

Form PTO-1594 (Rev. 10/02) OMB No. 0651-0027 (exp. 6/30/2005)

RECORDATION FORM COVER SHEET TRADEMARKS ONLY

U.S. DEPARTMENT OF COMMERCE U.S. Patent and Trademark Office

Tab settings

To the Honorable Commissioner of Patents and Trademarks: Please record the attached original documents or copy thereof.

1. Name of conveying party(ies):

Burlington Industries, Inc.

- Individual(s), Association, General Partnership, Limited Partnership, Corporation-State, Other

Additional name(s) of conveying party(ies) attached? Yes No

3. Nature of conveyance:

- Assignment, Merger, Security Agreement, Change of Name, Other: Assignment of Security Agreement

Execution Date: 11/30/2003

2. Name and address of receiving party(ies)

Name: WLR Burlington Acquisition LLC

Internal Address:

Street Address: 3330 West Friendly Street

City: Greensboro State: NC Zip: 27410

- Individual(s) citizenship, Association, General Partnership, Limited Partnership, Corporation-State, Other: Limited Liability Co - Delaware

If assignee is not domiciled in the United States, a domestic representative designation is attached: Yes No

4. Application number(s) or registration number(s):

A. Trademark Application No.(s) 76/406411 and attached U.S. Trademark Schedule

B. Trademark Registration No.(s) 2646640 and attached U.S. Trademark Schedule

Additional number(s) attached Yes No

5. Name and address of party to whom correspondence concerning document should be mailed:

Name: Wanda Howard

Internal Address:

Street Address: 3330 West Friendly Street

City: Greensboro State: NC Zip: 27410

6. Total number of applications and registrations involved:

43

7. Total fee (37 CFR 3.41): \$ 1090.00

- Enclosed, Authorized to be charged to deposit account

8. Deposit account number:

50-2387

DO NOT USE THIS SPACE

9. Signature.

James T. Walsh

Name of Person Signing

Signature

December 12, 2003

Date

Total number of pages including cover sheet, attachments, and document:

116

Mail documents to be recorded with required cover sheet information to: Commissioner of Patent & Trademarks, Box Assignments Washington, D.C. 20231

## U.S. TRADEMARKS SCHEDULE

TRADEMARK	Serial No.	Reg. No.
DESIGN (ADAM)	76/406411	
DESIGN (ADAM)	76/420410	
DESIGN (JEWEL)	76/173795	
DESIGN (JEWEL)	76/445404	
DESIGN (JEWEL)	76/445403	
DESIGN (JEWEL)	76/308449	
DESIGN (JEWEL)	76/484418	
DESIGN (NANO-TOUCH)	76/239934	
NANO FABRICS	75/788064	
NANO FIBERS	75/790814	
NANO FIBERS	75/788063	
NANO-CARE		2,646,640
NANO-CARE	76/384169	
NANO-DRY		2,646,626
NANO-DRY	76/384170	
NANO-FRESH	76/081172	
NANO-FRESH	76/384171	
NANO-FUSION	78/184207	
NANO-GUARD	76/113888	
NANO-KHAKIS	76/421282	

### U.S. TRADEMARKS SCHEDULE

NANO-NET		2,737,229
NANO-NETWORK	76/268663	
NANO-PANTS	76/311951	
NANO-PEL	76/190936	
NANO-PEL		2,770,110
NANO-PEL	76/384075	
NANO-PRESS	76/328710	
NANO-SEAL	78/183085	
NANO-SHIELD	76/069986	
NANO-SHIRT	76/311953	
NANO-STAT	76/338929	
NANO-STRETCH	78/186148	
NANO-TEX	75/882693	
NANO-TEX	76/283558	
NANO-TEX	76/298759	
NANO-TEX	76/289165	
NANO-TEX & DESIGN	76/303277	
NANO-TEX & DESIGN	76/406410	
NANO-TEX, DESIGN & SLOGAN	76/227720	
NANO-TEX, DESIGN & SLOGAN	76/227721	
NANO-TOUCH	76/227713	
NANO-TOUCH	76/384168	

## U.S. TRADEMARKS SCHEDULE

WHAT YOU DON'T SEE 78/159371  
MAKES ALL THE  
DIFFERENCE.

## FOREIGN TRADEMARKS

Country Reg No ----- ---	Trademark -----	App No --- --
Argentina	DESIGN (ADAM)	2,390,522
Argentina	DESIGN (ADAM)	2,390,523
Argentina 1,921,585	DESIGN (JEWEL)	2,375,343
Argentina 1,921,587	DESIGN (JEWEL)	2,375,344
Argentina 1,942,865	NANO-TEX	2,375,341
Australia 927119	DESIGN (ADAM)	927119
Australia 913254	DESIGN (JEWEL)	913254
Australia 883614	NANO-CARE	883614
Australia 903579	NANO-CARE	903579
Australia 908468	NANO-PEL	908468
Australia 909655	NANO-PEL	909655
Australia 840003	NANO-TEX	840003
Australia 909648	NANO-TEX	909648
Australia	NANO-TEX	903578
Bangladesh	DESIGN (ADAM)	76848
Bangladesh	DESIGN (ADAM)	76847
Bangladesh	DESIGN (JEWEL)	75438
Bangladesh	DESIGN (JEWEL)	75436
Bangladesh	DESIGN (JEWEL)	75437
Bangladesh	NANO-TEX	75441
Bangladesh	NANO-TEX	75440
Bangladesh	NANO-TEX	75439
Brazil	DESIGN (ADAM)	824913930
Brazil	DESIGN (ADAM)	824913949
Brazil	DESIGN (JEWEL)	824609905
Brazil	DESIGN (JEWEL)	824743571
Brazil	DESIGN (JEWEL)	824609913
Brazil	NANO-TEX	822889358
Brazil	NANO-TEX	824609921
Cambodia 17292/03	DESIGN (ADAM)	17588

**FOREIGN TRADEMARKS**

Cambodia 17291/03	DESIGN (ADAM)	17587
Cambodia 16616/02	DESIGN (JEWEL)	16998
Cambodia 16746/02	DESIGN (JEWEL)	16999
Cambodia 16617/02	DESIGN (JEWEL)	17000/02
Cambodia 16615/02	NANO-TEX	16997
Cambodia 16613/02	NANO-TEX	16995
Cambodia 16614/02	NANO-TEX	16996
Canada	DESIGN (ADAM)	1,150,717
Canada	DESIGN (JEWEL)	1141356
Canada	NANO-CARE	1,099,669
Canada	NANO-CARE	1,132,122
Canada	NANO-DRY	1,099,669

# FOREIGN TRADEMARKS

## TRADEMARKS - FOREIGN

Country Reg No ----- ---	Trademark ----- -----	App No --- --
Canada	NANO-DRY	1,132,121
Canada	NANO-FRESH	1130311
Canada	NANO-FUSION	1,158,669
Canada	NANO-PEL	1,103,945
Canada	NANO-PEL	1,132,123
Canada	NANO-PRESS	1,130,310
Canada	NANO-SEAL	1158600
Canada	NANO-STRETCH	1159608
Canada	NANO-TEX	1040630
Canada	NANO-TOUCH	1119366
Chile 671530	DESIGN (JEWEL)	597086
Chile 671.529	NANO-PEL	597.085
Chile 671.528	NANO-TEX	597.084
China P.R.	DESIGN (ADAM)	3296359
China P.R.	DESIGN (ADAM)	3296358
China P.R. 3156443	DESIGN (JEWEL)	3156443
China P.R.	DESIGN (JEWEL)	3156442
China P.R.	DESIGN (JEWEL)	3353665
China P.R.	DESIGN (JEWEL)	3156444
China P.R. 1716645	NANO	2000089378
China P.R. 3003369	NANO-CARE	3003369
China P.R. 3003368	NANO-CARE	3003368
China P.R. 3003364	NANO-DRY	3003364
China P.R. 3003365	NANO-DRY	3003365
China P.R.	NANO-FRESH	3091448
China P.R.	NANO-FRESH	3091447
China P.R. 3003366	NANO-PEL	3003366
China P.R. 3003367	NANO-PEL	3003367
China P.R.	NANO-PRESS	3091445
China P.R.	NANO-PRESS	3091446
China P.R. 1736786	NANO-TEX	2001006943

## FOREIGN TRADEMARKS

China P.R.	NANO-TEK	3316548
China P.R.	NANO-TEK	3316548
China P.R.	NANO-TEK	3340226
China P.R.	NANO-TEK	3075563
China P.R. 1932999	NANO-TEK	2001097126
China P.R. 1931214	NANO-TEK IN CHINESE (VER 1)	2001111852
China P.R. 1935252	NANO-TEK IN CHINESE (VER 1)	2001111853
China P.R. 1931212	NANO-TEK IN CHINESE (VER 2)	2001111850
China P.R. 1935254	NANO-TEK IN CHINESE (VER 2)	2001111851
China P.R. 3003363	NANO-TOUCH	3003363
China P.R. 3003362	NANO-TOUCH	3003362
China P.R.	WHAT YOU DON'T SEE MAKES ALL THE DIFFERENCE.	3460837

### TRADEMARKS - FOREIGN

Country Reg No	Trademark	App No
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China P.R.	WHAT YOU DON'T SEE MAKES ALL THE DIFFERENCE.	3460836
Costa Rica 138726	DESIGN (ADAM)	2002-6795
Costa Rica 138727	DESIGN (ADAM)	2002-6796
Costa Rica	DESIGN (JEWEL)	2002-3749
Costa Rica	DESIGN (JEWEL)	2002-3750
Costa Rica	DESIGN (JEWEL)	2002-3751
Costa Rica	NANO-TEK	2002-2748
Costa Rica	NANO-TEK	2002-3745
Costa Rica	NANO-TEK	2002-3747
Community Trademark	DESIGN (ADAM)	2858470
Community Trademark 2424240	DESIGN (JEWEL)	2424240
Community Trademark	DESIGN (JEWEL)	2914349
Community Trademark 2160547	NANO-CARE	2160547
Community Trademark	NANO-DRY	2160521
Community Trademark 2584431	NANO-FRESH	2584431
Community Trademark	NANO-FUSION	2931869
Community Trademark 2160927	NANO-PEL	2160927
Community Trademark	NANO-PRESS	2584449



## FOREIGN TRADEMARKS

2594440		
Community Trademark	NANO-SEAL	2932549
Community Trademark	NANO-STRETCH	2938314
Community Trademark 1693845	NANO-TEX	1693845
Community Trademark	NANO-TEX	2904605
Community Trademark 2160695	NANO-TOUCH	2160695
Community Trademark	NANO-WHITE	2968049
Community Trademark	WHAT YOU DON'T SEE MAKES ALL THE DIFFERENCE.	3027901
Dominican Republic 133717	DESIGN (ADAM)	2002-148546
Dominican Republic 133718	DESIGN (ADAM)	2002-148547
Dominican Republic 130281	DESIGN (JEWEL)	2002-115103
Dominican Republic 130334	DESIGN (JEWEL)	2002-115104
Dominican Republic	DESIGN (JEWEL)	2002-115105
Dominican Republic 136729	NANO-PEL	2003-49225
Dominican Republic 130446	NANO-PEL	2002-89859
Dominican Republic 136729	NANO-TEX	2003-49225
Dominican Republic	NANO-TEX	XXXX
Dominican Republic 129016	NANO-TEX	2002-85906
Guatemala 123613	DESIGN (ADAM)	2002-07275
Guatemala	DESIGN (ADAM)	XXXX
Guatemala 123272	DESIGN (JEWEL)	2002-3594
Guatemala 123290	DESIGN (JEWEL)	2002-3593
Guatemala 123289	DESIGN (JEWEL)	2002-3593
Guatemala 123255	NANO-TEX	2002-3561
Guatemala 234032	NANO-TEX	2002-3593
Guatemala	NANO-TEX	2002-3592

## FOREIGN TRADEMARKS

### TRADEMARKS - FOREIGN

Country Reg No ----- -----	Trademark -----	App No ---
Honduras 87.507	DESIGN (ADAM)	12.900-02
Honduras 87.508	DESIGN (ADAM)	12.907-02
Honduras 85.553	DESIGN (JEWEL)	6240-02
Honduras 85.551	DESIGN (JEWEL)	6242-02
Honduras 85.552	DESIGN (JEWEL)	6241-02
Honduras 85.543	NANO-TEX	6239-02
Honduras 85.419	NANO-TEX	6238-02
Honduras 85.544	NANO-TEX	6237-02
Hong Kong		2002/01521
Hong Kong 01260 OF 2003	DESIGN (ADAM)	2002/13398
Hong Kong 09289 OF 2008	DESIGN (ADAM)	2002/13399
Hong Kong 07285 of 2002	DESIGN (JEWEL)	2001/17714
Hong Kong 02814 OF 2003	DESIGN (JEWEL)	2002/8117
Hong Kong 07286 of 2002	DESIGN (JEWEL)	2001/17715
Hong Kong	DESIGN (JEWEL)	300043019
Hong Kong B09398 OF 2003	DESIGN (JEWEL)	2002/17265
Hong Kong B09489 OF 2003	NANO-CARE	2001/17718
Hong Kong B05555 OF 2003	NANO-CARE	2001/17717
Hong Kong B05555 OF 2003	NANO-DRY	2002/1363
Hong Kong B05556 OF 2003	NANO-DRY	2002/1364
Hong Kong B05553	NANO-FRESH	2002/1361
Hong Kong B05554 OF 2003	NANO-FRESH	2002/1362
Hong Kong B05551 OF 2003	NANO-PEL	2002/1359
Hong Kong	NANO-PEL	300043037
Hong Kong B05552 OF 2003	NANO-PEL	2002/1360
Hong Kong B05550 OF 2003	NANO-PRESS	2002/1357

## FOREIGN TRADEMARKS

Hong Kong B06047 OF 2003	NANO-PRESS	2002/1358
Hong Kong B10517 OF 2002	NANO-TEX	2001/05658
Hong Kong B09468 OF 2003	NANO-TEX	2001/17716
Hong Kong	NANO-TEX	300043028
Hong Kong B11507 OF 2003	NANO-TEX	2002/16158
Hong Kong	NANO-TEX & DESIGN & SLOGAN	2002/01521
Hong Kong B05549 OF 2003	NANO-TOUCH	2002/1355
Hong Kong B05349 OF 2003	NANO-TOUCH	2002/1356
Hong Kong	WHAT YOU DON'T SEE MAKES ALL THE DIFFERENCE.	2003/01526
Hong Kong	WHAT YOU DON'T SEE MAKES ALL THE DIFFERENCE.	2003/01827
India	DESIGN (ADAM)	01109044B
India	DESIGN (ADAM)	01109045
India	DESIGN (JEWEL)	01105436
India	DESIGN (JEWEL)	01105434
India	DESIGN (JEWEL)	XXXX
India	DESIGN (JEWEL)	01105435
India	NANO-CARE	XXXX

### TRADEMARKS - FOREIGN

Country Reg No ----- --- **	Trademark -----	App No --- --
India	NANO-CARE	1126267
India	NANO-DRY	1135004
India	NANO-DRY	1135005
India	NANO-FEL	XXXX
India	NANO-PEL	XXXX
India	NANO-TEX	01055074
India	NANO-TEX	01105433
India	NANO-TEX	XXXX
India	NANO-TEX	01055075
India	NANO-TOUCH	1135007
India	NANO-TOUCH	1135006
India	WHAT YOU DON'T SEE MAKES ALL THE DIFFERENCE.	1171065
India	WHAT YOU DON'T SEE MAKES ALL THE DIFFERENCE.	1171066
Indonesia	DESIGN (ADAM)	19607-19622
Indonesia	DESIGN (ADAM)	19606-19821
Indonesia 09931-10043 536569	DESIGN (JEWEL)	D002002

## FOREIGN TRADEMARKS

Indonesia 09931-10042 536568	DESIGN (JEWEL)	D002002
Indonesia 09931-10041 536567	DESIGN (JEWEL)	D002002
Indonesia 24752-25021	DESIGN (JEWEL)	D002002
Indonesia 24754-25023	NANO-PEL	D002002
Indonesia 24753-25022	NANO-PEL	D002002
Indonesia 09931-10038 536566	NANO-TEX	D002002
Indonesia 24755-25024	NANO-TEX	D002002
Indonesia 09931-10040	NANO-TEX	D002002
Indonesia 09931-10040	NANO-TEX	D002002
Indonesia 09931-10039	NANO-TEX	D002002
Israel	DESIGN (ADAM)	159418
Israel	DESIGN (ADAM)	159417
Israel 157096	DESIGN (JEWEL)	157096
Israel 157096	DESIGN (JEWEL)	157098
Israel 157097	DESIGN (JEWEL)	157097
Israel	NANO-TEX	157093
Israel	NANO-TEX	157094
Israel	NANO-TEX	157095
Japan 4656450	DESIGN (ADAM)	2002-73122
Japan 4585599	DESIGN (JEWEL)	2001-95346
Japan 4651448	DESIGN (JEWEL)	2002-44746
Japan 4692612	DESIGN (JEWEL)	2002-92369
Japan 2392634	NANO with Katakana	xxxx
Japan 4575944	NANO-CARE	2001-78915
Japan 4575945	NANO-DRY	2001-78916
Japan 4575947	NANO-FRESH	2001-78918
Japan 4575946	NANO-PEL	2001-78917

## FOREIGN TRADEMARKS

Country Reg No ----- -----	Trademark -----	App No -----
Japan 4585600	NANO-PRESS	2001-95347
Japan 4575829	NANO-TEX	2001-32420
Japan 4603941	NANO-TEX	2001-52271
Japan	NANO-TEX	2002-87860
Japan	NANO-TEX & JEWEL DESIGN	2002-44745
Japan 4575948	NANO-TOUCH	2001-78919
Japan 2717664	NANOTEM with Katakana	90738/1989
Japan	WHAT YOU DON'T SEE MAKES ALL THE DIFFERENCE.	2003-5510
South Korea	DESIGN (ADAM)	40-2002-39926
South Korea 40552770	DESIGN (ADAM)	40-2002-29927
South Korea	DESIGN (JEWEL)	40-2002-26635
South Korea 40-553912	DESIGN (JEWEL)	40-2002-26637
South Korea 40-552771	DESIGN (JEWEL)	40-2002-26636
South Korea	DESIGN (JEWEL)	41-2002-22042
South Korea	NANO-CARE	40-2003-14286
South Korea	NANO-DRY	40-2003-14387
South Korea	NANO-TEX	41-2002-21176
South Korea	NANO-TEX & DESIGN	40-2001-56634
South Korea	NANO-TEX & DESIGN	40-2002-4124
South Korea 40-549599	NANO-TEX & DESIGN	40-2001-56635
South Korea	WHAT YOU DON'T SEE MAKES ALL THE DIFFERENCE.	40-2003-8841
Malaysia	DESIGN (ADAM)	2002/10812
Malaysia	DESIGN (ADAM)	2002/10811
Malaysia	DESIGN (JEWEL)	2002/05754
Malaysia	DESIGN (JEWEL)	2002/05755
Malaysia	NANO-PEL	2002/04635
Malaysia	NANO-PEL	2002/04634
Malaysia	NANO-TEX	2002/04637
Malaysia	NANO-TEX	2002/04636
Mexico 763387	DESIGN (ADAM)	563783
Mexico 777157	DESIGN (ADAM)	563784

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Mexico 739094	DESIGN (JEWEL)	525489
Mexico 774970	DESIGN (JEWEL)	573517
Mexico 752459	DESIGN (JEWEL)	525490
Mexico 756562	DESIGN (JEWEL)	548466
Mexico 735328	NANO-CARE	505,748
Mexico 735329	NANO-CARE	505,749
Mexico 755609	NANO-DRY	505,746
Mexico 735327	NANO-DRY	505,747
Mexico 752545	NANO-FRESH	532464
Mexico 752546	NANO-FRESH	532465
Mexico 772722	NANO-FUSION	575346
Mexico 772721	NANO-FUSION	575345

## FOREIGN TRADEMARKS

Country Reg No ----- -----	Trademark -----	App No --- --
Mexico 753462	NANO-PEL	505,744
Mexico 735326	NANO-PEL	505,745
Mexico 782547	NANO-PRESS	532466
Mexico	NANO-PRESS	532467
Mexico 772720	NANO-SEAL	575,326
Mexico 772723	NANO-SEAL	575,347
Mexico 777637	NANO-STRETCH	576471
Mexico 773397	NANO-STRETCH	576473
Mexico 662,914	NANO-TEX	430,432
Mexico 770408	NANO-TEX	571229
Mexico 674,843	NANO-TEX	430,434
Mexico 674,842	NANO-TEX	430,433
Mexico 766059	NANO-TEX	430,435
Mexico 662915	NANO-TEX	430,436
Mexico 765351	NANO-TOUCH	514360
Mexico 765352	NANO-TOUCH	514361
New Zealand 663213	DESIGN (ADAM)	663213
New Zealand 663214	DESIGN (ADAM)	663214
New Zealand 657315	DESIGN (JEWEL)	657315
New Zealand 657317	DESIGN (JEWEL)	657317
New Zealand 657316	DESIGN (JEWEL)	654316
New Zealand 639553	NANO-DRY	639553
New Zealand 639554	NANO-DRY	639554
New Zealand 639551	NANO-PEL	639551
New Zealand 639552	NANO-PEL	639552

## FOREIGN TRADEMARKS

New Zealand	NANO-PEL	655510
New Zealand 639549	NANO-TEX	639549
New Zealand 639549	NANO-TEX	639550
New Zealand 655509	NANO-TEX	655509
Pakistan	DESIGN (ADAM)	180357
Pakistan	DESIGN (ADAM)	180358
Pakistan	NANO-TEX & DESIGN	179898
Pakistan	NANO-TEX & DESIGN	179896
Pakistan	NANO-TEX & DESIGN	179897
Philippines 0007512	DESIGN (ADAM)	4-2002-
Philippines 0004132	DESIGN (JEWEL)	4-2002-
Philippines 0004133	NANO-TEX	4-2002-
Poland	DESIGN (ADAM)	Z-254991
Poland	DESIGN (JEWEL)	Z-250504
Poland	NANO-TEX	Z-250503
Puerto Rico	DESIGN (JEWEL)	XXXX
Puerto Rico	DESIGN (JEWEL)	XXXX
Puerto Rico	NANO-PEL	58,479



## FOREIGN TRADEMARKS

## TRADEMARKS - FOREIGN

Country Reg No ----- --- --	Trademark -----	App No --- --
Puerto Rico	NANO-PEL	58,480
Puerto Rico	NANO-TEX	58,477
Puerto Rico	NANO-TEX	58,478
Russian Federation 252927	DESIGN (ADAM)	2002718379
Russian Federation 250054	DESIGN (ADAM)	2002718380
Russian Federation 249825	DESIGN (JEWEL)	2002710100
Russian Federation 253098	NANO-TEX	2002710098
South Africa	DESIGN (ADAM)	2002/12855
South Africa	DESIGN (ADAM)	2002/12855
South Africa	DESIGN (JEWEL)	2002/06707
South Africa	DESIGN (JEWEL)	2002/06708
South Africa	DESIGN (JEWEL)	2002/6709
South Africa	NANO-TEX	2002106711
South Africa	NANO-TEX	2002106710
South Africa	NANO-TEX	2002106712
Singapore T02/13586B	DESIGN (ADAM)	T02/13586B
Singapore T-213599I	DESIGN (ADAM)	T02/13588I
Singapore T02/11718Z	DESIGN (JEWEL)	T02/11718Z
Singapore T02/11716C	DESIGN (JEWEL)	T02/11716C
Singapore T02/11709J	NANO-PEL	T02/11709J
Singapore T02/11710D	NANO-PEL	T02/11710D
Singapore T02/11707D	NANO-TEX	T02/11707D
Singapore T02/11705h	NANO-TEX	T02/11705H
Sri Lanka	DESIGN (ADAM)	109281
Sri Lanka	DESIGN (ADAM)	109282
Sri Lanka	DESIGN (JEWEL)	107843
Sri Lanka	DESIGN (JEWEL)	107846
Sri Lanka	DESIGN (JEWEL)	107845
Sri Lanka	NANO-TEX	107851
Sri Lanka	NANO-TEX	107852
Sri Lanka	NANO-TEX	107844

## FOREIGN TRADEMARKS

Taiwan 1047662	DESIGN (ADAM) (IN COLORS)	91021872
Taiwan 1058337	DESIGN (ADAM) (IN COLORS)	91021873
Taiwan 1058334	DESIGN (JEWEL)	91021863
Taiwan 1044524	DESIGN (JEWEL)	91021862
Taiwan 1042464	DESIGN (JEWEL)	91020150
Taiwan 91006968	NANO-CARE	91006968
Taiwan 1027319	NANO-CARE	91006967
Taiwan 1027319	NANO-DRY	91006969
Taiwan 91006970	NANO-DRY	91006970
Taiwan 1027320	NANO-FRESH	91006971
Taiwan 1037930	NANO-FRESH	91006972
Taiwan 1027321	NANO-PEL	91006973

### TRADEMARKS - FOREIGN

Country Reg No ----- ----	Trademark ----- -----	App No --- --
Taiwan 1037931	NANO-PEL	91006974
Taiwan 1027322	NANO-PRESS	91006975
Taiwan 1037932	NANO-PRESS	91006976
Taiwan 1031014	NANO-TEX	91002070
Taiwan 107238	NANO-TEX	91043570
Taiwan 1028579	NANO-TEX & DESIGN	90052325
Taiwan 1037876	NANO-TEX & DESIGN	90052326
Taiwan 1027323	NANO-TOUCH	91006977
Taiwan 1037933	NANO-TOUCH	91006978
Taiwan	WHAT YOU DON'T SEE MAKES ALL THE DIFFERENCE.	092006670
Taiwan	WHAT YOU DON'T SEE MAKES ALL THE DIFFERENCE.	092006669
Thailand Kor105525	DESIGN (ADAM)	500000
Thailand Kor105526	DESIGN (ADAM)	500001

# FOREIGN TRADEMARKS

Thailand KOR171468	DESIGN (JEWEL)	488759
Thailand KOR173315	DESIGN (JEWEL)	488761
Thailand KOR180650	DESIGN (JEWEL)	488760
Thailand KOR171333	NANO-TEX	488756
Thailand KOR177574	NANO-TEX	488757
Thailand Sor20117	NANO-TEX	501699
Thailand KOR174399	NANO-TEX	488758
Turkey	DESIGN (ADAM)	2002/23748
Turkey 2002 12260	DESIGN (JEWEL)	2002/12260
Turkey	DESIGN (JEWEL)	2002/29351
Turkey 2002 12259	NANO-CARE	2002/12259
Turkey	NANO-DRY	2002/12265
Turkey 2002 12266	NANO-FRESH	2002/12266
Turkey 2002 12261	NANO-PEL	2002/12261
Turkey 2002 12262	NANO-FRESS	2002/12262
Turkey 2002 12264	NANO-TEX	2002/12264
Turkey	NANO-TEX	2002/28343
Turkey 2002 12263	NANO-TOUCH	2002/12263
Turkey	WHAT YOU DON'T SEE MAKES ALL THE DIFFERENCE	2009/08580
Venezuela	DESIGN (ADAM)	13467/02
Venezuela	DESIGN (ADAM)	13468/02
Venezuela	DESIGN (JEWEL)	7363/2002
Venezuela	DESIGN (JEWEL)	7364/2002
Venezuela	NANO-TEX	7361/2002
Venezuela	NANO-TEX	7362/2002
Vietnam	DESIGN (ADAM)	4-2002-05324
Vietnam	DESIGN (ADAM)	4-2002-05325
Vietnam 49680	DESIGN (JEWEL)	4-2002-03266
Vietnam	NANO-TEX	4-2002-03265

**BILL OF SALE AND  
ASSIGNMENT AND ASSUMPTION AGREEMENT**

This Bill of Sale and Assignment and Assumption Agreement (this "Agreement") is made as of the date set forth on the signature page hereto between Burlington Industries, Inc. ("Burlington"), on its own behalf and on behalf of its subsidiaries listed on Schedule A hereto (collectively with Burlington, the "Sellers" and each individually, a "Seller"), and WLR Recovery Fund II L.P. ("WLR"), on its own behalf and on behalf of its subsidiaries listed on Schedule B hereto (collectively with WLR, the "Purchasers" and each individually, a "Purchaser").

**RECITALS:**

A. WLR, an affiliate of WLR and Burlington entered into the Acquisition Agreement dated July 25, 2003 (as amended or otherwise modified, the "Acquisition Agreement") pursuant to which WLR agreed to purchase and Burlington agreed to sell the Purchased Assets (as defined in the Acquisition Agreement).

B. Pursuant to the Acquisition Agreement, Burlington agreed to assign and WLR agreed to assume the Assumed Contracts and Assumed Liabilities.

C. WLR has requested that Burlington transfer, or assign, as applicable, certain of the Purchased Assets, Assumed Contracts and Assumed Liabilities primarily relating to the Lees Business (the "Lees Assets, Contracts and Liabilities") directly to Mohawk Carpet Corporation ("Mohawk"), and as a result Burlington is entering into a Bill of Sale and Assignment and Assumption Agreement with Mohawk simultaneously herewith (the "Mohawk Agreement").

D. Any Purchased Assets, Assumed Contracts or Assumed Liabilities not included in the Lees Assets, Contracts and Liabilities are referred to herein as the "WLR Purchased Assets," the "WLR Assumed Contracts" and the "WLR Assumed Liabilities," respectively.

E. Burlington and WLR have agreed that the sale of the WLR Purchased Assets and the assignment and assumption of the WLR Assumed Contracts and WLR Assumed Liabilities will be made on the terms hereof.

Now, therefore, Burlington and WLR agree as follows:

1. Transfer. Subject to the terms of the Acquisition Agreement, each Seller does hereby sell, transfer, convey, grant, assign and deliver to the applicable Purchaser all of such Seller's right, title, and interest in and to the WLR Purchased Assets listed on Schedule C hereto.

2. Assignment of Contracts; Assumed Liabilities. Subject to the terms of the Acquisition Agreement, in partial consideration of the conveyance of the respective WLR Purchased Assets, each Purchaser does hereby assume and agree to pay, honor,

and discharge when due and payable and otherwise in accordance with their terms, the applicable WLR Assumed Liabilities and WLR Assumed Contracts set forth on Schedules D and E, respectively, provided, however, that to the extent the assignment of any such WLR Assumed Contract requires the consent of any other party, this Agreement will not constitute an assignment of the same or any rights or liabilities thereunder if an attempted assignment thereof would constitute a breach of the terms of any such WLR Assumed Contract, and the assignment of such WLR Assumed Contract will not be effective unless and until the consent of such other party has been obtained. If any such consent is not obtained, Burlington will, and will cause the other Sellers to: (i) use its reasonable best efforts to provide the benefits, monetary or otherwise, of any such WLR Assumed Contract, including by enforcing any and all rights of the applicable Seller against the other party thereto arising out of the breach or cancellation thereof by such other party or otherwise, and (ii) cooperate in any reasonable and lawful arrangement designed to provide such benefits to the Purchasers. Notwithstanding the prior sentence, in no event will any Seller be required to pay any fees imposed by the other party or costs associated with obtaining consent for any WLR Assumed Contract.

3. Further Assurances. Each party will, and will cause its subsidiaries to, execute and deliver, or cause to be executed and delivered, from time to time hereafter, all such further documents and instruments and take all such further actions as may be reasonably necessary to give full effect to the intent of this Agreement and to effectively transfer the applicable WLR Purchased Assets or, subject to the terms of the Acquisition Agreement, for the Purchasers to assume, pay, honor and discharge when due the WLR Assumed Contracts and WLR Assumed Liabilities. Notwithstanding the foregoing, to the extent a dispute arises as to whether any Purchased Asset, Assumed Contract or Assumed Liability should have been included in the WLR Purchased Assets, WLR Assumed Contracts or WLR Assumed Liabilities and transferred or assigned under this Agreement, on the one hand, or the Lees Assets, Contracts and Liabilities and transferred or assigned under the Mohawk Agreement, on the other hand, each Purchaser acknowledges that it will cooperate with Mohawk, as necessary, to take such further actions as may be necessary to effectively transfer such Purchased Asset, Assumed Contract or Assumed Liability to the appropriate party, and in no event will Burlington have any further obligations or liabilities with respect to such transfer. The Purchasers agree to indemnify Burlington with respect to any losses it sustains as a result of any such disputed transfer or assignment.

4. Successor and Assigns. This Agreement and all the rights and obligations hereunder will bind and inure to the benefit of the parties hereto and their respective successors and assigns.

5. Power of Attorney. Each of the Purchasers is hereby authorized to file on behalf of Sellers' creditors UCC-3 or other forms as may be necessary to release liens on the WLR Purchased Assets in accordance with the Confirmation Order and Section IV.G. of the Plan. Effective as of the date of the termination of the BII Distribution Trust Agreement, the Sellers hereby appoint each Purchaser, and its successors and assigns, their true and lawful attorney-in-fact, and do authorize each Purchaser to execute and deliver on behalf of such Seller, its successors and assigns, any and all

agreements, certificates and other documents and take any and all actions necessary for Purchasers to effectively acquire the WLR Purchased Assets or assume, pay, honor and discharge when due the WLR Assumed Contracts and WLR Assumed Liabilities. Sellers agree that the foregoing powers will be coupled with an interest and are and will be irrevocable by Sellers.

6. **Counterparts.** This Agreement may be executed in two or more counterparts, each of which shall be deemed to be an original but all of which together shall be deemed to be one and the same instrument.

7. **Governing Law.** This Agreement will be governed by and construed in accordance with the laws of the State of Delaware applicable to a contract executed and performed in such State, without giving effect to the conflict of laws principles thereof. Each party hereto submits to the exclusive jurisdiction of the Bankruptcy Court in respect of any action or proceeding arising out of this Agreement.

8. **Defined Terms.** All capitalized terms used herein that are not otherwise defined herein will have the meanings given to them in the Acquisition Agreement. In addition, the following terms will have the following meanings:

a. **"Burlington Apparel Fabrics Business"** means the marketing and manufacturing of denim, woven worsted wool and worsted blends, and polyester, nylon, rayon and other woven synthetic fabrics.

b. **"Denim Business"** means the marketing and manufacturing of denim fabrics.

c. **"Burlington House Business"** means the marketing and manufacturing of mattress ticking, decorative fabrics and contract fabrics for home, office, hospitality, commercial and healthcare segments.

d. **"Lees Business"** means the marketing and manufacturing of tufted, synthetic carpet for commercial uses, including broadloom carpet, carpet tiles and six-foot vinyl backed carpet.


e. **"Hurt Property"** means the Hurt facility comprised of the Hurt plant, the Hurt distribution center and the surplus property associated therewith (located at Highway 29S, Pittsylvania County, Hurt, VA).

9. **Conflicts, Etc.** In the event that the terms of this Agreement conflict with the terms of the Acquisition Agreement, the Acquisition Agreement will govern. The parties acknowledge that the WLR Purchased Assets, WLR Assumed Contracts and WLR Assumed Liabilities transferred or assigned under this Agreement and the Mohawk Assets, Contracts and Liabilities transferred or assigned under the Mohawk Agreement constitute all of the Purchased Assets, Assumed Contracts and Assumed Liabilities that Burlington is obligated to transfer or assign pursuant to the Acquisition Agreement.

IN WITNESS WHEREOF, Purchasers and Sellers have executed this Assignment and Assumption Agreement as of the date set forth below.

**SELLERS:**

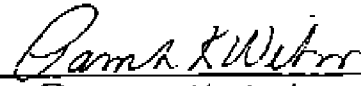
BURLINGTON INDUSTRIES, INC., for itself and on behalf of the Sellers listed on Schedule A hereto

By:   
Name: John D. Englar  
Title: Senior Vice President, Corporate Development and Law

**PURCHASERS:**

WLR RECOVERY FUND II L.P., for itself and on behalf of the Purchasers listed on Schedule B hereto

By: WLR Recovery Associates II LLC, its general partner

By:   
Name: Pamela K. Wilson  
Title: Senior Vice President

Dated: November \_\_\_\_, 2003

**SCHEDULE A**

**SELLERS**

Burlington Industries, Inc., a Delaware corporation  
Burlington Fabrics Inc., a Delaware corporation  
Bil Mexico Laundry Holding Co., a Delaware corporation  
Burlington Investment Inc., a Delaware corporation  
Burlington Investment II Inc., a Delaware corporation  
BHM-II Inc., a Pennsylvania corporation  
Burlington Worsteds Inc., a Delaware corporation



**SCHEDULE B**  
**PURCHASERS**

WLR Recovery Fund II L.P., a Delaware limited liability company

WLR Burlington Acquisition LLC, a Delaware limited liability company

WLR Burlington Finance Acquisition LLC, a Delaware limited liability company

WLR Apparel Fabrics Properties, Inc., a Delaware corporation

**SCHEDULE C****WLR PURCHASED ASSETS**

<b>Transferor (Seller)</b>	<b>Transferee (Purchaser)</b>	<b>WLR Purchased Assets Transferred</b>
Burlington Industries, Inc.	WLR Recovery Fund II L.P.	Subsidiary Equity Interests of Insuratex, Ltd.
Burlington Industries, Inc.	WLR Burlington Acquisition LLC	Subsidiary Equity Interests of Nano-Tex, LLC
Burlington Industries, Inc.	WLR Burlington Finance Acquisition LLC	Subsidiary Equity Interests of BI Properties Inc. (including its subsidiary BI Properties I Inc.), Burlington Worldwide Inc. (including its subsidiary Burlington WorldWide Trading Company Limited), Burlington Worldwide Limited, Burlington Industries V, LLC, Burlington Industries IV, LLC, BII Mexico Yarns Holding Co. (including its subsidiary Summit Yarns Holding I, Inc.), Summit Yarn, LLC, Burlington Apparel Services Company (including its subsidiary Apparel Services Europe B.V., Burlington Mills, Inc. and BII Mexico Holdings I, Inc. (including its subsidiary BII Mexico Holdings II, Inc.) and Burlington International Services Company; all other Purchased Assets that are not included in the Lees Assets, Contracts and Liabilities or otherwise transferred under the Mohawk Agreement or the Hurt Property
Burlington Fabrics Inc.	WLR Burlington Finance Acquisition LLC	All Purchased Assets held by transferor
BII Mexico Laundry Holding Co.	WLR Burlington Finance Acquisition LLC	All Purchased Assets held by transferor
Burlington Investment Inc.	WLR Burlington Finance Acquisition LLC	All Purchased Assets held by transferor

Burlington Investment II Inc.	WLR Burlington Finance Acquisition LLC	All Purchased Assets held by transferor
BH/M-II Inc.	WLR Burlington Finance Acquisition LLC	All Purchased Assets held by transferor
Burlington Worsteds Inc.	WLR Burlington Finance Acquisition LLC	All Purchased Assets held by transferor
Burlington Industries, Inc.	WLR Apparel Fabrics Properties, Inc.	The Hurt Property

**SCHEDULE D****WLR ASSUMED LIABILITIES**

<b>Seller</b>	<b>Purchaser</b>	<b>WLR Assumed Liabilities</b>
Burlington Industries, Inc.	WLR Recovery Fund II L.P.	Assumed Liabilities assumed through transferred Subsidiary Equity Interests
Burlington Industries, Inc.	WLR Burlington Acquisition LLC	Assumed Liabilities assumed transferred Subsidiary Equity Interests
Burlington Industries, Inc.	WLR Burlington Finance Acquisition LLC	In addition to Assumed Liabilities assumed through transferred Subsidiary Equity Interests, all Assumed Liabilities that are not included in the Lees Assets, Contracts and Liabilities or otherwise transferred under the Mohawk Agreement or the Hurt Property
Burlington Fabrics Inc.	WLR Burlington Finance Acquisition LLC	All Assumed Liabilities held by transferor
BII Mexico Laundry Holding Co.	WLR Burlington Finance Acquisition LLC	All Assumed Liabilities held by transferor
Burlington Investment Inc.	WLR Burlington Finance Acquisition LLC	All Assumed Liabilities held by transferor
Burlington Investment II Inc.	WLR Burlington Finance Acquisition LLC	All Assumed Liabilities held by transferor
BH/M-II Inc.	WLR Burlington Finance Acquisition LLC	All Assumed Liabilities held by transferor
Burlington Worsteds Inc.	WLR Burlington Finance Acquisition LLC	All Assumed Liabilities held by transferor
Burlington Industries, Inc.	WLR Apparel Fabrics Properties, Inc.	Assumed Liabilities related to the Hurt Property

**SCHEDULE E**

**WLR ASSUMED CONTRACTS**

<b>Assignor (Seller)</b>	<b>Assignee (Purchaser)</b>	<b>WLR Assumed Contracts</b>
Burlington Industries, Inc.	WLR Recovery Fund II L.P.	Assumed Contracts assumed through transferred Subsidiary Equity Interests
Burlington Industries, Inc.	WLR Burlington Acquisition LLC	Assumed Contracts assumed through transferred Subsidiary Equity Interests
Burlington Industries, Inc.	WLR Burlington Finance Acquisition LLC	In addition to Assumed Contracts assumed through transferred Subsidiary Equity Interests, all Assumed Contracts that are not included in the Lees Assets, Contracts and Liabilities or otherwise transferred under the Mohawk Agreement.
Burlington Fabrics Inc.	WLR Burlington Finance Acquisition LLC	All Assumed Contracts held by transferor
BII Mexico Laundry Holding Co.	WLR Burlington Finance Acquisition LLC	All Assumed Contracts held by transferor
Burlington Investment Inc.	WLR Burlington Finance Acquisition LLC	All Assumed Contracts held by transferor
Burlington Investment II Inc.	WLR Burlington Finance Acquisition LLC	All Assumed Contracts held by transferor
BH/M-II Inc.	WLR Burlington Finance Acquisition LLC	All Assumed Contracts held by transferor
Burlington Worsteds Inc.	WLR Burlington Finance Acquisition LLC	All Assumed Contracts held by transferor

## ACQUISITION AGREEMENT

This Acquisition Agreement is entered into on the date set forth on the signature page among the Person designated on the signature page as "Parent," the Person designated on the signature page as "Sub" (Parent and Sub together, "Buyer") and Burlington Industries, Inc. (the "Company").

### RECITALS

A. The Company and certain of its domestic subsidiaries (the "Debtor Subsidiaries") and, together with the Company, the "Debtors") are debtors and debtors-in-possession under Chapter 11 of Title 11 of the United States Code (the "Bankruptcy Code"), having commenced voluntary cases (Nos. 01-11282 through 01-11306) (jointly administered) (the "Reorganization Cases") on November 15, 2001 (the "Petition Date") in the United States Bankruptcy Court for the District of Delaware (the "Bankruptcy Court");

B. The Board of Directors of the Company (the "Board") has determined that it is advisable and in the best interests of the estates in the Reorganization Cases and the beneficiaries of such estates to consummate and, subject to the failure of any party other than the Buyer to emerge as a Successful Bidder under the Bidding Procedures (the "Auction Condition") and to the entry of an order of the Bankruptcy Court (the "Confirmation Order") confirming the amended plan of reorganization effecting the transactions contemplated by this Agreement (as amended, the "Plan") pursuant to Section 1129 of the Bankruptcy Code (the "Confirmation Condition" and, together with the Auction Condition, the "Bankruptcy Conditions"), has approved the transactions contemplated by this Agreement on the terms and subject to the conditions set forth herein;

C. In furtherance thereof, the Company has agreed to file the Plan with the Bankruptcy Court in order to effect the transactions contemplated by this Agreement on the terms and subject to the conditions set forth herein;

D. Also in furtherance thereof, pursuant to Section 5.01 and on the terms and subject to the conditions set forth herein, including the Auction Condition, the Company has agreed to, and to cause the Debtor Subsidiaries to, (i) transmit an amended disclosure statement, once approved by the Bankruptcy Court, with respect to the Plan (as amended, the "Disclosure Statement") to holders of claims and equity interests in the Reorganization Cases, soliciting acceptance of the Plan and (ii) seek entry of the Confirmation Order; and

E. The effective date of the Plan would be conditioned on the effectuation of the transactions contemplated by, and the provisions of, this Agreement, on the terms and subject to the conditions set forth herein.

NOW, THEREFORE, the parties hereto agree as follows:

**ARTICLE I  
THE TRANSACTION**

1.01 The Transaction. On the terms and subject to the conditions set forth in this Agreement, the Company will either (a) if the "Stock Transaction" box is checked on the signature page, issue, sell and deliver 100 shares of newly issued common stock, par value \$0.01 per share (the "Company Shares"), which immediately after the Closing will constitute all of the then issued and outstanding shares of the Company's capital stock, to Buyer, and Buyer will purchase and take delivery of the Company Shares from the Company at the Closing (such transaction, a "Stock Transaction") or (b) if the "Whole Company Asset Transaction" or "Partial Asset Transaction" box is checked on the signature page, effect the transactions set forth in Annex A at the Closing (such transaction, a "Whole Company Asset Transaction" or "Partial Asset Transaction," as applicable).

1.02 Purchase Price. The aggregate purchase price (the "Purchase Price") is the amount of cash designated on the signature page as the "Purchase Price," subject to adjustment pursuant to Sections 1.04, 1.05 and 1.08.

1.03 The Closing; Escrow. (a) Unless this Agreement has been terminated pursuant to Section 9.01, and subject to the Bankruptcy Conditions and the satisfaction or waiver of the conditions set forth in Articles VII and VIII and the deliveries required by Sections 1.04, 1.06 and 1.07, if applicable (together, the "Closing Conditions"), the closing of the transactions contemplated by this Agreement (the "Closing") will take place at the offices of Jones Day, 222 East 41<sup>st</sup> Street, New York, NY 10017, at 10:00 a.m., local time, on the first Business Day following the date of satisfaction of the conditions set forth in Sections 7.05, 7.06, 8.05, 8.06 and, if applicable, Section 8.08 or, if later, the fifth Business Day after the delivery of the Preliminary Balance Sheet, unless another date, time or place is mutually agreed to in writing by the parties hereto (the "Closing Date").

(b) At the Closing, (i) Buyer will pay, on behalf of the Company, the Purchase Price, less the amounts specified under clauses (ii) and (iii) below, by wire transfer of immediately available United States funds to the Distribution Trust, at an account identified by the Distribution Trust Representative before the Closing Date, for the distribution of such amount pursuant to the Plan, (ii) the Company will transfer the Deposit and all earnings thereon to the Distribution Trust for the distribution of such amount pursuant to the Plan, and (iii) Buyer will deliver the Escrow Amount by wire transfer of immediately available United States funds to a commercial bank (the "Escrow Agent") designated by the Company and reasonably acceptable to Parent and the Distribution Trust Representative, under an escrow agreement to be entered into on or before the Closing Date by and among Parent, the Distribution Trust (by the Distribution Trust Representative) and the Escrow Agent substantially in the form of Exhibit A hereto (the "Escrow Agreement"). From the date hereof through the Closing Date, the Company will not, and will not permit any of its Subsidiaries to, transfer any assets to or for the benefit of any creditor of the Debtors, other than (A) Excluded Balance Sheet Assets or net proceeds after all transaction expenses from the sale of

Excluded Balance Sheet Assets, (B) Excluded Assets, (C) Restricted Funds, (D) payments to creditors on account of post-petition claims in the ordinary course of business and to satisfy other Assumed Administrative Claims, (E) repayment in the ordinary course of business or pursuant to Bankruptcy Court approval of principal or interest under the Secured Credit Agreement, (F) approved professional fees related to the Reorganization Cases, (G) as permitted by Section 4.02(e), provided however, that in a Partial Asset Transaction the foregoing restriction will only apply to the applicable Purchased Assets, and (H) other payments, if any, authorized by an Order of the Bankruptcy Court, including the Confirmation Order and Orders approving the DIP Facility and amendments thereto.

(c) At the Closing, the Company and Buyer will deliver the certificates and other documents to be delivered under Articles VII and VIII.

1.04 Purchase Price Adjustment. On the Business Day prior to the scheduled Closing Date, the Company will deliver to Buyer (i) an unaudited estimated consolidated Balance Sheet as of immediately prior to the Closing (the "Preliminary Balance Sheet"), prepared in good faith applying the same accounting principles and policies used in preparing the March Balance Sheet (the "Company Accounting Principles and Policies"), (ii) a schedule (the "Preliminary Pre-Closing Working Capital Schedule"), based on the Preliminary Balance Sheet, setting forth the Company's calculation of the estimated Working Capital as of immediately prior to the Closing ("Preliminary Pre-Closing Working Capital"), (iii) a schedule (the "Preliminary Pre-Closing Cash Schedule"), based on the Preliminary Balance Sheet, setting forth the Company's calculation of the Company's Total Cash as of immediately prior to the Closing ("Preliminary Pre-Closing Cash"), and (iv) a certificate of the Chief Executive Officer and Chief Financial Officer of the Company stating (A) that such Preliminary Balance Sheet, Preliminary Pre-Closing Working Capital Schedule and Preliminary Pre-Closing Cash Schedule represent the Company's good faith estimate of the consolidated financial position of the Company and the Lees Business, in either case as of immediately prior to the Closing applying the Company Accounting Principles and Policies (as adjusted, with respect to the Lees Business, to eliminate cash and cash equivalents). Notwithstanding any provision in this Agreement to the contrary, the Preliminary Balance Sheet and the Preliminary Pre-Closing Working Capital of the Company reflected on the Preliminary Pre-Closing Working Capital Schedule will exclude the assets and liabilities excluded from the definition of "Working Capital." In a Whole Company Transaction, the Preliminary Balance Sheet will not give effect to Buyer's payment of the Purchase Price, or to other payments or discharges of claims or liabilities to be made pursuant to this Agreement or the Plan on or as a result of the Closing Date. If the Preliminary Pre-Closing Working Capital of the Company reflected on the Preliminary Pre-Closing Working Capital Schedule is less than the "Target Net Working Capital Amount," then the Purchase Price paid at Closing will be reduced by the amount of such shortfall. If the Preliminary Pre-Closing Working Capital of the Company reflected on the Preliminary Pre-Closing Working Capital Schedule is greater than the Target Net Working Capital Amount, then the Purchase Price to be paid at Closing will be increased by the amount of such excess. In addition, in the event that, (1) at the Auction another Qualified Bidder tops the Opening Bid in accordance with the



requirements of the Bidding Procedures with respect to the amount by which such other Qualified Bidder's bid is required to exceed the Opening Bid (a "Topping Bid"), (2) following such Topping Bid, Buyer tops the Topping Bid in accordance with the requirements of the Bidding Procedures with respect to the amount by which Buyer's bid is required to exceed such Topping Bid, and (3) the Closing thereafter occurs under this Agreement, then the Purchase Price, as modified by the Auction, will be reduced by the amount of the Termination Fee.

1.05 Post-Closing Working Capital Adjustment. (a) Sub will cooperate with the Distribution Trust Representative to jointly prepare the following documents within 45 Business Days following the Closing Date: (i) an unaudited consolidated Balance Sheet as of immediately prior to the Closing (the "Final Balance Sheet"), prepared in good faith applying the Company Accounting Principles and Policies and (ii) a schedule (the "Final Pre-Closing Working Capital Schedule" and, together with the Final Balance Sheet, the "Closing Financials"), based on the Final Balance Sheet, setting forth (A) a calculation of the Working Capital as of immediately prior to the Closing ("Final Pre-Closing Working Capital") and (B) a calculation of the amount by which the Purchase Price should be adjusted, either upward or downward, to the extent the Final Pre-Closing Working Capital of the Company is greater than or less than the Preliminary Pre-Closing Working Capital of the Company (such difference being the "Working Capital Amount Due"). Notwithstanding any provision in this Agreement to the contrary, the Final Balance Sheet and the Final Pre-Closing Working Capital of the Company reflected on the Final Pre-Closing Working Capital Schedule will exclude the assets and liabilities excluded from the definition of "Working Capital." In a Whole Company Transaction, the Final Balance Sheet will not give effect to Buyer's payment of the Purchase Price, or to other payments or discharges of claims or liabilities to be made pursuant to this Agreement or the Plan on or as a result of the Closing Date. Sub will, or, if applicable, will cause the Company to, provide to the Distribution Trust Representative such reasonable access during normal business hours to financial and other information as he or she may request in good faith to assess the Closing Financials. If Sub and the Distribution Trust Representative agree on the Working Capital Amount Due within 45 Business Days following the Closing Date, the Working Capital Amount Due will be paid in accordance with Section 1.05(d) or 1.05(e), as applicable, and Sections 1.05(b) and 1.05(c) will not apply. If Sub and the Distribution Trust Representative are unable to so agree, then within 50 Business Days following the Closing Date, Parent will deliver to the Distribution Trust Representative the Closing Financials prepared by Sub that Parent determines satisfy this Section 1.05(a) and all the remaining provisions of this Section 1.05 will apply.

(b) The Distribution Trust Representative may notify Sub in writing within five Business Days following delivery of the Closing Financials as prepared by Sub (the "Dispute Period") that (i) the Distribution Trust Representative agrees with the Working Capital Amount Due as calculated by Sub (an "Approval Notice") or (ii) the Distribution Trust Representative disagrees with the Working Capital Amount Due as prepared by Sub, identifying in reasonable detail the items of such Closing Financials with which the Distribution Trust Representative disagrees (a "Dispute Notice"). Upon receipt by Sub of a Dispute Notice, Sub will use good faith efforts during the ten

Business Day period following the date of receipt of a Dispute Notice (the "Resolution Period") to resolve with the Distribution Trust Representative any differences they may have as to the calculation of the Working Capital Amount Due. During the Dispute Period and Resolution Period, Sub will, or, if applicable, will cause the Company to provide to the Distribution Trust Representative such reasonable access during normal business hours to financial and other information of the Company as he or she may request in good faith to assess the Closing Financials. If Sub and the Distribution Trust Representative cannot reach written agreement during the Resolution Period, within five Business Days thereafter, their disagreements, limited to those issues still in dispute (the "Disputed Items"), will be promptly submitted for arbitration before the firm designated on the signature page as the "Initial Independent Accountant" or another independent Accounting Firm mutually satisfactory to Sub and the Distribution Trust Representative (the "Independent Accountant"), which firm will conduct such additional review as is necessary to resolve the Disputed Items. Based on such review, the Independent Accountant will prepare a schedule (the "Independent Accountant Schedule") setting forth (A) its determination of the Disputed Items, (B) its calculation of the Working Capital as of immediately prior to the Closing, and (C) its calculation of the Working Capital Amount Due. The Independent Accountant Schedule will be completed by the Independent Accountant as promptly as practicable but in no event later than 20 Business Days following the selection of the Independent Accountant and will be confirmed by the Independent Accountant in writing to, and will be final and binding on, Sub and the Distribution Trust for purposes of this Section 1.05.

(c) The fees and expenses of the Independent Accountant will be paid (i) if all of the Disputed Items are resolved in favor of one party, by the party against whom the Independent Accountant resolves the Disputed Items or (ii) if some of the Disputed Items are resolved in favor of each party, by (A) the Distribution Trust Representative for that fraction equal to (x) the difference of the Working Capital Amount Due as computed by the Distribution Trust Representative less the Working Capital Amount Due as computed by the Independent Accountant divided by (y) the difference of the Working Capital Amount Due as computed by the Distribution Trust Representative less the Working Capital Amount Due as computed by Sub and (B) the Sub for the balance.

(d) If the Working Capital Amount Due is owed hereunder by the Company, then no later than the second Business Day after, as applicable, the (i) receipt by Sub of an Approval Notice, (ii) expiration of the Dispute Period if Sub has not received an Approval Notice or a Dispute Notice within such period, (iii) expiration of the Resolution Period if Sub and the Distribution Trust Representative have resolved any differences regarding the Working Capital Amount Due within such period, and (iv) receipt of the Independent Accountant Schedule (the date of such applicable event, the "Escrow Determination Date"), Sub and the Distribution Trust Representative will deliver a written notice to the Escrow Agent pursuant to the Escrow Agreement instructing the Escrow Agent to pay the Working Capital Amount Due from the Escrow Amount to Sub by wire transfer of immediately available funds, without setoff or deduction of any kind, within two Business Days of receipt of such letter of instruction.

(e) If the Working Capital Amount Due is owed to the Distribution Trust by Buyer, then no later than the second Business Day after the Escrow Determination Date, (A) Parent will, as part of the Purchase Price, cause Sub to pay the Working Capital Amount Due to the Distribution Trust for the distribution of such amount pursuant to the Plan and (B) Parent and the Distribution Trust Representative will deliver a written notice to the Escrow Agent pursuant to the Escrow Agreement instructing the Escrow Agent to pay, within two Business Days of receipt of such letter of instruction, the Escrow Amount, also as part of the Purchase Price, to the Distribution Trust for the distribution of such amount pursuant to the Plan, in each case by wire transfer of immediately available funds, without setoff or deduction of any kind.

(f) Without limiting the generality or effect of any other provision hereof, the Plan will provide among other things that (i) in no event will the Distribution Trust Representative have any liability or obligation to any Person whomsoever as a result of any action or inaction by the Distribution Trust Representative unless such action or inaction is finally judicially determined to have involved the intentional misappropriation of assets or gross negligence, it being the intention of the parties that the Distribution Trust Representative not be liable for any actual or perceived error in judgment even if it constituted negligence, and (ii) the Distribution Trust Representative will be entitled to reimbursement out of the Distribution Trust, before final payments to the beneficiaries thereof, for all third-party costs and expenses incurred by the Distribution Trust Representative hereunder, including indemnification for any claim made against it and all fees and expenses of legal or financial advisors.

1.06 Restricted Funds. No later than five Business Days prior to the Closing Date of a Whole Company Transaction, the Company will deliver to Parent a schedule (the "Restricted Funds Schedule"), certified on behalf of the Company by its Chief Financial Officer as being true and complete in all material respects, setting forth, as of the date of delivery of the Restricted Funds Schedule, the dates on which any Restricted Funds were transferred to the Restricted Funds Trust, the amounts of such transfers, the sources of such Restricted Funds and the aggregate amount of all Restricted Funds transferred to the Restricted Funds Trust (which aggregate amount will be deducted from the Purchase Price in accordance with Section 1.02). Simultaneously with the Closing in a Whole Company Transaction, the Restricted Funds will be transferred to the Distribution Trust for disposition in accordance with the Plan. Following the delivery to Parent of the Restricted Funds Schedule in a Whole Company Transaction, no Debtor may transfer any Restricted Funds to the Restricted Funds Trust.

1.07 Excluded Balance Sheet Assets. Section 1.07 of the Company's Disclosure Schedule sets forth a description of the assets of the Company and its Subsidiaries classified as "Assets held for sale" on the March Balance Sheet (the "Excluded Balance Sheet Assets"). No later than five Business Days prior to the Closing Date in a Whole Company Transaction, the Company will deliver to Parent a schedule (the "Sold Excluded Balance Sheet Assets Schedule"), certified on behalf of the Company by its Chief Financial Officer as being true and complete in all material respects, setting forth, as of the date of delivery of the Sold Excluded Balance Sheet

Assets Schedule, the dates on which any Excluded Balance Sheet Assets were sold, the net proceeds after all transaction expenses received by the Company or any of its Subsidiaries with respect to each such sale, the aggregate net proceeds after all transaction expenses received by the Company and its Subsidiaries with respect to all such sales (the "Excluded Balance Sheet Assets Aggregate Net Proceeds") and the amount, if any, of Excluded Balance Sheet Assets Aggregate Net Proceeds that have theretofore been transferred to or for the benefit of any creditor of the Debtors. Simultaneously with the Closing in a Whole Company Transaction, the Company will transfer any remaining Excluded Balance Sheet Assets to the Distribution Trust for disposition pursuant to the Plan. Following the delivery to Parent of the Sold Excluded Balance Sheet Assets Schedule in a Whole Company Transaction, no Debtor will sell any Excluded Balance Sheet Assets.

1.08 Pension Liability Adjustment. As of the last day of each month, beginning with the month in which this Agreement is executed and ending with the month in which the Closing Date occurs, the Company (or for the month in which the Closing Date occurs, Buyer) shall prepare, or cause to be prepared, a written statement ("Monthly Pension Statement") of (i) the present value, as of the calculation date, of all benefits accrued under the Pension Plan, calculated as if each participant in the Pension Plan were entitled to receive his or her benefit in the form of an immediate lump sum, using the interest rate and mortality assumptions prescribed by the Internal Revenue Service ("Benefit Liabilities"), and (ii) the fair market value of the assets of the trust under the Pension Plan, based on the best information available, reduced by any amounts set aside in the benefit payment cash account for the payment of benefits to terminated participants ("Net Assets"). Each such Monthly Pension Statement shall also include a calculation of the Benefit Liabilities attributable to participants who are employees of the Lees Business. Each Monthly Pension Statement shall be provided by the Company (or, if applicable, the Buyer) to each other party to this Agreement no later than the 15th day of the following month. At the closing, the Purchase Price shall be reduced by 65% of \$44 million plus 65% of the amount, if any, by which the difference of Benefit Liabilities minus Net Assets ("Pension Underfunding") exceeds \$44 million as shown on the Monthly Pension Statement immediately preceding the Closing ("Pre-Closing Monthly Pension Statement"). If the Pension Underfunding on the Monthly Pension Statement prepared as of the last day of the month in which the Closing Date occurs ("Final Monthly Pension Statement") exceeds the Pension Underfunding on the Pre-Closing Monthly Pension Statement (such excess, the "Additional Pension Underfunding"), the Escrow Agent shall pay to Sub an amount equal to sixty-five percent (65%) of the Additional Pension Underfunding, multiplied by a fraction, the numerator of which is the number of days from (but not including) the date of the Pre-Closing Monthly Pension Statement through (and including) the Closing Date and the denominator of which is the number of days from (but not including) the date of the Pre-Closing Monthly Pension Statement through (and including) the date of the Final Monthly Pension Statement. If, after receipt of the Final Monthly Pension Statement by the Distribution Trust from Buyer, the Distribution Trust Representative does not agree with the calculation of the Pension Underfunding on such Final Monthly Pension Statement, the Distribution Trust will provide notice of such dispute within five Business Days of its receipt and thereafter, the amount of such Pension Underfunding

will be deemed to be included as a Disputed Item under Section 1.05, will be resolved at the same time as the determination of the Working Capital Amount Due thereunder, and will otherwise be resolved and paid in accordance with the provisions of Section 1.05 as if it applied to disputes relating to the Pension Underfunding. Any post-Closing payment required by this Section 1.08 that is not disputed shall be made within five Business Days of the delivery and receipt of the Final Monthly Pension Statement.

1.09 Distribution of Escrow Fund. Immediately after the delivery of the notice to the Escrow Agent contemplated by Section 1.05(d) or (e), as applicable, the Escrow Agent shall distribute the remainder of the Escrow Account, if any, to the Distribution Trust as part of the Purchase Price for distribution pursuant to the Plan.

## ARTICLE II REPRESENTATIONS AND WARRANTIES OF THE COMPANY

Except as set forth in the Company SEC Documents or the disclosure schedule attached to this Agreement (the "Company's Disclosure Schedule"), the Company represents and warrants to Buyer as follows:

2.01 Corporate Existence. (a) Except as a result of the commencement of the Reorganization Cases, the Company is a corporation duly organized, validly existing and in good standing under the Laws of the State of Delaware, and has all requisite power and authority to own, operate and lease its Assets and Properties and to conduct the Business as presently conducted. The Company is duly qualified or licensed to do business and is in good standing in each jurisdiction in which such qualification or licensing is necessary under applicable law, except where the failure to be so qualified or licensed and to be in good standing would not reasonably be expected, individually or in the aggregate with other such failures, to have a Material Adverse Effect. Section 2.01(a) of the Company's Disclosure Schedule contains a true copy of the Company's Certificate of Incorporation and Bylaws, as amended in each case to the date hereof. The Company is not in default under, or in violation of, any provision of its Certificate of Incorporation or Bylaws.

(b) Except as a result of the commencement of the Reorganization Cases, each Subsidiary is a corporation, company or limited liability company duly incorporated, organized or formed, validly existing and in good standing under the Laws of its jurisdiction of incorporation, organization or formation, and has all requisite power and authority to own, operate and lease its Assets and Properties and to conduct the Business as presently conducted. Each Subsidiary is duly qualified and licensed to do business and is in good standing in each jurisdiction in which such qualification or licensing is necessary under applicable law, except where the failure to be so qualified or licensed and to be in good standing would not reasonably be expected, individually or in the aggregate with other such failures, to have a Material Adverse Effect. Section 2.01(b) of the Company's Disclosure Schedule sets forth, in the case of each Subsidiary that is a corporation or company, (i) the name and jurisdiction of incorporation of such Subsidiary, (ii) the number of issued and outstanding shares of its capital stock, and (iii) the owners of such shares, and, in the case of each Subsidiary that is a limited liability

company, (A) the name and jurisdiction of formation of such Subsidiary and (B) the class and amount of the membership, ownership or other equity interests in such Subsidiary owned by the Company or any of its Subsidiaries.

**2.02 Authority.** Except as otherwise determined by the Bankruptcy Court, the Company has the requisite corporate power and authority to execute and deliver this Agreement, to perform its obligations hereunder and, upon entry of the Confirmation Order, to consummate the transactions contemplated hereby. Except as otherwise determined by the Bankruptcy Court, the execution and delivery by the Company of this Agreement, and the performance by the Company of its obligations hereunder, have been duly and validly authorized by all necessary corporate action of the Company, and, upon entry of the Confirmation Order, no other corporate action on the part of the Company or its stockholders is necessary to approve this Agreement or to consummate the transactions contemplated hereby. On or prior to the date hereof, the Board of Directors of the Company or an authorized committee thereof determined that this Agreement and the transactions contemplated hereby are in the best interests of the Company's creditor constituents and, as of the date hereof, recommends that holders of Claims against or interests in the Debtors vote to accept the Plan. Subject to the entry of the Confirmation Order, this Agreement has been duly and validly executed and delivered by the Company and, except as otherwise determined by the Bankruptcy Court, constitutes its legal, valid and binding obligation, enforceable against the Company in accordance with its terms.

**2.03 No Conflicts.** The execution and delivery by the Company of this Agreement and the performance by the Company of its pre-Closing obligations hereunder will not, and, upon entry of the Confirmation Order, the consummation of the transactions contemplated hereby, including the performance by any Subsidiary of transfers, assumptions or other actions required of it by this Agreement to effect such consummation, will not:

(a) conflict with or result in a violation or breach of any of the terms, conditions or provisions of the Charter Documents of the Company or any Subsidiary;

(b) except as otherwise determined by the Bankruptcy Court, result in a violation or breach of any term or provision of any Law or Order applicable to the Company, any Subsidiary, or any of the Assets and Properties of the Company or any Subsidiary, other than such violations or breaches which would not, individually or in the aggregate, reasonably be expected to adversely affect the validity or enforceability of this Agreement or to have a Material Adverse Effect; or

(c) except as would not, individually or in the aggregate, reasonably be expected to adversely affect the ability of the Company to consummate the transactions contemplated hereby, or to perform its obligations hereunder, and would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect, (i) result in a

violation or breach of, (ii) constitute (with or without notice or lapse of time or both) a default under, (iii) require the Company or any of its Subsidiaries to obtain any consent, approval or action of, make any filing with or give any notice to any Person as a result or under the terms of, (iv) result in or give to any Person any right of termination, cancellation, acceleration or modification in or with respect to, or (v) result in the creation or imposition of any Lien on any Assets and Properties of the Company or any Subsidiary under, any Contract to which the Company or any Subsidiary, or by which any Asset and Property of the Company or any Subsidiary, is bound.

**2.04 Capital Stock.** (a) The outstanding shares of capital stock of the Company are, and the Company Shares issued at the Closing, if any, will be, duly authorized, validly issued, fully paid and nonassessable, and issued free and clear of all Liens and all rights of first refusal and without any violation of preemptive rights. There are no (i) outstanding Options obligating the Company to issue or sell any shares of capital stock of the Company or to grant, extend or enter into any such Option, (ii) voting trusts, proxies or other commitments, understandings, restrictions or other arrangements in favor of any Person with respect to the voting of or the right to participate in dividends or other earnings on any capital stock of the Company, or (iii) commitments, understandings, obligations or arrangements of the Company to repurchase, redeem or otherwise acquire or make any payment in respect of or measured or determined based on the value of capital stock of the Company.

(b) The outstanding shares of capital stock or share capital of, or membership interests, ownership interests or other equity interests in, as the case may be, each Subsidiary (the "Subsidiary Equity Interests") that are owned by the Company or any of its Subsidiaries are, and the Subsidiary Equity Interests to be issued at the Closing in accordance with Section 5.03(a)(ii) will be, duly authorized, validly issued, fully paid and nonassessable, and owned, beneficially and of record, by the Company or its Subsidiaries, free and clear of any Liens other than Liens that will be released or discharged pursuant to the Confirmation Order at or prior to Closing. There are no (i) outstanding Options obligating any Subsidiary of the Company to issue or sell any shares of capital stock or share capital of, or any membership interests, ownership interests or other equity interests in, any Subsidiary or to grant, extend or enter into any such Option, (ii) voting trusts, proxies or other commitments, understandings, restrictions or other arrangements in favor of any Person with respect to the voting of or the right to participate in dividends or other earnings on any capital stock or share capital of, or any membership interest, ownership interest or other equity interest in, any Subsidiary, or (iii) commitments, understandings, obligations or arrangements of any Subsidiary to repurchase, redeem or otherwise acquire or make any payment in respect of or measured or determined based on the value of capital stock or share capital of, or any membership interest, ownership interest or other equity interest in, any Subsidiary.

**2.05 Governmental Approvals and Filings.** No consent, approval or action of, filing with or notice to any Governmental Authority is required to be obtained or made by the Company or any Subsidiary in connection with the execution, delivery

and performance of this Agreement or the consummation of the transactions contemplated hereby, except (i) for consents, approvals or actions of, and filings with or notice to, the Bankruptcy Court, (ii) for the necessary filings by the Company under the Exchange Act, the HSR Act or any antitrust or competition Law of any foreign jurisdiction applicable to the transactions contemplated by this Agreement and the expiration or earlier termination of the applicable waiting period(s) thereunder, and (iii) where the failure to obtain any such consent, approval or action to make any such filing or to give any such notice, individually or in the aggregate, would not reasonably be expected to adversely affect the ability of the Company and its Subsidiaries to consummate the transactions contemplated by this Agreement or to perform their obligations hereunder or to have a Material Adverse Effect.

**2.06 Compliance With Laws and Orders.** (a) Upon approval of this Agreement by the Bankruptcy Court, neither the Company nor any Subsidiary is in violation of or in default under any Law or Order, including any Law or Order involving the protection of human health and the environment, the effect of which, individually or in the aggregate with other such violations and defaults, would reasonably be expected to have a Material Adverse Effect. Except as otherwise determined by the Bankruptcy Court, the Company and each Debtor Subsidiary has complied in all material respects with all applicable Laws and Orders applicable to the Reorganization Cases.

(b) Except as would not, individually or in the aggregate with other violations and defaults, reasonably be expected to have a Material Adverse Effect, no investigation or review by any governmental, regulatory or administrative agency or authority or court or other tribunal concerning any possible violation or default of Law or Order is pending or threatened, nor has any such investigation occurred during the last five years.

(c) (i) The Company and each Subsidiary holds all material licenses, permits, registrations and other authorizations required to conduct the Business as it is presently conducted, (ii) all such licenses, permits, registrations and other authorizations are valid and in full force and effect, except for those the absence of which, individually or in the aggregate, would not reasonably be expected to have a Material Adverse Effect, (iii) the Company and each Subsidiary is in compliance with all such licenses, permits, registrations and other authorizations, except for possible failures to be so in compliance which would not, individually or in the aggregate, have a Material Adverse Effect, and (iv) the execution and delivery by the Company of this Agreement and the performance by the Company of its pre-Closing obligations hereunder will not, and, upon entry of the Confirmation Order, the consummation of the transactions contemplated hereby, including the performance by any Subsidiary of transfers, assumptions or other actions required of it by this Agreement to effect such consummation, will not result in a violation or breach of, or cause the Company or any of its Subsidiaries to fail to be in compliance with, any such licenses, permits, registrations and other authorizations, except for such violations, breaches or failures to be so in compliance which, individually or in the aggregate, would not reasonably be expected to have a Material Adverse Effect.



**2.07 Reports and Financial Statements.** (a) The Company has filed with the SEC all Company SEC Reports required to be filed by it under each of the Securities Act of 1933, as amended, the Exchange Act and the respective rules and regulations thereunder, all of which, as amended if applicable, complied in all material respects as to form with all applicable requirements of the appropriate act and the rules and regulations thereunder. No Subsidiary of the Company is required to file any form, report, registration statement, prospectus or other document with the SEC. As of their respective dates, none of the Company SEC Reports (and, if amended or superseded by a filing prior to the date of this Agreement, then on the date of such filing) contained, and none of the Company SEC Reports filed subsequent to the date hereof will contain, any 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, in light of the circumstances under which they were made, not misleading.

(b) The Company's audited financial statements for the fiscal year ended September 28, 2002 (the "**Audited Financial Statements**") fairly present in all material respects the consolidated financial position of the Company and its consolidated Subsidiaries as at September 28, 2002 and September 29, 2001 and the consolidated results of operations, cash flows and stockholders' equity of the Company and its consolidated Subsidiaries for the 52 weeks ended September 28, 2002, September 29, 2001 and September 30, 2000, all in accordance with GAAP consistently applied. The Company's unaudited financial statements for the three months ended December 28, 2002, the six months ended March 29, 2003 and the nine months ended June 28, 2003 (the "**Interim Financial Statements**") fairly present or, in the case of the June 28, 2003 Interim Financial Statements, will fairly present, in all material respects the consolidated position of the Company and its consolidated Subsidiaries as of December 28, 2002, March 29, 2003 and June 28, 2003, respectively, and the consolidated results of operations, cash flows and stockholders' equity of the Company and its consolidated Subsidiaries for the three months ended December 28, 2002, the six months ended March 29, 2003 and the nine months ended June 28, 2003, respectively, all in accordance with GAAP consistently applied (except for the absence of footnote disclosure and changes from normal year-end adjustments). No independent auditors' report included with the Audited Financial Statements has been revoked or qualified in any manner since its date. The Company has not, since September 28, 2002, made any material change in the accounting practices or policies applied in the preparation of the Audited Financial Statements. The Books and Records of the Company and the Subsidiaries have been, and are being, maintained in all material respects in accordance with GAAP. The management of the Company has (i) designed disclosure controls and procedures to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to the management of the Company by others within those entities and (ii) has disclosed, based on its most recent evaluation, to the Company's auditors and the audit committee of the Board (A) all significant deficiencies in the design or operation of internal controls which could adversely affect the Company's ability to record, process, summarize and report financial data and have identified for the Company's auditors any material weaknesses in internal controls and (B) any fraud, whether or not material, that involves

management or other employees who have a significant role in the Company's internal controls.

**2.08 Title to Assets.** The Company and the Subsidiaries have good and marketable title to, or in the case of leaseholds, valid leasehold interests in, their respective material Assets and Properties, free and clear of any Liens other than Liens permitted under the DIP Facility or Liens that will be released or discharged pursuant to the Confirmation Order at or prior to the Closing.

**2.09 Legal Proceedings.** Except for Claims that will be discharged pursuant to the Confirmation Order:

(a) other than the Reorganization Cases, there are no Actions or Proceedings pending or, to the Knowledge of the Company, threatened against, relating to or affecting the Company or any Subsidiary which would reasonably be expected to (i) result in the issuance of an Order restraining, enjoining or otherwise prohibiting or making illegal the consummation of any of the transactions contemplated by this Agreement, or (ii) individually or in the aggregate with other such Actions or Proceedings, have a Material Adverse Effect; and

(b) except for Orders of the Bankruptcy Court, there are no Orders outstanding against the Company or any of its Subsidiaries which, individually or in the aggregate with other such Orders, would reasonably be expected to have a Material Adverse Effect or prohibit the consummation of the transactions contemplated by this Agreement.

**2.10 Benefit Plans: ERISA.** (a) The Company has delivered or made available to Buyer (i) full and complete copies or descriptions of each material employment, severance, bonus, change-in-control, profit sharing, compensation, incentive, termination, stock option, stock appreciation right, restricted stock, phantom stock, performance unit, pension, retirement, deferred compensation, welfare or other employee benefit agreement, trust fund or other employee benefit arrangement and any union, guild or collective bargaining agreement maintained or contributed to or required to be contributed to by the Company or any of its United States Subsidiaries for the benefit or welfare of any director, officer, Employee or former Employee (such plans and arrangements, as applicable, being collectively the "Benefit Plans") and (ii) the Form 5500 filed in each of the two (2) most recent plan years with respect to each Benefit Plan required to file a Form 5500 for the year.

(b) Except as would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect, each Benefit Plan has been administered and is in compliance with the terms of such Benefit Plan and all applicable Laws.

(c) The Company has not ever established, maintained or participated in or had an obligation to maintain, contribute to or otherwise participate in any multiemployer plan as defined in Section 3(37)(A) of ERISA.

(d) Each Benefit Plan intended to be qualified under Section 401(a) of the Code has received a favorable determination from the IRS, each trust related to each such Benefit Plan is exempt under Section 501(a) or 501(c)(9) of the Code and nothing has occurred since such favorable determination that would adversely affect such qualification or tax-exempt status.

(e) (i) No "reportable event" (as such term is used in Section 4043 of ERISA) (other than those events for which the 30-day notice has been waived pursuant to the regulations) is pending with respect to any Benefit Plan and (ii) no "accumulated funding deficiency" (as such term is used in Section 412 or 4971 of the Code) has occurred during the last five years with respect to any Benefit Plan.

(f) No event has occurred that would subject the Company to any material liability to the IRS imposed by Chapter 43 of the Code or the Health Insurance Portability and Accountability Act of 1996.

(g) No Benefit Plan (i) has been terminated, where such termination has resulted in liability under Title IV of ERISA that, individually or in the aggregate with all other such terminations, would reasonably be expected to have a Material Adverse Effect or (ii) has, as of the date of this Agreement, received notification from the Pension Benefit Guaranty Corporation that it has instituted proceedings to treat such Benefit Plan as terminated (a "PBGC Event").

(h) The consummation of the transactions contemplated by this Agreement will not (i) entitle any current or former Employee to severance pay, unemployment compensation or any other payment or (ii) accelerate the time of payment or vesting, or increase the amount of compensation due to any such Employee.

(i) There are no pending claims by or on behalf of any Benefit Plan or by any Employee or beneficiary covered under such Benefit Plan or otherwise involving any such Benefit Plan (other than routine claims for benefits).

(j) Except as otherwise provided in Section 1114 of the Bankruptcy Code (if and to the extent applicable), by its terms, each Benefit Plan can be unilaterally amended or terminated by the Company within thirty (30) days, except as provided in Title IV of ERISA with respect to the Pension Plan.

2.11 Labor Relations. Neither the Company nor any Subsidiary is a party to or bound by any collective bargaining agreement covering the Employees and, to the Knowledge of the Company, there are no labor unions or other organizations representing, purporting to represent or attempting to represent any Employees. There has not occurred or, to the Knowledge of the Company, been threatened any material strike, slowdown, picketing, work stoppage, concerted refusal to work overtime or other similar labor activity with respect to any Employees. There are no labor disputes currently subject to any grievance procedure, arbitration or litigation, or any Action or Proceeding, and there is no representation petition pending or, to the Knowledge of the

Company, threatened with respect to any Employee. Neither the Company nor any Subsidiary has received any notice of the intent of any Governmental Authority responsible for the enforcement of labor or employment laws to conduct an investigation of the Company or any Subsidiary and, to the Knowledge of the Company, no such investigation is in progress.

2.12 Environmental Matters. (a) Except with respect to Claims that have been or will be discharged pursuant to the Confirmation Order and Claims that, individually or in the aggregate, would not reasonably be expected to have a Material Adverse Effect, no written or, to the Knowledge of the Company, oral notification of a release of a Hazardous Substance has been filed by or on behalf of the Company or any Subsidiary since the Comprehensive Environmental Response, Compensation and Liability Act of 1980 ("CERCLA") became effective, and no notice has been received by the Company or any Subsidiary informing the Company or Subsidiary of potential liability for a release of a Hazardous Substance under CERCLA or any other Environmental Law. Except as would not reasonably be expected to have a Material Adverse Effect, no site or facility owned or operated, or that has been owned or operated, by the Company or any Subsidiary is or has been listed on the CERCLIS published by the U.S. Environmental Protection Agency or on any similar list maintained by any state in which any Assets and Properties of the Company or any Subsidiary are located.

(b) None of the Assets and Properties of the Company or any Subsidiary contains or has been affected by the presence of any Hazardous Substance in a manner that would reasonably be expected to have a Material Adverse Effect on the Company

(c) Except as would not reasonably be expected to have a Material Adverse Effect, the Company and its Subsidiaries are each in compliance with all Environmental Laws with respect to the Assets and Properties, and neither the Company nor its Subsidiaries has received any written notice, which remains uncured, alleging that the Company or its Subsidiaries is in violation of any Environmental Law with respect to the Assets and Properties, and there exists no uncured violation, unpaid fine or other liability relating to any violation of any Environmental Law with respect to the Assets and Properties by the Company or its Subsidiaries.

2.13 Taxes. (a) The Company and each Subsidiary has filed, or caused to be filed, all material Tax Returns that it was required to file. All such Tax Returns were correct and complete in all material respects. All material Taxes owed by the Company or any Subsidiary (as shown on any Tax Return) have been paid. Neither the Company nor any Subsidiary currently is the beneficiary of any extension of time within which to file any material Tax Return.

(b) There is no material dispute or claim concerning any Tax liability of the Company or any Subsidiary either (i) claimed or raised by any authority to the Company or any Subsidiary in writing or (ii) as to which the Company has Knowledge.

(c) Neither the Company nor any Subsidiary has waived any statute of limitations in respect of material Taxes or agreed to any extension of time with respect to a material Tax assessment or deficiency.

(d) Neither the Company nor any Subsidiary is a party to any tax allocation or sharing agreement. Neither the Company nor any Subsidiary (i) has been a member of an affiliated group filing a consolidated federal income Tax Return, other than a group the common parent of which was the Company, or (ii) has any liability for the Taxes of any Person, other than any member of the group the common parent of which is the Company, under Reg. § 1.1502-6 (or any similar provision of state, local, or foreign law), as a transferee or successor, by contract or otherwise.

(e) The reserve for Tax liability (other than any reserve for deferred taxes established to reflect timing differences between book and tax income) set forth on the face of the Audited Financial Statements was adequate under GAAP to cover Tax liabilities of the Company and its Subsidiaries through the date thereof and (2) that reserve as adjusted for operations and transactions through the Closing Date in accordance with the past custom and practice of the Company and its Subsidiaries in filing their Tax Returns as shown on the Final Balance Sheet will be adequate under GAAP to cover Tax liabilities of the Company and its Subsidiaries through the Closing Date.

(f) Neither the Company, nor any Subsidiary, has agreed to or will be required, as a result of a change in method of accounting made in a Tax Return or report filed for a taxable period ending on or prior to the Closing Date, to include any adjustment in taxable income under Section 481 of the Code (or any similar rule) for any taxable period (or portion thereof) ending after the Closing Date.

(g) No notice of a claim has ever been made that remains unresolved with respect to the Company or any Subsidiary by a taxing authority in a jurisdiction where the respective company does not file or join in the filing of a Tax Return that it is or may be subject to Taxes in that jurisdiction.

(h) No seller of assets or stock hereunder is a "foreign person" (as that term is defined in Section 1445 of the Code), and each seller of stock or assets hereunder will provide a certificate to that effect in accordance with Treasury Regulations Section 1.1445-2(b)(2), on or before the Closing Date.

**2.14 Intellectual Property.** (a) All Intellectual Property owned by the Company or any Subsidiary that is material to the conduct of Business is owned free and clear of any Liens or other restrictions on use or enjoyment, other than Liens permitted under the DIP Facility or Liens that will be released or discharged pursuant to the Confirmation Order at or prior to the Closing. Except for common law trademarks, the material patents and trademarks that are included in such Intellectual Property have been duly registered with, or are covered by pending applications filed with, the United States Patent and Trademark Office. The Company has taken such other commercially reasonable actions to ensure the full protection of its and its Subsidiaries' respective

rights to, and title and interest in, such material Intellectual Property under applicable Law. Such registrations and filings remain in full force and effect, in each case to the extent material to the Business.

(b) Neither the Company nor any Subsidiary is infringing on the Intellectual Property rights of any other Person, except where such infringement would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

**2.15 Insurance.** All insurance policies of any kind or nature owned by or issued to the Company or any Subsidiary, including policies for fire, life, theft, product liability, public liability, property damage, other casualty, workers' compensation, employee health and welfare, title, property and liability, with respect to the Business or Assets and Properties are in full force and effect, are of a nature and provide such coverage as is sufficient and as is reasonably appropriate or is customarily carried by companies engaged in business similar to the Business, all premiums with respect thereto covering all periods up to and including the date hereof have been paid, and no notice of cancellation or termination has been received with respect to any such policy which was not replaced on substantially similar terms prior to the date of such cancellation. Section 2.15 of the Company Disclosure Schedule sets forth a true, complete and correct list of all such insurance policies. Except as described in Section 2.15 of the Company Disclosure Schedule, within the 36 months preceding the date of this Agreement, the Company has not been refused any insurance, nor has its coverage been limited in any material respect by any insurance carrier to which it has applied for any such insurance or with which it has carried insurance during the last 12 months. All claims thereunder have been filed in a timely fashion and all claims that are pending as of July 23, 2003 are set forth on Section 2.15 of the Company Disclosure Schedule.

**2.16 No Undisclosed Liabilities.** Neither the Company nor any Subsidiary has any Liabilities of any nature, except (i) as disclosed or reserved against in the Interim Financial Statements, (ii) for Liabilities not required by GAAP to be accrued, disclosed or reserved against in the Interim Financial Statements (other than Liabilities that are Known to the Company, reasonably estimable, material to the Business and not required by GAAP to be accrued, disclosed or reserved against solely because they are judged not to be probable or reasonably possible to occur), and (iii) for Liabilities that (x) were incurred after March 29, 2003 in the ordinary course of business consistent with past practice and (y) individually and in the aggregate have not had and would not reasonably be expected to have a Material Adverse Effect.

**2.17 Absence of Changes.** Since March 29, 2003, (i) there has not occurred a Material Adverse Effect or any change, event or development that individually or in the aggregate would reasonably be expected to have a Material Adverse Effect and (ii) neither the Company nor any of its Subsidiaries has taken any action that would be prohibited under Sections 4.01 and 4.02 after the date of this Agreement.

**2.18 Rights Agreement.** The rights agreement, dated as of December 3, 1997, as amended and restated, between the Company and Wachovia Bank, N.A., as rights agent, is inapplicable to the execution and entering into of this Agreement and the consummation of the transactions contemplated hereby.

**2.19 Restricted Funds Trust.** The assets of the Restricted Funds Trust consist only of (a) cash or cash equivalents and (b) intercompany claims to be resolved or satisfied in accordance with the Plan.

**2.20 Brokers and Finders.** The Company has not entered into any contract, arrangement or understanding with any person or firm which may result in the obligation of the Company to pay any investment banking fees, finder's fees, or brokerage commissions in connection with the transactions contemplated hereby.

**2.21 Certain Limitations.** The representations and warranties of the Company in (a) 2.04(a) will not apply to an Asset Transaction and (b) 2.07(b) will not apply to a Partial Asset Transaction.

**2.22 No Omissions.** No representation or warranty by the Company contained in this Agreement, and no statement contained in this Agreement or any Schedule furnished to Parent or Sub under or in connection with this Agreement, contains any untrue statement of any material fact, or omits to state any material fact necessary in order to make the statements contained herein or therein not misleading.

**2.23 Status.** The representations, warranties and covenants of the Company hereunder are given or made to Buyer in its capacity as a party to this Agreement and may not be relied upon or enforced by Buyer in any other capacity, including as a creditor or other claimholder.

### **ARTICLE III REPRESENTATIONS AND WARRANTIES OF PARENT AND SUB**

Parent and Sub represent and warrant to the Company as follows:

**3.01 Corporate Existence.** Each of Parent and Sub is a corporation duly organized, validly existing and in good standing under the Laws of the state specified on the signature page, and has all requisite power and authority to own, operate and lease its assets and properties and to carry on its business as presently conducted, except where the failure to be in good standing or to have such power and authority would not be reasonably expected to have, individually or in the aggregate, a Material Adverse Effect.

**3.02 Authority.** Except as otherwise determined by the Bankruptcy Court, each of Parent and Sub has the requisite corporate power and authority to execute and deliver this Agreement, to perform its obligations hereunder and to consummate the transactions contemplated hereby. Except as otherwise determined by the Bankruptcy Court, the execution and delivery by Parent and Sub of this Agreement, and the performance by Parent and Sub of their respective obligations

hereunder, have been duly and validly authorized by all necessary corporate action of Parent and Sub, and no other corporate action on the part of Parent or Sub or their respective stockholders is necessary to approve this Agreement or to consummate the transactions contemplated hereby. This Agreement has been duly and validly executed and delivered by each of Parent and Sub and, except as otherwise determined by the Bankruptcy Court, constitutes its legal, valid and binding obligation, enforceable against it in accordance with its terms, except as enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar Laws affecting the enforcement of creditors' rights generally and by general equitable principles (regardless of whether such enforceability is considered in a proceeding in equity or at Law).

**3.03 No Conflicts.** The execution and delivery by Parent and Sub of this Agreement does not, and the performance by Parent and Sub of their respective obligations under this Agreement and the consummation of the transactions contemplated hereby will not:

- (a) conflict with or result in a violation or breach of any of the terms, conditions or provisions of the Charter Documents of Parent or Sub;
- (b) except as otherwise determined by the Bankruptcy Court, result in a violation or breach of any term or provision of any Law or Order applicable to Parent or Sub, other than such violations or breaches (i) which would not, individually or in the aggregate, reasonably be expected to adversely affect the validity or enforceability of this Agreement or to have a Material Adverse Effect, or (ii) as would occur solely as a result of the Identity or the legal or regulatory status of the Company or any of its Affiliates; or
- (c) except as would not, individually or in the aggregate, reasonably be expected to adversely affect the ability of Parent or Sub to consummate the transactions contemplated hereby or to perform its obligations hereunder, and would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect, (i) result in a violation or breach of; (ii) constitute (with or without notice or lapse of time or both) a default under; (iii) require Parent or Sub to obtain any consent, approval or action of, make any filing with or give any notice to any Person as a result or under the terms of; (iv) result in or give to any Person any right of termination, cancellation, acceleration or modification in or with respect to; or (v) result in the creation or imposition of any Lien on Parent or Sub under, any Contract to which Parent or Sub is bound.

**3.04 Governmental Approvals and Filings.** No consent, approval or action of, filing with or notice to any Governmental Authority is required to be obtained or made by Parent or its Subsidiaries (including Sub) in connection with the execution, delivery and performance of this Agreement or the consummation of the transactions contemplated hereby, except (i) for consents, approvals or actions of, and filings with or



notice to, the Bankruptcy Court, (ii) for the necessary filings by Parent or its Affiliates (including Sub) under the Exchange Act, the HSR Act or any antitrust or competition Law of any foreign jurisdiction applicable to the transactions contemplated by this Agreement and the expiration or earlier termination of the applicable waiting period(s) thereunder, and (iii) where the failure to obtain any such consent, approval or action, to make any such filing or to give any such notice, individually or in the aggregate, would not reasonably be expected to adversely affect the ability of Parent or Sub to consummate the transactions contemplated by this Agreement or to perform its obligations hereunder or to have a Material Adverse Effect.

**3.05 Legal Proceedings.** Other than the Reorganization Cases, there are no Actions or Proceedings pending or, to the Knowledge of Parent or Sub, threatened against, relating to or affecting, Parent or Sub which would reasonably be expected to result in the issuance of an Order restraining, enjoining or otherwise prohibiting or making illegal the consummation of any of the transactions contemplated by this Agreement.

**3.06 Financial and Other Matters.** (a) Parent has, and as of the Closing Date will have, sufficient cash, borrowing capacity under existing credit facilities which Parent may draw without limitation (other than the delivery of customary certificates), financing committed pursuant to the financing commitments listed on Schedule 3.06 (the "Financing Commitments") and/or funds available under other agreements to fund the Purchase Price, to make any post-closing working capital adjustment payment required of it under Section 1.05 and to make all other necessary payments of fees and expenses of Parent in connection with the transactions contemplated by this Agreement. If Buyer is funding the payments set forth in the first sentence of this Section 3.06(a) with funds received pursuant to the Financing Commitment, then Buyer represents and warrants that it has no reason to believe that the Financing Commitment will not lead to the financing contemplated thereby.

(b) Sub is and as of immediately after the Closing will be a wholly owned Subsidiary of Parent. Since its organization, Sub has not engaged in any activities except those incident to its organization and the execution, delivery and performance of this Agreement.

#### ARTICLE IV COVENANTS OF THE COMPANY

**4.01 Conduct of Business.** Except as contemplated by this Agreement or as set forth in Section 4.01 of the Company's Disclosure Schedule, the Company will, and will cause the Subsidiaries to, operate the Business in the ordinary course of business consistent in all material respects with past practice. Without limiting the generality of the foregoing, subject to the qualifications in the prior sentence, the Company will, and will cause the Subsidiaries to:

(a) use reasonable efforts to preserve intact the present business organization and reputation of the Business in all material

respects, keep available (subject to dismissals and retirements in the ordinary course of business) the services of the key Employees and maintain the goodwill of key customers, suppliers and lenders of the Business with whom the Company or any Subsidiary has significant relationships;

(b) subject to Section 4.02, maintain the Assets and Properties that are material to the operation of and used in the Business in good working order and condition, ordinary wear and tear excepted;

(c) maintain in effect property damage, liability and other insurance applicable to the Business or, in a Whole Company Transaction, the Company;

(d) maintain in effect permits material to the operation of and used in the Business;

(e) make expenditures on behalf of the Business for advertising, capital expenditures and other capital items in amounts that are not materially different from past practices in the ordinary course of business or in excess of forecasted or budgeted amounts; and

(f) pay all accounts payable and collect all accounts receivable in accordance with past practice, and in any event in accordance with prudent business practices.

Notwithstanding the foregoing, nothing in this Section 4.01 will require the Company to cause any Subsidiary of the Company that is not wholly owned to take or omit to take any action that would reasonably be foreseen to cause such Subsidiary to breach any Contract to which such Subsidiary is bound or require the Company to breach a fiduciary duty to other owners of equity interests in such Subsidiary.

**4.02 Certain Restrictions.** Except as contemplated by this Agreement or as set forth in Section 4.02 of the Company's Disclosure Schedule, the Company will, and will cause the Subsidiaries to, refrain from:

(a) other than in the ordinary course of business, acquiring or disposing of, or incurring any Lien on, any Assets and Properties used in, of, or related to the Business, provided, however, that the Company may, until the fifth Business Day prior to the Closing Date, continue to sell or otherwise dispose of (i) in a Whole Company Transaction, Assets and Properties not exceeding \$10,000,000 in net proceeds pursuant to the Bankruptcy Court's Order, dated January 17, 2002, establishing certain procedures for the sale of miscellaneous assets, (ii) Excluded Assets, and (iii) Excluded Balance Sheet Assets;

(b) authorizing, issuing, selling or otherwise disposing of any shares of, or securities convertible into or exchangeable or exercisable for

or any Option with respect to any shares of, capital stock or share capital of the Company or any Subsidiary, or modifying or amending any right of any holder of outstanding shares of capital stock or share capital of or Option with respect to the Company or any Subsidiary;

(c) amending any Charter Documents of the Company or any Subsidiary or taking any action with respect to any such amendment or any merger, consolidation, recapitalization, reorganization, liquidation or dissolution of the Company or any Subsidiary;

(d) other than in the ordinary course of business, entering into, amending, modifying, terminating (partially or completely), granting any waiver under or giving any consent with respect to any Contract that is material to the Business, whether the contracting party thereto is the Company or any Subsidiary;

(e) other than in the ordinary course of business, purchasing, canceling, prepaying or otherwise providing for a complete or partial discharge in advance of a scheduled payment date with respect to, or waiving any right under, any Liability of or owing to the Company or any Subsidiary, or settling or compromising any litigation in an aggregate principal amount for all such actions exceeding \$5,000,000 (the "Settlement Cap"); provided, however, that (i) the Company may continue to settle or compromise Claims, including litigation Claims, pursuant to the Bankruptcy Court's Order, dated September 23, 2002, establishing certain procedures for the settlement or compromise of certain Claims without further approval from the Bankruptcy Court and (ii) any Claims settled or compromised pursuant to such Order will not be included in the calculation of the Settlement Cap;

(f) declaring, setting aside or paying any dividend or other distribution payable in cash, stock or property with respect to its capital stock or redeeming, repurchasing or otherwise acquiring any shares of its capital stock, other than dividends or distributions by a direct or indirect Subsidiary to its parent corporation;

(g) declaring or effecting any stock split, capital reorganization or reclassification of its capital stock or taking any similar action;

(h) incurring any indebtedness for money borrowed, issuing or selling any debt securities or warrants or rights to acquire any debt securities of the Company or any Subsidiary, or incurring any Contingent Obligations other than in the ordinary course of business consistent with past practices, including indebtedness under the DIP Facility; provided, however, that in no event may the Company incur liabilities (i) under Letters of Credit in excess of 110% of the balance (approximately \$18.9 million) of such Letters of Credit as of July 24, 2003, (ii) under FX

Contracts in excess of \$4.0 million in principal amount, or (iii) under foreign purchase contracts for wool in excess of 120% of the quantities contracted as of July 24, 2003 (approximately \$13 million):

(i) granting any material increase (or, in the case of any executive Employee or director at the Company, any increase) in the fringe benefits or compensation payable or to become payable by the Company or any of its Subsidiaries to any Employee or director of the Company or any Subsidiary thereof;

(j) except for payments permitted under the Company's Severance Plan or the KERF, adopting, amending or otherwise materially increasing (or in the case of any executive Employee or director of the Company, increasing), or accelerating the payment or vesting of the amounts payable or to become payable to any Person who is an Employee or director of the Company or any Subsidiary, under any existing Benefit Plan, bonus, incentive compensation, deferred compensation, severance, profit sharing, stock option, stock appreciation right, restricted stock purchase, insurance, pension, retirement or other employee benefit plan, agreement or arrangement;

(k) except for payments permitted under the Company's Severance Plan or the KERF, entering into or amending in any material respect (or, in the case of any executive Employee or director of the Company, in any respect) any existing employment or severance agreement with, or, except in accordance with the existing written policies of the Company or existing contracts or agreements, granting any severance or termination pay to, any Person who is an Employee or director of the Company or any Subsidiary;

(l) changing in any material respect the accounting principles used by it in effect as of the date hereof unless required by GAAP;

(m) writing down (other than is consistent with the Company Accounting Principles and Policies) or writing up the value of any of the Company's inventory (including write-downs by reason of shrinkage or markdowns) in excess of \$50,000, or determining as collectible any of the Company's accounts receivable in excess of \$50,000, or any portion thereof in excess of \$50,000, which were previously considered uncollectible;

(n) entering into any collective bargaining agreement covering the Employees;

(o) other than in the ordinary course of business consistent with past practice, making any Tax election, amending any Tax Return, settling any Tax Liability, or not retaining Books and Records with respect to Tax

matters pertinent to the Company and the Subsidiaries related to any taxable period before the Closing Date and having a Tax effect after the Closing; or

(p) entering into any Contract to do any of the foregoing.

The covenants in Sections 4.02(b), 4.02(c), 4.02(e), 4.02(f), 4.02(h), 4.02(i) and 4.02(j) (as applicable to the Company) will not apply to a Partial Asset Transaction. Notwithstanding the foregoing, nothing in this Section 4.02 will require the Company to cause any Subsidiary that is not wholly owned to take or omit to take any action that would reasonably be foreseen to cause such Subsidiary to breach any Contract to which such Subsidiary is bound or require the Company to breach a fiduciary duty to other owners of equity interests in such Subsidiary.

**4.03 Affiliate Transactions.** Prior to the Closing and except as provided herein or on Section 4.02 of the Company's Disclosure Schedule, the Company will not, and will cause the Subsidiaries not to, engage in any transaction with any officer, director or Affiliate of the Company or any Subsidiary outside the ordinary course of business. If requested by Parent, the Company will use its commercially reasonable efforts to cooperate with Buyer in order to transfer to a newly created direct or indirect wholly owned Subsidiary of the Company, effective upon the Closing, Assets and Properties that Parent and the Company agree in good faith there is a business reason to segregate from other Company Assets and Properties.

**4.04 Solicitation, Confidentiality, Etc.** (a) From the date hereof to the date of the Auction Approval Order, the Company will not be prohibited or restricted from taking (or authorizing or permitting its Affiliates or Representatives from taking), directly or indirectly, any action to solicit, negotiate, assist or otherwise knowingly facilitate (including by furnishing confidential information with respect to the Company or any of its Subsidiaries or permitting access to the Assets and Properties or Books and Records of the Company or any of its Subsidiaries) any offer or inquiry from any Person concerning an Alternative Transaction.

(b) Subsequent to the date of the Auction Approval Order, the Company will not take, nor will it authorize or permit any of its Affiliates (or authorize or permit any of the Representatives acting for or on behalf of the Company or any of its Affiliates) to take, directly or indirectly, any action to solicit, negotiate, assist or otherwise knowingly facilitate (including by furnishing information as described above) any offer or inquiry from any Person concerning an Alternative Transaction, except that the Board will be entitled to furnish information to or enter into discussions or negotiations with any Person that makes a bona fide unsolicited written proposal for an Alternative Transaction thereafter, if and only to the extent that (i) the Bankruptcy Court issues an Order that the Board must do so, (ii) the Company has entered into a confidentiality agreement with such Person after the date hereof having terms and conditions that, in the good faith judgment of the Company, are no more favorable to the Person or less favorable to the Company than the Confidentiality Agreement, (iii) the Company has promptly provided to Buyer a copy of such Order and, prior to furnishing

such information to, or entering into discussions or negotiations with, such Person, the Company has provided written notice to Buyer to the effect that it is furnishing such information to, or entering into discussions or negotiations with, such Person, which notice shall identify such Person and the proposed terms of such Alternative Transaction in reasonable detail, and (iv) the Company keeps Buyer promptly informed of the status and all material information with respect to any such discussions or negotiations. Nothing in this Section 4.04 will permit the Company to terminate this Agreement (except as specifically provided in Article IX). Any violation of the restrictions set forth in this Section 4.04 by any executive officer, director, investment banker, attorney or other advisor or representative of the Company or any of its Subsidiaries will be deemed to be a breach of this Section 4.04 by the Company.

(c) The parties agree that (i) any information furnished to or obtained by Buyer or any of its Representatives during the period from the date of this Agreement to the Closing Date as a result of the Company providing access as contemplated by Section 4.05 and (ii) the terms and conditions of this Agreement, the agreements referred to herein and the transactions contemplated hereby and thereby will in each case be treated by Buyer as confidential on the same terms and conditions as those set forth in the Confidentiality Agreement. Notwithstanding the foregoing, the parties acknowledge that this Agreement (together with the Annexes, Exhibits and Schedules attached hereto) or any other agreement to which a Buyer entity is a party will be filed with the Bankruptcy Court and made publicly available, and disclosures related to the transactions contemplated by this Agreement and the agreements referred to herein will be made to the Company's creditors, Representatives and other persons having an interest in the Reorganization Cases, and may be filed with the SEC or other governmental authority. Any such filings and disclosures by the Company or any of its Representatives will not violate any confidentiality obligations owing to any party, whether pursuant to the Confidentiality Agreement, this Agreement or otherwise. Furthermore, this Section 4.04(c) will not limit the disclosure of information by the Company in connection with the administration of the Reorganization Cases or preclude any filing or other communication with the Bankruptcy Court, or disclosure to creditors or other Representatives, made by the Company in good faith.

(d) Notwithstanding anything to the contrary in this Agreement, the Confidentiality Agreement or any other express or implied agreement or understanding to which the parties hereto are parties or by which they are bound and, subject to any requirements to keep such information confidential in order to comply with federal or state securities Laws, the obligations of confidentiality contained herein and therein, as they relate to the Transaction, will not apply to the "tax structure" or "tax treatment" (as those terms are used in Section 1.6011-4(b)(3) (or any successor provision) of the Treasury Regulations (the "Confidentiality Regulation") promulgated under Section 6011 of the Code) of the Transaction, and each party hereto and its respective Representatives may disclose to any Person the "tax structure" and "tax treatment" of the Transaction (as those terms are defined in the Confidentiality Regulation) and all materials of any kind (including opinions or other tax analyses) that are provided relating to such tax treatment and tax structure. For the avoidance of doubt, this authorization is not intended to permit disclosure of any information or the portion of any materials not

relevant to the tax treatment or tax structure of the transaction. Each party hereto acknowledges that it has no proprietary or exclusive rights to any tax matter or tax structuring idea or proposal related to the transaction.

**4.05 Access to Information.** Prior to the Closing the Company will, and will cause each of its Subsidiaries and their respective officers, employees and other Representatives to, afford to Parent, Mohawk and their respective Representatives reasonable access to the properties, books, contracts, commitments, personnel and records relating to the Business and will cause each of its Subsidiaries and their respective officers, employees and Representatives to, furnish promptly to Parent, Mohawk and their respective Representatives any and all information (including financial and operating data) concerning such business, properties, financial condition, operations and personnel as Parent or Mohawk may from time to time reasonably request; provided, however, that any such access and inspection (a) will be provided during normal business hours under the supervision of the Company's personnel and in such a manner as to maintain the confidentiality of such information, this Agreement and the transactions contemplated hereby; (b) will not interfere unreasonably with the business operations of the Company or its Subsidiaries or require the Company or any of its Subsidiaries to breach any contract or to violate any Law, and (c) will not involve any audit, testing or sampling procedures to which the Company does not agree in its reasonable discretion. No investigation pursuant to this Section 4.05 will affect any representations or warranties of the Company herein or the conditions to the obligations of the parties hereto.

**4.06 Pension Plan; Early Retirees Health Care Plan; Nonqualified Retirement Plans; Split-Dollar Arrangements.** Effective as of the earlier of immediately following the Closing Date or September 30, 2003, the Company will, and will cause its Subsidiaries to, take all action necessary or appropriate to validly amend the Pension Plan and the Early Retirees Health Care Plan such that (a) no Person who is not a participant in the Pension Plan or the Early Retirees Health Care Plan as of the effective date of the amendment may thereafter become a participant in the Pension Plan or the Early Retirees Health Care Plan; (b) no Person who is a participant in the Pension Plan or the Early Retirees Health Care Plan after the effective date of the amendment may thereafter make any further contribution to the Pension Plan or the Early Retirees Health Care Plan (other than premiums, in the case of the Early Retirees Health Care Plan); (c) benefit accruals under the Pension Plan shall cease to be effective no later than September 30, 2003 and thereafter no Person shall earn any additional benefits under the terms of the Pension Plan; provided, however, that this clause (c) will not result in the reduction of the accrued benefit of any participant under the Pension Plan nor in altering the method of calculating the lump sum distributions under the Pension Plan; and (d) the premiums paid by participants under the Early Retirees Health Care Plan will be adjusted in accordance with written instructions from Parent or Sub. The Company will use its reasonable best efforts to obtain from each Transferred Employee who is a participant in the Burlington Industries, Inc. Supplemental Executive Retirement Plan (the "Burlington SERP") and the Burlington Industries, Inc. Benefits Equalization Plan (the "Burlington Equalization Plan"), a written waiver of his or her right to any benefit under the Burlington SERP and/or the Burlington Equalization Plan,

effective upon the adoption of the New SERP and New Equalization Plan referenced in Section 6.01 and the receipt of documentation evidencing such Employee's inclusion therein (subject to the execution of such waiver). Subject to the consent of each Employee who has entered into a split-dollar agreement with the Company and who will be offered employment by Parent or Sub immediately after the Closing Date, the Company will amend the split-dollar agreement of such Employee to replace the Company with Parent or Sub with respect to all rights and liabilities under such split-dollar agreement contingent upon the Closing and the Employee becoming employed by Parent or Sub. The provisions of this Section 4.06 will apply to a Stock Transaction and an Asset Transaction. In addition, in an Asset Transaction, the additional provisions set forth on Annex A will also apply to the extent set forth therein.

4.07 Deposit. Until the Closing or earlier termination of this Agreement, the Company will maintain the Deposit in an escrow account. Such escrow account shall be an interest-bearing account, pursuant to the terms of the Bidding Procedures, and any interest on the Deposit shall be delivered to the party receiving such Deposit. The parties agree and acknowledge that the Deposit is not an asset of the Company or its Affiliates and is not a part of their bankruptcy estates, unless and until disbursed to the Company under and in accordance with Section 9.02 of this Agreement.

4.08 Opening Bidder. At the Auction, the Company will designate (a) this Agreement as the "Opening Bid" for purposes of the Bidding Procedures and (b) Buyer as the "Opening Bidder" for purposes of the Bidding Procedures Order.

#### ARTICLE V BANKRUPTCY AND OTHER COVENANTS

5.01 Bankruptcy Court Filings. (a) Within 10 Business Days of the date of the Auction, if Buyer is selected as a Successful Bidder, the Company will, and will cause each of the Debtor Subsidiaries to, file, or amend as appropriate, the Plan and the Disclosure Statement with the Bankruptcy Court, and thereafter the Company will, and will cause each of the Debtor Subsidiaries to, use their reasonable best efforts to obtain Bankruptcy Court approval of the Disclosure Statement and entry of the Confirmation Order as soon as reasonably practicable. The Plan and the Disclosure Statement will include terms and conditions that effect the transactions contemplated by this Agreement on the terms and subject to the conditions set forth herein, and will not include any terms or conditions that are inconsistent with the terms and conditions set forth herein. Prior to the filing by any Debtor of the Plan, the Disclosure Statement, any amendment or supplement to the foregoing, or any motion or other pleading describing or affecting the transaction contemplated by this Agreement, with the Bankruptcy Court, the Company will (i) provide a copy thereof to the Buyer and its counsel, (ii) provide Buyer and its counsel a reasonable opportunity to review and comment on such document, amendment, supplement, proposed order, motion or pleading and (iii) incorporate any reasonable comments of Buyer and its counsel into such document, amendment, supplement, proposed order, motion or pleading. The Company will provide to Buyer and to counsel for Buyer, on the same day as filed, copies of any and all pleadings filed by the Debtors with respect to the Reorganization Cases. Without limiting the generality



of the foregoing, the Company will use its reasonable best efforts to cause the Confirmation Order to contain the provisions set forth on Exhibit E hereto and such other provisions as may be requested by Parent and Sub that are not unreasonable after review of drafts of such document prior to its submission to the Bankruptcy Court.

(b) The Company will, and will cause each of the Debtor Subsidiaries to, ensure that the Disclosure Statement, as filed with the Bankruptcy Court, complies with the Bankruptcy Code and other applicable Law. Parent will cooperate with the Company in the Company's efforts to prepare and file the Plan and the Disclosure Statement, including by providing the Company with any necessary or appropriate information regarding Buyer required to be included in the Disclosure Statement. The Plan and the Disclosure Statement will contain the recommendation of the Board and of each other Debtor, in each case as of the date hereof, that holders of Claims against or interests in the Debtors entitled to vote on the Plan vote to accept the Plan, except to the extent otherwise ordered by the Bankruptcy Court. Each party hereto will promptly notify the other party if at any time before the Closing Date such party becomes aware that the Disclosure Statement contains any untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements contained therein, in light of the circumstances under which they were made, not misleading. In such event, the Company will make the appropriate filings with the Bankruptcy Court regarding such misstatement or omission and take such other actions to address such misstatement or omission as required by the Bankruptcy Court.

(c) If the Confirmation Order or any other Orders of the Bankruptcy Court relating to this Agreement, the Disclosure Statement or the Plan is appealed by any party (or a petition for *certiorari*, motion for rehearing, reargument, reconsideration or revocation, or other motion attacking the Order is filed with respect thereto), each party will, and the Company will cause the Debtor Subsidiaries to, take all such steps as it determines to be reasonable and appropriate to defend against such appeal, petition or motion and to use reasonable best efforts to obtain an expedited resolution of any such appeal, petition or motion, in any such case with the objective of effecting the transactions contemplated by this Agreement on the terms and subject to the conditions set forth herein.

(d) As soon as is reasonably practicable after the date of the Auction (but in no event more than three Business Days after the date of the Auction), if Buyer is selected as a Successful Bidder, the Company will seek (1) approval of the Bankruptcy Court of (a) the provisions of this Agreement to be performed by the Company before the Closing (including Article IV and Article V) and (b) Sections 4.04, 5.04, 5.05, 9.01 and 9.02 of this Agreement and (2) the findings by the Bankruptcy Court substantially to the effect that the Company conducted the Auction and selected Buyer as a Successful Bidder in accordance with the Bidding Procedures, that the Auction was fair in substance and procedure and that this Agreement constitutes the highest and best offer and proposal for the Company or, in the case of a Partial Asset Transaction, the applicable Business (the "Auction Approval Order").

(e) Buyer will not file any pleading or take any other action in the Bankruptcy Court with respect to this Agreement, the Plan or the consummation of the transactions contemplated hereby or thereby that is inconsistent with performing and carrying out the provisions of this Agreement in accordance with the terms and subject to the conditions herein; provided, however, that nothing contained in the foregoing will be construed to limit in any way Buyer's rights under this Agreement, including Buyer's rights under Article IX of this Agreement, or to limit Buyer's rights to advocate for the approval of this Agreement and the Plan effectuating it and against any Alternative Transaction or Plan that does not effectuate this Agreement.

**5.02 Assumption of Contracts Between Execution and Closing.** On or after the date of this Agreement, neither the Company nor any Debtor Subsidiary will assume any employment agreement or other Benefit Plan providing for any payment (on a change of control or otherwise) as a result of the Closing or effectiveness of the Plan, or any other material Contract in the Reorganization Cases without the prior written consent of Parent. Any cure costs associated with the assumption of Contracts pursuant to this Agreement will be assumed and satisfied after the Closing Date in the ordinary course of business or as otherwise provided in the Confirmation Order or other Order of the Bankruptcy Court authorizing the assumption of Contracts; provided that any such other Order must be in form and substance reasonably satisfactory to Parent.

**5.03 Effects of the Plan.** (a) Without limiting the provisions of Section 5.01 as to the requirements of the Plan, the Plan will specifically provide that, and will contemplate all necessary transfers, assumptions and other actions by the Debtors, such that, at or upon the Closing:

(i) **Equity in the Company.** If the Transaction is a Stock Transaction, the Company Shares constitute all of the Issued and outstanding shares of capital stock of the Company and, immediately after the Closing, are duly and validly issued, fully paid and nonassessable, and, immediately after the Closing, there are no Options of any kind outstanding with respect to the capital stock of the Company;

(ii) **Equity in Debtor Subsidiaries.** All of the Subsidiary Equity Interests held by the Company or any direct or indirect Subsidiary of the Company in a Debtor Subsidiary are cancelled in exchange for newly issued equity interests in such Debtor Subsidiary, constituting all of the issued and outstanding equity interests in such Debtor Subsidiary, and there are no Options of any kind outstanding with respect to any Subsidiary Equity Interests in a Debtor Subsidiary;

(iii) **Assumed Contracts.** The only Contracts under which Liability will exist are those Contracts that (x) have been entered into by the Company or such Debtor Subsidiary after the Petition Date or (y) have been assumed by the Company or such Debtor Subsidiary prior to the date of this Agreement pursuant to an Order of the Bankruptcy Court listed on Section 5.03(a)(iii) of the Company's Disclosure Schedule, or (z) are

assumed in accordance with Section 5.02 (collectively, the "Assumed Contracts"); and

(iv) Business Assets and Properties. Except as set forth in Section 5.03(a)(iv) of the Company's Disclosure Schedule, all Assets and Properties, as such Assets and Properties exist on the Closing Date, are revested in the Company or, if applicable, Sub or the Debtor Subsidiary and are owned, leased or held by the Company or, if applicable, Sub or the Debtor Subsidiary, free and clear of all Liens other than as permitted by the Plan.

(b) Liabilities. Without limiting the provisions of Section 5.01 as to the requirements of the Plan, the Plan will specifically provide that and will contemplate all necessary transfers, assumptions and other actions such that:

(i) At or upon the Closing, all Liabilities of the Company and each of the Debtor Subsidiaries relating to the Business (including Liabilities related to environmental and Tax Laws) are discharged by the Plan to the full extent a discharge could be granted to a non-individual operating Chapter 11 debtor with the maximum right to discharge under Section 1141 of the Bankruptcy Code or any other provision of the Bankruptcy Code, other than as provided in the Plan;

(ii) From and after the Closing, all parties in interest whose claims against the Company or a Debtor Subsidiary are discharged by the Plan have no recourse against the Company or, if applicable, Sub or any Debtor Subsidiary or any of their respective Assets and Properties for any consideration of any nature whatsoever for such discharged claim, or for any resolution of any disputes relating to or arising from such discharged claim;

(iii) At or upon the Closing, there are no non-current Liabilities of the Company or any Debtor Subsidiary relating to the Business of a nature required by GAAP to be accrued, disclosed or reserved against in the Company's consolidated financial statements, except for such Liabilities as are not discharged by the Plan; and

(iv) To the maximum extent permitted by applicable Law, at or upon the Closing, Buyer, the Debtors and their respective directors, officers, agents, attorneys, Affiliates, employees and other representatives are released and exculpated from any and all Liabilities based on, arising from, or related to the negotiation or preparation of the Plan and this Agreement, the conduct of the Auction or the conduct and administration of the Reorganization Cases in any other respect, except to the extent that any such Liability arises solely from fraudulent or willful misconduct and except that nothing in such provision of the Plan shall impair Buyer's rights

to enforce any provision of this Agreement to be performed on or after the Closing Date.

5.04 Insurance. Prior to the Closing, and without limiting Section 6.02, the Company will make arrangements to acquire for the benefit of its directors, officers and employees, and prior to the Closing the Company will fully pay for, insurance extending for a six-year period all directors and officers liability, fiduciary (including ERISA) and errors and omissions insurance existing as of the date hereof to the extent applicable to acts or omissions occurring in whole or in part prior to or on the Closing Date.

5.05 Certain Other Provisions. If the Transaction is an Asset Transaction, the Plan will provide that the Company will continue in existence after the Closing Date and operate in the manner set forth in Annex A, including, in the case of a Partial Asset Transaction, using reasonable efforts to (a) provide Transitional Services to the Business on the terms contemplated by the form of Transition Services Agreement attached thereto and (b) license or cause to be licensed the Licensed Trademarks to the Business on the terms contemplated by the form of Trademark License Agreement attached thereto.

5.06 Further Assurances. (a) Subject to the terms and conditions of this Agreement, each party will, and will cause its Subsidiaries to, use all reasonable efforts (i) to take, or cause to be taken, all actions necessary, proper or advisable to comply promptly with all legal requirements which may be imposed on it or its Subsidiaries with respect to this Agreement and the transactions contemplated hereby, and, subject to the conditions set forth in Articles VII and VIII hereof, to consummate the transactions contemplated by this Agreement as promptly as practicable, and (ii) to obtain (and to cooperate with the other parties to obtain) any consent, authorization, order or approval of, or any exemption by, any Governmental Authority and any other Person that is required to be obtained in connection with this Agreement and the other transactions contemplated hereby, and to comply with the terms and conditions of any such consent, authorization, order or approval. Without limiting the foregoing, with respect to any Contracts for which any required consent or approval is not obtained prior to the Closing, each party will use their reasonable best efforts to obtain any such consent or approval after the Closing Date until such consent or approval has been obtained.

(b) Subject to the terms and conditions of this Agreement, each party will use all reasonable efforts to take, or cause to be taken, all actions, and to do, or cause to be done, all things necessary, proper or advisable to consummate and make effective, as soon as practicable after the date of this Agreement, the transactions contemplated hereby, including using all reasonable efforts to lift or rescind any injunction or restraining order or other order adversely affecting the ability of the parties to consummate the transactions contemplated hereby and using all reasonable efforts to defend any litigation, including any motion, seeking to enjoin, prevent or delay the consummation of the transactions contemplated hereby.

(c) Subject to the terms and conditions of this Agreement, each party will make or cause to be made any filings required by it or any of its Affiliates under any federal antitrust laws with respect to the transactions contemplated by this Agreement promptly and in any event within five Business Days after the date of the Auction and will also comply as soon as practicable with any request made by the U.S. Federal Trade Commission, the U.S. Department of Justice or any other Governmental Authority (each, an "Antitrust Authority") under any state or federal antitrust laws for additional information, documents or other materials of it or any of its Affiliates. Each party will use its reasonable best efforts to furnish all information, and will provide such reasonable assistance as another party may request, in order to make any filing or provide any information that may be required by law by any Antitrust Authority in connection with the transactions contemplated hereby. Each party will promptly inform the other parties of the status and substance of any communication with any Antitrust Authority regarding the transactions contemplated by this Agreement and any proposals to or from any Antitrust Authority regarding the transactions contemplated by this Agreement. No party will independently participate in any formal meeting, investigation or other inquiry with any Antitrust Authority without first giving the other parties notice of such meeting, investigation or inquiry and, to the extent permitted by such Antitrust Authority, the opportunity to attend and/or participate, and each party will cooperate with the other parties in connection with any analysis, appearances, presentations, memoranda, briefs, arguments, opinions or proposals made or submitted on its behalf in connection with proceedings under any state or federal antitrust laws or any other related laws that is required for the consummation of the transactions contemplated by this Agreement.

(d) In no event shall Parent, Sub or Mohawk be required to agree to (i) any prohibition of or limitation on the ownership or operation of any portion of their respective businesses or assets, (ii) divest, hold separate or otherwise dispose of any portion of its or their respective businesses or assets, (iii) any limitation on their ability to acquire or hold, or exercise full rights of ownership of, the Assets and Properties of the Business, or (iv) any other limitation on their ability to effectively control their respective businesses or operations.

#### ARTICLE VI COVENANTS OF PARENT

Parent covenants and agrees with the Company that Parent will, and will cause Sub to, comply with all covenants and provisions of this Article VI.

6.01 Employee Matters. Except as provided in Section 4.06 with respect to the Pension Plan and the Early Retirees Health Care Plan, for purposes of all employee benefit plans (as defined in Section 3(3) of ERISA) and other employment agreements, arrangements and policies of the Company or its Subsidiaries or Buyer under which an Employee's benefits (including for purposes of determining entitlement to vacation, severance and other benefits) depend, in whole or in part, on length of service, credit will be given to Employees as of the date hereof or hereafter for service with the Company or its Subsidiaries prior to the Closing Date, provided that such

crediting of service does not result in duplication of benefits. Parent will, or will cause its Subsidiaries (including, if applicable, the Company or Sub) to, assume and honor in accordance with their terms all employee benefit plans (as defined in Section 3(3) of ERISA) and the other Benefit Plans (other than the KERP, the Burlington SERP and the Burlington Equalization Plan); provided, however, that such Persons may amend, modify or terminate any Benefit Plan in accordance with its terms and applicable law; provided, further, that, for a period of at least two years after the Closing Date, no such amendment, modification or termination may result in compensation (including salary or wage rate, as applicable, and bonus opportunity) and benefits (including severance) to employees that are less favorable, in the aggregate, than the compensation and benefits that are provided to them immediately prior to the Closing Date. Parent will, and will cause Sub to, adopt a supplemental retirement plan (the "New SERP") and a benefits equalization plan (the "New Equalization Plan") which will cover each Transferred Employee who has furnished the Company with a written waiver of benefits under the Burlington SERP and the Burlington Equalization Plan within 45 days of the Closing Date. The New SERP and the New Equalization Plan will be adopted, effective as of the Closing Date, will provide each covered Employee with vested benefits which are equivalent to the benefits each such Employee had accrued and in which each such Employee was vested as of the Effective Date under the Burlington SERP and the Burlington Equalization Plan and will recognize service with the Company or its Subsidiaries prior to the Closing Date for all purposes. The provisions of this Section 6.01 will apply to a Whole Company Transaction only. In addition, in an Asset Transaction, the additional provisions set forth Annex A will also apply to the extent set forth therein. Parent and/or Sub (if applicable), and the Company agree that Parent and/or Sub shall be a successor to the Company for purposes of the Pension Plan.

6.02 Letters of Credit and Surety Bonds. Buyer will obtain substitutions for, or (if allowed by the lender(s) under the DIP Facility) secure back-to-back arrangements with respect to, the outstanding letters of credit issued under the DIP Facility and the Company's outstanding surety bonds, in each case relating to the Business, including any replacements thereof and any other letters of credit issued under the DIP Facility and surety bonds arising in the ordinary course of the conduct of the Business subsequent to the date of this Agreement; provided, however, that in no event will Buyer be obligated to obtain substitutions or secure any such back-to-back arrangements to the extent such substitutions or arrangements support obligations that are Unassumed Liabilities.

6.03 Deposit. If Buyer is to be selected as the Successful Bidder, as a condition to such selection, Buyer will wire transfer the Deposit in immediately available funds payable to the Company. The Deposit will be held in an interest-bearing account, pursuant to the terms of the Bidding Procedures, and any interest on the Deposit shall be delivered to the party receiving such Deposit.

**ARTICLE VII  
CONDITIONS TO OBLIGATIONS OF BUYER**

The obligation of Buyer hereunder to consummate the transactions contemplated hereby is subject to the fulfillment, at or before the Closing, of each of the following conditions (all or any of which may be waived in whole or in part by Parent (on behalf of itself and Sub) in its sole discretion):

7.01 Representations and Warranties. The representations and warranties made by the Company in this Agreement shall be true and correct in all material respects (except for such representations and warranties that are qualified by their terms by reference to materiality or Material Adverse Effect, which representations and warranties as so qualified shall be true and correct in all respects) on and as of the Closing Date as though made on and as of the Closing Date.

7.02 Performance. The Company shall have performed and complied with, in all material respects, the covenants required by this Agreement to be performed or complied with by the Company at or before the Closing.

7.03 Closing Certificates. The Company shall have delivered to Buyer a certificate, dated the Closing Date and executed on behalf of the Company by the Chief Executive Officer and Chief Financial Officer of the Company, substantially in the form of Exhibit B hereto, and a certificate, dated the Closing Date and executed by the Secretary of the Company, substantially in the form of Exhibit C hereto.

7.04 Orders and Laws. There shall not be in effect on the Closing Date any Order or Law restraining, enjoining or otherwise prohibiting or making illegal the consummation of the transactions contemplated by the Plan or this Agreement.

7.05 Regulatory Consents and Approvals. All consents, approvals and actions of, filings with and notices to any Governmental Authority set forth on Section 7.05 of the Company's Disclosure Schedule shall have been obtained, made or given and shall be in full force and effect, all terminations or expirations of waiting periods imposed by any Governmental Authority with respect thereto, including under the HSR Act, shall have occurred, and the waiting periods under the HSR Act with respect to that certain filing made by Mohawk for the acquisition of the Lees Business shall have expired or been terminated, in each case without limitation, condition or restriction that would materially adversely affect the ability of Parent, Sub or Mohawk to own, control or operate, through the Company or Sub, as applicable, the Business purchased or to be purchased.

7.06 Confirmation Order. The Confirmation Order, in a form providing for the effectuation of all the transactions contemplated by this Agreement in accordance with the terms and provisions hereof, shall have been entered by the Bankruptcy Court, at least ten days shall have passed since the entry of such order, such order shall not be subject to any stay, appeal or motion for rehearing, reargument, reconsideration or revocation, and all conditions to the effectiveness of the Plan (or the

occurrence of the Effective Date as defined in the Plan) shall have been satisfied or duly waived in accordance with the Plan.

**7.07 Deliveries.** (a) If the Transaction is a Stock Transaction, the Company shall have issued and/or delivered to Buyer certificates representing the Company Shares, free and clear of all Liens, and the Debtor Subsidiaries shall have issued certificates or other evidence of the applicable Subsidiary Equity Interests, free and clear of all Liens, to their respective parent entities.

(b) If the Transaction is an Asset Transaction, the Debtor Subsidiaries shall have issued certificates or other evidence of the applicable Subsidiary Equity Interests to their respect parent entities of, if such parent entity was the Company prior to the Closing, to Sub. In addition, the Company shall have delivered:

(i) Deeds and bills of sale in customary form to effect the transfer of the Purchased Assets to Sub (with the same terms and scope as the comparable transfer documentation by which the Company acquired such assets);

(ii) Stock certificates representing the Subsidiary Equity Interests, duly endorsed in blank or accompanied by duly executed stock powers endorsed in blank or, in the case of Subsidiaries that are limited liability companies, an executed assignment form transferring all membership interests of such Subsidiaries; and

(iii) In the case of a Partial Asset Transaction, a duly executed Trademark License Agreement and Transition Services Agreement.

**7.08 Material Adverse Effect.** Since the date of this Agreement, there shall not have occurred any Material Adverse Effect (or in the case of a PBGC Event, a Material Adverse Effect shall not reasonably be expected to occur as a result of such PBGC Event).

**7.09 Bankruptcy Proceedings.** The Plan and the Confirmation Order shall contain provisions effecting the transactions contemplated by this Agreement in accordance with the terms and provisions hereof and not contain any provision which is materially inconsistent with this Agreement.

**7.10 Escrow Agreement.** The Company shall deliver to the Buyer a duly executed copy of the Escrow Agreement.

**7.11 Consents.** The Company shall have received the consents required, if any, under the Contracts listed in (c)(i) of Section 2.03 of the Company's Disclosure Schedule, as well as any other Contracts the failure of which to obtain consent to the assignment of would reasonably be expected to have a Material Adverse Effect.



7.12 Total Cash. The Purchased Assets shall include Total Cash of at least \$128.0 million.

7.13 Closing Conditions. All other Closing Conditions shall have been satisfied.

Notwithstanding the foregoing, Parent's and Sub's obligations to consummate the transactions contemplated hereby shall not be relieved by the failure of any of the foregoing conditions if such failure is the result, direct or indirect, of any breach by Parent or Sub of its material obligations under this Agreement with respect to the transactions contemplated hereby.

**ARTICLE VIII  
CONDITIONS TO OBLIGATIONS OF THE COMPANY**

The obligation of the Company hereunder to consummate the transactions contemplated hereby is subject to the fulfillment, at or before the Closing, of each of the following conditions (all or any of which may be waived in whole or in part by the Company in its sole discretion):

8.01 Representations and Warranties. The representations and warranties made by Parent or Sub in this Agreement shall be true and correct in all material respects (except for such representations and warranties that are qualified by their terms by reference to materiality or Material Adverse Effect, which representations and warranties as so qualified shall be true and correct in all respects) on and as of the Closing Date as though made on and as of the Closing Date.

8.02 Performance. Parent and Sub shall have performed and complied with, in all material respects, the covenants required by this Agreement to be so performed or complied with by Parent or Sub at or before the Closing.

8.03 Closing Certificates. Parent shall have delivered to the Company a certificate, dated the Closing Date and executed on behalf of Parent by the Chief Executive Officer or Chief Financial Officer of Parent, substantially in the form of Exhibit D hereto.

8.04 Orders and Laws. There shall not be in effect on the Closing Date any Order or Law restraining, enjoining or otherwise prohibiting or making illegal the consummation of the transactions contemplated by the Plan or this Agreement.

8.05 Regulatory Consents and Approvals. All consents, approvals and actions of, filings with and notices to any Governmental Authority set forth on Section 7.05 of the Company's Disclosure Schedule shall have been obtained, made or given and shall be in full force and effect and all terminations or expirations of waiting periods imposed by any Governmental Authority with respect thereto, including under the HSR Act, shall have occurred.

8.06 Confirmation Order. The Confirmation Order, in a form providing for effectuation of all the transactions contemplated by this Agreement in accordance with the terms and provisions hereof, shall have been entered by the Bankruptcy Court, at least ten days shall have passed since the entry of such order, such order shall not be subject to any stay, appeal or notice for rehearing, reargument, reconsideration or revocation and all conditions to the effectiveness of the Plan (or the occurrence of the Effective Date as defined in the Plan) shall have been satisfied or duly waived in accordance with the Plan.

8.07 Deliveries. If the Transaction is an Asset Transaction, Buyer shall have delivered:

- (a) One or more assumption agreements in customary form to effect the assumption of the Assumed Liabilities;
- (b) All certificates required by all relevant taxing authorities that are necessary to support any claimed exemption from the imposition of Transfer Taxes; and
- (c) In the case of a Partial Asset Transaction, a duly executed Trademark License Agreement and Transition Services Agreement.

8.08 Other Transactions. If the Transaction is a Partial Asset Transaction, the closings of the sales of the Company's other businesses (the "Other Business Sales") shall have occurred.

8.09 Closing Conditions. All other Closing Conditions shall have been satisfied.

Notwithstanding the foregoing, the Company's obligations to consummate the transactions contemplated hereby shall not be relieved by the failure of any of the foregoing conditions if such failure is the result, direct or indirect, of any breach by the Company of its material obligations under this Agreement, the Plan or the Confirmation Order with respect to the transactions contemplated hereby. Buyer hereby acknowledges and agrees that there are substantial conditions to Closing that are outside the Company's direct control, including approval of this Agreement by the Bankruptcy Court and creditor voting, and that there can be no assurance that the Closing will occur. In the event that the Closing hereunder does not occur for any reason other than the intentional breach of this Agreement by the Company, the only remedy available to Buyer, in addition to the payment contemplated by Section 9.02(b) if required by the express terms thereof, will be to seek an Order for a mandatory injunction from the Bankruptcy Court compelling the Closing to occur and in no circumstances except an intentional breach of this Agreement will the Company or any other Person have any liability or obligation for monetary damages arising therefrom.

## ARTICLE IX TERMINATION

9.01 Termination. This Agreement may be terminated, and the transactions contemplated hereby may be abandoned, at any time prior to the Closing Date:

(a) By mutual written agreement of the parties hereto;

(b) By the Company or Parent upon notification to the non-terminating party by the terminating party:

(i) at any time after the date which is 270 calendar days after the date of this Agreement (the "Termination Date"), if the Closing has not been consummated on or prior to such date and such failure is not caused by a breach of this Agreement by the terminating party;

(ii) if there has been a material breach of any representation, warranty or covenant (or any breach of any representation or warranty that is qualified by its terms by reference to materiality or Material Adverse Effect) on the part of the non-terminating party and such breach is not curable or, if curable, has not been cured within 15 Business Days following receipt by the non-terminating party of notice of such breach from the terminating party;

(iii) if (A) any court of competent jurisdiction (other than the Bankruptcy Court) or other competent Governmental Authority (other than the Bankruptcy Court) has issued an Order which has become final and nonappealable or (B) any Law (other than the Bankruptcy Code) is in effect, in either case restricting or restraining in a material manner or enjoining or otherwise prohibiting or making illegal the effectuation of the transactions contemplated by this Agreement; or

(iv) if the Bankruptcy Court has issued an Order (including an Order denying confirmation of the Plan) which has become final and nonappealable restricting or restraining in a material manner or enjoining or otherwise prohibiting or making illegal the effectuation of any of the transactions contemplated by this Agreement;

(c) By Parent or the Company if, following the Auction, the Auction Condition is not satisfied;

(d) By Parent or the Company if the Bankruptcy Court confirms a plan of reorganization for the Debtors that does not contemplate the transactions contemplated by this Agreement;

(e) By Parent or the Company if the Bankruptcy Court approves or the Company enters into a definitive agreement providing for an Alternative Transaction (other than a confidentiality agreement as described in Section 4.04); or

(f) By Parent or the Company at any time within the three Business Days commencing on July 31, 2003 if the Bankruptcy Court has not issued the Auction Approval Order (as it may be amended by the agreement of Buyer and the Company).

**9.02 Effect of Termination.** (a) If this Agreement is validly terminated pursuant to Section 9.01, this Agreement will forthwith become null and void, and there will be no liability or obligation on the part of any party hereto (or its respective Representatives or Affiliates), except that (i) the provisions with respect to expenses in Section 12.04 and the provisions of this Article IX will continue to apply following any such termination, (ii) nothing contained in this Agreement will relieve any party from any Liability for any willful or material breach prior to such termination of such party's representations, warranties, covenants or agreements set forth in this Agreement, and (iii) if the Deposit has already been paid to the Company and this Agreement is terminated at a time when the Company did not have the right to terminate this Agreement pursuant to Section 9.01(b)(ii), then the Company will, immediately following such termination, pay to Buyer, by wire transfer to an account designated by Parent, an amount equal to the Deposit plus any accrued interest thereon. The termination of this Agreement will not affect the Confidentiality Agreement, which will continue in full force and effect.

(b) Subject to the Auction Approval Order in respect of any payments not authorized by the Bidding Procedures, in the event that (i) this Agreement is terminated pursuant to Section 9.01(b)(iv), (c), (d) or (e) or by Parent pursuant to Section 9.01(b)(ii) (each, an "Unapproved Termination Event") or Section 9.01(c) (an "Approved Termination Event") and (ii) at the time of such termination, the Company could not have terminated this Agreement pursuant to Section 9.01(b)(ii), then, the Company will, upon such termination (in the case of a termination as a result of an Unapproved Termination Event) or upon the closing of a transaction with the Successful Bidder in the Auction (in the case of a termination as a result of an Approved Termination Event), pay to Buyer a termination fee in the amount of the "Termination Fee" specified on the signature page hereto, which amount will be deemed to include any and all costs and expenses incurred by Buyer in connection with this Agreement and the transactions contemplated hereby. Any fee payable under this Section 9.02(b) will be paid immediately to Buyer upon termination by wire transfer of immediately available funds of the Company. The parties expressly acknowledge and agree that, as of the date of this Agreement (1) the Bidding Procedures Order permits the Termination Fee to be paid to Buyer upon an Approved Termination Event, and then only to the extent set forth therein, and (2) the Termination Fee will not be payable to Buyer as a result of a termination for any other reason, including an Unapproved Termination Event, unless and until approved by the Auction Approval Order or other Order of the Bankruptcy Court; provided, however, that nothing herein will limit the Company's obligations under Section 5.01(d).

## ARTICLE X TAXES

10.01 Taxes Borne by the Company and its Subsidiaries. All sales, transfer, use (including, without limitation, gains and income taxes) or other similar Taxes not exempt under Section 1146(c) of the Bankruptcy Code that may be imposed as a direct result of the Asset Transaction pursuant to this Agreement will be borne solely by the Company.

10.02 Pro-Rated Taxes. In the event of an Asset Transaction, other than Taxes set forth in Section 10.01, items of Tax relating to real and personal property Taxes and assessments on property acquired by Buyer hereunder shall be pro-rated between Buyer on the one hand and the Company on the other hand as of the Closing Date. All such pro-rations shall be allocated so that items relating to time periods ending on or prior to the Closing Date shall be allocated to the Company and items relating to time periods beginning on or after the Closing Date shall be allocated to Buyer.

10.03 Purchase Price Allocation. In the event of an Asset Transaction, the Purchase Price, as adjusted pursuant to Section 1.04 and 1.05, will be allocated among the Assets and Properties in accordance with the fair market value of the assets and the methodology agreed to by the Company and Parent prior to the Closing. The parties will file all Tax Returns (including amended return and claims for refund) and information reports in a manner consistent with such allocation, and shall use reasonable best efforts to sustain such allocation in any subsequent tax audit or tax dispute. Buyer and the Company shall promptly notify each other of the commencement and progress of any audit, investigation, or other proceeding by any taxing authority relating to the allocation of the Purchase Price.

10.04 Bulk Sales. Each of the parties hereto waives compliance with any applicable provisions of the Uniform Commercial Code Article 6 (Bulk Sales or Bulk Transfers) or analogous provisions of Law, as adopted in the states in which the Business is conducted as such provisions may apply to the transactions contemplated by this Agreement.

## ARTICLE XI DEFINITIONS

11.01 Definitions. (a) Defined Terms. As used in this Agreement, the following defined terms have the meanings indicated below:

"Accounting Firm" means (a) Deloitte & Touche LLP, (b) Ernst & Young LLP, (c) KPMG LLP, (d) PricewaterhouseCoopers LLP, or (e) the Initial Independent Accountant.

"Actions or Proceedings" means any action, suit, proceeding, arbitration or Governmental Authority investigation.

**"Additional Pension Underfunding"** has the meaning ascribed to it in Section 1.08.

**"Affiliate"** means any Person that directly, or indirectly through one or more intermediaries, controls or is controlled by or is under common control with the Person specified. For purposes of this definition, control of a Person means the power, direct or indirect, to direct or cause the direction of the management and policies of such Person whether by Contract or otherwise.

**"Agreement"** means this Acquisition Agreement, the Exhibits and applicable Annexes hereto, the Company's Disclosure Schedule and the certificates delivered in accordance with Sections 7.03 and 8.03, as the same may be amended from time to time.

**"Alternative Transaction"** means a definitive agreement providing for a merger, consolidation or other business combination including the Company or any of its Subsidiaries, or any acquisition or similar transaction (including a tender or exchange offer for debt or equity) other than the transactions contemplated by this Agreement, involving, in the case of a Whole Company Transaction, (a) the purchase of (i) all or a substantial part of the Assets and Properties of the Company and its Subsidiaries ("substantial part" meaning at least 25% by book value of the Company's consolidated assets), (ii) 25% or more of the outstanding capital stock of or secured claims against the Company, or (iii) 25% or more of the outstanding shares of the capital stock of or secured claims against its Subsidiaries, or (b) in the case of a Partial Asset Transaction, the purchase of substantially all of the applicable Purchased Assets or any other transaction which is intended or could be reasonably expected to preclude the consummation of the transaction contemplated by this Agreement.

**"Antitrust Authority"** has the meaning ascribed to it in Section 5.06(c).

**"Approval Notice"** has the meaning ascribed to it in Section 1.05(b).

**"Approved Termination Event"** has the meaning ascribed to it in Section 9.02(b).

**"Assets and Properties"** of any Person means all assets and properties of every kind, nature, character and description (whether real, personal or mixed, whether tangible or intangible, wherever situated and by whomever possessed), including the goodwill related thereto, operated, owned or leased by such Person, provided, however, that in an Asset Transaction, **"Assets and Properties"** will mean **"Purchased Assets"** as defined in **Annex A**.

**"Asset Transaction"** means a Whole Company Asset Transaction or a Partial Asset Transaction.

**"Assumed Administrative Claims"** means those allowed administrative claims to be assumed by Buyer on the Effective Date pursuant to the Plan.

**"Assumed Contracts"** has the meaning ascribed to it in Section 5.03(a)(iii).

**"Auction"** has the meaning ascribed to it in the Bidding Procedures.

**"Auction Approval Order"** has the meaning ascribed to it in Section 5.01(d).

**"Auction Condition"** has the meaning ascribed to it in the forepart of this Agreement.

**"Audited Financial Statements"** has the meaning ascribed to it in Section 2.07(b).

**"Balance Sheet"** means (a) in the case of a Whole Company Transaction, a consolidated balance sheet of the Company and a balance sheet reflecting the Purchased Assets and Assumed Liabilities primarily related to the Lees Business, excluding cash and cash equivalents, prepared in accordance with the Company Accounting Principles and Policies and (b) in the case of a Partial Asset Transaction, a balance sheet reflecting the Purchased Assets and Assumed Liabilities (as defined in Annex A) related to the applicable Business, prepared in accordance with the Accounting Principles and Policies but excluding cash and cash equivalent assets, in any such case as of the date specified therein.

**"Bankruptcy Code"** has the meaning ascribed to it in the forepart of this Agreement.

**"Bankruptcy Conditions"** has the meaning ascribed to it in the forepart of this Agreement.

**"Bankruptcy Court"** has the meaning ascribed to it in the forepart of this Agreement.

**"Benefit Liabilities"** has the meaning ascribed to it in Section 1.08.

**"Benefit Plans"** has the meaning ascribed to it in Section 2.10(a).

**"Bidding Procedures"** means the bidding procedures for the sale of the Company approved by the Bankruptcy Court on March 5, 2003 and amended by the consent order on April 4, 2003, as may be from time to time amended (the "**Bidding Procedures Order**"). A copy of the Bidding Procedures are attached hereto as **Exhibit F**.

**"Board"** has the meaning ascribed to it in the forepart of this Agreement.

**"Books and Records"** means books of account, minute books, stock record books and other similar business records.

**"Burlington Equalization Plan"** has the meaning ascribed to it in Section 4.06.

**"Burlington SERP"** has the meaning ascribed to it in Section 4.06.

**"Business"** means (a) in a Stock Transaction, the marketing and manufacturing of softgoods for apparel and interior furnishings as it is conducted by the Company on the date hereof and (b) in an Asset Transaction, the **"Business"** as defined in Annex A.

**"Business Day"** means a day other than Saturday, Sunday or any other day on which banking institutions in New York, New York are required or authorized to close by law or executive order.

**"Buyer"** has the meaning ascribed to it in the forepart of this Agreement.

**"CERCLA"** has the meaning ascribed to it in Section 2.12(a).

**"Charter Documents"** means such Person's certificate or articles of incorporation, memorandum and articles of association, by-laws, limited liability company operating agreement, and other comparable constituent, charter or organizational documents, as applicable in such Person's jurisdiction of formation.

**"Claims"** means any claim against any Debtor, as "claim" is defined in Bankruptcy Code Section 101(5).

**"Closing"** has the meaning ascribed to it in Section 1.03(a).

**"Closing Conditions"** has the meaning ascribed to it in Section 1.03(a).

**"Closing Date"** has the meaning ascribed to it in Section 1.03(a).

**"Closing Financials"** has the meaning ascribed to it in Section 1.05(a).

**"Code"** means the Internal Revenue Code of 1986.

**"Company"** has the meaning ascribed to it in the forepart of this Agreement.

**"Company Accounting Principles and Policies"** has the meaning ascribed to it in Section 1.04.

**"Company's Disclosure Schedule"** has the meaning ascribed to it in the preamble to Article II.

**"Company SEC Documents"** means the Company's annual report on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K, but does not include any exhibits attached thereto, filed with the SEC and publicly available on or



after January 1, 2002 and prior to the date of this Agreement, as amended to the date of this Agreement.

**"Company SEC Reports"** means all required registration statements, prospectuses, reports, schedules, forms, statements and other documents required to be filed by the Company with the SEC since January 1, 2001.

**"Company Shares"** has the meaning ascribed to it in Section 1.01.

**"Confidentiality Agreement"** means the agreement entered into between Parent and the Company regarding certain confidential information to be provided to Parent by or on behalf of the Company in connection with the transactions contemplated hereby.

**"Confidentiality Regulation"** has the meaning ascribed to it in Section 4.04(d).

**"Confirmation Condition"** has the meaning ascribed to it in the forepart of this Agreement.

**"Confirmation Order"** has the meaning ascribed to it in the forepart of this Agreement.

**"Contingent Obligations"** means, as applied to any Person, any direct or indirect liability of that Person: (i) with respect to guaranteed Indebtedness and with respect to any Indebtedness, lease, dividend or other obligation of another Person if the purpose or intent of the Person incurring such liability, or the effect thereof, is to provide assurance to the obligee of such liability that such liability will be paid or discharged, or that any agreements relating thereto will be complied with, or that the holders of such liability will be protected (in whole or in part) against loss with respect thereto; (ii) any letter of credit issued for the account of that Person or as to which that Person is otherwise liable for reimbursement of drawings (collectively, **"Letters of Credit"**); (iii) under any foreign exchange contract, currency swap agreement, interest rate swap agreement or other similar agreement or arrangement designed to alter the risks of that Person arising from fluctuations in currency values or interest rates (collectively, **"FX Contracts"**); (iv) any agreement, contract or transaction involving commodity options or future contracts; (v) to make take-or-pay or similar payments if required regardless of nonperformance by any other party or parties to an agreement; or (vi) pursuant to any agreement to purchase, repurchase or otherwise acquire any obligation or any property constituting security therefor, to provide funds for the payment or discharge of such obligation or to maintain the solvency, financial condition or any balance sheet item or level of income of another.

**"Contract"** means any agreement, lease, license, evidence of Indebtedness, mortgage, indenture, security agreement or other contract, provided, however, that in an Asset Transaction, **"Contracts"** will be limited to Contracts primarily related to the Business.

**"Debtors"** has the meaning ascribed to it in the forepart of this Agreement.

**"Debtor Subsidiaries"** has the meaning ascribed to it in the forepart of this Agreement.

**"Deposit"** means (1) \$10.0 million in a Whole Company Transaction and (2) in a Partial Asset Transaction, Parent's pro rata share of \$10.0 million, determined by multiplying \$10.0 million by a fraction, the numerator of which is the Purchase Price and the denominator of which is the sum of the Purchase Price plus the purchase prices of the Other Business Sales.

**"DIP Facility"** means the debtor-in-possession financing facility, dated as of December 12, 2001, among the Company and the various financial institutions named as lenders therein, as amended from time to time.

**"Disclosure Statement"** has the meaning ascribed to it in the forepart of this Agreement.

**"Disputed Items"** has the meaning ascribed to it in Section 1.05(b).

**"Dispute Notice"** has the meaning ascribed to it in Section 1.05(b).

**"Dispute Period"** has the meaning ascribed to it in Section 1.05(b).

**"Distribution Trust"** means the trust established pursuant to the Plan to distribute funds to creditors of the Debtors following the Closing in accordance with the Plan.

**"Distribution Trust Representative"** means the representative of the Distribution Trust as established under the Plan.

**"Early Retirees Health Care Plan"** means the Company's health care plan for Employees electing early retirement as in effect as of the date hereof.

**"Effective Date"** means the date the Plan becomes effective.

**"Employee"** means each employee, officer or consultant of the Company or any of its Subsidiaries, provided, however, that in a Partial Asset Transaction such employee, officer or consultant was primarily involved in the applicable Business.

**"Environmental Law"** means any law relating to (i) the control of any pollutant, or protection of the air, water, land or human health or safety with respect thereto, (ii) solid, gaseous or liquid material and waste generation, handling, treatment, storage, disposal, or transportation, and (iii) Hazardous Substances. **"Environmental Laws"** shall include, without limitation, the provisions of the Comprehensive Environmental Response, Compensation and Liability Act, Resource Conservation and Recovery Act, the Clean Water Act, the Clean Air Act, the Toxic Substances Control Act, the Safe Drinking Water Act, the Federal Water Pollution Control Act and the

Federal Insecticide, Fungicide and Rodenticide Act, and the Emergency Planning and Community Right-to-Know Act.

amended. "ERISA" means the Employee Retirement Income Security Act of 1974, as

"Escrow Agent" has the meaning ascribed to it in Section 1.03(b).

"Escrow Agreement" has the meaning ascribed to it in Section 1.03(b).

"Escrow Amount" means \$30 million.

1.05(d). "Escrow Determination Date" has the meaning ascribed to it in Section

"Exchange Act" means the Securities Exchange Act of 1934, as amended.

"Excluded Assets" has the meaning ascribed to it in Annex A.

Section 1.07. "Excluded Balance Sheet Assets" has the meaning ascribed to it in

"Excluded Balance Sheet Assets Aggregate Net Proceeds" has the meaning ascribed to it in Section 1.07.

"Final Balance Sheet" has the meaning ascribed to it in Section 1.05(a).

Section 1.08. "Final Monthly Pension Statement" has the meaning ascribed to it in

Section 1.05(a). "Final Pre-Closing Working Capital" has the meaning ascribed to it in

Section 1.05(a). "Final Pre-Closing Working Capital Schedule" has the meaning ascribed to

it in Section 1.05(a). "GAAP" means United States generally accepted accounting principles, consistently applied throughout the specified period and in the immediately prior comparable period.

"Governmental Authority" means any court, tribunal, arbitrator, authority, agency, commission, official or other instrumentality of the United States, any foreign country or any domestic or foreign state, county, city or other political subdivision.

"Hazardous Substance" means any substance or waste that (i) is regulated by or for which liability can be imposed under any Environmental Law, or is defined, listed or identified as a "regulated waste", "solid waste", "hazardous waste", "hazardous substance", "hazardous material", "hazardous constituent", "restricted hazardous material", "extremely hazardous substance", "toxic substance",

"contaminant", "petroleum product," "pollutant", "toxic pollutant" or words of similar meaning and regulatory effect thereunder; (ii) is toxic, explosive, corrosive, flammable, infectious, radioactive, carcinogenic, mutagenic or otherwise hazardous and is regulated as such by any Governmental Authority under any Environmental Law; or (iii) is or contains asbestos, polychlorinated biphenyls, petroleum or petroleum derived substances or wastes.

"HSR Act" means Section 7A of the Clayton Act (Title II of the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended) and the rules and regulations promulgated thereunder.

"Indebtedness" of any Person means all obligations of such Person (i) for borrowed money, (ii) evidenced by notes, bonds, debentures or similar instruments, (iii) for the deferred purchase price of goods or services (other than trade payables or accruals incurred in the ordinary course of business), (iv) under capital leases, and (v) in the nature of guarantees of the obligations described in clauses (i) through (iv) above of any other Person.

"Indemnified Liabilities" has the meaning ascribed to it in Section 6.02(a).

"Indemnified Parties" has the meaning ascribed to it in Section 6.02(a).

"Independent Accountant" has the meaning ascribed to it in Section 1.05(b).

"Independent Accountant Schedule" has the meaning ascribed to it in Section 1.05(b).

"Initial Independent Accountant" means the party specified on the signature page.

"Intellectual Property" means all patents and patent rights, trademarks and trademark rights, trade names and trade name rights, and associated goodwill, service marks and service mark rights, service names and service name rights, brand names, inventions, copyrights and copyright rights, processes, formulae, trade dress, business and product names, logos, slogans, trade secrets, industrial models, processes, designs, methodologies, computer programs (including all source codes) and related documentation, technical information, manufacturing, engineering and technical drawings, know-how and all pending applications for and registrations of patents, trademarks, service marks and copyrights.

"Interim Financial Statements" has the meaning ascribed to it in Section 2.07(b), except that in a Partial Asset Transaction the term "Interim Financial Statements" means the unaudited financial statements for the applicable Business attached to Annex A.

"IRS" means the United States Internal Revenue Service.

**"KERP"** has the meaning ascribed to it in Annex A.

**"Knowledge"** and **"Known"** mean the actual knowledge of the executive officers of the applicable Person.

**"Laws"** means all laws, statutes, rules, regulations, ordinances and other pronouncements having the effect of law of the United States, any foreign country or any domestic or foreign state, county, city or other political subdivision or of any Governmental Authority.

**"Lees Business"** means the business of the Company and its Subsidiaries of marketing and manufacturing tufted, synthetic carpet for commercial uses, including broadloom carpet, carpet tiles and six-foot vinyl-backed carpet.

**"Liabilities"** means all indebtedness, obligations and other liabilities of a Person (whether absolute, accrued, contingent, fixed or otherwise, or whether due or to become due).

**"Licensed Trademarks"** has the meaning ascribed to it in Annex A.

**"Liens"** means any mortgage, pledge, assessment, security interest, lease, lien, adverse claim, levy, charge or other encumbrance of any kind, or any conditional sale Contract, title retention Contract or other Contract to give any of the foregoing.

**"March Balance Sheet"** means (a) in a Whole Company Transaction, the consolidated balance sheet of the Company, as of March 29, 2003, included in the Company's quarterly report on Form 10-Q for the quarter ended March 29, 2003 and (b) in a Partial Asset Transaction, the Balance Sheet for the applicable Business as of March 29, 2003.

**"Material Adverse Effect"** means a material adverse effect on the business, financial condition or results of operations of such Person and its Subsidiaries, taken as a whole, except to the extent resulting from (i) any changes in general United States or global economic conditions, (ii) any changes in general economic conditions in industries in which the Person operates which changes do not affect Parent or the Company, as the case may be, disproportionately relative to other entities operating in such industries, (iii) any decline in the market price of the common stock of such Person, and (iv) any acts of terrorism or war (whether against a nation or otherwise). When used in relation to the representations or warranties of the Company or the conditions to the obligations of Buyer in Article VII (together, the "Company Specific Provisions"), a "Material Adverse Effect" as so defined will be determined by reference to (a) in a Whole Company Transaction, either the Company and its Subsidiaries, taken as a whole, or separately, the Lees Business, taken as a whole, and (b) in a Partial Asset Transaction, the applicable Business, taken as a whole. When used in relation to the representations and warranties of Buyer or the conditions to the obligations of the Company in Article VIII (collectively, the "Parent-Specific Provisions"), a "Material Adverse Effect" as so defined will be determined by reference to Parent and its Subsidiaries, including Sub (but not including the Company), taken as a whole.

"Mohawk" means Mohawk Industries, Inc.

1.08.

"Monthly Pension Statement" has the meaning ascribed to it in Section

"Net Assets" has the meaning ascribed to it in Section 1.08.

"Opening Bid" has the meaning ascribed to it in the Bidding Procedures.

"New Equalization Plan" has the meaning ascribed to it in Section 6.01.

"New SERP" has the meaning ascribed to it in Section 6.01.

"Option" with respect to any Person means any security, right, subscription, warrant, option, "phantom" stock right, swap, hedge, derivative or other Contract that gives the right to (i) purchase or otherwise receive or be issued any shares of capital stock of, or any membership interest, ownership interest or other equity interest in, such Person or any security of any kind convertible into or exchangeable or exercisable for any shares of capital stock of, or any membership interest, ownership interest or other equity interest in, such Person or (ii) receive or exercise any benefits or rights similar to any rights enjoyed by or accruing to the holder of shares of capital stock of, or any membership interest, ownership interest or other equity interest in, such Person, including any rights to participate in the equity or income of such Person or to participate in or direct the election of any directors, managers or officers of such Person or the manner in which any shares of capital stock of such Person are voted or that reduces the risk of ownership of any security of any such Person or, in the case such Person is a limited liability company, to act as, or enjoy the rights of, a member of such Person.

"Order" means any writ, judgment, decree, injunction or similar order of any Governmental Authority (in each such case whether preliminary or final).

"Other Business Sales" has the meaning ascribed to it in Article VIII.

"Parent" means the company specified on the signature page.

"Partial Asset Transaction" has the meaning ascribed to it in Section 1.01.

"PBGC Event" has the meaning ascribed to it in Section 2.10(g).

"Pension Plan" means the Company's defined benefit pension plan as in effect as of the date hereof.

"Pension Underfunding" has the meaning ascribed to it in Section 1.08.

"Person" means any natural person, corporation, limited liability company, general partnership, limited partnership, proprietorship, other business organization, trust, union, association or Governmental Authority.

**"Petition Date"** has the meaning ascribed to it in the forepart of this Agreement.

**"Plan"** has the meaning ascribed to it in the forepart of this Agreement.

1.04. **"Preliminary Balance Sheet"** has the meaning ascribed to it in Section

1.04. **"Preliminary Pre-Closing Cash"** has the meaning ascribed to it in Section

Section 1.04. **"Preliminary Pre-Closing Cash Schedule"** has the meaning ascribed to it in

Section 1.08. **"Pre-closing Monthly Pension Statement"** has the meaning ascribed to it in

in Section 1.04. **"Preliminary Pre-Closing Working Capital"** has the meaning ascribed to it

ascribed to it in Section 1.04. **"Preliminary Pre-Closing Working Capital Schedule"** has the meaning

**"Purchase Price"** has the meaning ascribed to it in Section 1.02.

**"Regulation"** means the income tax regulations, including temporary regulations, promulgated under the Code, as such regulations are amended from time to time.

**"Reorganization Cases"** has the meaning ascribed to it in the forepart of this Agreement.

**"Reorganized Debtors"** means the Debtors on and after the Effective Date.

**"Representatives"** with respect to any Person means such Person and its officers, employees, counsel, accountants, financial advisors, consultants and other representatives.

**"Resolution Period"** has the meaning ascribed to it in Section 1.05(b).

**"Restricted Funds"** means the aggregate amount of funds transferred by the Debtors to the Restricted Funds Trust prior to the Closing Date.

Section 1.06. **"Restricted Funds Schedule"** has the meaning ascribed to it in

**"Restricted Funds Trust"** means the Burlington Fabrics Irrevocable Trust.

**"SEC"** means Securities and Exchange Commission.

"Secured Credit Agreement" means the Company's secured amended bank credit agreement, dated as of December 5, 2000.

"Settlement Cap" has the meaning ascribed to it in Section 4.02(e).

"Sold Excluded Balance Sheet Assets Schedule" has the meaning ascribed to it in Section 1.07.

"Stalking Horse Bidder" has the meaning ascribed to it in the Bidding Procedures.

"Stock Transaction" has the meaning ascribed to it in Section 1.01.

"Sub" means the company specified on the signature page.

"Subsidiary" with respect to an entity means any Person in which such entity, directly or indirectly through Subsidiaries or otherwise, beneficially owns more than 50% of either the equity interests in, or the voting control of, such Person. For purposes of this Agreement (a) the term "Subsidiary" means a direct or indirect Subsidiary of the Company as so defined when used in the Company-Specific Provisions, provided, however, that in a Partial Asset Transaction, such term means only such Subsidiaries as are engaged in the applicable Business being acquired, and (b) the term "Subsidiary" means a direct or indirect subsidiary of Parent, including Sub (but excluding the Company unless otherwise specifically provided) when used in the Parent-Specific Provisions.

"Subsidiary Equity Interests" has the meaning ascribed to it in Section 2.04(b).

"Successful Bidder" has the meaning ascribed to it in the Bidding Procedures.

"Target Net Working Capital Amount" means the amount specified on the signature page.

"Taxes" means any and all taxes, fees, levies, duties, tariffs, import and other similar charges imposed by any taxing authority, together with any related interest, penalties or other additions to tax or additional amounts imposed by any taxing authority, and without limiting the generality of the foregoing, will include net income, alternative or add-on minimum tax, gross income, gross receipts, sales, use, ad valorem, value added, franchise, profits, license, transfer, recording, escheat, withholding, payroll, employment, excise, severance, stamp, occupation, premium, property, windfall profit, environmental, custom duty or other tax, governmental fee or other like assessment or charge of any kind whatsoever, provided, however, that in a Partial Asset Transaction such term will be limited to Taxes as so defined to the extent relating, directly or indirectly, to the conduct of the Business.



**"Tax Returns"** means all returns, reports and forms required to be filed with a Governmental Authority with respect to Taxes.

**"Termination Date"** has the meaning ascribed to it in Section 9.01(b)(i).

**"Termination Fee"** means the amount, if any, specified on the signature page, which amount may not exceed 1% of the Purchase Price.

**"Topping Bid"** has the meaning ascribed to it in Section 1.04.

**"Total Cash"** means the sum of all cash and cash equivalents, including deposits and short-term investments, excluding all assets associated with Insuratex.

**"Trademark License Agreement"** means the Trademark License Agreement to be entered into in connection with a Partial Asset Transaction.

**"Transaction"** means a Stock Transaction, a Whole Company Asset Transaction or a Partial Asset Transaction.

**"Transitional Services"** has the meaning ascribed to it on Annex A.

**"Transition Services Agreement"** means the Transition Services Agreement to be entered into in connection with a Partial Asset Transaction.

**"Unapproved Termination Event"** has the meaning ascribed to it in Section 9.02(b).

**"Unassumed Liabilities"** has the meaning ascribed to it on Annex A.

**"Whole Company Asset Transaction"** has the meaning ascribed to it in Section 1.01.

**"Whole Company Transaction"** means a Stock Transaction or a Whole Company Asset Transaction.

**"Working Capital"** means all current assets, including cash, cash equivalents, deposits, short-term investments, customer account receivables, sundry notes and account receivables after deductions for doubtful accounts, discounts, returns, charge backs and allowances, inventories and prepaid expenses, less reserves (but excluding assets associated with Insuratex and Restricted Funds (defined on the Balance Sheet as "Cash held in trust (BFI)"), minus current liabilities, including the principal amount of the bank debt, post-petition trade accounts payable, sundry payables and accrued expenses including reasonable estimates of current and retiree health care obligations incurred but not reported and deferred income taxes (but excluding liabilities associated with Insuratex and any current liabilities that are Unassumed Liabilities).

1.05(a). "Working Capital Amount Due" has the meaning ascribed to it in Section

(b) Construction of Certain Terms and Phrases. Unless the context of this Agreement otherwise requires, (i) words of any gender include each other gender; (ii) words using the singular or plural number also include the plural or singular number, respectively; (iii) the terms "hereof," "herein," "hereby" and derivative or similar words refer to this entire Agreement; (iv) the terms "Article," "Section," "Annex" or "Exhibit" refer to the specified Article, Section, Annex or Exhibit of or to this Agreement; (v) the phrase "ordinary course of business" refers to the business of the Company and its Subsidiaries in connection with the Company's business; and (vi) the terms "include," "includes" and "including" will be deemed to be followed by the words "without limitation." Whenever this Agreement refers to a number of days, such number will refer to calendar days unless Business Days are specified. All accounting terms used herein and not expressly defined herein will have the meanings given to them under GAAP. Whenever the "Company" is used in this Agreement with reference to a period after the Closing, the term means the Company that is in existence and the successor or successors to the Company designated under the Plan, if any.

#### ARTICLE XII MISCELLANEOUS

12.01 Non-Survival of Representations, Warranties and Covenants. The representations and warranties contained in this Agreement will not survive the Closing. The covenants herein will survive the Closing only as and to the extent that such covenants are to be performed, in whole or in part, after the Closing.

12.02 Notices. All notices, requests and other communications hereunder must be in writing and will be deemed to have been duly given only if delivered personally or by facsimile transmission or sent by internationally recognized courier, to the parties at the following addresses or facsimile numbers:

If to the Company, to:

Burlington Industries, Inc.  
3330 West Friendly Avenue  
Greensboro, North Carolina  
27410  
Facsimile No.: (336) 379-4504  
Attn: General Counsel

with a copy to:

Jones Day  
222 East 41<sup>st</sup> Street  
New York, New York 10017  
Facsimile No.: (212) 755-7306  
Attn: Robert A. Profusek, Esq.

If to Buyer, to:

WLR Recovery Fund II L.P.  
c/o WL Ross & Co. LLC  
101 East 52nd Street  
New York, New York 10022  
Facsimile No.: (212) 317-4891  
Attn: Pamela K. Wilson

with a copy to:

Stroock & Stroock & Lathan LLP  
180 Maiden Lane  
New York, New York 10038  
Facsimile No.: (212) 805-6006  
Attn: Lewis Kruger, Esq.

All such notices, requests and other communications will (i) if delivered by facsimile transmission, be deemed given upon electronic confirmation of receipt and (ii) if delivered personally or by internationally recognized courier, be deemed given upon actual receipt by the Person to receive delivery. Any party from time to time may change its address, facsimile number or other information for the purpose of notices to that party by giving notice specifying such change to the other party hereto.

**12.03 Entire Agreement.** This Agreement (together with, if applicable, Annex A) and the Confidentiality Agreement supersede all prior discussions and agreements prior to the date hereof between the parties with respect to the subject matter hereof and thereof, and contain the sole and entire agreement between the parties hereto with respect to the subject matter hereof and thereof.

**12.04 Expenses.** Except as otherwise expressly provided in this Agreement, whether or not the transactions contemplated hereby are consummated, each party will pay its own costs and expenses, incurred in connection with the negotiation, execution and closing of this Agreement and the transactions contemplated hereby.

**12.05 Public Announcements.** At all times at or before the Closing, the parties hereto will not issue or make any reports, statements or releases to the public with respect to this Agreement or the transactions contemplated hereby without the

consent of the other, which consent will not be unreasonably withheld, except to the extent that such disclosure is determined in good faith by the disclosing party to be required by Law or by stock exchange requirements; provided that any such required disclosure will only be made, to the extent consistent with Law, after consultation with the other parties hereto; provided, further, that this Section 12.05 will not apply to any reports, statements, releases or other communications by the Company to the public as required under the Bankruptcy Code or by the Bankruptcy Court in connection with the Reorganization Cases.

**12.06 Solicitation Materials.** Following the entry of the Order approving the Disclosure Statement, if the Bankruptcy Court so authorizes Buyer in such Order, Buyer may send with the Plan materials a solicitation letter seeking acceptance of the Plan by the creditors and other parties in interest, subject to the approval of the Debtors, which approval may not be unreasonably withheld.

**12.07 Waiver.** Any term or condition of this Agreement may be waived at any time by the party that is entitled to the benefit thereof, but no such waiver will be effective unless set forth in a written instrument duly executed by or on behalf of the party waiving such term or condition. No waiver by any party of any term or condition of this Agreement, in any one or more instances, will be deemed to be or construed as a waiver of the same or any other term or condition of this Agreement on any future occasion. All remedies, either under this Agreement or by Law or otherwise afforded, will be cumulative and not alternative.

**12.08 Amendment.** This Agreement may be amended, supplemented or modified only by a written instrument duly executed by or on behalf of each party hereto.

**12.09 No Third Party Beneficiary.** The terms and provisions of this Agreement are intended solely for the benefit of each party hereto and their respective successors or permitted assigns, and it is not the intention of the parties to confer third-party beneficiary rights upon any other Person, except as expressly set forth herein.

**12.10 No Assignment; Binding Effect.** Neither this Agreement nor any right, interest or obligation hereunder may be assigned by any party hereto prior to the Closing without the prior written consent of the other parties hereto and any attempt to do so will be void, except that each of Parent and Sub may assign any or all of its rights (but not delegate any of its obligations) hereunder to one or more of its direct or indirect wholly owned Subsidiaries. Subject to the preceding sentence, this Agreement is binding on, inures to the benefit of and is enforceable by the parties hereto and their respective successors and assigns.

**12.11 Headings.** The headings used in this Agreement have been inserted for convenience of reference only and do not define or limit the provisions hereof.

12.12 Retention of Bankruptcy Court Jurisdiction. The Bankruptcy Court will retain jurisdiction for the purpose of determining any and all controversies and disputes arising under or in connection with, or for purposes of interpreting the provisions of, this Agreement, except for those matters subject to the arbitration under Section 1.05.

12.13 Governing Law. This Agreement will be governed by and construed in accordance with the Laws of the State of Delaware applicable to a Contract executed and performed in such State, without giving effect to the conflict of laws principles thereof.

12.14 Invalid Provisions. If any provision of this Agreement is held to be illegal, invalid or unenforceable under any present or future Law, and if the rights or obligations of any party hereto under this Agreement will not be materially and adversely affected thereby, (a) such provision will be fully severable, (b) this Agreement will be construed and enforced as if such illegal, invalid or unenforceable provision had never comprised a part hereof, and (c) the remaining provisions of this Agreement will remain in full force and effect and will not be affected by the illegal, invalid or unenforceable provision or by its severance herefrom.

12.15 Counterparts. This Agreement may be executed in any number of counterparts, each of which will be deemed an original, but all of which together will constitute one and the same instrument.

*[Remainder of page intentionally left blank]*

IN WITNESS WHEREOF, the Agreement has been duly executed and delivered by a duly authorized officer of each party hereto as of the date set forth below.

THE COMPANY

BURLINGTON INDUSTRIES, INC.

By: [Signature]  
Name: John Englar  
Title: Senior Vice President, Corporate Development and Law

PARENT

WL RECOVERY FUND II L.P.

By: WL ROSS & CO. LLC, its general partner

By: [Signature]  
Name: Wilbur L. Ross  
Title: Chairman and CEO  
Jurisdiction of organization: \_\_\_\_\_

SUB

WL RECOVERY FUND II L.P., on behalf of a company to be formed upon Parent being the Successful Bidder

By: WL ROSS & CO. LLC, its general partner

By: [Signature]  
Name: Wilbur L. Ross  
Title: Chairman and CEO  
Jurisdiction of organization: \_\_\_\_\_

TRANSACTION PARTICULARS

- Stock Transaction
- Whole Company Asset Transaction
- Partial Asset Transaction

Purchase Price: \$608,000,000  
Target Net Working Capital Amount: \$(76,262,000)  
Termination Fee: \$6,080,000

Initial Independent Accountant: A disinterested accounting firm of national reputation to be determined before execution of this Agreement  
Date: July 25, 2003

**UNITED STATES BANKRUPTCY COURT  
DISTRICT OF DELAWARE**

**In re:**

**Chapter 11**

**BURLINGTON INDUSTRIES, INC.,  
a Delaware corporation, et al.,**

**Jointly Administered  
Case No. 01-11282 (RJN)**

**Debtors.**

**ORDER CONFIRMING FIRST AMENDED JOINT PLAN OF REORGANIZATION  
OF BURLINGTON INDUSTRIES, INC. AND ITS DEBTOR SUBSIDIARIES**

The above-captioned debtors and debtors in possession (collectively, the "Debtors"), having proposed the First Amended Joint Plan of Reorganization of Burlington Industries, Inc. and Its Debtor Subsidiaries (in the form dated as of August 27, 2003 and included in the solicitation packages, the "August 27, 2003 Plan," a true and correct copy of which is annexed hereto as Appendix I, without exhibits, as modified by certain modifications filed with the Bankruptcy Court on October 21, 2003 (the "Modifications," a true and correct copy of which is annexed hereto as Appendix II, and collectively with the August 27, 2003 Plan, as modified, the "Plan")<sup>1</sup> and the Bankruptcy Court having conducted a hearing to consider confirmation of the Plan on October 30, 2003 (the "Hearing"); and the Bankruptcy Court having considered (i) the testimony, affidavits and exhibits admitted into evidence at the Hearing, (ii) the arguments of counsel presented at the Hearing, (iii) the objections Filed with respect to confirmation of the Plan and the responses Filed thereto and (iv) the pleadings Filed in support of confirmation; and the Bankruptcy Court being familiar with the Plan and other relevant factors affecting these jointly administered cases (the "Reorganization Cases") pending under chapter 11 of title 11 of the United States Code (the "Bankruptcy Code"); and the Bankruptcy Court having

<sup>1</sup> All capitalized terms used but not defined herein have the meanings given to them in the Plan.

taken judicial notice of the entire record of the Reorganization Cases; and the Bankruptcy Court having found that due and proper notice has been given with respect to the Hearing and the deadlines and procedures for objections to the Plan; and the appearance of all interested parties having been duly noted in the record of the Hearing; and upon the record of the Hearing, and after due deliberation thereon, and sufficient cause appearing therefor,

IT IS HEREBY FOUND AND CONCLUDED,<sup>2</sup> as follows:

**JURISDICTION AND VENUE**

- A. The Bankruptcy Court has jurisdiction to conduct the Hearing and to confirm the Plan pursuant to 28 U.S.C. § 1334.
- B. Confirmation of the Plan is a core proceeding pursuant to 28 U.S.C. § 157(b), and this Court has jurisdiction to enter a final order with respect thereto.
- C. The Debtors are proper debtors under section 109 of the Bankruptcy Code and the Debtors are proper proponents of the Plan under section 1121(a) of the Bankruptcy Code.
- D. Each of the conditions precedent to the entry of this Confirmation Order has been satisfied or properly waived in accordance with Section IX.A of the Plan.

**MODIFICATIONS OF THE PLAN**

- E. The Modifications do not materially or adversely affect or change the treatment of any Claim against or Interest in any Debtor. Pursuant to section 1127(b) of the Bankruptcy Code and Bankruptcy Rule 3019, the Modifications do not require additional disclosure under section 1125 of the Bankruptcy Code or the resolicitation of acceptances or rejections of the Plan under section 1126 of the Bankruptcy Code, nor do they require that

<sup>2</sup> The Findings of Fact and Conclusions of Law contained herein constitute the findings of fact and conclusions of law required to be entered by this Court pursuant to Rule 52 of the Federal Rules of Civil Procedure, as made applicable herein by Rules 7052 and 9014 of the Federal Rules of Bankruptcy



holders of Claims against or Interests in the Debtors be afforded an opportunity to change previously cast acceptances or rejections of the Plan as Filed with the Bankruptcy Court. Disclosure of the Modifications on the record at the Confirmation Hearing constitutes due and sufficient notice thereof under the circumstances of the Reorganization Cases. Accordingly, the Plan (as modified) is properly before the Bankruptcy Court and all votes cast with respect to the Plan prior to the Modifications shall be binding and shall be deemed to be cast with respect to the Plan as modified.

**STANDARDS FOR CONFIRMATION  
UNDER SECTION 1129 OF THE BANKRUPTCY CODE**

F. Section 1129(a)(1). The Plan complies with each applicable provision of the Bankruptcy Code. In particular, the Plan complies with the requirements of sections 1122 and 1123 as follows:

- In accordance with section 1122(a) of the Bankruptcy Code, Article II of the Plan classifies each Claim against and Interest in the Debtors into a class containing only substantially similar Claims or Interests;
- In accordance with section 1123(a)(1) of the Bankruptcy Code, Article II of the Plan properly classifies all Claims and Interests that require classification;
- In accordance with section 1123(a)(2) of the Bankruptcy Code, Article III of the Plan properly identifies and describes each class of Claims that is unimpaired by the Plan;
- In accordance with section 1123(a)(3) of the Bankruptcy Code, Article III of the Plan properly identifies and describes the treatment of each impaired class of Claims or Interests;
- In accordance with section 1123(a)(4) of the Bankruptcy Code, the Plan provides the same treatment for each Claim or Interest in a

(continued...)

Procedure (the "Bankruptcy Rules"). To the extent any finding of fact constitutes a conclusion of law, it is adopted as such. To the extent any conclusion of law constitutes a finding of fact, it is adopted as such.

particular class unless the holder of such a Claim or Interest agrees to less favorable treatment;

- In accordance with section 1123(a)(5) of the Bankruptcy Code, the Plan, including Article IV of the Plan, provides adequate means for its implementation;
- In accordance with section 1123(a)(6) of the Bankruptcy Code, the Reorganized Debtors' charters, bylaws or similar constituent documents contain provisions prohibiting the issuance of non-voting equity securities and provide for the appropriate distribution of voting power among all classes of equity securities authorized for issuance; and
- In accordance with section 1123(a)(7) of the Bankruptcy Code, the provisions of the Plan and Reorganized Debtors' charter, bylaws or similar constituent documents regarding the manner of selection of officers and directors of Reorganized Debtors are consistent with the interests of creditors and equity security holders and with public policy.

G. Section 1129(a)(2). The Debtors have complied with all applicable provisions of the Bankruptcy Code. In particular, the Plan complies with the requirements of sections 1125 and 1126 as follows:

- On or before September 12, 2003, the Debtors, through their solicitation and balloting agent, Logan & Company, Inc. ("Logan") caused copies of: (1) the Confirmation Hearing Notice; (2) the Disclosure Statement (together with the exhibits thereto, including the Plan, that had been filed with the Bankruptcy Court before date of the mailing); (3) the solicitation letters of the Debtors and the Creditors' Committee; and (4) with respect to holders of Claims in Classes that were entitled to vote to accept or reject the Plan (i.e., Claims in Classes 3, 4 and 5) an appropriate form of Ballot and return envelope (collectively, the materials described in clauses (1) - (4), the "Solicitation Packages") to be transmitted to (a) all Persons or entities that had filed proofs of claim on or before the Record Date, (b) all Persons or entities listed in the Debtors' Schedules as holding liquidated, noncontingent, undisputed claims as of the Record Date, (c) all other known holders of Claims against or Interests in the Debtors, if any, as of the Record Date, (d) all parties in interest that had filed requests for notice in accordance with Bankruptcy Rule 2002 in the Debtors' Reorganization Cases on or before the Record Date and (e) the U.S. Trustee;

- On or before September 26, 2003, the Debtors, through Logan, caused a copy of the Confirmation Notice to be published in the national editions of The Wall Street Journal and The New York Times, in accordance with the Solicitation Procedures Order;
- On or before September 30, 2003, the Debtors filed the exhibits to the Plan and the Plan Supplement and made these documents available on the Document Website;
- The Confirmation Hearing Notice provided due and proper notice of the Hearing and all relevant dates, deadlines, procedures and other information relating to the Plan and/or the solicitation of votes thereon, including the Voting Deadline, the Objection Deadline, the time, date and place of the Hearing;
- All Persons entitled to receive notice of the Disclosure Statement, the Plan and the Hearing have received proper, timely and adequate notice in accordance with the Solicitation Procedures Order, applicable provisions of the Bankruptcy Code and the Bankruptcy Rules and have had an opportunity to appear and be heard with respect thereto;
- Votes with respect to the Plan were solicited in good faith and in a manner consistent with the Bankruptcy Code, the Bankruptcy Rules and the Solicitation Procedures Order, including the inclusion of letters from the Debtors and the Creditors' Committee recommending acceptance of the Plan in the Solicitation Packages. The Debtors, the Reorganized Debtors and their respective directors, officers, employees and professionals, acting in such capacity; the DIP Lenders and the Prepetition Lenders; and the Creditors' Committee, its respective members and each of their respective directors, officers, employees, agents, members and professionals, acting in such capacity, have acted in "good faith," within the meaning of section 1125(e) of the Bankruptcy Code;
- The Plan was voted on by all classes of impaired Claims that were entitled to vote pursuant to the Bankruptcy Code, the Bankruptcy Rules and the Solicitation Procedures Order;
- Logan has made a final determination of the validity of, and tabulation with respect to, all acceptances and rejections of the Plan by holders of Claims entitled to vote on the Plan, including the amount and number of accepting and rejecting Claims in Classes 3, 4 and 5 under the Plan;

- Each of Classes 3, 4 and 5 have accepted the Plan by at least two-thirds in amount and a majority in number of the Claims in such Classes actually voting; and
- The determination of Logan with respect to the voting on the Plan validly and correctly sets forth the tabulation of votes, as required by the Bankruptcy Code, Bankruptcy Rules and the Solicitation Procedures Order.

H. Section 1129(a)(3). The Plan has been proposed in good faith and not by any means forbidden by law. In so finding, the Bankruptcy Court has considered the totality of the circumstances in these Reorganization Cases. The Plan is the result of extensive arm's length negotiations and reflects substantial input from the principal constituencies having an interest in the Debtors' Reorganization Cases and, as evidenced by the overwhelming acceptance of the Plan, achieves the goal of consensual reorganization embodied by the Bankruptcy Code.

I. Section 1129(a)(4). No payment for services or costs in connection with the Reorganization Cases or the Plan has been made by a Debtor other than payments that have been authorized by order of the Bankruptcy Court. Further, pursuant to Section III.A.1.e.ii of the Plan, all such payments to be made will be subject to review and approval by this Court.

J. Section 1129(a)(5). The Debtors have disclosed that, on the Effective Date, the Distribution Trust Representative will become the sole director and officer of any Reorganized Debtor whose New Common Stock or New Subsidiary Equity Interests are issued to the BII Distribution Trust. Such disclosure by the Debtors is due and proper and the appointment of the Distribution Trust Representative is consistent with the interests of creditors, equity security holders and with public policy.

K. Section 1129(a)(6). The Plan does not provide for any changes in rates that require regulatory approval of any governmental agency.

L. Section 1129(a)(7). Each holder of an impaired Claim or Interest that has not accepted the Plan will, on account of such Claim or Interest, receive or retain property under the Plan having a value, as of the Effective Date, that is not less than the amount that such holder would receive or retain if the Debtors were liquidated under chapter 7 of the Bankruptcy Code.

M. Section 1129(a)(8). The Plan has not been accepted by all impaired classes of Claims and Interests because holders of Claims or Interests in Classes 6, 7 and 8 are not receiving or retaining any property under the Plan and, therefore, are deemed to have rejected the Plan. Nevertheless, as more fully explained below, the Plan is confirmable because it satisfies 1129(b)(1) of the Bankruptcy Code with respect to such non-accepting classes of Claims and Interests.

N. Section 1129(a)(9). The Plan provides treatment for Administrative Claims, Priority Tax Claims and Priority Claims that is consistent with the requirements of section 1129(a)(9) of the Bankruptcy Code.

O. Section 1129(a)(10). The Plan has been accepted by all classes of impaired Claims that are entitled to vote on the Plan, including Classes 3, 4 and 5, determined without including any acceptance of the Plan by any insider.

P. Section 1129(a)(11). Confirmation of the Plan is not likely to be followed by the liquidation or the need for the further financial reorganization of the Debtors.

Q. Section 1129(a)(12). The Plan provides for the payment of all fees payable under section 1930, title 28, United States Code by the Debtors on the Effective Date (or as soon as practicable thereafter). After the Effective Date and until these Reorganization Cases are closed, converted or dismissed, the Plan provides for the payment of all such fees as they become due and payable.

R. Section 1129(a)(13). There are no retiree benefits, as the term is defined in section 1114 of the Bankruptcy Code, to be continued by the Debtors as to any current or former employees. Thus, section 1129(a)(13) of the Bankruptcy Code is inapplicable to the Reorganization Cases.

S. Section 1129(b). The Plan does not "discriminate unfairly" because each dissenting class is treated substantially equally to similarly situated classes and no holder of a Claim or Interest will receive more than it is legally entitled to receive on account of its Claim or Interest. The Plan is "fair and equitable" because, except as otherwise agreed to by the holders of such senior claims, the Plan does not provide a recovery to any holder of a Claim or Interest that is junior to the classes of Claims that are not being paid in full (i.e., Unsecured Claims in Class 4).

T. Section 1129(c). The Plan (including previous versions thereof) is the only plan that has been Filed in the Reorganization Cases that has been found to satisfy the requirements of subsections (a) and (b) of section 1129 of the Bankruptcy Code. Accordingly, the requirements of section 1129(c) of the Bankruptcy Code have been satisfied.

U. Section 1129(d). No party in interest, including no governmental unit, has requested that the Bankruptcy Court deny confirmation of the Plan on grounds that the principal purpose of the Plan is the avoidance of taxes or the avoidance of the application of section 5 of the Securities Act of 1933, and the principal purpose of the Plan is not such avoidance. Accordingly, the Plan satisfies the requirements of section 1129(d) of the Bankruptcy Code.

**EXECUTORY CONTRACTS**

V. Pursuant to sections 365 and 1123(b)(2) of the Bankruptcy Code, upon the occurrence of the Effective Date, Article V of the Plan provides for the assumption, assumption and assignment or rejection of certain executory contracts and unexpired leases. The Debtors'

determinations regarding the assumption, assumption and assignment and rejection of executory contracts and unexpired leases are based on and within the sound business judgment of the Debtors, are necessary to the implementation of the Plan and are in the best interests of the Debtors, their estates, holders of Claims and other parties in interest in these Reorganization Cases. The Debtors have filed Exhibits V.A.1 and V.C to the Plan and have provided notice of the Debtors' determinations regarding the assumption, assumption and assignment and rejection of executory contracts and unexpired leases in accordance with the Contract Procedures Order.

#### SETTLEMENTS AND RELEASES

W. Pursuant to section 1123(b) of the Bankruptcy Code and Bankruptcy Rule 9019(a), and in consideration of the classification, distributions and other benefits provided under the Plan, the provisions of the Plan constitute a good faith compromise and settlement of all the Claims and controversies resolved pursuant to the Plan (collectively, the "Settlements"). Based upon the representations and arguments of counsel to the Debtors, the Creditors' Committee and all other testimony either actually given or proffered and other evidence introduced at the Hearing and the full record of these Reorganization Cases, the findings and conclusions of which are hereby incorporated by reference as if fully set forth herein, the Bankruptcy Court finds that the Settlements:

- reflect a reasonable balance between certainty and the risks and expenses of both future litigation and the continuation or conversion of these Reorganization Cases;
- are fair and equitable and in the best interest of the Debtors, their Estates, creditors and other parties in interest; and
- are essential to the successful implementation of the Plan.

X. The release, exculpation and injunction provisions set forth in, among others, Sections IV.D and XIII.B of the Plan (collectively, the "Plan Releases") are, individually

and collectively, integral to the Plan, necessary for the successful implementation of the Plan and supported by reasonable consideration.

Y. The Debtors, the Creditors' Committee, the Prepetition Lenders and the DIP Lenders and all creditors who voted to accept the Plan or returned signed unmarked ballots have consented or are deemed to have consented to the Plan Releases.

Z. The Plan Releases are fair to the releasing party.

ACCORDINGLY, IT IS HEREBY ORDERED, ADJUDGED AND DECREED, AS FOLLOWS:

**A. Confirmation of Plan**

1. The record of the Hearing is hereby closed.

2. The Plan and each of its provisions (whether or not specifically approved herein) are confirmed in each and every respect, pursuant to section 1129 of the Bankruptcy Code; provided, however, that if there is any direct conflict between the terms of the Plan and the terms of this Confirmation Order, the terms of the Plan shall control.

3. Any objections or responses to confirmation of the Plan and reservation of rights contained therein that have not been withdrawn, waived or settled prior to the entry of this Confirmation Order are hereby overruled in their entirety and on their merits, and all withdrawn objections or responses are hereby deemed withdrawn with prejudice.

**B. Approval of Settlements**

4. Pursuant to Bankruptcy Rule 9019, the Settlements as set forth in Sections IV.D.2 and XI.C.2 of the Plan are approved in all respects.

**C. Approval of Releases**

5. The Plan Releases as set forth in, among others, Sections IV.D.3 and XIII.B of the Plan are approved in all respects, are incorporated herein in their entirety, are



so ordered and shall be immediately effective on the Effective Date of the Plan without further order or action on the part of the Bankruptcy Court, any of the parties to such releases or any other party.

6. Notwithstanding any language to the contrary contained in the Disclosure Statement, the Plan and/or this Confirmation Order, no provision shall release any nondebtor, including any officer and/or director of the Debtors and/or any nondebtor included in the Released Parties, from liability to the United States of America and any of its agencies, including the U.S. Securities and Exchange Commission, in connection with any civil or criminal action brought by such governmental unit against such person(s).

7. Nothing in the Plan or this Confirmation Order shall limit any entity's liabilities to a governmental unit under applicable police and regulatory statutes or regulations as an owner or operator of property after the Effective Date. Nothing in the Plan or this Confirmation Order shall release, discharge or preclude any claim or remedy of the United States Environmental Protection Agency ("U.S. EPA") or any state environmental agency that is not within the definition of a Claim as of the Effective Date. Any Claim held by the U.S. EPA or any state environmental agency on or before the Effective Date is subject in all respect to the terms of the Plan and this Confirmation Order, provided, however, that nothing in this sentence abrogates the first sentence hereof. Moreover, any and all rights, remedies and defenses of the Debtors, the Reorganized Debtors, the Estates and any other entity under applicable environmental laws in connection with the foregoing are specifically reserved and unaffected by the Plan and this Confirmation Order.

**D. Order Binding on All Parties; No Stay of Order**

8. The stay contemplated by Bankruptcy Rule 3020(e) shall not apply to this Confirmation Order. Subject to the provisions of Section IX.B of the Plan, and notwithstanding

any otherwise applicable law, immediately upon the entry of this Confirmation Order, the terms of the Plan and this Confirmation Order are deemed binding upon the Debtors, the Reorganized Debtors, the Buyer, any and all holders of Claims or Interests (irrespective of whether such Claims or Interests are impaired under the Plan or whether the holders of such Claims or Interests accepted, rejected or are deemed to have accepted or rejected the Plan), any and all non-debtor parties to Executory Contracts and Unexpired Leases with any of the Debtors and any and all entities who are parties to or are subject to the settlements, compromises, releases, waivers, discharges and injunctions described herein and the respective heirs, executors, administrators, trustees, affiliates, officers, directors, agents, representatives, attorneys, beneficiaries, guardians, successors or assigns, if any, of any of the foregoing. The provisions of Federal Rule of Civil Procedure 62(a) and Bankruptcy Rules 3020(e) and 7062 shall not apply to this Confirmation Order, and the Debtors are authorized to consummate the Plan immediately upon entry of this Confirmation Order.

**E. Approval of Discharge of Claims and Termination of Interests**

9. The Plan discharge provision as set forth in Section XI.A of the Plan and the termination of interest provisions of Section IV.F of the Plan are approved in all respects, are incorporated herein in their entirety, are so ordered and shall be immediately effective on the Effective Date of the Plan without further order or action on the part of the Bankruptcy Court or any other party.

10. As of the Effective Date, pursuant to sections 524 and 1141 of the Bankruptcy Code, the Debtors who are to become Reorganized Purchased Debtors shall be discharged of all Claims and other debts and Liabilities, in accordance with Section XI.A.2 of the Plan.

11. Pursuant to section 1141(d)(3) of the Bankruptcy Code, the Plan and the Confirmation Order shall not discharge any Debtor who does not become a Reorganized Purchased Debtor from any Claim or Liability that arose before the Confirmation Date; provided, however, that no holder of a Claim against any Debtor may, on account of such Claim, seek or receive any payment or other distribution from, or seek recourse against, any Debtor, Reorganized Debtor, their respective successors or their respective property, except as expressly provided in the Plan.

**F. Release of Liens**

12. The release and discharge of Liens provisions as set forth in Section IV.G of the Plan are approved in all respects, are incorporated herein in their entirety, are so ordered and shall be immediately effective on the Effective Date of the Plan without further order or action on the part of the Bankruptcy Court. As of the Effective Date, the Reorganized Debtors shall be authorized to file on behalf of creditors UCC-9 or other forms as may be necessary to implement this Confirmation Order and Section IV.G of the Plan.

13. All entities holding Claims against or Interests in the Debtors that are treated under the Plan are hereby directed to execute, deliver, file or record any document, and to take any action necessary to implement, consummate and otherwise effect the Plan in accordance with its terms, and all such entities shall be bound by the terms and provisions of all documents executed and delivered by them in connection with the Plan.

**G. Injunctions**

14. Except as provided in the Plan or this Confirmation Order, as of the Effective Date, all entities that have held, currently hold or may hold a Claim or other debt or liability that is discharged or an Interest or other right of an equity security holder that is terminated pursuant to the terms of the Plan shall be permanently enjoined from taking any of the

following actions on account of any such discharged Claims, debts or Liabilities or terminated Interests or rights: (a) commencing or continuing in any manner any action or other proceeding against the Debtors, Reorganized Debtors, Estates, BII Distribution Trust, Distribution Trust Representative or their respective property, other than to enforce any right pursuant to the Plan to a Distribution; (b) enforcing, attaching, collecting or recovering in any manner any judgment, award, decree or order against the Debtors, Reorganized Debtors, Estates, BII Distribution Trust, Distribution Trust Representative or their respective property, other than as permitted pursuant to (a) above; (c) creating, perfecting or enforcing any Lien against the Debtors, Reorganized Debtors, Estates, BII Distribution Trust, Distribution Trust Representative or their respective property; (d) asserting a setoff, right of subrogation or recoupment of any kind against any debt, liability or obligation due to the Debtors, Reorganized Debtors, Estates, BII Distribution Trust or Distribution Trust Representative; and (e) commencing or continuing any action, in any manner, in any place that does not comply with or is inconsistent with the provisions of the Plan.

15. As of the Effective Date, all entities that have held, currently hold or may hold any Liabilities that are released pursuant to the Plan shall be permanently enjoined from taking any of the following actions against any released entity or its property on account of such released Liabilities: (a) commencing or continuing in any manner any action or other proceeding; (b) enforcing, attaching, collecting or recovering in any manner any judgment, award, decree or order; (c) creating, perfecting or enforcing any Lien; (d) asserting a setoff, right of subrogation or recoupment of any kind against any debt, liability or obligation due to any released entity; and (e) commencing or continuing any action, in any manner, in any place that does not comply with or is inconsistent with the provisions of the Plan.

16. Without limiting the scope, extent, validity or enforceability of the injunctive relief set forth in the Plan or in this Confirmation Order, by accepting Distributions pursuant to the Plan, each holder of an Allowed Claim receiving Distributions pursuant to the Plan shall be deemed to have specifically consented to the injunctions set forth in the Plan and in this Confirmation Order.

**H. Implementation of the WLR Purchase Agreement**

17. Concurrently with the Effective Date, the Debtors or Reorganized Debtors, as applicable, shall sell and transfer the Purchased Assets and issue New Subsidiary Equity Interests (or issue New Common Stock, if applicable) to the Buyer in consideration for its payment of the Purchase Price to the BII Distribution Trust, in cash, subject to adjustment in accordance with the WLR Purchase Agreement. The BII Distribution Trust shall use the Purchase Price and its other assets to fund all Distributions to be made by the BII Distribution Trust under the Plan. On or after the Confirmation Date, the applicable Debtors, Reorganized Debtors or Buyer may take such actions as are consistent with the WLR Purchase Agreement and may be necessary or appropriate to effect the transactions contemplated by the WLR Purchase Agreement, including: (a) the execution and delivery of appropriate agreements or other documents containing terms that are consistent with the terms of the Plan, the WLR Purchase Agreement and such other terms to which the applicable entities may agree; (b) the execution and delivery of appropriate instruments of transfer, assignment, assumption or delegation of any asset, property, right, liability, duty or obligation on terms consistent with the terms of the Plan, the WLR Purchase Agreement and such other terms to which the applicable entities may agree; and (c) all other actions that the applicable entities determine to be necessary or appropriate, including making filings or recordings that may be required by applicable state law in connection with such transactions.

**I. Restructuring Transactions**

18. On or after the Confirmation Date, pursuant to appropriate provisions of applicable state business corporation laws and sections 1123(a) and 1142(b) of the Bankruptcy Code, the applicable Debtors, Reorganized Debtors or Buyer are authorized to enter into such Restructuring Transactions and take any and all such actions as may be necessary or appropriate to effect a corporate restructuring of their respective businesses or simplify the overall corporate structure of the Reorganized Debtors and make all filings and recordings in connection therewith, all as contemplated by, among others, Sections IV.B and IV.C of the Plan, and in accordance with applicable terms of the Plan and this Confirmation Order.

19. Pursuant to section 1142 of the Bankruptcy Code and section 303 of the Delaware General Corporation Law and any comparable provisions of the business corporation law of any other state (collectively, the "Reorganization Effectuation Statutes"), without further action by the Bankruptcy Court or the stockholders, members, managers or board of directors of any Debtor or Reorganized Debtor, the Debtors and the Reorganized Debtors are authorized to:

(a) effect and implement the Restructuring Transactions contemplated by, among others, Sections IV.B and IV.C of the Plan; (b) cause to be filed with the Secretary of State of the State of Delaware or any other applicable state or local official any and all certificates, agreements or plans of merger, consolidation, restructuring, disposition, liquidation, dissolution or amendment thereto, as applicable (collectively, the "Governance Documents"); and (c) take or cause to be taken all such other actions, including the making of appropriate filings or recordings as may be required under appropriate provisions of applicable state business or any other applicable law, or as any of the Chairman of the Board, Chief Executive Officer, President, Executive Vice President, Chief Financial Officer, Chief Operating Officer, Senior Vice President or any Vice President of each Debtor or Reorganized Debtor or the Distribution Trust Representative

(collectively, the "Responsible Officers") of the appropriate Debtor or Reorganized Debtor may determine are necessary or appropriate in connection with the provisions of the Plan and the Governance Documents. After the Effective Date or the effective time of any applicable Restructuring Transaction, each of the Reorganized Debtors are authorized to amend or restate their respective certificates of incorporation or by-laws or similar constituent documents as permitted by applicable state law, subject to the terms and conditions of such constituent documents.

**J. Creation of BII Distribution Trust**

20. The creation and implementation of the BII Distribution Trust, the execution and terms of the BII Distribution Trust Agreement, the appointment and authority of the Distribution Trust Representative and the provisions of Section IV.B.6 of the Plan are approved in all respects, are incorporated herein in their entirety, are so ordered and shall be immediately effective on the Effective Date of the Plan without further order or action on the part of the Bankruptcy Court, and the parties thereto are authorized and directed to execute and implement the BII Distribution Trust Agreement.

21. On the Effective Date, the Burlington Fabrics Trustee, after the payment of or reserve for any unpaid expenses of the Burlington Fabrics Trustee under the Burlington Fabrics Trust Agreement, is authorized and directed to transfer the funds held in the Burlington Fabrics Irrevocable Trust to the BII Distribution Trust for Distribution to the creditors of Burlington Fabrics pursuant to Article VI of the Plan.

**K. Sale to Buyer Free And Clear**

22. The transfer of property of the Debtors' Estates to the Buyer shall occur, pursuant to the WLR Purchase Agreement and sections 363, 1123(a) and 1123(b) of the Bankruptcy Code, concurrently with the Effective Date. Such property shall be transferred to the

Buyer free and clear of any and all Claims, Liens and Interests, pursuant to section 363(f) of the Bankruptcy Code and this Confirmation Order and shall include, to the extent applicable, the New Subsidiary Equity Interests and assets of any Reorganized Purchased Debtors issued or transferred to the Buyer. In order to enforce the discharge and the transfer of such assets free and clear of all Liens, this Court hereby retains exclusive jurisdiction over any claims made against the Debtors, Reorganized Debtors and/or Buyer and their immediate transferees, successors and assigns arising out of or related to the assets acquired by Buyer. Buyer shall be afforded the protection of section 363(m) of the Bankruptcy Code immediately upon the entry of this Confirmation Order.

**L. Exemption From Securities Laws**

23. Pursuant to, and to the fullest extent permitted under, section 1125(c) of the Bankruptcy Code, the Debtors' transmittal of solicitation materials, their solicitation of acceptances of the Plan and their offering, issuance and distribution of the New Common Stock or New Subsidiary Equity Interests are not and shall not be governed by or subject to any otherwise applicable law, rule or regulation governing the solicitation of acceptance of a plan of reorganization or the offer, issuance, sale or purchase of securities.

24. Pursuant to section 1145(a)(1) of the Bankruptcy Code, the offering, issuance and distribution of the New Common Stock or New Subsidiary Equity Interests pursuant to the Plan in respect of Claims or Interests are, and shall be, exempt from section 5 of the Securities Act of 1933, as amended (the "Securities Act") and any state or local law requiring registration for offer or sale of a security or registration or licensing of an issuer or underwriter of, or broker or dealer in, a security.

25. Pursuant to, and to the fullest extent permitted under, section 1145 of the Bankruptcy Code, the resale of any New Common Stock or New Subsidiary Equity Interests



shall be exempt from section 5 of the Securities Act and any state or local law requiring registration prior to the offering, issuance, distribution or sale of securities.

**M. Exemption From Taxation**

26. Pursuant to section 1146(c) of the Bankruptcy Code, the issuance, transfer, or exchange of a security, or the making or delivery of an instrument of transfer under the Plan shall not be taxed under any law imposing a stamp tax or similar tax.

**N. Executory Contracts and Unexpired Leases**

27. Except as otherwise modified herein, the Executory Contract and Unexpired Lease provisions of Article V of the Plan are specifically approved in all respects, are incorporated herein in their entirety and are so ordered. The Debtors are authorized to assume, assume and assign or reject Executory Contracts and Unexpired Leases in accordance with Article V of the Plan and the Contract Procedures Order.

28. All Executory Contracts and Unexpired Leases being assumed, pursuant to Section V.A of the Plan, are hereby authorized to be assigned by the applicable Debtor or Reorganized Debtor to the Buyer or its affiliates, as appropriate, to the fullest extent permissible under section 365 of the Bankruptcy Code, notwithstanding any provision in any such executory contract or unexpired lease being assumed that restricts or limits such assignment in any way.

29. This Confirmation Order shall constitute an order of the Bankruptcy Court approving the assumptions, the assumptions and assignments and rejections described in Sections V.A or V.C, pursuant to section 365 of the Bankruptcy Code, as of the later of: (a) the Effective Date; or (b) the resolution of any objection to the proposed assumption, assumption and assignment or rejection of an Executory Contract or Unexpired Lease or the amount of any proposed Cure Amount Claim.

30. Except for an Executory Contract or Unexpired Lease that was previously assumed, assumed and assigned or rejected by an order of the Bankruptcy Court, each Executory Contract and Unexpired Lease entered into by a Debtor prior to the Petition Date that is not assumed pursuant to Section V.A of the Plan nor listed on Exhibit V.C to the Plan and that has not previously expired or terminated pursuant to its own terms shall be rejected pursuant to section 365 of the Bankruptcy Code. This Confirmation Order and the notice of the entry of this Confirmation Order shall provide notice of such rejection.

**O. Claims Bar Dates and Other Claims Matters**

31. General Administrative Claim Bar Date Provisions. Except as otherwise provided in Section III.A.1.e.ii of the Plan, unless previously Filed, requests for payment of Administrative Claims must be Filed and served on the Distribution Trust Representative, pursuant to the procedures specified in this Confirmation Order and the notice of entry of this Confirmation Order, no later than 15 days after the Effective Date. Holders of Administrative Claims that are required to File and serve a request for payment of such Administrative Claims and that do not File and serve such a request by the applicable bar date shall be forever barred from asserting such Administrative Claims against the Debtors, Reorganized Debtors, Estates, BH Distribution Trust, Distribution Trust Representative or their respective property, and such Administrative Claims shall be deemed discharged as of the Effective Date. Objections to such requests must be Filed and served on the Distribution Trust Representative and the requesting party by the later of (a) 90 days after the Effective Date or (b) 30 days after the Filing of the applicable request for payment of Administrative Claims.

32. Professional Compensation. Professionals or other entities asserting a Fee Claim for services rendered before the Effective Date must File and serve on the Distribution Trust Representative, the Fee Auditor and such other entities who are designated by the

Bankruptcy Rules, this Confirmation Order, the Fee Order or other order of the Bankruptcy Court, an application for final allowance of such Fee Claim no later than 30 days after the Effective Date; provided, however, that any professional who may receive compensation or reimbursement of expenses pursuant to the Ordinary Course Professionals Order may continue to receive such compensation and reimbursement of expenses for services rendered before the Effective Date, without further Court review or approval, pursuant to the Ordinary Course Professionals Order. Objections to any Fee Claim must be Filed and served on the parties who were served with such application and the requesting party by the later of (a) 90 days after the Effective Date or (b) 30 days after the Filing of the applicable request for payment of the Fee Claim. In the event that this Confirmation Order and the terms of the Fee Order are inconsistent, the terms of this Confirmation Order shall govern.

33. Bar Date for Rejection Claims. Notwithstanding anything in the Bar Date Order to the contrary, if the rejection of an Executory Contract or Unexpired Lease pursuant to Section V.C of the Plan gives rise to a Claim (including any Claims arising from those indemnification obligations described in Section V.E of the Plan) by the other party or parties to such contract or lease, such Claim shall be forever barred and shall not be enforceable against the Debtors, Reorganized Debtors, Estates, BII Distribution Trust, Distribution Trust Representative, Buyer, their respective successors or their respective properties unless a proof of Claim is Filed and served on the Distribution Trust Representative, pursuant to the procedures specified in the Contract Procedures Order, this Confirmation Order or the notice of the entry of this Confirmation Order, on or before the later of (a) 30 days after the party receives notice of the rejection of an Executory Contract or Unexpired Lease or (b) 30 days after the Effective Date.

34. 28 U.S.C. § 1930 Fees. Pursuant to Section III.A.1.b of the Plan, on or before the Effective Date, Administrative Claims for fees payable pursuant to 28 U.S.C. § 1930, shall be paid in cash equal to the amount of such Administrative Claims by the Debtors or the BII Distribution Trust, as applicable. After the Effective Date, all fees payable pursuant to 28 U.S.C. § 1930 shall be paid by the BII Distribution Trust, in accordance therewith until the closing, conversion or dismissal of the Reorganization Cases.

**P. Substantive Consolidation Approved**

35. The substantive consolidation of the Debtors solely for the purpose of implementing the Plan, including for purposes of voting, Confirmation and Distributions to be made under the Plan, is approved and it is further ordered that: (a) all assets and Liabilities of the Debtors shall be deemed merged; (b) all guarantees by one Debtor of the obligations of any other Debtor shall be deemed eliminated so that any Claim against any Debtor and any guarantee thereof executed by any other Debtor and any joint or several liability of any of the Debtors shall be deemed to be one obligation of the consolidated Debtors; and (c) each and every Claim Filed or to be Filed in the Reorganization Case of any of the Debtors shall be deemed Filed against the consolidated Debtors and shall be deemed one Claim against and a single obligation of the consolidated Debtors. It is further found and ordered that such substantive consolidation (other than for the purpose of implementing the Plan) shall not affect: (a) the legal and corporate structures of the Reorganized Debtors, subject to the right of the Debtors or Reorganized Debtors to affect restructurings as provided in Section IV.B of the Plan; (b) pre- and post-Effective Date guarantees that are required to be maintained (i) in connection with contracts or leases that were entered into during the Reorganization Cases or Executory Contracts and Unexpired Leases that have been or shall be assumed or (ii) pursuant to the Plan; and (c) the revesting of assets in the

separate Reorganized Debtors, the BII Distribution Trust or the Buyer pursuant to Section IV.A of the Plan.

**Q. Actions in Furtherance of the Plan**

36. The approvals and authorizations specifically set forth in this Confirmation Order are nonexclusive and are not intended to limit the authority of any Debtor or Reorganized Debtor or any officer thereof to take any and all actions necessary or appropriate to implement, effectuate and consummate the Plan, this Confirmation Order or the transactions contemplated thereby or hereby. In addition to the authority to execute and deliver, adopt or amend, as the case may be, the contracts, instruments, releases and other agreements specifically granted in this Confirmation Order, the Debtors and the Reorganized Debtors are authorized and empowered, without further application to or order of the Bankruptcy Court or further action of their respective stockholders, managers or boards of directors to take any and all such actions as any of its Responsible Officers may determine are necessary or appropriate to implement, effectuate and consummate any and all documents or transactions contemplated by the Plan or this Confirmation Order. Pursuant to section 1142 of the Bankruptcy Code and the Reorganization Effectuation Statutes, no further application to or order of the Bankruptcy Court or further action of the directors or stockholders of any Debtor or Reorganized Debtor shall be required for such Debtor or Reorganized Debtor to: (a) enter into, execute and deliver, adopt or amend, as the case may be, any of the contracts, instruments, releases and other agreements or documents and plans to be entered into, executed and delivered, adopted or amended in connection with the Plan and, following the Effective Date, each of such contracts, instruments, releases and other agreements shall be a legal, valid and binding obligation of the applicable Reorganized Debtor, enforceable against such Reorganized Debtor in accordance with its terms subject only to bankruptcy, insolvency and other similar laws affecting creditors' rights generally

and to general equitable principles; (b) issue shares of New Common Stock or New Subsidiary Equity Interests pursuant to the Plan; or (c) authorize the Reorganized Debtors to engage in any of the activities set forth in this paragraph or otherwise contemplated by the Plan. Each of the Responsible Officers of each Debtor and Reorganized Debtor is authorized to execute, deliver, file or record such contracts, instruments, financing statements, releases, mortgages, deeds, assignments, leases, applications, registration statements, reports or other agreements or documents and take such other actions as such Responsible Officer may determine are necessary or appropriate to effectuate and further evidence the terms and conditions of the Plan, this Confirmation Order and the transactions contemplated thereby or hereby, all without further application to or order of the Bankruptcy Court and whether or not such actions or documents are specifically referred to in the Plan, the Disclosure Statement, the Disclosure Statement Order, this Confirmation Order or the exhibits to any of the foregoing, and the signature of a Responsible Officer on a document executed in accordance with this paragraph shall be conclusive evidence of the Responsible Officer's determination that such document and any related actions are necessary and appropriate to effectuate and/or further evidence the terms and conditions of the Plan, this Confirmation Order or the transactions contemplated thereby or hereby. The Secretary or any Assistant Secretary of each Debtor or Reorganized Debtor is authorized to certify or attest to any of the foregoing actions. Pursuant to section 1142 of the Bankruptcy Code and the Reorganization Effectuation Statutes, to the extent that, under applicable non-bankruptcy law, any of the foregoing actions would otherwise require the consent or approval of the stockholders or directors of any of the Debtors or Reorganized Debtors, this Confirmation Order shall constitute such consent or approval, and such actions are deemed to

have been taken by unanimous action of the directors and stockholders of the appropriate Debtor or Reorganized Debtor.

**R. Binding Effect of Prior Orders**

37. Pursuant to section 1141 of the Bankruptcy Code, effective as of the Confirmation Date, but subject to the occurrence of the Effective Date and subject to the terms of the Plan and this Confirmation Order, all prior orders entered in the Reorganization Cases, all documents and agreements executed by the Debtors are authorized and directed thereunder, and all motions or requests for relief by the Debtors pending before the Bankruptcy Court as of the Effective Date shall be binding upon and shall inure to the benefit of the Debtors, the Reorganized Debtors and their respective successors and assigns.

**S. Integration of Confirmation Order Provisions**

38. The provisions of this Confirmation Order are integrated with each other and are nonseverable and mutually dependent.

**T. Final Order**

39. This Confirmation Order is a Final Order and the period in which an appeal must be Filed shall commence immediately upon the entry hereof.

**U. Reversal**

40. If any or all of the provisions of this Confirmation Order are hereafter reversed, modified or vacated by subsequent order of this Court or any other court, such reversal, modification or vacatur shall not affect the validity of the acts or obligations incurred or undertaken under or in connection with the Plan prior to the Debtors' receipt of written notice of such order. Notwithstanding any such reversal, modification or vacatur of this Confirmation Order, any such act or obligation incurred or undertaken pursuant to, and in reliance on, this Confirmation Order prior to the effective date of such reversal, modification or vacatur shall be

governed in all respects by the provisions of this Confirmation Order and the Plan and all related documents or any amendments or modifications thereto.

**V. Notice of Confirmation of the Plan**

41. Pursuant to Bankruptcy Rules 2002(f)(7) and 3020(c), the Debtors or the Reorganized Debtors are directed to serve a notice of the entry of this Confirmation Order and the establishment of bar dates for certain Claims hereunder, substantially in the form of Appendix III attached hereto and incorporated herein by reference (the "Confirmation Notice"), on all parties that received notice of the Confirmation Hearing, no later than 20 Business Days after the Confirmation Date; provided, however, that the Debtors or the Reorganized Debtors shall be obligated to serve the Confirmation Notice only on the record holders of Claims or Interests as of the Confirmation Date and the Indenture Trustee. The Debtors are directed to publish the Confirmation Notice once in the national editions of The Wall Street Journal and The New York Times no later than 20 Business Days after the Confirmation Date. As soon as practicable after the entry of this Confirmation Order, the Debtors shall make copies of this Confirmation Order and the Confirmation Notice available on the Debtors' website at www.burlington.com.

**W. Miscellaneous Provisions**

42. The Debtors are hereby authorized to amend or modify the Plan at any time prior to the substantial consummation of the Plan, but only in accordance with section 1127 of the Bankruptcy Code and Section XIII.C of the Plan. In addition, without the need for a further order or authorization of this Court, but subject to the express provisions of this Confirmation Order, the Debtors shall be authorized and empowered to make non-material modifications to the documents Filed with the Bankruptcy Court, including exhibits to the Plan or documents forming part of the evidentiary record at the Hearing, in their reasonable business



judgment as may be necessary; provided, however, the Debtors shall provide the Creditors' Committee with five business days notice of such nonmaterial modifications.

43. Failure specifically to include or reference particular sections or provisions of the Plan or any related agreement in this Confirmation Order shall not diminish or impair the effectiveness of such sections or provisions, it being the intent of the Bankruptcy Court that the Plan be confirmed and such related agreements be approved in their entirety.

44. Any document related to the Plan that refers to a plan of reorganization of the Debtors other than the Plan confirmed by this Confirmation Order shall be, and it hereby is, deemed to be modified such that the reference to a plan of reorganization of the Debtors in such document shall mean the Plan confirmed by this Confirmation Order, as appropriate.

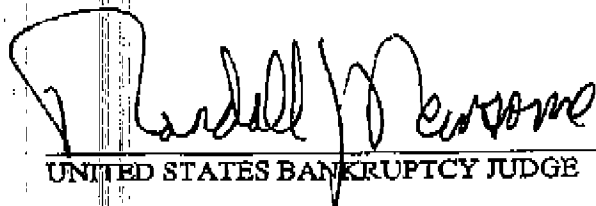
45. In the event of an inconsistency between the Plan, on the one hand, and any other agreement, instrument, or document intended to implement the provisions of the Plan, on the other, the provisions of the Plan shall govern (unless otherwise expressly provided for in such agreement, instrument, or document). In the event of any inconsistency between the Plan or any agreement, instrument, or document intended to implement the Plan, on the one hand, and this Confirmation Order, on the other, the provisions of the Plan shall govern.

46. In accordance with Section IX.D of the Plan, if the Effective Date does not occur, then (a) the Plan shall be null and void in all respects, and (b) nothing contained in the Plan shall be deemed to constitute a waiver or release of any claims by or against, or any interest in the Debtors, or prejudice in any manner the rights of a Debtor or any other party in interest.

47. Notwithstanding the entry of this Confirmation Order and the occurrence of the Effective Date, the Bankruptcy Court will retain such jurisdiction over the Reorganization

Cases after the Effective Date as is legally permissible, including jurisdiction over those matters and issues describe in Article XII of the Plan.

Dated: 10/31, 2003  
Wilmington, Delaware

  
UNITED STATES BANKRUPTCY JUDGE

## SECURITY AGREEMENT

NANO-TEX, LLC, a California limited liability company, (hereinafter referred to as "DEBTOR") with a principal place of business located in Emeryville, California and whose mailing address is 5770 Shellmound Street, Emeryville, CA 94608, in consideration of ten dollars (\$10.00) and other good and valuable consideration, the receipt of which is hereby acknowledged, hereby grants to BURLINGTON INDUSTRIES, INC., a corporation organized under the laws of Delaware (hereinafter referred to as "LENDER") with its chief executive office office located in Greensboro, North Carolina, a security interest in the following property: The entire right and interest of DEBTOR in and to the patent rights and the trademark rights identified in Schedules A and B attached hereto and made a part hereof, to secure the performance of all obligations of DEBTOR as set out in the April 1, 2001 POWER OF ATTORNEY and the underlying promissory note, regarding those patent rights and those trademark rights.

Either the original or a photocopy of this Security Agreement may be recorded to perfect LENDER'S security interest. DEBTOR agrees to execute any further papers required to perfect LENDER'S security interest provided herein.

NANO-TEX, LLC

By: Burlington Industries, Inc., as  
Attorney-in-Fact

By

  
Judith J. Altman

Title: Senior Vice President

Date

10/27/2003

SCHEDULE B - NANO-TEX, LLC TRADEMARK RIGHTS

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SCHEDULE A

	Trademark	App No	Reg No
n Carolina	NANO-TEX	T-16323	T-16323
United States	DESIGN (ADAM)	76/406411	
United States	DESIGN (ADAM)	76-420410	
United States	DESIGN (JEWEL)	76-173795	
United States	DESIGN (JEWEL)	76/445404	
United States	DESIGN (JEWEL)	76/445403	
United States	DESIGN (JEWEL)	76/308449	
United States	DESIGN (JEWEL)	76/484418	
United States	DESIGN (NANO-TOUCH)	76/239934	
United States	NANO FABRICS	75/788064	
United States	NANO FIBERS	75/790814	
United States	NANO FIBERS	75/788063	
United States	NANO-CARE	76083359	2,646,640
United States	NANO-CARE	76/384169	
United States	NANO-DRY	76/076437	2,646,626
United States	NANO-DRY	76/384170	
United States	NANO-FRESH	76081172	
United States	NANO-FRESH	76/384171	
United States	NANO-FUSION	76/184207	
United States	NANO-GUARD	76/113888	
United States	NANO-KIDKIS	76/421282	
United States	NANO-NEI	75/897965	
United States	NANO-NETWORK	76/268663	
United States	NANO-PANTS	76/311951	
United States	NANO-PEL	76/190936	
United States	NANO-PEL	76/396746	
United States	NANO-PEL	76/384075	
United States	NANO-PRESS	76/328710	
United States	NANO-SEAL	78/183085	
United States	NANO-SHIELD	76/069986	
United States	NANO-SHIRT	76/311953	
United States	NANO-SIAT	76/338929	
United States	NANO-STRETCH	78/186148	
United States	NANO-TEX	75/882693	
United States	NANO-TEX	76/283558	
United States	NANO-TEX	76/298759	
United States	NANO-TEX	76/289165	
United States	NANO-TEX & DESIGN	76/309277	
United States	NANO-TEX & DESIGN	76/406410	
United States	NANO-TEX, DESIGN & SLOGAN	76/227720	
United States	NANO-TEX, DESIGN & SLOGAN	76/227721	
United States	NANO-TOUCH	76/227713	
United States	NANO-TOUCH	76/384168	

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SCHEDULE A

ad States	Trademark	App No	Reg No
	WHAT YOU DON'T SEE MAKES ALL THE DIFFERENCE.	78/159371	
Argentina	DESIGN (ADAM)	2,390,522	
Argentina	DESIGN (ADAM)	2,390,523	
Argentina	DESIGN (JEWEL)	2,375,343	1,921,595
Argentina	DESIGN (JEWEL)	2,375,344	1,921,597
Argentina	NANO-TEX	2,375,341	1,942,865
Australia	DESIGN (ADAM)	927119	927119
Australia	DESIGN (JEWEL)	913254	913254
Australia	NANO-CARE	883614	883614
Australia	NANO-CARE	903579	903579
Australia	NANO-PEL	908468	908468
Australia	NANO-PEL	909655	909655
Australia	NANO-TEX	940003	840003
Australia	NANO-TEX	909648	909648
Australia	NANO-TEX	903578	
Bangladesh	DESIGN (ADAM)	76848	
Bangladesh	DESIGN (ADAM)	76847	
Bangladesh	DESIGN (JEWEL)	75438	
Bangladesh	DESIGN (JEWEL)	75436	
Bangladesh	DESIGN (JEWEL)	75427	
Bangladesh	NANO-TEX	75441	
Bangladesh	NANO-TEX	75440	
Bangladesh	NANO-TEX	75439	
Brazil	DESIGN (ADAM)	824913930	
Brazil	DESIGN (ADAM)	824913949	
Brazil	DESIGN (JEWEL)	824609905	
Brazil	DESIGN (JEWEL)	824743571	
Brazil	DESIGN (JEWEL)	824609913	
Brazil	NANO-TEX	822889358	
Brazil	NANO-TEX	824609921	
Cambodia	DESIGN (ADAM)	17588	17292/03
Cambodia	DESIGN (ADAM)	17387	17291/03
Cambodia	DESIGN (JEWEL)	16998	16616/02
Cambodia	DESIGN (JEWEL)	16999	16746/02
Cambodia	DESIGN (JEWEL)	17000/02	16617/02
Cambodia	NANO-TEX	16997	16615/02
Cambodia	NANO-TEX	16995	16613/02
Cambodia	NANO-TEX	16996	16614/02
Canada	DESIGN (ADAM)	1,150,717	
Canada	DESIGN (JEWEL)	1141356	
Canada	NANO-CARE	1,099,669	
Canada	NANO-CARE	1,132,122	
Canada	NANO-DRY	1,099,668	

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	Trademark	App No	Reg No
	NANO-DRY	1,132,121	
Canada	NANO-FRESH	1130311	
Canada	NANO-FUSION	1158669	
Canada	NANO-FEL	1,103,945	
Canada	NANO-PEL	1,132,123	
Canada	NANO-PRESS	1,130,310	
Canada	NANO-SEAL	1158600	
Canada	NANO-STRETCH	1159609	
Canada	NANO-TEX	1040630	
Canada	NANO-TOUCH	1119366	
Chile	DESIGN (JEWEL)	597086	671530
Chile	NANO-PEL	597.085	671.529
Chile	NANO-TEX	597.084	671.528
China P.R.	DESIGN (ADAM)	3296359	
China P.R.	DESIGN (ADAM)	3296358	
China P.R.	DESIGN (JEWEL)	3156443	3156443
China P.R.	DESIGN (JEWEL)	3156442	
China P.R.	DESIGN (JEWEL)	3353665	
China P.R.	DESIGN (JEWEL)	3156444	
China P.R.	NANO	2000089370	1716645
China P.R.	NANO-CARE	3003369	3003369
China P.R.	NANO-CARE	3003368	3003368
China P.R.	NANO-DRY	3003364	3003364
China P.R.	NANO-DRY	3003365	3003365
China P.R.	NANO-FRESH	3091448	
China P.R.	NANO-FRESH	3091447	
China P.R.	NANO-PEL	3003366	3003366
China P.R.	NANO-PEL	3003367	3003367
China P.R.	NANO-PRESS	3091445	
China P.R.	NANO-PRESS	3091446	
China P.R.	NANO-TEX	2001006943	1736786
China P.R.	NANO-TEX	3316548	
China P.R.	NANO-TEX	3316548	
China P.R.	NANO-TEX	3340226	
China P.R.	NANO-TEX	3075363	
China P.R.	NANO-TEX	2001097126	1932999
China P.R.	NANO-TEX IN CHINESE (VER 1)	2001111852	1931214
China P.R.	NANO-TEX IN CHINESE (VER 1)	2001111853	1935252
China P.R.	NANO-TEX IN CHINESE (VER 2)	2001111850	1931212
China P.R.	NANO-TEX IN CHINESE (VER 2)	2001111851	1935254
China P.R.	NANO-TOUCH	3003363	3003363
China P.R.	NANO-TOUCH	3003362	3003362
China P.R.	WHAT YOU DON'T SEE MAKES ALL THE DIFFERENCE.	3460837	

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SCHEDULE A

P.R.	Trademark	App No	Reg No
	WHEAT YOU DON'T SEE MAKES ALL THE DIFFERENCE.	3460836	
Costa Rica	DESIGN (ADAM)	2002-6795	138726
Costa Rica	DESIGN (ADAM)	2002-6796	138727
Costa Rica	DESIGN (JEWEL)	2002-3749	
Costa Rica	DESIGN (JEWEL)	2002-3750	
Costa Rica	DESIGN (JEWEL)	2002-3751	
Costa Rica	NANO-TEX	2002-2748	
Costa Rica	NANO-TEX	2002-3745	
Costa Rica	NANO-TEX	2002-3747	
Community Trademark	DESIGN (ADAM)	2858470	
Community Trademark	DESIGN (JEWEL)	2424240	2424240
Community Trademark	DESIGN (JEWEL)	2914349	
Community Trademark	NANO-CARE	2160547	2160547
Community Trademark	NANO-DRY	2160521	
Community Trademark	NANO-FRESH	2584431	
Community Trademark	NANO-FUSION	2931889	
Community Trademark	NANO-FEL	2160927	2160927
Community Trademark	NANO-PRESS	2584449	
Community Trademark	NANO-SEAL	2932549	
Community Trademark	NANO-STRETCH	2938314	
Community Trademark	NANO-TEX	1593845	1593845
Community Trademark	NANO-TEX	2904605	
Community Trademark	NANO-TOUCH	2160695	2160695
Community Trademark	NANO-WHITE	2968048	
Community Trademark	WHEAT YOU DON'T SEE MAKES ALL THE DIFFERENCE.	3027901	
Dominican Republic	DESIGN (ADAM)	2002-148546	133717
Dominican Republic	DESIGN (ADAM)	2002-148547	133718
Dominican Republic	DESIGN (JEWEL)	2002-115103	130281
Dominican Republic	DESIGN (JEWEL)	2002-115104	130334
Dominican Republic	DESIGN (JEWEL)	2002-115105	
Dominican Republic	NANO-FEL	2003-49225	136729
Dominican Republic	NANO-FEL	2002-89859	130446
Dominican Republic	NANO-TEX	2003-49225	136729
Dominican Republic	NANO-TEX	XXXX	
Dominican Republic	NANO-TEX	2002-85906	129016
Costa Rica	DESIGN (ADAM)	2002-07275	123613
Costa Rica	DESIGN (ADAM)	XXXX	
Costa Rica	DESIGN (JEWEL)	2002-3594	123272
Costa Rica	DESIGN (JEWEL)	2002-3593	123290
Costa Rica	DESIGN (JEWEL)	2002-3593	123289
Costa Rica	NANO-TEX	2002-3591	123255
Costa Rica	NANO-TEX	2002-3593	234032
Costa Rica	NANO-TEX	2002-3592	

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SCHEDULE-A

	Trademark	App No	Reg No
	DESIGN (ADAM)	12.900-02	87.507
Honduras	DESIGN (ADAM)	12.907-02	87.508
Honduras	DESIGN (JEWEL)	6240-02	85.553
Honduras	DESIGN (JEWEL)	6242-02	85.551
Honduras	DESIGN (JEWEL)	6241-02	85.552
Honduras	NANO-TEX	6239-02	85.543
Honduras	NANO-TEX	6238-02	85.419
Honduras	NANO-TEX	6237-02	85.544
Hong Kong		2002/01521	
Hong Kong	DESIGN (ADAM)	2002/13398	01260 OF 2003
Hong Kong	DESIGN (ADAM)	2002/13399	09289 OF 2008
Hong Kong	DESIGN (JEWEL)	2001/17714	07285 OF 2002
Hong Kong	DESIGN (JEWEL)	2002/6117	02814 OF 2003
Hong Kong	DESIGN (JEWEL)	2001/17715	07286 OF 2002
Hong Kong	DESIGN (JEWEL)	300043019	
Hong Kong	DESIGN (JEWEL)	2002/17265	
Hong Kong	NANO-CARE	2001/17718	B09398 OF 2003
Hong Kong	NANO-CARE	2001/17717	B09489 OF 2003
Hong Kong	NANO-DRY	2002/1363	B05355 OF 2003
Hong Kong	NANO-DRY	2002/1364	B05556 OF 2003
Hong Kong	NANO-FRESH	2002/1361	B05553
Hong Kong	NANO-FRESH	2002/1362	B05554 OF 2003
Hong Kong	NANO-FEL	2002/1359	B05551 OF 2003
Hong Kong	NANO-FEL	300043037	
Hong Kong	NANO-FEL	2002/1360	B05552 OF 2003
Hong Kong	NANO-FRESH	2002/1357	B03550 OF 2003
Hong Kong	NANO-FRESH	2002/1358	B06047 OF 2003
Hong Kong	NANO-TEX	2001/05658	B10517 OF 2002
Hong Kong	NANO-TEX	2001/17716	B09488 OF 2003
Hong Kong	NANO-TEX	300043028	
Hong Kong	NANO-TEX	2002/16158	
Hong Kong	NANO-TEX & DESIGN & SLOGAN	2002/01521	
Hong Kong	NANO-TOUCH	2002/1355	B05548 OF 2003
Hong Kong	NANO-TOUCH	2002/1356	B05549 OF 2003
Hong Kong	WHAT YOU DON'T SEE MAKES ALL THE DIFFERENCE.	2003/01526	
Hong Kong	WHAT YOU DON'T SEE MAKES ALL THE DIFFERENCE.	2003/01527	
India	DESIGN (ADAM)	01109044	
India	DESIGN (ADAM)	01109045	
India	DESIGN (JEWEL)	01105436	
India	DESIGN (JEWEL)	01105434	
	DESIGN (JEWEL)	01105435	
	NANO-CARE	XXXX	
India	NANO-CARE	1126267	



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SCHEDULE A

	Trademark	App No	Reg No
	NANO-DRY	1135004	
India	NANO-DRY	1135005	
India	NANO-PEL	XXXX	
India	NANO-PEL	XXXX	
India	NANO-TEX	01055074	
India	NANO-TEX	01105433	
India	NANO-TEX	01055075	
India	NANO-TOUCH	1135007	
India	NANO-TOUCH	1135006	
India	WHAT YOU DON'T SEE MAKES ALL THE DIFFERENCE.	1171065	
India	WHAT YOU DON'T SEE MAKES ALL THE DIFFERENCE.	1171066	
Indonesia	DESIGN (ADAM)	19607-19822	
Indonesia	DESIGN (ADAM)	19606-19821	
Indonesia	DESIGN (JEWEL)	D002002 09931-10043 536569	
Indonesia	DESIGN (JEWEL)	D002002 09931-10042 536568	
Indonesia	DESIGN (JEWEL)	D002002 09931-10041 536567	
Indonesia	DESIGN (JEWEL)	D002002 24752-25021	
Indonesia	NANO-PEL	D002002 24754-25023	
Indonesia	NANO-PEL	D002002 24753-25022	
Indonesia	NANO-TEX	D002002 09931-10038 536566	
Indonesia	NANO-TEX	D002002 24755-25024	
Indonesia	NANO-TEX	D002002 09931-10040	
Indonesia	NANO-TEX	D002002 09931-10040	
Indonesia	NANO-TEX	D002002 09931-10039	
Israel	DESIGN (ADAM)	159410	
Israel	DESIGN (ADAM)	159417	
Israel	DESIGN (JEWEL)	157096	157096
Israel	DESIGN (JEWEL)	157098	
Israel	DESIGN (JEWEL)	157097	157097
Israel	NANO-TEX	157093	
Israel	NANO-TEX	157094	
Israel	NANO-TEX	157095	
Japan	DESIGN (ADAM)	2002-73122	4656450
Japan	DESIGN (JEWEL)	2001-95346	4585599
Japan	DESIGN (JEWEL)	2002-44746	4651448
Japan	DESIGN (JEWEL)	2002-92369	4692612
Japan	NANO with Katakana	XXXX	2392634
Japan	NANO-CARE	2001-78915	4575944
Japan	NANO-DRY	2001-78916	4575945
Japan	NANO-FRESH	2001-78918	4575947
Japan	NANO-PEL	2001-78917	4575946
Japan	NANO-PRESS	2001-95347	4585600
Japan	NANO-TEX	2001-32420	4575929

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	Trademark	App No	Reg No
	NANO-TEX	2001-52271	4603941
Japan	NANO-TEX	2002-87860	
Japan	NANO-TEX & JEWEL DESIGN	2002-44743	
Japan	NANO-TOUCH	2001-78919	4575948
Japan	NANOTEX with Katakana	90739/1989	2717664
Japan	WHAT YOU DON'T SEE MAKES ALL THE DIFFERENCE.	2003-5910	
South Korea	DESIGN (ADAM)	40-2002-39926	
South Korea	DESIGN (ADAM)	40-2002-29927	40552770
South Korea	DESIGN (JEWEL)	40-2002-26633	
South Korea	DESIGN (JEWEL)	40-2002-26637	40-553912
South Korea	DESIGN (JEWEL)	40-2002-26636	40-552771
South Korea	DESIGN (JEWEL)	41-2002-22042	
South Korea	NANO-CARE	40-2003-14386	
South Korea	NANO-DRY	40-2003-14387	
South Korea	NANO-TEX	41-2002-21176	
South Korea	NANO-TEX & DESIGN	40-2001-56634	
South Korea	NANO-TEX & DESIGN	40-2002-4124	
South Korea	NANO-TEX & DESIGN	40-2001-56635	40-549599
South Korea	WHAT YOU DON'T SEE MAKES ALL THE DIFFERENCE.	40-2003-8841	
Malaysia	DESIGN (ADAM)	2002/10812	
Malaysia	DESIGN (ADAM)	2002/10811	
Malaysia	DESIGN (JEWEL)	2002/05754	
Malaysia	DESIGN (JEWEL)	2002/05755	
Malaysia	NANO-PEL	2002/04635	
Malaysia	NANO-PEL	2002/04634	
Malaysia	NANO-TEX	2002/04637	
Malaysia	NANO-TEX	2002/04636	
Mexico	DESIGN (ADAM)	563783	783387
Mexico	DESIGN (ADAM)	563784	777157
Mexico	DESIGN (JEWEL)	525489	739094
Mexico	DESIGN (JEWEL)	573317	774970
Mexico	DESIGN (JEWEL)	525490	752459
Mexico	DESIGN (JEWEL)	548466	756562
Mexico	NANO-CARE	505,748	735328
Mexico	NANO-CARE	505,749	735329
Mexico	NANO-DRY	505,746	755609
Mexico	NANO-DRY	505,747	735327
Mexico	NANO-FRESH	532464	752545
Mexico	NANO-FRESH	532465	752546
Mexico	NANO-FUSION	575346	772722
Mexico	NANO-FUSION	575345	772721
Mexico	NANO-PEL	505,744	753462
Mexico	NANO-PEL	505,745	735326

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	Trademark	App No	Reg No
	NANO-PRESS	532466	752547
Mexico	NANO-PRESS	532467	
Mexico	NANO-SEAL	575,326	772720
Mexico	NANO-SEAL	575,347	772723
Mexico	NANO-STRETCH	576471	777637
Mexico	NANO-STRETCH	576473	773397
Mexico	NANO-TEX	430,432	662,914
Mexico	NANO-TEX	571223	770409
Mexico	NANO-TEX	430,434	674,843
Mexico	NANO-TEX	430,433	674,842
Mexico	NANO-TEX	430,435	766059
Mexico	NANO-TEX	430,436	662915
Mexico	NANO-TOUCH	514360	765331
Mexico	NANO-TOUCH	514361	765352
New Zealand	DESIGN (ADAM)	663213	663213
New Zealand	DESIGN (ADAM)	663214	663214
New Zealand	DESIGN (JEWEL)	657315	657315
New Zealand	DESIGN (JEWEL)	657317	657317
New Zealand	DESIGN (JEWEL)	654316	657316
New Zealand	NANO-DRY	639553	639553
New Zealand	NANO-DRY	639554	639554
New Zealand	NANO-PEL	639551	639551
New Zealand	NANO-PEL	639552	639552
New Zealand	NANO-PEL	655510	
New Zealand	NANO-TEX	639549	639549
New Zealand	NANO-TEX	639550	639549
New Zealand	NANO-TEX	655509	655509
Pakistan	DESIGN (ADAM)	180357	
Pakistan	DESIGN (ADAM)	180358	
Pakistan	NANO-TEX & DESIGN	179898	
Pakistan	NANO-TEX & DESIGN	179896	
Pakistan	NANO-TEX & DESIGN	179897	
Philippines	DESIGN (ADAM)	4-2002-0007512	
Philippines	DESIGN (JEWEL)	4-2002-0004132	
Philippines	NANO-TEX	4-2002-0004133	
Poland	DESIGN (ADAM)	Z-254991	
Poland	DESIGN (JEWEL)	Z-250504	
Poland	NANO-TEX	Z-250503	
Porto Rico	DESIGN (JEWEL)	XXXX	
Porto Rico	DESIGN (JEWEL)	XXXX	
Porto Rico	NANO-PEL	58,479	
Porto Rico	NANO-PEL	58,480	
Porto Rico	NANO-TEX	58,477	

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	Trademark	App No	Reg No
to Rico	NANO-TEX	58,478	
Russian Federation	DESIGN (ADAM)	2002718379	252927
Russian Federation	DESIGN (ADAM)	2002718380	250054
Russian Federation	DESIGN (JEWEL)	2002710100	249825
Russian Federation	NANO-TEX	2002710098	253099
South Africa	DESIGN (ADAM)	2002/12855	
South Africa	DESIGN (ADAM)	2002/12855	
South Africa	DESIGN (JEWEL)	2002/06707	
South Africa	DESIGN (JEWEL)	2002/06708	
South Africa	DESIGN (JEWEL)	2002/6709	
South Africa	NANO-TEX	2002106711	
South Africa	NANO-TEX	2002106710	
South Africa	NANO-TEX	2002106712	
Singapore	DESIGN (ADAM)	T02/13586B	T02/13586B
Singapore	DESIGN (ADAM)	T02/13588T	T-213599T
Singapore	DESIGN (JEWEL)	T02/11718Z	T02/11718Z
Singapore	DESIGN (JEWEL)	T02/11716C	T02/11716C
Singapore	NANO-PEL	T02/11709J	T02/11709J
Singapore	NANO-PEL	T02/11710D	T02/11710D
Singapore	NANO-TEX	T02/11707D	T02/11707D
Singapore	NANO-TEX	T02/11705H	T02/11705H
Sri Lanka	DESIGN (ADAM)	109281	
Sri Lanka	DESIGN (ADAM)	109282	
Sri Lanka	DESIGN (JEWEL)	107843	
Sri Lanka	DESIGN (JEWEL)	107846	
Sri Lanka	DESIGN (JEWEL)	107845	
Sri Lanka	NANO-TEX	107851	
Sri Lanka	NANO-TEX	107852	
Sri Lanka	NANO-TEX	107844	
Taiwan	DESIGN (ADAM) (IN COLORS)	91021872	1047662
Taiwan	DESIGN (ADAM) (IN COLORS)	91021873	
Taiwan	DESIGN (JEWEL)	91021869	
Taiwan	DESIGN (JEWEL)	91021862	1044524
Taiwan	DESIGN (JEWEL)	91020150	1042464
Taiwan	NANO-CARE	91006968	91006968
Taiwan	NANO-CARE	91006967	1027318
Taiwan	NANO-DRY	91006969	1027319
Taiwan	NANO-DRY	91006970	91006970
Taiwan	NANO-FRESH	91006971	1027320
Taiwan	NANO-FRESH	91006972	1037930
Taiwan	NANO-PEL	91006973	1027321
Taiwan	NANO-PEL	91006974	1037931
Taiwan	NANO-PRESS	91006975	1027322

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	Trademark	App No	Reg No
	NANO-FRESH	91006976	1037932
Taiwan	NANO-TEX	91002070	1031014
Taiwan	NANO-TEX	91043570	
Taiwan	NANO-TEX & DESIGN	90052325	1028579
Taiwan	NANO-TEX & DESIGN	90052326	1037876
Taiwan	NANO-TOUCH	91006977	1027323
Taiwan	NANO-TOUCH	91006978	1037933
Taiwan	WHAT YOU DON'T SEE MAKES ALL THE DIFFERENCE.	092006670	
Taiwan	WHAT YOU DON'T SEE MAKES ALL THE DIFFERENCE.	092006669	
Thailand	DESIGN (ADAM)	500000	
Thailand	DESIGN (ADAM)	500001	
Thailand	DESIGN (JEWEL)	488759	KOR171468
Thailand	DESIGN (JEWEL)	488761	KOR173315
Thailand	DESIGN (JEWEL)	488760	KOR180650
Thailand	NANO-TEX	488756	KOR171333
Thailand	NANO-TEX	488757	KOR177574
Thailand	NANO-TEX	501699	Box20117
Thailand	NANO-TEX	488758	KOR174399
Turkey	DESIGN (ADAM)	2002/23748	
Turkey	DESIGN (JEWEL)	2002/12260	
Turkey	DESIGN (JEWEL)	2002/29351	
Turkey	NANO-CARE	2002/12259	
Turkey	NANO-DRY	2002/12265	
Turkey	NANO-FRESH	2002/12266	
Turkey	NANO-PEL	2002/12261	
Turkey	NANO-FRESH	2002/12262	
Turkey	NANO-TEX	2002/12264	
Turkey	NANO-TEX	2002/28343	
Turkey	NANO-TOUCH	2002/12263	
Turkey	WHAT YOU DON'T SEE MAKES ALL THE DIFFERENCE	XXXX	
Venezuela	DESIGN (ADAM)	13467/02	
Venezuela	DESIGN (ADAM)	13468/02	
Venezuela	DESIGN (JEWEL)	7363/2002	
Venezuela	DESIGN (JEWEL)	7364/2002	
Venezuela	NANO-TEX	7361/2002	
Venezuela	NANO-TEX	7362/2002	
Vietnam	DESIGN (ADAM)	4-2002-05324	
Vietnam	DESIGN (ADAM)	4-2002-05325	
Vietnam	DESIGN (JEWEL)	4-2002-03265	49680
Vietnam	NANO-TEX	4-2002-03265	

TRADEMARK

REEL: 002764 FRAME: 0158

RECORDED: 12/16/2003