



CONTRACT OF SALE

**THIS CONTRACT PROVIDES FOR ARBITRATION OF ANY CONTROVERSIES HEREUNDER.
SEE PARAGRAPH 19 ON THE REVERSE SIDE**

THIS ORDER IS GIVEN SUBJECT TO ALL OF THE TERMS AND CONDITIONS ON THE FACE AND REVERSE SIDE HEREOF, INCLUDING THE PROVISION FOR ARBITRATION AND THE EXCLUSION OF WARRANTIES, all of which are accepted by Buyer, supersede Buyer's order form, if any, or broker's form of contract, if any, and constitute the entire contract between Buyer and Seller. This order shall become a contract either (a) when signed in the space provided below and delivered by Buyer to Seller and accepted in writing by Seller, or (b) at Seller's option, when Buyer accepts delivery of all or any part of the goods ordered hereunder, or when Buyer has given to Seller specifications or assortments, delivery dates, shipping instructions or instructions to bill and hold or when Buyer has otherwise asserted to the terms and conditions hereof. The acceptance of any part of the goods ordered hereunder shall constitute acceptance of this contract in its entirety as set forth herein.

ACCEPTED BY:

DILLON YARN CORPORATION

TITLE: _____

BY: _____

DATE: _____

DATE: _____

ADDITIONAL TERMS OF CONTRACT

1. TERMS OF PAYMENT: Payment shall be made in U.S. dollars on terms set forth on the face of the purchase order (the "Order").

2. DELIVERY: There may be a single delivery of all of the goods or several deliveries of separate lots of the goods and either of such delivery methods shall constitute compliance with the Order. Delivery within thirty days after date specified for delivery shall be deemed timely delivery. Thereafter shipment prior to receipt of written cancellation shall constitute timely delivery. Delivery or tender within ten (10%) percent of the quantity specified shall constitute compliance with the Order. Seller shall not be liable for delayed shipment due to inability to obtain shipping space to port of destination. Delay in delivery, defect in goods or failure to conform to Order specifications shall entitle Buyer to cancel only that portion of goods which is delayed, defective or fails to conform.

3. CLAIMS AND LIMITATIONS; WARRANTIES: Buyer shall be deemed to have accepted the goods unless Buyer shall have first complied with (and Buyer's right to cancel, reject or to make any claim against Seller is expressly conditioned upon Buyer having first complied with) the following conditions: (i) notice of the claim shall be sent by Buyer to Seller, in the case of patent defect within 30 days after delivery (or arrival at port of destination in the case of an export sale) or in the case of latent defect within 60 days after delivery date (or arrival at port of destination in the case of an export sale); and (ii) the shipment shall have been inspected by the Buyer, or other firm of surveyors reasonably satisfactory to Seller (in the case of a CIF export sale the firm of surveyors shall be satisfactory to the insurance company's agent); if the firm of surveyors shall find that Seller has made a good delivery, the cost of the inspection shall be borne by Buyer.

Seller's liability for any breach of this Contract (including, without limitation, patent or latent defects in the goods) and Buyer's sole and exclusive remedy therefor, shall be limited:

(a) in the case of defective or nonconforming goods, to the difference in value on contract date of delivery between goods specified and goods actually delivered; or

(b) In case of delay in delivery or failure to deliver, to the difference between the Contract price of the goods and the market value of the goods on the Contract delivery date. Without limiting the generality of the preceding sentence, SELLER SHALL NOT BE LIABLE FOR DAMAGES FOR BUYER'S COVER COSTS OR EXPENSES, CONSEQUENTIAL DAMAGES, INCIDENTAL DAMAGES, OR FOR SPECIAL, EXEMPLARY OR PUNITIVE DAMAGES, INCLUDING WITHOUT LIMITATION, LOST EARNINGS, LOST PROFITS OR BUSINESS INTERRUPTION, WHETHER OR NOT BASED UPON SELLER'S NEGLIGENCE, BREACH OF WARRANTY, STRICT LIABILITY, TORT OR ANY OTHER CAUSE OF ACTION. FOR THE SAKE OF CLARITY, THE FOREGOING INCLUDES THOSE INCIDENTAL AND CONSEQUENTIAL DAMAGES REFERENCED IN SECTION 2-715 OF THE UCC. SELLER SHALL IN NO EVENT BE LIABLE FOR DAMAGES IN EXCESS OF THE CONTRACT PRICE OF THE DEFECTIVE GOODS, THE GOODS WHOSE DELIVERY IS DELAYED, OR NON-DELIVERED GOODS, AS THE CASE MAY BE.

Seller shall have the right, within fourteen (14) days after receipt of Buyer's notice of claim, to replace, without liability, any goods which are not in accordance with Order specifications or this Contract.

Unless otherwise specified in the Order specifications, the methods, standards and tolerances for determining properties and construction, including but not limited to moisture, twist, yarn size, count or number shall be in accordance with ASTM Standards on Textile Materials in effect as of date of the Order.

Seller shall not be liable for normal manufacturing defects or customary variations from specifications. Seller is not responsible for results and appearance of yarn or resistant fabric attributable to properties in the fiber or combinations thereof used in manufacturing or to circumstances not controlled by Seller.

EXCEPT AS EXPRESSLY STATED IN THE ORDER OR THIS CONTRACT, SELLER DISCLAIMS ALL EXPRESS WARRANTIES. UNLESS OTHERWISE STATED IN THE ORDER, IF ANY SAMPLES OR GOODS WERE SHOWN TO BUYER, SUCH SAMPLE(S) OR GOODS WERE MERELY

USED TO ILLUSTRATE THE GENERAL TYPE AND QUALITY OF THE GOODS SOLD HEREUNDER. SUCH SAMPLES OR GOODS CREATE NO WARRANTY THAT THE GOODS SOLD HEREUNDER SHALL CONFORM TO SUCH SAMPLES OR GOODS. NO EMPLOYEE, REPRESENTATIVE OR AGENT OF SELLER HAS THE AUTHORITY TO MAKE ANY AFFIRMATION OF FACT OR PROMISE RELATING TO THE GOODS, WHICH CREATES ANY EXPRESS WARRANTIES THAT THE GOODS SHALL CONFORM TO ANY AFFIRMATION OR PROMISE.

EXCEPT AS EXPRESSLY STATED IN THE ORDER OR THIS CONTRACT, SELLER MAKES NO WARRANTY OF MERCHANTABILITY OR AS TO THE FITNESS OF GOODS FOR ANY PARTICULAR PURPOSE OR WITH RESPECT TO ANY FACTORS OR QUALITY, INCLUDING BUT NOT LIMITED TO FASTNESS OF COLOR, UNIFORMITY OR SHADE FROM LOT TO LOT, BREAKING STRENGTH, SHRINKABILITY YIELD, PHYSICAL OR CHEMICAL QUALITY, AND VARIATION IN THICKNESS, SIZE, COUNT OR TPI OF YARN.

NO REPRESENTATION OR WARRANTY IS MADE AS TO TYPE OR PERCENTAGE OF NON-FIBROUS MATTER, OILS, WAXES, ADDITIVES, SIZING OR OTHER PREPARATORY MATERIALS USED IN THE MANUFACTURE OF YARN. THESE MAY VARY FROM PACKAGE TO PACKAGE AND WITHIN THE PACKAGE, AND SELLER ASSUMES NO RESPONSIBILITY FOR SUCH VARIATIONS OR FOR IMPERFECTIONS OR CONDITIONS DUE TO INSUFFICIENT REMOVAL OF NON-FIBROUS MATTER, GUM, WAXES, YARN SIZING MATERIALS, TINT, OIL OR OTHER STAINS WHICH CAN BE REMOVED IN CARBONIZING, BOILING OR SCOURING, DYEING OR OTHER FINISHING PROCESSES.

Although each individual dye batch shall be a commercial match to the standard, Seller assumes no responsibility for consistency of shade from dye batch to dye batch or for results and appearances due to mixture by buyer or lots of natural yarn or batches of dyed yarn.

Seller shall not be liable for vegetable matter or black hair in animal fiber.

4. SPECIFICATIONS AND SHIPPING INSTRUCTIONS: Buyer must submit specifications and shipping instructions with the Order, or otherwise by the deadline specified by Seller. If Buyer fails to do so, Seller at its option:

- (a) may treat the Order as having been terminated by Buyer and hold Buyer liable for all damages sustained thereby, or
- (b) may apply Seller's own specifications and bill and hold goods at the Order price, or
- (c) may store the goods at Buyer's cost in Seller's warehouse or with a third-party storage facility.

5. INTEREST RATE FOR OVERDUE BILLS: Buyer shall pay interest at the lower of one (1%) percent per month and the highest rate permitted by law which is not usurious on all overdue bills.

6. CHANGING OF CREDIT: If the total amount due under Order exceeds the Buyer's credit limit with Seller or Seller's factor, if any, Buyer agrees to pay cash or in advance for any shipments in excess of Buyer's credit limit. If Buyer fails to pay in cash or in advance or if in the opinion of Seller or Seller's factor, the financial condition of Buyer warrants such action, Seller or Seller's factor may at any time limit or cancel the credit of Buyer as to time and amount, and may demand payment in cash before delivery of any part of the goods. Upon failure by Buyer to make any such payment within ten days of demand in writing, Seller may cancel the Order or sell all or any part of the undelivered goods without notice at public or private sale, holding Buyer responsible to any deficiency (and accounting to Buyer for the excess, if any), or bill all or any part of the undelivered goods to Buyer as of Order dates of delivery.

7. DELIVERIES SEVERABLE WITH RESPECT TO PAYMENT: Invoices covering delivered goods not in dispute must be paid regardless of controversy relating to the other delivered or undelivered goods and Buyer waives any and all rights to assert offsets, defenses or counterclaims against such undisputed invoices.

8. COST INCREASES. With respect to any undelivered goods, Seller shall have the right to pass along to Buyer cost increases resulting from labor, material, storage costs and any tariffs, duties, or trade-related charges imposed by governmental authorities.

9. SPECIALLY MANUFACTURED PRODUCTS: If an Order covers products that must be manufactured especially for the Buyer, and such Order is suspended, terminated or cancelled for any reason, Buyer will take delivery of and make payment for goods which have been completed and goods which are in process on the date notice of suspension, termination or cancellation is received by Seller. If Buyer for any reason cannot accept delivery of such products, Buyer will make payment therefor as though delivery has been made and Seller will store such products for Buyer's account and at Buyer's expense.

10. BREACH BY BUYER:

(a) Upon the occurrence of any of the following events (each a "Breach") by Buyer: (i) Seller shall not have received a payment due from Buyer by the date such payment is due under the Order, and such failure shall remain uncured for a period of three (3) days; (ii) the failure of Buyer to perform any other obligation in the Order and such failure is not excused or cured within ten (10) days after written notice thereof; and (iii) the occurrence of a Bankruptcy Event with respect to Buyer, then Seller, in its sole discretion and without prior notice to Buyer, may do any one or more of the following: (a) suspend performance under the Order or any other agreement between Buyer and Seller; and/or (b) cancel the Order or any other agreement between Buyer and Seller, whereby any and all obligations of the Buyer, including payments or deliveries due, will, at the option of the Seller, accelerate and become immediately due and payable or deliverable, as applicable, and/or (c) seek specific performance with respect to the Order.

(b) If Seller suspends performance and withholds product delivery as permitted above, Seller may sell the product to a third party and deduct from the proceeds of such sale the purchase price and all reasonable costs resulting from Buyer's breach as identified above, including, without limitation, all costs associated with the transportation (including, without limitation, demurrage and other vessel or shipping related charges), storage, and sale of the product. The foregoing rights shall be cumulative and alternative and in addition to any other rights or remedies to which the Seller may be entitled at law or in equity. In addition, Seller shall be entitled to recover from the Buyer all court costs, reasonable attorneys' fees and expenses incurred by the Seller in connection with the Buyer's default, and interest on past due amounts at the rate specified in Section 5 hereof. "Bankruptcy Event" means the occurrence of any of the following events with respect to Buyer: (i) filing of a petition or otherwise commencing, authorizing or acquiescing in the commencement of a proceeding or cause of action under any bankruptcy, insolvency, reorganization or similar law; (ii) making of an assignment or any general arrangement for the benefit of creditors; (iii) having a bankruptcy petition filed against it and such petition is not withdrawn or dismissed within thirty (30) days after such filing; (iv) otherwise becoming bankrupt or insolvent (however evidenced); (v) having a liquidator, administrator, custodian, receiver, trustee, conservator or similar official appointed with respect to it or any substantial portion of its property or assets; or (vi) being generally unable to pay its debts as they fall due.

11. PASSING OF TITLE AND RISK OF LOSS: Title to goods passes to Buyer when delivered by Seller to Buyer or Buyer's agent or a common carrier or licensed trucker hired by Buyer or Buyer's agent, subject to Seller's right of stoppage in transit. If Force Majeure (as defined below) prevents delivery either to Buyer or his agent, or delivery to Buyer's carrier or trucker, title to goods passes as soon as goods have been set aside by Seller or his agent and invoiced to Buyer. In such event, payment shall be made in accordance with Seller's invoice as though goods had been shipped. If Buyer's shipping instructions are not received for goods before their delivery date, title passes when goods are set aside and invoiced.

12. GOODS BILLED AND HELD: Whenever Seller shall bill and hold goods for account of Buyer, such goods shall be held at Buyer's sole risk, expense and account.

13. EXCUSED PERFORMANCE:

(a) **Force Majeure:** The parties will be excused from their respective performances hereunder (except Buyer's payment obligations) if performance is prevented or delayed by any acts of God, fire, explosion, flood, unusually severe or abnormal weather, riots or other civil disturbances, wars, acts of terrorism, actions of governments, voluntary or involuntary compliance with any Law or request of any governmental authority, strikes, lockouts or other labor difficulties, failure of usual sources of raw materials or other sources of supply, failure of computer systems to operate properly, destruction or loss of electronic records or data, failure of mechanical or chemical function or equipment normally used by Seller for manufacturing, handling or delivering of product, or internally produced intermediates used in manufacture of any of the product, plant shutdowns, any limitation or reduction in operations to protect the safety of people or the environment, or any circumstances beyond the reasonable control of the party seeking excuse from performance ("Force Majeure"). Promptly after a party determines a Force Majeure condition exists, such party will notify the other of the circumstances and consequences claimed and will use reasonable means to remove the cause(s) in question. Neither party will be obligated to settle any demands of, or disputes with, laborers, nor will Buyer be excused from paying monies due or complying with Seller's credit terms. Quantities affected by Force Majeure will be excused from timely delivery but the Orders will otherwise continue in full force and effect pursuant to their terms. In periods of shortage of product due to Force Majeure, Seller may apportion any reduced quantity of product among itself and its customers and affiliates in an equitable manner. Seller shall not be required to acquire product to replenish any shortfall in product arising as a result of a Force Majeure. Should Seller acquire any quantity of product following a Force Majeure, Seller may use or distribute, without apportioning, such product in its sole discretion. Under no circumstances will Seller be obligated to obtain product for delivery hereunder except from its designated source(s) of supply, or if none is so designated by Seller, from its usual, customary and/or most recent source(s) of supply.

(b) **Commercial Impracticability:** Seller may suspend performance and/or terminate the Orders, in whole or in part, without liability to Buyer, if for any reason, Seller shuts down the unit(s), or the manufacturing facility at which product is made, or if a change in circumstances (whether foreseeable or unforeseeable) causes Seller to incur a loss on a full cost basis at any time on the sale of product hereunder from such unit or manufacturing facility.

(c) **Adverse Impact of Law:** All of the terms and provisions of the Contract are subject to applicable Laws (as defined herein), including, without limitation, all orders, rules and regulations, of all governmental authorities having jurisdiction. If, at any time after the date Buyer submits an Order to Seller, any such Law should be amended or proposed to be amended or if new Laws are enacted or proposed to be enacted that would have an adverse economic impact upon Seller (including as examples and without limitation, Laws that would require Seller to install anti-pollution equipment, to purchase credits under any cap and trade program or regulations, or which in any way alter any manufacturing facility or any part of the facilities or the use of the facilities that are a part of the manufacturing facility) (an "Adverse Law Impact"), Buyer shall reimburse Seller for its proportionate part of Seller's actual costs incurred as a result of the Adverse Law Impact.

(d) **Shortages:** If for any reason shortages occur in Seller's supply of the goods or products necessary to produce product, unless Buyer has provided Seller with written notice, and Seller agrees in writing, that each source of supply must be a qualified source of supply, Seller may, without obligation to Buyer, obtain similar products from other sources and allocate all such products produced among its customers, its own requirements and the requirements of its divisions, subsidiaries and affiliates, in a manner and amount that is fair and reasonable in Seller's sole determination. Seller may deduct the quantity not shipped because of such allocation from the quantity under the Order without liability to Buyer for failure to deliver.

14. GOVERNING LAW. This Contract shall be deemed to have been entered into in the State of New Jersey and shall be governed by the laws of the State of New Jersey.

15. CONTRACT ACKNOWLEDGMENT: This Contract supersedes Buyer's purchase order (to the extent of any contrary terms), and contains the entire agreement between the parties. There are no understandings, representations or agreements relative to this Contract which are not fully express herein. All purchases by Buyer are expressly limited to and conditioned upon acceptance of this Contract, regardless of the

means or media of Buyer's purchase of products, including without limitation, written Orders, electronic orders, acknowledgments, confirmations or other writings from Buyer to Seller ("Buyer's Documents"). Any additional or conflicting terms and conditions contained on, attached to or referenced by Buyer's Documents, or other prior or later communications from Buyer to Seller, are expressly rejected by Seller and shall have no effect on the purchase of any product by Buyer from Seller unless such provisions are expressly agreed to by Seller in a writing signed by Seller.

No modification of this Contract shall be binding unless in writing and signed by Buyer and Seller.

Waiver by Seller of a breach by Buyer of any provisions of this Contract shall not be deemed a waiver of future compliance therewith. All shipping instructions shall, irrespective of any term or provisions thereof, be deemed subject to all of the terms and provisions of this Contract unless otherwise agreed in writing by the parties.

16. TAXES AND DUTIES: All taxes, duties, tariffs, levies, penalties and other charges now or hereafter imposed by any governmental authority with respect to this Contract, an Order or the production, processing, manufacture, sale, delivery, transportation, importation, exportation or proceeds of any product or on remittance of funds in payment for any product shall be paid by Buyer. If any tariffs or related trade charges are enacted or increased after the date of this contract, the seller shall have the right to adjust the contracted price accordingly. If paid, or required to be paid by Seller, Buyer shall reimburse Seller for such amounts within ten (10) days of receipt of written notice from Seller. If any product is rejected, Buyer shall pay all taxes, duties, tariffs, levies, penalties or other charge resulting from failure to re-export product from the country of destination within such time limits as may be prescribed by applicable law. Seller reserves to itself all applicable duty drawback allowances and Buyer shall provide assistance in connection with Seller's application for same.

17. COMPLIANCE WITH LAW:

(a) The parties shall comply with all Laws pertaining to this Contract and the Orders.

(b) Buyer will be responsible for compliance with all Laws applicable to product once product has been delivered by Seller in accordance with this Contract, including those related to operations, safety, maintenance, equipment, size and capacity and pollution prevention. In connection with this Contract, each Party agrees it will not pay, promise to pay or authorize the payment of any money or anything of value (including any gifts or entertainment), directly or indirectly to any officer, employee or representative of any governmental authority, agency, or instrumentality for the purpose of attempting to influence a government official or to obtain an improper advantage.

(c) If any license or consent of any government or other authority is required for the acquisition, carriage or use of product by Buyer, Buyer will obtain the same at its expense, and if necessary, provide evidence of the same to Seller on request. Failure to do so will entitle Seller to withhold or delay shipment, but failure to do so will not entitle Buyer to withhold or delay payment of the price therefor. Any expenses or charges incurred by Seller resulting from such failure will be paid for by Buyer within ten (10) days of receipt of Seller's written request.

(d) Except as permitted under the Law, product will not be sold, supplied or delivered by the Buyer directly or indirectly to any party or destination that, at the time of such sale, supply or delivery, is declared an embargoed, or restricted party or destination by the government of the United States of America or by the United Nations. Within two (2) days after Seller's request, Buyer will provide Seller with appropriate documentation to verify the final destination of any product delivered hereunder.

18. PARTIAL INVALIDITY: If any provision of this Contract is or becomes, at any time, unenforceable or invalid under any Law, no other provision of this Contract shall be affected thereby, and the remaining provisions of this Contract shall remain in effect as if such unenforceable or invalid provision shall not have been inserted into this Contract.

19. ARBITRATION: Any controversy or claim arising under or in relation to this Contract shall be governed and controlled by the laws of the State of New Jersey, and shall be settled by arbitration which shall be

held in Passaic County, New Jersey, in accordance with the laws of the State of New Jersey and the Rules then obtaining of the American Arbitration Association or the General Arbitration Council of the Textile and Apparel Industries, or the successor of them, as Seller may determine in its sole option. The parties hereto consent to the personal jurisdiction and venue of the Superior Court of the State of New Jersey, County of Passaic and of the United States District Court for the District of New Jersey, and further consent that any process or notice of motion or other application to the Court or a Judge thereof may be served with or without the State of New Jersey by registered or certified mail, return receipt requested, or by a nationally-known overnight carrier (e.g., Federal Express), or by personal service, provided a reasonable time for appearance is allowed.

20. NOTICES: Notices or demands given or required to be given hereunder shall be valid only if sent by registered or certified mail, return receipt requested, or by a nationally-known overnight carrier (e.g., Federal Express) addressed to Seller or Buyer, as the case may be, at the respective addressee set forth on in the Order, or to such other address as either of them may hereafter furnish to the other by similar notice. Any notice or demand so given shall be effective as of the date of mailing thereof.

21. BINDING OBLIGATION OF BUYER: This Contract represents a binding obligation of Buyer and its successors.