution of the shareholders at any meeting thereof; provided, however, that a majority of the full Board of Directors may not increase the number of directors to a number which, (1) exceeds by more than two the number of directors last elected by shareholders where such number was fifteen or less, and (2) to a number which exceeds by more than four the number of directors last elected by shareholders where such number was sixteen or more, but in no event shall the number of directors exceed twenty-five.

Section 2.3 Organization Meeting. The Secretary of the meeting upon receiving the certificate of the judges, of the result of any election, shall notify the directors-elect of their election and of the time at which they are required to meet at the Main Office of the Association for the purpose of organizing the new Board and electing and appointing officers of the Association for the succeeding year. Such meeting shall be held as soon thereafter as practicable. If, at the time fixed for such meeting, there shall not be a quorum present, the directors present may adjourn the meeting from time to time, until a quorum is obtained.

Section 2.4 Regular Meetings. Regular meetings of the Board of Directors shall be held at such place and time as may be designated by resolution of the Board of Directors. Upon adoption of such resolution, no further notice of such meeting dates or the places or times thereof shall be required. Upon the failure of the Board of Directors to adopt such a resolution, regular meetings of the Board of Directors shall be held, without notice, on the third Tuesday in February, April, June, August, October and December, commencing with the year 1997, at the main office or at such other place and time as may be designated by the Board of Directors. When any regular meeting of the Board would otherwise fall on a holiday, the meeting shall be held on the next business day unless the Board shall designate some other day.

Section 2.5 Special Meetings. Special meetings of the Board of Directors may be called by the President of the Association, or at the request of three (3) or more directors. Each member of the Board of Directors shall be given notice stating the time and place, by telegram, letter, or in person, of each such special meeting.

Section 2.6 Quorum. A majority of the directors shall constitute a quorum at any meeting, except when otherwise provided by law; but a less number may adjourn any meeting, from time to time, and the meeting may be held, as adjourned, without further notice.

Section 2.7 Vacancies. When any vacancy occurs among the directors, the remaining members of the Board, in accordance with the laws of the United States, may appoint a director to fill such vacancy at any regular meeting of the Board, or at a special meeting called for that purpose.

Section 2.8 Advisory Boards. The Board of Directors may appoint Advisory Boards for each of the states in which the Association conducts operations. Each such Advisory Board shall consist of as many persons as the Board of Directors may determine. The duties of each Advisory Board shall be to consult and advise with the Board of Directors and senior officers of the Association in such state with regard to the best interests of the Association and to perform such other duties as the Board of Directors may lawfully delegate. The senior officer in such state, or such officers as directed by such senior officer, may appoint advisory boards for geographic regions within such state and may consult with the State Advisory Boards prior to such appointments.

ARTICLE III

Committees of the Board

Section 3.1 The Board of Directors, by resolution adopted by a majority of the number of directors fixed by these By-Laws, may designate two or more directors to constitute an Executive Committee and other committees, each of which, to the extent authorized by law and provided in such resolution, shall have and may exercise all of the authority of the Board of Directors and the management of the Association. The designation of any committee and the delegation thereto of authority shall not operate to relieve the Board of Directors, or any member thereof, of any responsibility or liability imposed upon it or any member of the Board of Directors by law. The Board of Directors reserves to itself alone the power to act on (1) dissolution, merger or consolidation, or disposition of substantially all corporate property, (2) designation of committees or filling vacancies on the Board of Directors or on a committee of the Board (except as hereinafter provided), (3) adoption, amendment or repeal of By-laws, (4) amendment or repeal of any resolution of the Board which by its terms is not so amendable or repealable, and (5) declaration of dividends, issuance of stock, or recommendations to stockholders of any action requiring stockholder approval.

The Board of Directors or the Chairman of the Board of Directors of the Association may change the membership of any committee at any time, fill vacancies therein, discharge any committee or member thereof either with or without cause at any

time, and change at any time the authority and responsibility of any such committee.

A majority of the members of any committee of the Board of Directors may fix such committee's rules of procedure. All action by any committee shall be reported to the Board of Directors at a meeting succeeding such action, except such actions as the Board may not require to be reported to it in the resolution creating any such committee. Any action by any committee shall be subject to revision, alteration, and approval by the Board of Directors, except to the extent otherwise provided in the resolution creating such committee; provided, however, that no rights or acts of third parties shall be affected by any such revision or alteration.

ARTICLE IV

Officers and Employees

Section 4.1 Officers. The officers of the Association may be a Chairman of the Board, a Vice Chairman of the Board, one or more Chairmen or Vice Chairmen (who shall not be required to be directors of the Association), a President, one or more Vice Presidents, a Secretary, a Cashier or Treasurer, and such other officers, including officers holding similar or equivalent titles to the above in regions, divisions or functional units of the Association, as may be appointed by the Board of Directors. The Chairman of the Board and the President shall be members of the Board of Directors. Any two or more offices may be held by one person, but no officer shall sign or execute any document in more than one capacity.

Section 4.2 Election, Term of Office, and Qualification. Each officer shall be chosen by the Board of Directors and shall hold office until the annual meeting of the Board of Directors held next after his election or until his successor shall have been duly chosen and qualified, or until his death, or until he shall resign, or shall have been disqualified, or shall have been removed from office.

Section 4.2(a) Officers Acting as Assistant Secretary. Notwithstanding Section 1 of these By-laws, any Senior Vice President, Vice President, or Assistant Vice President shall have, by virtue of his office, and by authority of the By-laws, the authority from time to time to act as an Assistant Secretary of the Bank, and to such extent, said officers are appointed to the office of Assistant Secretary.

Section 4.3 Chief Executive Officer. The Board of Directors shall designate one of its members to be the President of this Association, and the officer so designated shall be an ex officio member of all committees of the Association except the Examining Committee, and its Chief Executive Officer unless some other officer is so designated by the Board of Directors.

Section 4.4 Duties of Officers. The duties of all officers shall be prescribed by the Board of Directors. Nevertheless, the Board of Directors may delegate to the Chief Executive Officer the authority to prescribe the duties of other officers of the corporation not inconsistent with law, the charter, and these By-laws, and to appoint other employees, prescribe their duties, and to dismiss them. Notwithstanding such delegation of authority, any officer or employee also may be dismissed at any time by the Board of Directors.

Section 4.5 Other Employees. The Board of Directors may appoint from time to time such tellers, vault custodians, bookkeepers, and other clerks, agents, and employees as it may deem advisable for the prompt and orderly transaction of the business of the Association, define their duties, fix the salary to be paid them, and dismiss them. Subject to the authority of the Board of Directors, the Chief Executive Officer or any other officer of the Association authorized by him, may appoint and dismiss all such tellers, vault custodians, bookkeepers and other clerks, agents, and employees, prescribe their duties and the conditions of their employment, and from time to time fix their compensation.

Section 4.6 Removal and Resignation. Any officer or employee of the Association may be removed either with or without cause by the Board of Directors. Any employee other than an officer elected by the Board of Directors may be dismissed in accordance with the provisions of the preceding Section 4.5. Any officer may resign at any time by giving written notice to the Board of Directors or to the Chief Executive Officer of the Association. Any such resignation shall become effective upon its being accepted by the Board of Directors, or the Chief Executive Officer.

ARTICLE V

Fiduciary Powers

Section 5.1 Capital Management Group. There shall be an area of this Association known as the Capital Management Group which shall be responsible for the exercise of the fiduciary powers of this Association. The Capital Management Group shall consist of four service areas: Fiduciary Services, Retail Services, Investments and Marketing. The Fiduciary Services unit shall consist of personal trust, employee benefits, corporate trust and operations. The General Office for the Fiduciary Services

unit shall be located in Charlotte, N.C., with City Trust Offices located in such cities within the State of North Carolina as designated by the Board of Directors.

Section 5.2 Trust Officers. There shall be a General Trust Officer of this Association whose duties shall be to manage, supervise and direct all the activities of the Capital Management Group. Further, there shall be one or more Senior Trust Officers designated to assist the General Trust Officer in the performance of his duties. They shall do or cause to be done all things necessary or proper in carrying out the business of the Capital Management Group in accordance with provisions of applicable law and regulation.

Section 5.3 Capital Management/General Trust Committee. There shall be a Capital Management/General Trust Committee composed of not less than four (4) members of the Board of Directors or officers of this Association who shall be appointed annually or from time to time by the Board of Directors of the Association. The General Trust Officer shall serve as an ex-officio member of the Committee. Each member shall serve until his successor is appointed. The Board of Directors or the Chairman of the Board may change the membership of the Capital Management/General Trust Committee at any time, fill vacancies therein, or discharge any member thereof with or without cause at any time. The Committee shall counsel and advise on all matters relating to the business or affairs of the Capital Management Group and shall adopt overall policies for the conduct of the business of the Capital Management Group including but not limited to: general administration, investment policies, new business development, and review for approval of major assignments of functional responsibilities. The Committee shall meet at least quarterly or as called for by its Chairman or any three (3) members of the Committee. A quorum shall consist of three (3) members. In carrying out its responsibilities, the Capital Management/General Trust Committee shall review the actions of all officers, employees and committees utilized by this Association in connection with the activities of the Capital Management Group and may assign the administration and performance of any fiduciary powers or duties to any of such officers or employees or to the Investment Policy Committee, Personal Trust Administration Committee, Account Review Committee, Corporate and Institutional Accounts Committee, or any other committees it shall designate. One of the methods to be used in the review process will be the thorough scrutiny of the Report of Examination by the Office of the Comptroller of the Currency and the reports of the Audit Division of First Union Corporation, as they relate to the activities of the Capital Management Group. These reviews shall be in addition to reviews of such reports by the Audit Committee of the Board of Directors. The Chairman of the Capital Management/ General Trust Committee shall be appointed by the Chairman of the Board of Directors. He shall cause to be recorded in appropriate minutes all actions taken by the Committee. The minutes shall be signed by its Secretary and approved by its Chairman. Further, the Committee shall summarize all actions taken by it and shall submit a report of its proceedings to the Board of Directors at its next regularly scheduled meeting following a meeting of the Capital Management/General Trust Committee. As required by Section 9.7 of Regulation 9 of the Comptroller of the Currency, the Board of Directors retains responsibility for the proper exercise of the fiduciary powers of this Association.

The Fiduciary Services unit of the Capital Management Group will maintain a list of securities approved for investment in fiduciary accounts and will from time to time provide the Capital Management/General Trust Committee with current information relative to such list and also with respect to transactions in other securities not on such list. It is the policy of this Association that members of the Capital Management/General Trust Committee should not buy, sell or trade in securities which are on such approved list or in any other securities in which the Fiduciary Services unit has taken, or intends to take, a position in fiduciary accounts in any circumstances in which any such transaction could be viewed as a possible conflict of interest or could constitute a violation of applicable law or regulation. Accordingly, if any such securities are owned by any member of the Capital Management/General Trust Committee at the time of appointment to such Committee, the Capital Management Group shall be promptly so informed in writing. If any member of the Capital Management/General Trust Committee intends to buy, sell, or trade in any such securities while serving as a member of the Committee, he should first notify the Capital Management Group in order to make certain that any proposed transaction will not constitute a violation of this policy or of applicable law or regulation.

Section 5.4 Investment Policy Committee. There shall be an Investment Policy Committee composed of not less than seven (7) officers and/or employees of this Association who shall be appointed annually or from time to time by the Board of Directors. Each member shall serve until his successor is appointed. Meetings shall be called by the Chairman or any two (2) members of the Committee. A quorum shall consist of five (5) members. The Investment Policy Committee shall exercise such fiduciary powers and perform such duties as may be assigned to it by the Capital Management/General Trust Committee. All actions taken by the Investment Policy Committee shall be recorded in appropriate minutes, signed by the Secretary thereof, approved by its Chairman and submitted to the Capital Management/General Trust Committee at its next ensuing regular meeting for its review and approval.

Section 5.5 Personal Trust Administration Committee. There shall be a Personal Trust Administration Committee composed of not less than five (5) officers, who shall be appointed annually or from time to time by the Board of Directors. Each member shall serve until his successor is appointed. Meetings shall be called by the Chairman or any three (3) members of the Committee. A quorum shall consist of three (3) members. The Personal Trust Administration

Committee shall exercise such fiduciary powers and perform such duties as may be assigned to it by the Capital Management/General Trust Committee. All

action taken by the Personal Trust Administration Committee shall be recorded in appropriate minutes signed by the Secretary thereof, approved by its Chairman, and submitted to the Capital Management/General Trust Committee at its next ensuing regular meeting for its review and approval.

Section 5.6 Account Review Committee. There shall be an Account Review Committee composed of not less than four (4) officers and/or employees of this Association, who shall be appointed annually or from time to time by the Board of Directors. Each member shall serve until his successor is appointed. Meetings shall be called by the Chairman or any two (2) members of the Committee. A quorum shall consist of three (3) members. The Account Review Committee shall exercise such fiduciary powers and perform such duties as may be assigned to it by the Capital Management/General Trust Committee. All actions taken by the Account Review Committee shall be recorded in appropriate minutes, signed by the Secretary thereof, approved by its Chairman and submitted to the Capital Management/ General Trust Committee at its next ensuing regular meeting for its review and approval.

Section 5.7 Corporate and Institutional Accounts Committee. There shall be a Corporate and Institutional Accounts Committee composed of not less than five (5) officers and/or employees of this Association, who shall be appointed annually, or from time to time, by the Capital Management/General Trust Committee and approved by the Board of Directors. Meetings may be called by the Chairman or any two (2) members of the Committee. A quorum shall consist of three (3) members. The Corporate and Institutional Accounts Committee shall exercise such fiduciary powers and duties as may be assigned to it by the General Trust Committee. All actions taken by the Corporate and Institutional Accounts Committee shall be recorded in appropriate minutes, signed by the Secretary thereof, approved by its Chairman and made available to the General Trust Committee at its next ensuing regular meeting for its review and approval.

ARTICLE VI

Stock and Stock Certificates

Section 6.1 Transfers. Shares of stock shall be transferable on the books of the Association, and a transfer book shall be kept in which all transfers of stock shall be recorded. Every person becoming a shareholder by such transfer shall, in proportion to his shares, succeed to all rights and liabilities of the prior holder of such shares.

Section 6.2 Stock Certificates. Certificates of stock shall bear the signature of the Chairman, the Vice Chairman, the President, or a Vice President (which may be engraved, printed, or impressed), and shall be signed manually or by facsimile process by the Secretary, Assistant Secretary, Cashier, Assistant Cashier, or any other officer appointed by the Board of Directors for that purpose, to be known as an Authorized Officer, and the seal of the Association shall be engraved thereon. Each certificate shall recite on its face that the stock represented thereby is transferable only upon the books of the Association properly endorsed.

ARTICLE VII

Corporate Seal

Section 7.1 The President, the Cashier, the Secretary, or any Assistant Cashier, or Assistant Secretary, or other officer thereunto designated by the Board of Directors shall have authority to affix the corporate seal to any document requiring such seal, and to attest the same. Such seal shall be substantially in the following form.

ARTICLE VIII

Miscellaneous Provisions

Section 8.1 Fiscal Year. The fiscal year of the Association shall be the calendar year.

Section 8.2 Execution of Instruments. All agreements, indentures, mortgages, deeds, conveyances, transfers, certificates, declarations, receipts, discharges, releases, satisfactions, settlements, petitions, notices, applications, schedules, accounts, affidavits, bonds, undertakings, proxies, and other instruments or documents may be signed, executed, acknowledged, verified, delivered or accepted in behalf of the Association by the Chairman of the Board, the Vice Chairman of the Board, any Chairman or Vice Chairman, the President, any Vice President or Assistant Vice President, the Secretary or any Assistant Secretary, the Cashier or Treasurer or any Assistant Cashier or Assistant Treasurer, or any officer holding similar or equivalent titles to the above in any regions, divisions or functional units of the Association, or, if in connection with the exercise of fiduciary powers of the Association, by any of said officers or by any Trust Officer or Assistant Trust Officer (or equivalent titles); provided, however, that where required, any such instrument shall be attested by one of said officers other than the officer executing such instrument. Any such instruments may also be executed, acknowledged, verified, delivered or accepted in behalf

of the Association in such other manner and by such other officers as the Board of Directors may from time to time direct. The provisions of this Section 8.2 are supplementary to any other provision of these By-laws.

Section 8.3 Records. The Articles of Association, the By-laws, and the proceedings of all meetings of the shareholders, the Board of Directors, standing committees of the Board, shall be recorded in appropriate minute books provided for the purpose. The minutes of each meeting shall be signed by the Secretary, Cashier, or other officer appointed to act as Secretary of the meeting.

ARTICLE IX

By-laws

Section 9.1 Inspection. A copy of the By-laws, with all amendments thereto, shall at all times be kept in a convenient place at the Head Office of the Association, and shall be open for inspection to all shareholders, during banking hours.

Section 9.2 Amendments. The By-laws may be amended, altered or repealed, at any regular or special meeting of the Board of Directors, by a vote of a majority of the whole number of Directors.

Exhibit A

First Union National Bank
Article X
Emergency By-laws

In the event of an emergency declared by the President of the United States or the person performing his functions, the officers and employees of this Association will continue to conduct the affairs of the Association under such guidance from the directors or the Executive Committee as may be available except as to matters which by statute require specific approval of the Board of Directors and subject to conformance with any applicable governmental directives during the emergency.

OFFICERS PRO TEMPORE AND DISASTER

Section 1. The surviving members of the Board of Directors or the Executive Committee shall have the power, in the absence or disability of any officer, or upon the refusal of any officer to act, to delegate and prescribe such officer's powers and duties to any other officer, or to any director, for the time being.

Section 2. In the event of a state of disaster of sufficient severity to prevent the conduct and management of the affairs and business of this Association by its directors and officers as contemplated by these By-laws, any two or more available members of the then incumbent Executive Committee shall constitute a quorum of that Committee for the full conduct and management of the affairs and business of the Association in accordance with the provisions of Article II of these By-laws; and in addition, such Committee shall be empowered to exercise all of the powers reserved to the General Trust Committee under Section 5.3 of Article V hereof. In the event of the unavail- ability, at such time, of a minimum of two members of the then incumbent Executive Committee, any three available directors shall constitute the Executive Committee for the full conduct and management of the affairs and business of the Association in accordance with the foregoing provisions of this section. This By-law shall be subject to implementation by resolutions of the Board of Directors passed from time to time for that purpose, and any provisions of these By-laws (other than this section) and any resolutions which are contrary to the provisions of this section or to the provisions of any such implementary resolutions shall be suspended until it shall be determined by an interim Executive Committee acting under this section that it shall be to the advantage of this Association to resume the conduct and management of its affairs and business under all of the other provisions of these By-laws.

Officer Succession

BE IT RESOLVED, that if consequent upon war or warlike damage or disaster, the Chief Executive Officer of this Association cannot be located by the then acting Head Officer or is unable to assume or to continue normal executive duties, then the authority and duties of the Chief Executive Officer shall, without further action of the Board of Directors, be automatically assumed by one of the following persons in the order designated:

Chairman
President
Division Head/Area Administrator - Within this officer class, officers shall take seniority on the basis of length of service in such office or, in the event of equality, length of service as an officer of the Association.

Any one of the above persons who in accordance with this resolution assumes the authority and duties of the Chief Executive Officer shall continue to serve until he resigns or until five-sixths of the other officers who are attached to the then acting Head Office decide in writing he is unable to perform said duties or until the elected Chief Executive Officer of this Association, or a person higher on the above list, shall become available to perform the duties of Chief Executive Officer of the Association.

BE IT FURTHER RESOLVED, that anyone dealing with this Association may accept a certification by any three officers that a specified individual is acting as Chief Executive Officer in accordance with this resolution; and that anyone accepting such certification may continue to consider it in force until notified in writing of a change, said notice of change to carry the signatures of three officers of the Association.

Alternate Locations

The offices of the Association at which its business shall be conducted shall be the main office thereof in each city which is designated as a City Office (and branches, if any), and any other legally authorized location which may be leased or

acquired by this Association to carry on its business. During an emergency resulting in any authorized place of business of this Association being unable to function, the business ordinarily conducted at such location shall be relocated elsewhere in suitable quarters, in addition to or in lieu of the locations heretofore mentioned, as may be designated by the Board of Directors or by the Executive Committee or by such persons as are then, in accordance with resolutions adopted from time to time by the Board of Directors dealing with the exercise of authority in the time of such emergency, conducting the affairs of this Association. Any temporarily relocated place of business of this Association shall be returned to its legally authorized location as soon as practicable and such temporary place of business shall then be discontinued.

Acting Head Offices

BE IT RESOLVED, that in case of and provided because of war or warlike damage or disaster, the General Office of this Association, located in Charlotte, North Carolina, is unable temporarily to continue its functions, the Raleigh office, located in Raleigh, North Carolina, shall automatically and without further action of this Board of Directors, become the "Acting Head Office of this Association";

BE IT FURTHER RESOLVED, that if by reason of said war or warlike damage or disaster, both the General Office of this Association and the said Raleigh Office of this Association are unable to carry on their functions, then and in such case, the Asheville Office of this Association, located in Asheville, North Carolina, shall, without further action of this Board of Directors, become the "Acting Head Office of this Association"; and if neither the Raleigh Office nor the Asheville Office can carry on their functions, then the Greensboro Office of this Association, located in Greensboro, North Carolina, shall, without further action of this Board of Directors, become the "Acting Head Office of this Association"; and if neither the Raleigh Office, the Asheville Office, nor the Greensboro Office can carry on their functions, then the Lumberton Office of this Association, located in Lumberton, North Carolina, shall, without further action of this Board of Directors, become the "Acting Head Office of this Association". The Head Office shall resume its functions at its legally authorized location as soon as practicable.

Consolidated Report of Condition for Insured Commercial
and State-Chartered Savings Banks for December 31, 1997

All schedules are to be reported in thousands of dollars. Unless otherwise indicated, report the amount outstanding as of the last business day of the quarter.

Schedule RC--Balance Sheet

	Dollar Amount in Thousands	RCFD	C400 Bil Mil Thou	
ASSETS		//////////		
1. Cash and balances due from depository institutions (from Schedule RC-A):		//////////		
a. Noninterest-bearing balances and currency and coin (1)		0081	5,350,509	1.a.
b. Interest-bearing balances (2)		0071	527,082	1.b.
2. Securities:		//////////		
a. Held-to-maturity securities (from Schedule RC-B, column A)		1754	1,679,050	2.a.
b. Available-for-sale securities (from Schedule RC-B, column D)		1773	16,948,015	2.b.
3. Federal funds sold and securities purchased under agreements to resell		1350	2,626,508	3.
4. Loans and lease financing receivables		//////////		
a. Loans and leases, net of unearned income (from Schedule RC-C)	RCFD 2122 83,315,758	//////////		4.a.
b. LESS: Allowance for loan and lease losses	RCFD 3123 1,005,217	//////////		4.b.
c. LESS: Allocated transfer risk reserve	RCFD 3128 0	//////////		4.c.
d. Loans and leases, net of unearned income, allowance, and reserve (item 4.a minus 4.b and 4.c)		2125	82,310,541	4.d.
5. Trading assets (from Schedule RC-D)		3545	3,322,404	5.
6. Premises and fixed assets (including capitalized leases)		2145	2,167,626	6.
7. Other real estate owned (from Schedule RC-M)		2150	70,835	7.
8. Investments in unconsolidated subsidiaries and associated companies (from Schedule RC-M)		2130	181,970	8.
9. Customers' liability to this bank on acceptances outstanding		2155	761,776	9.
10. Intangible assets (from Schedule RC-M)		12143	2,539,719	10.
11. Other assets (from Schedule RC-F)		12160	6,508,589	11.
12. Total assets (sum of items 1 through 11)		12170	124,994,624	12.

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(1) Includes cash items in process of collection and unposted debits.
(2) Includes time certificates of deposit not held for trading.

Schedule RC--Continued

		Dollar Amount in Thousands		Bil Mil Thou	
LIABILITIES					
13. Deposits:					
a.In domestic offices (sum of totals of columns A and C from Schedule RC-E, part I)			RCON 2200	79,161,386	13.a.
(1) Noninterest-bearing (1)	RCON 6631	15,696,570			13.a.(1)
(2) Interest-bearing	RCON 6636	63,464,816			13.a.(2)
b.In foreign offices, Edge and Agreement subsidiaries, and IBFs (from Schedule RC-E, part II)			2200	11,656,207	13.b.
(1) Noninterest-bearing	RCFN 6631	0			13.b.(1)
(2) Interest-bearing	RCFN 6636	11,656,207			13.b.(2)
14. Federal funds purchased and securities sold under agreements to repurchase			RCFD 2800	13,333,348	14.
15. a.Demand notes issued to the U.S. Treasury			RCON 2840	258,807	15.a.
b.Trading liabilities (from Schedule RC-D)			RCFD 3548	3,030,911	15.b.
16. Other borrowed money (includes mortgage indebtedness and obligations under capitalized leases):					
a. With a remaining maturity of one year or less			RCFD 2332	2,092,679	16.a.
b.With a remaining maturity of more than one year through three years			RCFD A547	325,781	16.b.
c. With a remaining maturity of more than three years			RCFD A548	58,347	16.c.
17. Not applicable					
18. Bank's liability on acceptances executed and outstanding			RCFD 2920	761,776	18.
19. Subordinated notes and debentures (2)			RCFD 3200	2,347,834	19.
20. Other liabilities (from Schedule RC-G)			RCFD 2930	2,480,990	20.
21. Total liabilities (sum of items 13 through 20)			RCFD 2948	115,508,066	21.
22. Not applicable					
EQUITY CAPITAL					
23. Perpetual preferred stock and related surplus			RCFD 3838	0	23.
24. Common stock			RCFD 3230	82,795	24.
25. Surplus (exclude all surplus related to preferred stock)			RCFD 3839	6,695,493	25.
26. a.Undivided profits and capital reserves			RCFD 3632	2,498,515	26.a.
b.Net unrealized holding gains (losses) on available-for-sale securities			RCFD 8434	209,755	26.b.
27. Cumulative foreign currency translation adjustments			RCFD 3284	0	27.
28. Total equity capital (sum of items 23 through 27)			RCFD 3210	9,486,558	28.
29. Total liabilities and equity capital (sum of items 21 and 28)			RCFD 3300	124,994,624	29.

Memorandum
To be reported only with the March Report of Condition.

1. Indicate in the box at the right the number of the statement below that best describes the most comprehensive level of auditing work performed for the bank by independent external auditors as of any date during 1996	RCFD 6724	N/A	Number	M.1.

1 = Independent audit of the bank conducted in accordance with generally accepted auditing standards by a certified public accounting firm which submits a report on the bank

2 = Independent audit of the bank's parent holding company conducted in accordance with generally accepted auditing standards by a certified public accounting firm which submits a report on the consolidated holding company (but not on the bank separately)

3 = Directors' examination of the bank conducted in accordance with generally accepted auditing standards by a certified public accounting firm (may be required by state chartering authority)

4 = Directors' examination of the bank performed by other external auditors (may be required by state chartering authority)

5 = Review of the bank's financial statements by external auditors

6 = Compilation of the bank's financial statements by external auditors

7 = Other audit procedures (excluding tax preparation work) 8 = No external audit work

- ----------

(1) Includes total demand deposits and noninterest-bearing time and savings deposit.
(2) Includes limited-life preferred stock and related surplus.

LETTER OF TRANSMITTAL
UNIFI, INC.
OFFER FOR ALL OUTSTANDING
6 1/2% NOTES DUE 2008
IN EXCHANGE FOR
6 1/2% NOTES DUE 2008, SERIES B
PURSUANT TO THE PROSPECTUS, DATED , 1998

THE EXCHANGE OFFER WILL EXPIRE AT 5:00 P.M. NEW YORK CITY TIME, ON , , 1998, UNLESS EXTENDED (THE "EXPIRATION DATE"). TENDERS MAY BE WITHDRAWN PRIOR TO 5:00 P.M., NEW YORK CITY TIME, ON THE EXPIRATION DATE.

Delivery To: First Union National Bank, Exchange Agent
By Mail:
First Union National Bank
Corporate Trust Reorganization Dept.
1525 West W.T. Harris Blvd., 3C3
Charlotte, North Carolina 28288
Attention: Mr. Mike Klotz
By Overnight Courier or Hand:
First Union National Bank
Corporate Trust Reorganization Dept.
1525 West W.T. Harris Blvd., 3C3
Charlotte, North Carolina 28262
Attention: Mr. Mike Klotz
By Facsimile in New York:
704-590-7628
Confirm by Telephone:
704-590-7408

DELIVERY OF THIS INSTRUMENT TO AN ADDRESS OTHER THAN AS SET FORTH ABOVE, OR TRANSMISSION OF INSTRUCTIONS VIA FACSIMILE OTHER THAN AS SET FORTH ABOVE, WILL NOT CONSTITUTE A VALID DELIVERY.

The undersigned acknowledges that he or she has received and reviewed the Prospectus, dated , 1998 (the "Prospectus"), of Unifi, Inc., a New York corporation (the "Company"), and this Letter of Transmittal (the "Letter"), which together constitute the Company's offer (the "Exchange Offer") to exchange an aggregate principal amount of up to $250,000,000 of its 6 1/2% Notes due 2008, Series B, which have been registered under the Securities Act of 1933, as amended (the "New Notes"), of the Company for a like principal amount of the issued and outstanding 6 1/2% Notes due 2008 (the "Existing Notes") of the Company from the holders thereof.

For each Existing Note accepted for exchange, the holder of such Existing Note will receive a New Note having a principal amount equal to that of the surrendered Existing Note. The New Notes will bear interest from the most recent date to which interest has been paid on the Existing Notes or, if no interest has been paid on the Existing Notes, from February 5, 1998. Accordingly, if the relevant record date for interest payment occurs after the consummation of the Exchange Offer registered holders of New Notes on such record date will receive interest accruing from the most recent date to which interest has been paid or, if no interest has been paid, from February 5, 1998. If, however, the relevant record date for interest payment occurs prior to the consummation of the Exchange Offer registered holders of Existing Notes on such record date will receive interest accruing from the most recent date to which interest has been paid or, if no interest has been paid, from February 5, 1998. Existing Notes accepted for exchange will cease to accrue interest from and after the date of consummation of the Exchange Offer. Holders of Existing Notes whose Existing Notes are accepted for exchange will not receive any payment in respect of interest on such Existing Notes otherwise payable on any interest payment date the record date for which occurs on or after consummation of the Exchange Offer.

This Letter is to be completed by a holder of Existing Notes either if certificates are to be forwarded herewith or if a tender of certificates for Existing Notes, if available, is to be made by book-entry transfer to the account maintained by the Exchange Agent at The Depository Trust Company (the "Book-Entry Transfer Facility") pursuant to the procedures set forth in "The Exchange Offer -- Book-Entry Transfer" section of the Prospectus and an Agent's Message (as defined herein) is not delivered. Holders of Existing Notes whose certificates are not immediately available, or who are unable to deliver their certificates or confirmation of the book-entry tender of their Existing Notes into the Exchange Agent's account at the Book-Entry Transfer Facility (a "Book-Entry Confirmation") and all other documents required by this Letter to the Exchange Agent on or prior to the Expiration Date, must tender their Existing Notes according to the guaranteed delivery procedures set forth in "The Exchange Offer -- Guaranteed Delivery Procedures" section of the Prospectus. See Instruction 1. Delivery of documents to the Book-Entry Transfer Facility does not constitute delivery to the Exchange Agent.

The undersigned has completed the appropriate boxes below and signed this Letter to indicate the action the undersigned desires to take with respect to the Exchange Offer.

List below the Existing Notes to which this Letter relates. If the space provided below is inadequate, the certificate numbers and principal amount of Existing Notes should be listed on a separate signed schedule affixed hereto.

DESCRIPTION OF EXISTING NOTES	1	2	3
NAME(S) AND ADDRESS(ES) OF REGISTERED HOLDER(S) (PLEASE FILL IN, IF BLANK)	CERTIFICATE NUMBER(S)*	AGGREGATE PRINCIPAL AMOUNT OF OLD NOTE(S)	PRINCIPAL AMOUNT TENDERED**
TOTAL			

* Need not be completed if Existing Notes are being tendered by book-entry transfer.

** Unless otherwise indicated in this column, a holder will be deemed to have tendered ALL of the Existing Notes represented by the Existing Notes indicated in column 2. See Instruction 2. Existing Notes tendered must be in denominations of principal amount of $1,000 and any integral multiple thereof. See Instruction 1.

[ ] CHECK HERE IF TENDERED SHARES ARE BEING DELIVERED BY BOOK-ENTRY TRANSFER MADE TO THE ACCOUNT MAINTAINED BY THE EXCHANGE AGENT WITH THE BOOK-ENTRY TRANSFER FACILITY AND COMPLETE THE FOLLOWING:

Name of Tendering Institution

Account Number --- Transaction Code Number ---

By crediting Existing Notes to the Exchange Agent's Account at the Book Entry Transfer Facility in accordance with the Book-Entry Transfer Facility's Automated Tender Offer Program ("ATOP") and by complying with applicable ATOP procedures with respect to the Exchange Offer, including transmitting an Agent's Message to the Exchange Agent in which the Holder of Existing Notes acknowledges and agrees to be bound by the terms of this Letter, the participant in ATOP confirms on behalf of itself and the beneficial owners of such Existing Notes all provisions of this Letter applicable to it and such beneficial owners as if it had completed the information required herein and executed and transmitted this Letter to the Exchange Agent.

[ ] CHECK HERE IF TENDERED EXISTING NOTES ARE BEING DELIVERED PURSUANT TO A NOTICE OF GUARANTEED DELIVERY SENT TO THE EXCHANGE AGENT AND COMPLETE THE FOLLOWING:

Name(s) of Registered Holder(s)

Window Ticket Number (if any)

Date of Execution of Notice of Guaranteed Delivery

Name of Institution which guaranteed delivery

IF DELIVERED BY BOOK-ENTRY TRANSFER, COMPLETE THE FOLLOWING:

Account Number --- Transaction Code Number ---

[ ] CHECK HERE IF YOU ARE A BROKER-DEALER AND WISH TO RECEIVE 10 ADDITIONAL COPIES OF THE PROSPECTUS AND 10 COPIES OF ANY AMENDMENTS OR SUPPLEMENTS THERETO.:

Name:

Address:

If the undersigned is not a broker-dealer, the undersigned represents that it is not engaged in, and does not intend to engage in, a distribution of New Notes. If the undersigned is a broker-dealer that will receive New Notes for its own account in exchange for Existing Notes, it represents that the Existing Notes to be exchanged for New Notes were acquired by it as a result of market-making or other trading activities and acknowledges that it will deliver a prospectus in connection with any resale of such New Notes; however, by so acknowledging and by delivering a prospectus, the undersigned will not be deemed to admit that it is an "underwriter" within the meaning of the Securities Act of 1933, as amended.

PLEASE READ THE ACCOMPANYING INSTRUCTIONS CAREFULLY

Ladies and Gentlemen:

Upon the terms and subject to the conditions of the Exchange Offer, the undersigned hereby tenders to the Company the aggregate principal amount of Existing Notes indicated above. Subject to, and effective upon, the acceptance for exchange of the Existing Notes tendered hereby, the undersigned hereby sells, assigns and transfers to, or upon the order of, the Company all right, title and interest in and to such Existing Notes as are being tendered hereby.

The undersigned hereby represents and warrants that the undersigned has full power and authority to tender, sell, assign and transfer the Existing Notes tendered hereby and that the Company will acquire good and unencumbered title thereto, free and clear of all liens, restrictions, charges and encumbrances and not subject to any adverse claim when the same are accepted by the Company. The undersigned hereby further represents that any New Notes acquired in exchange for Existing Notes tendered hereby will have been acquired in the ordinary course of business of the person receiving such New Notes, whether or not such person is the undersigned, that neither the holder of such Existing Notes nor any such other person has an arrangement or understanding with any person to participate in the distribution of such New Notes and that neither the holder of such Existing Notes nor any such other person is an "affiliate," as defined in Rule 405 under the Securities Act of 1933, as amended (the "Securities Act"), of the Company.

The undersigned also acknowledges that this Exchange Offer is being made in reliance on interpretations by the staff of the Securities and Exchange Commission (the "SEC"), as set forth in no-action letters issued to third parties, that the New Notes issued in exchange for the Existing Notes pursuant to the Exchange Offer may be offered for resale, resold and otherwise transferred by holders thereof (other than any such holder that is an "affiliate" of the Company within the meaning of Rule 405 under the Securities Act), without compliance with the registration and prospectus delivery provisions of the Securities Act, provided that such New Notes are acquired in the ordinary course of such holders' business and such holders have no arrangement with any person to participate in the distribution of such New Notes. However, the Company does not intend to request the SEC to consider, and the SEC has not considered the Exchange Offer in the context of a no-action letter and there can be no assurance that the staff of the SEC would make a similar determination with respect to the Exchange Offer as in other circumstances. If the undersigned is not a broker-dealer, the undersigned represents that it is not engaged in, and does not intend to engage in, a distribution of New Notes and has no arrangement or understanding to participate in a distribution of New Notes. If any holder is an affiliate of the Company or is engaged in or intends to engage in or has any arrangement or understanding with respect to the distribution of the New Notes to be acquired pursuant to the Exchange Offer, such holder (i) could not rely on the applicable interpretations of the staff of the SEC and (ii) must comply with the registration and prospectus delivery requirements of the Securities Act in connection with any resale transaction. If the undersigned is a broker-dealer that will receive New Notes for its own account in exchange for Existing Notes, it represents that the Existing Notes to be exchanged for the New Notes were acquired by it as a result of market-making or other trading activities and acknowledges that it will deliver a prospectus in connection with any resale of such New Notes; however, by so acknowledging and by delivering a prospectus, the undersigned will not be deemed to admit that it is an "underwriter" within the meaning of the Securities Act.

The undersigned will, upon request, execute and deliver any additional documents deemed by the Company to be necessary or desirable to complete the sale, assignment and transfer of the Existing Notes tendered hereby. All authority conferred or agreed to be conferred in this Letter and every obligation of the undersigned hereunder shall be binding upon the successors, assigns, heirs, executors, administrators, trustees in bankruptcy and legal representatives of the undersigned and shall not be affected by, and shall survive, the death or incapacity of the undersigned. This tender may be withdrawn only in accordance with the procedures set forth in "The Exchange Offer -- Withdrawal Rights" section of the Prospectus.

Unless otherwise indicated in the box entitled "Special Issuance Instructions" below, please deliver the New Notes (and, if applicable, substitute certificates representing Existing Notes for any Existing Notes not exchanged) in the name of the undersigned or, in the case of a book-entry delivery of Existing Notes, please credit the account indicated above maintained at the Book-Entry Transfer Facility. Similarly, unless otherwise indicated in the box entitled "Special Delivery Instructions" below, please send the New Notes (and, if applicable, substitute certificates representing Existing Notes for any Existing Notes not exchanged) to the undersigned at the address shown above in the box entitled "Description of the Existing Notes."

THE UNDERSIGNED, BY COMPLETING THE BOX ENTITLED "DESCRIPTION OF EXISTING NOTES" ABOVE AND SIGNING THIS LETTER, WILL BE DEEMED TO HAVE TENDERED THE EXISTING NOTES AS SET FORTH IN SUCH BOX ABOVE.

SPECIAL ISSUANCE INSTRUCTIONS
(SEE INSTRUCTIONS 3 AND 4)

To be completed ONLY if certificates for Existing Notes not exchanged and/or New Notes are to be issued in the name of and sent to someone other than the person or persons whose signature(s) appear(s) on this Letter above, or if Existing Notes delivered by book-entry transfer which are not accepted for exchange are to be returned by credit to an account maintained at the Book-Entry Transfer Facility other than the account indicated above.

Issue: New Notes and/or Existing Notes to:

Name(s)

(PLEASE PRINT)

Address

(ZIP CODE)

(COMPLETE SUBSTITUTE FORM W-9)

[ ] Credit unexchanged Existing Notes delivered by book-entry transfer to the Book-Entry Transfer Facility account set forth below.

(Book-Entry Transfer Facility)
(Account Number, if applicable)

SPECIAL DELIVERY INSTRUCTIONS
(SEE INSTRUCTIONS 3 AND 4)

To be completed ONLY if certificates for Existing Notes not exchanged and/or New Notes are to be sent to someone other than the person or persons whose signature(s) appear(s) on this Letter above or to such person or persons at an address other than shown in the box entitled "Description of Existing Notes" on this Letter above.

Mail: New Notes and/or Existing Notes to:

Name

(PLEASE TYPE OR PRINT)

(PLEASE TYPE OR PRINT)

Address

(ZIP CODE)

IMPORTANT: THIS LETTER OR A FACSIMILE HEREOF OR AN AGENT'S MESSAGE IN LIEU HEREOF (TOGETHER WITH THE CERTIFICATES FOR EXISTING NOTES OR A BOOK-ENTRY CONFIRMATION AND ALL OTHER REQUIRED DOCUMENTS OR THE NOTICE OF GUARANTEED DELIVERY) MUST BE RECEIVED BY THE EXCHANGE AGENT PRIOR TO 5:00 P.M., NEW YORK CITY TIME, ON THE EXPIRATION DATE.

PLEASE READ THIS ENTIRE LETTER OF TRANSMITTAL

CAREFULLY BEFORE COMPLETING ANY BOX ABOVE.

PLEASE SIGN HERE
(TO BE COMPLETED BY ALL TENDERING HOLDERS)
(Complete Accompanying Substitute Form W-9 on reverse side)

Dated: _____, 1998

x _____, 1998

x _____, 1998
Signature(s) of Owner Date

Area Code and Telephone Number _____

If a holder is tendering any Existing Notes, this Letter must be signed by the registered holder(s) as the name(s) appear(s) on the certificate(s) for the Existing Notes or by any person(s) authorized to become registered holder(s) by endorsements and documents transmitted herewith. If signature is by a trustee, executor, administrator, guardian, officer or other person acting in a fiduciary or representative capacity, please set forth full title. See Instruction 3.

Name(s): _____

_____
(Please Type or Print)

Capacity: _____

Address: _____

_____
(Including Zip Code)

SIGNATURE GUARANTEE
(if required by Instruction 3)

Signature(s) Guaranteed
by an Eligible Institution: _____
(Authorized Signature)

_____
(Title)

_____
(Name and Firm)

Date: , 1998

INSTRUCTIONS

FORMING PART OF THE TERMS AND CONDITIONS OF THE
EXCHANGE OFFER FOR THE 6 1/2% NOTES DUE 2008 IN EXCHANGE FOR THE
6 1/2% NOTES DUE 2008 OF UNIFI, INC.

1. Delivery of This Letter and Notes; Guaranteed Delivery Procedures.

This letter is to be completed by noteholders either if certificates are to be forwarded herewith or if tenders are to be made pursuant to the procedures for delivery by book-entry transfer set forth in "The Exchange Offer Book-Entry Transfer" section of the Prospectus and an Agent's Message is not delivered. Certificates for all physically tendered Existing Notes, or Book-Entry Confirmation, as the case may be, as well as a properly completed and duly executed Letter (or manually signed facsimile hereof) and any other documents required by this Letter, must be received by the Exchange Agent at the address set forth herein on or prior to the Expiration Date, or the tendering holder must comply with the guaranteed delivery procedures set forth below. Existing Notes tendered hereby must be in denominations of principal amount of $1,000 and any integral multiple thereof. The term "Agent's Message" means a message transmitted to the Book-Entry Facility and received by the Exchange Agent and forming a part of the Book-Entry Confirmation, which states that the Book-Entry Transfer Facility has received an express acknowledgement from the tendering Participant that such Participant has received and agrees to be bound by this Letter and that the Company may enforce this Letter against such Participant.

Noteholders whose certificates for Existing Notes are not immediately available or who cannot deliver their certificates and all other required documents to the Exchange Agent on or prior to the Expiration Date, or who cannot complete the procedure for book-entry transfer on a timely basis, may tender their Existing Notes pursuant to the guaranteed delivery procedures set forth in "The Exchange Offer Guaranteed Delivery Procedures" section of the Prospectus. Pursuant to such procedures, (i) such tender must be made through an Eligible Institution, (ii) prior to the Expiration Date, the Exchange Agent must receive from such Eligible Institution a properly completed and duly executed Letter (or a facsimile thereof or Agent's Message in lieu thereof) and Notice of Guaranteed Delivery, substantially in the form provided by the Company (by telegram, telex, facsimile transmission, mail or hand delivery), setting forth the name and address of the holder of Existing Notes and the amount of Existing Notes tendered, stating that the tender is being made thereby and guaranteeing that within three New York Stock Exchange ("NYSE") trading days after the date of execution of the Notice of Guaranteed Delivery, the certificates for all physically tendered Existing Notes, or a Book-Entry Confirmation, and any other documents required by the Letter will be deposited by the Eligible Institution with the Exchange Agent, and (iii) the certificates for all physically tendered Existing Notes, in proper form for transfer, or Book-Entry Confirmation, as the case may be, and all other documents required by this Letter, are received by the Exchange Agent within three NYSE trading days after the date of execution of the Notice of Guaranteed Delivery.

The method of delivery of this Letter, the Existing Notes and all other required documents is at the election and risk of the tendering holders, but the delivery will be deemed made only when actually received or confirmed by the Exchange Agent. If Existing Notes are sent by mail, it is suggested that the mailing be made sufficiently in advance of the Expiration Date to permit delivery to the Exchange Agent prior to 5:00 p.m., New York City time, on the Expiration Date.

See "The Exchange Offer" section of the Prospectus.

2. Partial Tenders (Not Applicable to Noteholders who Tender by Book-Entry Transfer).

If less than all of the Existing Notes evidenced by a submitted certificate are to be tendered, the tendering holder(s) should fill in the aggregate principal amount of Existing Notes to be tendered in the box above entitled "Description of Existing Notes Principal Amount Tendered." A reissued certificate representing the balance of nontendered Existing Notes will be sent to such tendering holder, unless otherwise provided in the appropriate box on this Letter, promptly after the Expiration Date. ALL OF THE EXISTING NOTES DELIVERED TO THE EXCHANGE AGENT WILL BE DEEMED TO HAVE BEEN TENDERED UNLESS OTHERWISE INDICATED.

3. Signatures on This Letter; Bond Powers and Endorsements; Guarantee of Signatures.

If this Letter is signed by the registered bolder of the Existing Notes tendered hereby, the signature must correspond exactly with the name as written on the face of the certificates without any change whatsoever.

If any tendered Existing Notes are owned of record by two or more joint owners, all of such owners must sign this Letter.

If any tendered Existing Notes are registered in different names on several certificates, it will be necessary to complete, sign and submit as many separate copies of this Letter as there are different registrations of certificates.

When this Letter is signed by the registered holder or holders of the Existing Notes specified herein and tendered hereby, no endorsements of certificates or separate bond powers are required. If, however, the New Notes are to be issued, or any untendered Existing Notes are to be reissued, to a person other than the registered holder, then endorsements of any

certificates transmitted hereby or separate bond powers are required. Signatures on such certificate(s) must be guaranteed by an Eligible Institution.

If this Letter is signed by a person other than the registered holder or holders of any certificate(s) specified herein, such certificate(s) must be endorsed or accompanied by appropriate bond powers, in either case signed exactly as the name or names of the registered holder or holders appear(s) on the certificate(s) and signatures on such certificate(s) must be guaranteed by an Eligible Institution.

If this Letter or any certificates or bond powers are signed by trustees, executors, administrators, guardians, attorneys-in-fact, officers of corporations or others acting in a fiduciary or representative capacity, such persons should so indicate when signing, and, unless waived by the Company, proper evidence satisfactory to the Company of their authority to so act must be submitted.

ENDORSEMENTS ON CERTIFICATES FOR EXISTING NOTES OR SIGNATURES ON BOND POWERS REQUIRED BY THIS INSTRUCTION 3 MUST BE GUARANTEED BY A FIRM WHICH IS A MEMBER OF A REGISTERED NATIONAL SECURITIES EXCHANGE OR A MEMBER OF THE NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC. OR BY A COMMERCIAL BANK OR TRUST COMPANY HAVING AN OFFICE OR CORRESPONDENT IN THE UNITED STATES (AN "ELIGIBLE INSTITUTION").

SIGNATURES ON THIS LETTER NEED NOT BE GUARANTEED BY AN ELIGIBLE INSTITUTION, PROVIDED THE EXISTING NOTES ARE TENDERED: (I) BY A REGISTERED HOLDER OF EXISTING NOTES (WHICH TERM, FOR PURPOSES OF THE EXCHANGE OFFER, INCLUDES ANY PARTICIPANT IN THE BOOK-ENTRY TRANSFER FACILITY SYSTEM WHOSE NAME APPEARS ON A SECURITY POSITION LISTING AS THE HOLDER OF SUCH EXISTING NOTES) WHO HAS NOT COMPLETED THE BOX ENTITLED "SPECIAL ISSUANCE INSTRUCTIONS" OR "SPECIAL DELIVERY INSTRUCTIONS" ON THIS LETTER, OR (II) FOR THE ACCOUNT OF AN ELIGIBLE INSTITUTION.

4. Special Issuance and Delivery Instructions.

Tendering holders of Existing Notes should indicate in the applicable box the name and address to which New Notes issued pursuant to the Exchange Offer and/or substitute certificates evidencing Existing Notes not exchanged are to be issued or sent, if different form the name or address of the person signing this Letter. In the case of issuance in a different name, the employer identification or social security number of the person named must also be indicated. Holders tendering Existing Notes by book-entry transfer may request that Existing Notes not exchanged be credited to such account maintained at the Book-Entry Transfer Facility as such noteholder may designate hereon. If no such instructions are given, such Existing Notes not exchanged will be returned to the name or address of the person signing this Letter.

5. Tax Identification Number.

Federal income tax law generally requires that a tendering holder whose Existing Notes are accepted for exchange must provide the Company (as payor) with such holder's correct Taxpayer Identification Number ("TIN") on Substitute Form W-9 below, which in the case of a tendering holder who is an individual, is his or her social security number. If the Company is not provided with the current TIN or an adequate basis for an exemption, such tendering holder may be subject to a $50 penalty imposed by the Internal Revenue Service. In addition, delivery to such tendering holder of New Notes may be subject to backup withholding in an amount equal to 31% of all reportable payments made after the exchange. If withholding results in an overpayment of taxes, a refund may be obtained.

Exempt holders of Existing Notes (including, among others, all corporations and certain foreign individuals) are not subject to these backup withholding and reporting requirements. See the enclosed Guidelines of Certification of Taxpayer Identification Number on Substitute Form W-9 (the "W-9 Guidelines") for additional instructions.

To prevent backup withholding, each tendering holder of Existing Notes must provide its correct TIN by completing the Substitute Form W-9 set forth below, certifying that the TIN provided is correct (or that such holder is awaiting a TIN) and that (i) the holder is exempt from backup withholding, or (ii) the holder has not been notified by the Internal Revenue Service that such holder is subject to backup withholding as a result of a failure to report all interest or dividends or (iii) the Internal Revenue Service has notified the holder that such holder is no longer subject to backup withholding. If the tendering holder of Existing Notes is a nonresident alien or foreign entity not subject to backup withholding, such holder must give the Company a completed Form W-8, Certificate of Foreign Status. These forms may be obtained from the Exchange Agent. If the Existing Notes are in more than one name or are not in the name of the actual owner, such holder should consult the W-9 Guidelines for information on which TIN to report. If such holder does not have a TIN, such holder should consult the W-9 Guidelines for instructions on applying for a TIN, check the box in Part 2 of the Substitute Form W-9 and write "applied for" in lieu of its TIN. Note: Checking this box and writing "applied for" on the form means that such holder has already applied for a TIN or that such holder intends to apply for one in the near future. If such holder does not provide its TIN to the Company within 60 days, backup withholding will begin and continue until such holder furnishes its TIN to the Company.

6. Transfer Taxes.

The Company will pay all transfer taxes, if any, applicable to the transfer of Existing Notes to it or its order pursuant to the Exchange Offer. If however, New Notes and/or substitute Existing Notes not exchanged are to be delivered to, or are to be registered or issued in the name of, any person other than the registered holder of the Existing Notes tendered hereby, or if tendered Existing Notes are registered in the name of any person other than the person signing this Letter, or if a transfer tax is imposed for any reason other than the transfer of Existing Notes to the Company or its order pursuant to the Exchange Offer, the amount of any such transfer taxes (whether imposed on the registered holder or any other persons) will be payable by the tendering holder. If satisfactory evidence of payment of such taxes or exemption therefrom is not submitted herewith, the amount of such transfer taxes will be billed directly to such tendering holder.

EXCEPT AS PROVIDED IN THIS INSTRUCTION 6, IT WILL NOT BE NECESSARY FOR TRANSFER TAX STAMPS TO BE AFFIXED TO THE EXISTING NOTES SPECIFIED IN THIS LETTER.

7. Waiver of Conditions.

The Company reserves the absolute right to waive satisfaction of any or all conditions enumerated in the Prospectus.

8. No Conditional Tenders.

No alternative, conditional, irregular or contingent tenders will be accepted. All tendering holders of Existing Notes, by execution of this Letter, shall waive any right to receive notice of the acceptance of their Existing Notes for exchange.

Neither the Company, the Exchange Agent nor any other person is obligated to give notice of any defect or irregularity with respect to any tender of Existing Notes nor shall any of them incur any liability for failure to give any such notice.

9. Mutilated, Lost, Stolen or Destroyed Existing Notes.

Any holder whose Existing Notes have been mutilated, lost, stolen or destroyed should contact the Exchange Agent at the address indicated above for further instructions.

10. Requests for Assistance or Additional Copies.

Questions relating to the procedure for tendering, as well as requests for additional copies of the Prospectus and this Letter, may be directed to the Exchange Agent, at the address and telephone number indicated above.

11. Incorporation of Letter of Transmittal.

This Letter shall be deemed to be incorporated in and acknowledged and accepted by any tender through the Book-Entry Transfer Facility's ATOP procedures by any Participant on behalf of itself and the beneficial owners of any Existing Notes so tendered.

TO BE COMPLETED BY ALL TENDERING HOLDERS
(See Instruction 5)

PAYOR'S NAME: FIRST UNION NATIONAL BANK

SUBSTITUTE Form W-9	Part 1 -- PLEASE PROVIDE YOUR TIN IN THE BOX AT RIGHT AND CERTIFY BY SIGNING AND DATING BELOW	TIN Social Security Number OR Employer Identification Number
Department of the Treasury Internal Revenue Service	Part 2 -- TIN Applied for [ ]	
OR Payor's Request for Taxpayer Identification Number ("TIN") and Certification	CERTIFICATION -- Under the penalties of perjury, I certify that: (1) The number shown on this form is my correct Taxpayer Identification Number (or I am waiting for a number to be issued to me), (2) I am not subject to backup withholding either because: (a) I am exempt from backup withholding, or (b) I have not been notified by the Internal Revenue Service (the "IRS") that I am subject to backup withholding as a result of a failure to report all interest or dividends, or (c) the IRS has notified me that I am no longer subject to backup withholding, and (3) Any other information provided on this form is true and correct. CERTIFICATION INSTRUCTIONS -- You must cross out item (2) of the above certification if you have been notified by the IRS that you are subject to backup withholding because of underreporting of interest or dividends on your tax return and you have not been notified by the IRS that you are no longer subject to backup withholding.	
Sign Here	Signature Date ---------- , 19--- Name:	

YOU MUST COMPLETE THE FOLLOWING CERTIFICATE IF YOU CHECKED THE BOX IN PART 2 OF SUBSTITUTE FORM W-9

CERTIFICATE OF AWAITING TAXPAYER IDENTIFICATION NUMBER

I certify under penalties of perjury that a taxpayer identification number has not been issued to me, and either (a) I have mailed or delivered an application to receive a taxpayer identification number to the appropriate Internal Revenue Service Center or Social Security Administration Office or (b) I intend to mail or deliver an application in the near future. I understand that if I do not provide a taxpayer identification number by the time of the exchange, 31 percent of all reportable payments made to me thereafter will be withheld until I provide a number.

- ---------- ----------
Signature Date

NOTICE OF GUARANTEED DELIVERY FOR
UNIFI, INC.

This form or one substantially equivalent hereto must be used to accept the Exchange Offer of Unifi, Inc. (the "Company") made pursuant to the Prospectus, dated , 1998 (the "Prospectus"), if certificates for the outstanding 6 1/2% Notes due 2008 of the Company (the "Existing Notes") are not immediately available or if the procedure for book-entry transfer cannot be completed on a timely basis or time will not permit all required documents to reach the Company prior to 5:00 p.m., New York City time, on the Expiration Date of the Exchange Offer. Such form may be delivered or transmitted by telegram, telex, facsimile transmission, mail or hand delivery to First Union National Bank (the "Exchange Agent") as set forth below. In addition, in order to utilize the guaranteed delivery procedure to tender Existing Notes pursuant to the Exchange Offer, a completed, signed and dated Letter of Transmittal (or facsimile thereof) must also be received by the Exchange Agent prior to 5:00 p.m., New York City time, on the Expiration Date. Capitalized terms not defined herein are defined in the Prospectus.

Delivery To: First Union National Bank, Exchange Agent
By Mail:
First Union National Bank
Corporate Trust Reorganization Dept.
1525 West W.T. Harris Blvd., 3C 3
Charlotte, North Carolina 28288
Attention: Mr. Mike Klotz
By Hand/Federal Express/UPS:
First Union National Bank
Corporate Trust Reorganization Dept.
1525 West W.T. Harris Blvd., 3C 3
Charlotte, North Carolina 28262
Attention: Mr. Mike Klotz
By Facsimile:
704-590-7628
Confirm by Telephone:
704-590-7408

DELIVERY OF THIS INSTRUMENT TO AN ADDRESS OTHER THAN AS SET FORTH ABOVE, OR TRANSMISSION OF INSTRUCTIONS VIA FACSIMILE OTHER THAN AS SET FORTH ABOVE, WILL NOT CONSTITUTE A VALID DELIVERY.

Ladies and Gentlemen:

Upon the terms and conditions set forth in the Prospectus and the accompanying Letter of Transmittal, the undersigned hereby tenders to the Company the principal amount of Existing Notes set forth below, pursuant to the guaranteed delivery procedure described in "The Exchange Offer -- Guaranteed Delivery Procedures" section of the Prospectus.

Principal Amount of Existing Notes Tendered:* $ ----------
- ---------
* Must be in denominations of principal amount of $1,000 and any integral multiple thereof.

Certificate Nos. (if available):

- ----------

Total Principal Amount Represented by Existing Notes Certificate(s):
$ ----------

If Existing Notes will be delivered by book-entry transfer to The Depository Trust Company, provide account number.

Account Number: ----------

- ---
ALL AUTHORITY HEREIN CONFERRED OR AGREED TO BE CONFERRED SHALL SURVIVE THE DEATH OR INCAPACITY OF THE UNDERSIGNED AND EVERY OBLIGATION OF THE UNDERSIGNED HEREUNDER SHALL BE BINDING UPON THE HEIRS, PERSONAL REPRESENTATIVES, SUCCESSORS AND ASSIGNS OF THE UNDERSIGNED.
- ---

PLEASE SIGN HERE

x ---------- ----------
x ---------- ----------
Signature(s) of Owner(s) or Authorized Signatory Date

Area Code and Telephone Number: ----------

Must be signed by the holder(s) of Existing Notes as their name(s) appear(s) on certificates for Existing Notes or on a security position listing, or by person(s) authorized to become registered holder(s) by endorsement and

documents transmitted with this Notice of Guaranteed Delivery. If signature is by a trustee, executor, administrator, guardian, attorney-in-fact, officer or other person acting in a fiduciary or representative capacity, such person must set forth his or her full title below.

PLEASE PRINT NAME(S) AND ADDRESS(ES)

Name(s): ----------
---------- ----------
---------- ----------
Capacity: ----------
Address(es): ----------
---------- ----------
---------- ----------

GUARANTEE

The undersigned, a member of a registered national securities exchange, or a member of the National Association of Securities Dealers, Inc., or a commercial bank or trust company having an office or correspondent in the United States, hereby guarantees that the certificates representing the principal amount of Existing Notes tendered hereby in proper form for transfer, or timely confirmation of the book-entry transfer of such Existing Notes into the Exchange Agent's account at The Depository Trust Company pursuant to the procedures set forth in "The Exchange Offer -- Guaranteed Delivery Procedures" section of the Prospectus, together with a properly completed and duly executed Letter of Transmittal (or a manually signed facsimile thereof) with any required signature guarantee and any other documents required by the Letter of Transmittal, will be received by the Exchange Agent at the address set forth above, no later than three New York Stock Exchange trading days after the date of execution hereof.

- ----------	----------
Name of Firm	Authorized Signature
- ----------	----------
Address	Title
- ----------	Name: ----------
Zip Code	(Please Type or Print)
Area Code and Tel. No. ----------	Dated: ----------

NOTE: DO NOT SEND CERTIFICATES FOR EXISTING NOTES WITH THIS FORM. CERTIFICATES FOR EXISTING NOTES SHOULD ONLY BE SENT WITH YOUR LETTER OF TRANSMITTAL.

UNIFI, INC.

OFFER FOR ALL OUTSTANDING
6 1/2% NOTES DUE 2008
IN EXCHANGE FOR
6 1/2% NOTES DUE 2008, SERIES B

To: BROKERS, DEALERS, COMMERCIAL BANKS,
TRUST COMPANIES AND OTHER NOMINEES:

Unifi, Inc. (the "Company") is offering, upon and subject to the terms and conditions set forth in the Prospectus, dated , 1998 (the "Prospectus"), and the enclosed Letter of Transmittal (the "Letter of Transmittal"), to exchange (the "Exchange Offer") its 6 1/2% Notes due 2008, Series B, which have been registered under the Securities Act of 1933, as amended, for its outstanding 6 1/2% Notes due 2008 (the "Existing Notes"). The Exchange Offer is being made in order to satisfy certain obligations of the Company contained in the Registration Rights Agreement dated February 5, 1998, by and among the Company and the initial purchasers referred to therein.

We are requesting that you contact your clients for whom you hold Existing Notes regarding the Exchange Offer. For your information and for forwarding to your clients for whom you hold Existing Notes registered in your name or in the name of your nominee, or who hold Existing Notes registered in their own names, we are enclosing the following documents:

1. Prospectus dated , 1998;

2. The Letter of Transmittal for your use and for the information of your clients;

3. A Notice of Guaranteed Delivery to be used to accept the Exchange Offer if certificates for Existing Notes are not immediately available or time will not permit all required documents to reach the Exchange Agent prior to the Expiration Date (as defined below) or if the procedure for book-entry transfer cannot be completed on a timely basis;

4. A form of letter which may be sent to your clients for whose account you hold Existing Notes registered in your name or the name of your nominee, with space provided for obtaining such clients' instructions with regard to the Exchange Offer;

5. Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9; and

6. Return envelopes addressed to First Union National Bank, the Exchange Agent for the Existing Notes.

YOUR PROMPT ACTION IS REQUESTED. THE EXCHANGE OFFER WILL EXPIRE AT 5:00 P.M., NEW YORK CITY TIME, ON , , 1998, UNLESS EXTENDED BY THE COMPANY (THE "EXPIRATION DATE"). EXISTING NOTES TENDERED PURSUANT TO THE EXCHANGE OFFER MAY BE WITHDRAWN AT ANY TIME BEFORE THE EXPIRATION DATE.

To participate in the Exchange Offer, a duly executed and properly completed Letter of Transmittal (or facsimile thereof), with any required signature guarantees and any other required documents, should be sent to the Exchange Agent and certificates representing the Existing Notes should be delivered to the Exchange Agent, all in accordance with the instructions set forth in the Letter of Transmittal and the Prospectus.

If holders of Existing Notes wish to tender, but it is impracticable for them to forward their certificates for Existing Notes prior to the expiration of the Exchange Offer or to comply with the book-entry transfer procedures on a timely basis, a tender may be effected by following the guaranteed delivery procedures described in the Prospectus under "The Exchange Offer -- Guaranteed Delivery Procedures."

The Company will, upon request, reimburse brokers, dealers, commercial banks and trust companies for reasonable and necessary costs and expenses incurred by them in forwarding the Prospectus and the related documents to the beneficial owners of Existing Notes held by them as nominee or in a fiduciary capacity. The Company will pay or cause to be paid all transfer taxes applicable to the exchange of Existing Notes pursuant to the Exchange Offer, except as set forth in Instruction 6 of the Letter of Transmittal.

Any inquiries you may have with respect to the Exchange Offer, or requests for additional copies of the enclosed materials, should be directed to First Union National Bank, the Exchange Agent for the Existing Notes, at its address and telephone number set forth on the front of the Letter of Transmittal.

Very truly yours,

UNIFI, INC.

NOTHING HEREIN OR IN THE ENCLOSED DOCUMENTS SHALL CONSTITUTE YOU OR ANY PERSON AS AN AGENT OF THE COMPANY OR THE EXCHANGE AGENT, OR AUTHORIZE YOU OR ANY OTHER PERSON TO USE ANY DOCUMENT OR MAKE ANY STATEMENTS ON BEHALF OF EITHER OF THEM WITH RESPECT TO THE EXCHANGE OFFER, EXCEPT FOR STATEMENTS EXPRESSLY MADE IN THE PROSPECTUS OR THE LETTER OF TRANSMITTAL.

Enclosures

UNIFI, INC.

OFFER FOR ALL OUTSTANDING
6 1/2% NOTES DUE 2008
IN EXCHANGE FOR
6 1/2% NOTES DUE 2008, SERIES B

TO OUR CLIENTS:

Enclosed for your consideration is a Prospectus, dated , 1998 (the "Prospectus"), and the related Letter of Transmittal (the "Letter of Transmittal"), relating to the offer (the "Exchange Offer") of Unifi, Inc. (the "Company") to exchange its 6 1/2% Notes due 2008, Series B, which have been registered under the Securities Act of 1933, as amended (the "New Notes"), for its outstanding 6 1/2% Notes due 2008 (the "Existing Notes"), upon the terms and subject to the conditions described in the Prospectus and the Letter of Transmittal. The Exchange Offer is being made in order to satisfy certain obligations of the Company contained in the Registration Rights Agreement dated February 5, 1998, by and among the Company and the initial purchasers referred to therein.

This material is being forwarded to you as the beneficial owner of the Existing Notes carried by us in your account but not registered in your name. A TENDER OF SUCH EXISTING NOTES MAY ONLY BE MADE BY US AS THE HOLDER OF RECORD AND PURSUANT TO YOUR INSTRUCTIONS.

Accordingly, we request instructions as to whether you wish us to tender on your behalf the Existing Notes held by us for your account, pursuant to the terms and conditions set forth in the enclosed Prospectus and Letter of Transmittal.

Your instructions should be forwarded to us as promptly as possible in order to permit us to tender the Existing Notes on your behalf in accordance with the provisions of the Exchange Offer. The Exchange Offer will expire at 5:00 p.m., New York City time, on , , 1998, unless extended by the Company. Any Existing Notes tendered pursuant to the Exchange Offer may be withdrawn at any time before the Expiration Date.

Your attention is directed to the following:

1. The Exchange Offer is for any and all Existing Notes.

2. The Exchange Offer is subject to certain conditions set forth in the Prospectus in the section captioned "The Exchange Offer -- Certain Conditions to the Exchange Offer."

3. Any transfer taxes incident to the transfer of Existing Notes from the holder to the Company will be paid by the Company, except as otherwise provided in the Instructions in the Letter of Transmittal.

4. The Exchange Offer expires at 5:00 p.m., New York City time, on , , 1998, unless extended by the Company.

If you wish to have us tender your Existing Notes, please so instruct us by completing, executing and returning to us the instruction form on the back of this letter. THE LETTER OF TRANSMITTAL IS FURNISHED TO YOU FOR INFORMATION ONLY AND MAY NOT BE USED DIRECTLY BY YOU TO TENDER EXISTING NOTES.

INSTRUCTIONS WITH RESPECT TO
THE EXCHANGE OFFER

The undersigned acknowledge(s) receipt of your letter and the enclosed material referred to therein relating to the Exchange Offer made by Unifi, Inc. with respect to its Existing Notes.

This will instruct you to tender the Existing Notes held by you for the account of the undersigned, upon and subject to the terms and conditions set forth in the Prospectus and the related Letter of Transmittal.

[ ] Please tender the Existing Notes held by you for my account as indicated below:

	AGGREGATE PRINCIPAL AMOUNT OF EXISTING NOTES
6 1/2% Notes due 2008	$

[ ] Please do not tender any Existing Notes held by you for my account.

Dated: , 1998

Signature(s)

Please print name(s) here

Address(es)

Area Code and Telephone Number

Tax Identification or Social Security No(s).

None of the Existing Notes held by us for your account will be tendered unless we receive written instructions from you to do so. Unless a specific contrary instruction is given in the space provided, your signature(s) hereon shall constitute an instruction to us to tender all the Existing Notes held by us for your account.