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

FORM 10-Q

[Mark One]

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 27, 2003

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission File Number
01-19826

MOHAWK INDUSTRIES, INC.
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation or organization)

52-1604305
(I.R.S. Employer Identification No.)

P. O. Box 12069, 160 S. Industrial Blvd., Calhoun, Georgia
(Address of principal executive offices)

30701

(Zip Code)

Registrant's telephone number, including area code: (706) 629-7721

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

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes No

The number of shares outstanding of the issuer's classes of capital stock as of October 31, 2003 the latest practicable date, is as follows:
66,484,455 shares of Common Stock, \$.01 par value.

MOHAWK INDUSTRIES, INC.

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PART I. FINANCIAL INFORMATION
ITEM I. FINANCIAL STATEMENTS
MOHAWK INDUSTRIES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

ASSETS

(In thousands)

(Unaudited)

	<u>September 27, 2003</u>	<u>December 31, 2002</u>
Current assets:		
Cash and cash equivalents	\$ 16,360	-
Receivables	602,867	501,129
Inventories	830,291	678,008
Prepaid expenses	29,786	37,368
Deferred income taxes	82,074	82,074
Total current assets	<u>1,561,378</u>	<u>1,298,579</u>
Property, plant and equipment, at cost	1,647,460	1,585,111
Less accumulated depreciation and amortization	<u>788,394</u>	<u>729,787</u>
Net property, plant and equipment	<u>859,066</u>	<u>855,324</u>
Goodwill	1,290,666	1,277,453
Other intangible assets	146,933	146,700
Other assets	20,392	18,687
	<u>\$ 3,878,435</u>	<u>3,596,743</u>

See accompanying notes to condensed consolidated financial statements.

MOHAWK INDUSTRIES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
LIABILITIES AND STOCKHOLDERS' EQUITY

(In thousands, except per share data)

(Unaudited)

	September 27, 2003	December 31, 2002
Current liabilities:		
Current portion of long-term debt	\$ 25,998	27,427
Accounts payable and accrued expenses	688,995	589,283
Total current liabilities	714,993	616,710
Deferred income taxes	186,996	186,996
Long-term debt, less current portion	762,801	793,000
Other long-term liabilities	23,049	17,158
Total liabilities	1,687,839	1,613,864
Stockholders' equity:		
Preferred stock, \$.01 par value; 60 shares authorized; no shares issued	-	-
Common stock, \$.01 par value; 150,000 shares authorized; 76,938 and 76,371 shares issued in 2003 and 2002, respectively	769	763
Additional paid-in capital	1,032,191	1,006,550
Retained earnings	1,439,620	1,231,612
Accumulated other comprehensive income	791	1,126
	2,473,371	2,240,051
Less treasury stock at cost; 10,515 and 10,006 shares in 2003 and 2002, respectively	282,775	257,172
Total stockholders' equity	2,190,596	1,982,879
	\$ 3,878,435	3,596,743

See accompanying notes to condensed consolidated financial statements.

MOHAWK INDUSTRIES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS

(In thousands, except per share data)

(Unaudited)

	Three Months Ended	
	September 27, 2003	September 28, 2002
Net sales	\$ 1,303,166	1,224,403
Cost of sales	938,280	883,000
Gross profit	364,886	341,403
Selling, general and administrative expenses	205,482	197,779
Operating income	159,404	143,624
Other expense (income):		
Interest expense	14,162	16,426
Other expense	1,800	3,790
Other income	(467)	(2,156)
	15,495	18,060
Earnings before income taxes	143,909	125,564
Income taxes	52,527	44,004
Net earnings	\$ 91,382	81,560
Basic earnings per share	\$ 1.38	1.22
Weighted-average common shares outstanding	66,260	66,824
Diluted earnings per share	\$ 1.36	1.21
Weighted-average common and dilutive potential common shares outstanding	67,222	67,683

See accompanying notes to condensed consolidated financial statements.

MOHAWK INDUSTRIES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS

(In thousands, except per share data)

(Unaudited)

	Nine Months Ended	
	September 27, 2003	September 28, 2002
Net sales	\$ 3,635,062	3,318,860
Cost of sales	2,655,277	2,422,174
Gross profit	979,785	896,686
Selling, general and administrative expenses	612,120	538,229
Operating income	367,665	358,457
Other expense (income):		
Interest expense	41,347	42,377
Other expense	4,249	6,106
Other income	(5,501)	(3,967)
	40,095	44,516
Earnings before income taxes	327,570	313,941
Income taxes	119,563	113,653
Net earnings	\$ 208,007	200,288
Basic earnings per share	\$ 3.14	3.19
Weighted-average common shares outstanding	66,167	62,855
Diluted earnings per share	\$ 3.10	3.13
Weighted-average common and dilutive potential common shares outstanding	67,017	64,086

See accompanying notes to condensed consolidated financial statements.

MOHAWK INDUSTRIES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)
(Unaudited)

	Nine Months Ended	
	September 27, 2003	September 28, 2002
Cash flows from operating activities:		
Net earnings	\$ 208,007	200,288
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	77,444	75,500
Tax benefit on exercise of stock options	7,496	4,582
Loss on disposal of property, plant and equipment	307	2,422
Changes in operating assets and liabilities, net of effects of acquisitions:		
Receivables	(99,500)	(33,781)
Inventories	(143,646)	(79,854)
Accounts payable and accrued expenses	91,972	171,234
Other assets and prepaid expenses	4,472	6,040
Other liabilities	5,891	8,557
Net cash provided by operating activities	<u>152,443</u>	<u>354,988</u>
Cash flows from investing activities:		
Additions to property, plant and equipment, net	(80,323)	(74,072)
Acquisitions	(29,308)	(717,638)
Net cash used in investing activities	<u>(109,631)</u>	<u>(791,710)</u>
Cash flows from financing activities:		
Net change in revolving line of credit	(4,402)	80,534
Proceeds from issuance of notes	-	700,000
Proceeds from bridge credit facility	-	600,000
Repayment of bridge credit facility	-	(600,000)
Net change in asset securitization	-	(191,000)
Redemption of acquisition indebtedness	-	(127,564)
Payment on term loans	(26,494)	(26,494)
Redemption of IRBs and other, net	(732)	(1,003)
Change in outstanding checks in excess of cash	17,005	10,478
Acquisition of treasury stock	(27,838)	(51,900)
Common stock transactions	16,009	43,671
Net cash (used in) provided by financing activities	<u>(26,452)</u>	<u>436,722</u>
Net change in cash and cash equivalents	16,360	-
Cash and cash equivalents, beginning of period	-	-
Cash and cash equivalents, end of period	<u>\$ 16,360</u>	<u>-</u>

See accompanying notes to condensed consolidated financial statements.

MOHAWK INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED STATEMENTS
(In thousands, except per share amounts)
(Unaudited)

1. Interim reporting

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with instructions to Form 10-Q and do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. These statements should be read in conjunction with the financial statements and notes thereto, and the Company's description of critical accounting policies, included in the Company's 2002 Annual Report filed on Form 10-K, as filed with the Securities and Exchange Commission, which includes consolidated financial statements for the year ended December 31, 2002.

Certain prior period financial statement balances have been reclassified to conform to the current period's presentation.

2. Acquisitions

On March 20, 2002, the Company acquired all of the outstanding capital stock of Dal-Tile International Inc. ("Dal-Tile"), a leading manufacturer and distributor of ceramic tile in the United States, for approximately \$1,468,325, consisting of approximately 12,900 shares of the Company's common stock, options to purchase 2,100 shares of the Company's common stock and approximately \$717,638 in cash, including direct acquisition costs. The acquisition was accounted for by the purchase method and, accordingly, the results of operations of Dal-Tile have been included in the Company's consolidated financial statements from March 20, 2002.

The following unaudited pro forma financial information presents the combined results of operations of Mohawk and Dal-Tile as if the acquisition had occurred at the beginning of 2002, after giving effect to certain adjustments, including increased interest expense on debt related to the acquisition, the elimination of goodwill amortization and related income tax effects. The pro forma information does not necessarily reflect the results of operations that would have occurred had Mohawk and Dal-Tile constituted a single entity during such period. The following table discloses the results for the nine month period ended:

	September 28, 2002
Net sales	\$ 3,554,904
Net earnings	\$ 210,645
Basic earnings per share	\$ 3.12
Diluted earnings per share	\$ 3.07

On May 5, 2003, the Company acquired certain assets of International Marble and Granite of Colorado, Inc., a distributor of natural stone slabs and tile. The primary reason for the acquisition was to increase the Company's presence in the stone flooring and countertop slab industry. The acquisition was accounted for by the purchase method and, accordingly, the results of operations are included within the Dal-Tile segment from May 5, 2003. The purchase price was not significant.

On June 30, 2003, the Company acquired certain assets of a manufacturer and distributor of washable bath rugs. The primary reason for the acquisition was to increase sales within the bath mat product line. The acquisition was accounted for by the purchase method and, accordingly, the results of operations are included within the Mohawk segment from June 30, 2003. The purchase price was not significant.

MOHAWK INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED STATEMENTS
(In thousands, except per share amounts)
(Unaudited)

On July 30, 2003, the Company announced that W.L. Ross & Company and Mohawk were successful in their bid for substantially all of the assets of Burlington Industries, Inc. Mohawk's portion of the purchase price for the Lees Carpet division is estimated to be approximately \$352,000, subject to certain adjustments. The transaction is expected to close in the fourth quarter of 2003. The acquisition will be financed through the Company's operations and existing credit facilities.

3. Recent Accounting Pronouncements

In April 2003, the FASB issued SFAS No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities." This standard amends and clarifies financial accounting and reporting for derivative instruments, including certain derivative instruments embedded in other contracts (collectively referred to as derivatives) and for hedging activities under SFAS No. 133. The standard is effective for contracts entered into or modified after June 30, 2003. The Company has adopted SFAS No. 133 and it did not have a material impact on the Company's consolidated financial statements.

In May 2003, the FASB issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity." SFAS 150 establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity, and imposes certain additional disclosure requirements. The provisions of SFAS No. 150 are generally effective for all financial instruments entered into or modified after May 31, 2003, and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003. The Company has adopted SFAS No. 150 and it did not have a material impact on the Company's consolidated financial statements.

4. Receivables		
Receivables are as follows:	September 27, 2003	December 31, 2002
Customers, trade	\$ 691,070	578,429
Other	4,137	7,373
	<u>695,207</u>	<u>585,802</u>
Less allowance for discounts, returns, claims and doubtful accounts	92,340	84,673
Net receivables	<u>\$ 602,867</u>	<u>501,129</u>

MOHAWK INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED STATEMENTS
(In thousands, except per share amounts)
(Unaudited)

5. Inventories		
The components of inventories are as follows:		
	<u>September 27, 2003</u>	<u>December 31, 2002</u>
Finished goods	\$ 544,004	436,080
Work in process	83,242	67,907
Raw materials	203,045	174,021
Total inventories	<u>\$ 830,291</u>	<u>678,008</u>

6. Accounts payable and accrued expenses		
Accounts payable and accrued expenses are as follows:		
	<u>September 27, 2003</u>	<u>December 31, 2002</u>
Outstanding checks in excess of cash	\$ 40,509	23,504
Accounts payable, trade	308,954	236,272
Accrued expenses	230,869	222,868
Accrued compensation	108,663	106,639
Total accounts payable and accrued expenses	<u>\$ 688,995</u>	<u>589,283</u>

7. Derivative financial instruments

Natural Gas Risk Management

The Company uses a combination of natural gas futures contracts and long-term supply agreements to manage unanticipated changes in natural gas prices. The contracts are based on forecasted usage of natural gas measured in Million British Thermal Units ("MMBTU").

The Company has designated the natural gas futures contracts as cash flow hedges. Any gain or loss is recognized in cost of sales in the same period or periods during which the hedged transaction affects earnings. At September 27, 2003, the Company had natural gas contracts outstanding with an aggregate notional amount of approximately 4,550 MMBTU's. The contracts, which mature from October 2003 to December 2004, are marked to market as either an asset or liability with the offset recorded in accumulated other comprehensive income, net of applicable income taxes and any hedge ineffectiveness. At September 27, 2003, the Company had a recorded asset of \$1,205.

The long-term natural gas supply agreements are accounted for under the normal purchases provision within SFAS No. 133 and its amendments. At September 27, 2003, the Company had normal purchase commitments of approximately 4,000 MMBTU's for periods maturing from October 2003 through August 2005. The contracted value of these commitments was approximately \$18,286, and the fair value of these commitments was approximately \$19,008, at September 27, 2003.

MOHAWK INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED STATEMENTS
(In thousands, except per share amounts)
(Unaudited)

Foreign Currency Rate Management

The Company enters into foreign exchange forward contracts to hedge costs associated with its operations in Mexico. The objective of these transactions is to reduce volatility of exchange rates where these operations are located by fixing a portion of their costs in U.S. currency. Gains and losses are recognized in cost of sales in the same period or periods during which the hedged transaction affects earnings. Accordingly, these contracts have been designated as cash flow hedges. At September 27, 2003, the Company had forward contracts maturing from October 2003 through December 2003, to purchase approximately 53,620 Mexican pesos. The aggregate U.S. Dollar value of these contracts at September 27, 2003 was approximately \$4,839. The contracts are marked to market in either assets or liabilities with the offset recorded in accumulated other comprehensive income, net of applicable income taxes and any hedge ineffectiveness. Unrealized gains at September 27, 2003 were not material.

Interest Rate Management

In 2002, the Company determined that its \$100,000 interest rate swap was ineffective. Consequently, the \$10,700 unrealized loss associated with the swap was recorded as a realized loss in interest expense during the fourth quarter of 2002. The Company continues to carry the liability on its consolidated balance sheet and the interest rate swap is marked to market at the end of each reporting period. The change in fair value for the period ended September 27, 2003 was not material.

8. Product Warranties

The Company warrants certain qualitative attributes of its products for up to 20 years. The Company records a provision for estimated warranty and related costs, based on historical experience and periodically adjusts these provisions to reflect actual experience. The warranty provision is as follows:

	Three Months Ended		Nine Months Ended	
	September 27, 2003	September 28, 2002	September 27, 2003	September 28, 2002
Balance at beginning of period	\$ 6,079	6,543	7,184	7,021
Warranty claims paid	(11,660)	(13,601)	(40,134)	(43,184)
Warranty expense	11,396	13,766	38,765	42,871
Balance at end of period	\$ 5,815	6,708	5,815	6,708

MOHAWK INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED STATEMENTS
(In thousands, except per share amounts)
(Unaudited)

9. Comprehensive income

Comprehensive income is as follows:

	Three Months Ended		Nine Months Ended	
	September 27, 2003	September 28, 2002	September 27, 2003	September 28, 2002
Net earnings	\$ 91,382	81,560	208,007	200,288
Other comprehensive income:				
Unrealized loss on derivative instruments, net of income taxes	(1,458)	(1,474)	(335)	(3,018)
Comprehensive income	\$ 89,924	80,086	207,672	197,270

10. Stock compensation

Effective January 1, 2003, the Company adopted the disclosure provisions of SFAS No. 148, "Accounting for Stock-Based Compensation-Transition and Disclosure." This statement amends SFAS No. 123, "Accounting for Stock-Based Compensation," to provide alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based compensation and requires prominent disclosure in both the annual and interim financial statements of the method of accounting used and the financial impact of stock-based compensation. As permitted by SFAS No. 123, the Company accounts for stock options granted as prescribed under Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," which recognizes compensation cost based upon the intrinsic value of the award.

MOHAWK INDUSTRIES, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED STATEMENTS
(In thousands, except per share amounts)
(Unaudited)

If the Company had elected to recognize compensation expense based upon the fair value at the grant dates for awards under these plans, the Company's net earnings per share would have been reduced as follows:

	Three Months Ended		Nine Months Ended	
	September 27, 2003	September 28, 2002	September 27, 2003	September 28, 2002
Net earnings as reported	\$ 91,382	81,560	208,007	200,288
Deduct: Stock-based employee compensation expense determined under fair value based method for all options, net of related tax effects	(1,493)	(1,296)	(4,569)	(3,609)
Pro forma net earnings	<u>\$ 89,889</u>	<u>80,264</u>	<u>203,438</u>	<u>196,679</u>
Net earnings per common share (basic):				
As reported	\$ 1.38	1.22	3.14	3.19
Pro forma	\$ 1.36	1.20	3.07	3.13
Net earnings per common: share (diluted):				
As reported	\$ 1.36	1.21	3.10	3.13
Pro forma	\$ 1.34	1.19	3.04	3.07

The following weighted average assumptions were used to determine the fair value using the Black-Scholes option-pricing model for the three and nine month periods ended:

	September 29, 2003	September 28, 2002
Dividend yield	-	-
Risk-free interest rate	4.3%	4.7%
Volatility	44.2%	44.2%
Expected life (years)	6	6

11. Earnings per share

The Company applies the provisions of SFAS No. 128, "Earnings per Share," which requires companies to present basic EPS and diluted EPS. Basic EPS excludes dilution and is computed by dividing income available to common stockholders by the weighted-average number of common shares outstanding for the period. Diluted EPS reflects the dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock that then shared in the earnings of the Company.

MOHAWK INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED STATEMENTS
(In thousands, except per share amounts)
(Unaudited)

Dilutive common stock options are included in the diluted EPS calculation using the treasury stock method. Common stock options that were not included in the diluted EPS computation because the options exercise price was greater than the average market price of the common shares (anti-dilutive) for the periods presented are immaterial.

	Three Months Ended		Nine Months Ended	
	September 27, 2003	September 28, 2002	September 27, 2003	September 28, 2002
Net earnings	\$ 91,382	81,560	208,007	200,288
Weighted-average common and dilutive potential common shares outstanding:				
Weighted-average common shares outstanding	66,260	66,824	66,167	62,855
Add weighted-average dilutive potential common shares - options to purchase common shares, net	962	859	850	1,231
Weighted-average common and dilutive potential common shares outstanding	67,222	67,683	67,017	64,086
Basic earnings per share	\$ 1.38	1.22	3.14	3.19
Diluted earnings per share	\$ 1.36	1.21	3.10	3.13

12. Commitments and contingencies

The Company is involved in routine litigation from time to time in the regular course of its business. Except as noted below, there are no material legal proceedings pending or known to be contemplated to which the Company is a party or to which any of its property is subject.

Environmental Matters

The Company is subject to various federal, state, local and foreign environmental health and safety laws and regulations, including those governing air emissions, wastewater discharges, the use, storage, treatment and disposal of solid and hazardous materials, and the cleanup of contamination associated therewith. Because of the nature of the Company's business, the Company has incurred, and will continue to incur, costs relating to compliance with such laws and regulations. The Company is involved in various proceedings relating to environmental matters and is currently engaged in environmental investigation, remediation and post-closure care programs at certain sites. The Company has provided reserves for such activities that it has determined to be both probable and reasonably estimable. The Company does not expect that the ultimate liability with respect to such activities will have a material adverse effect on the Company's consolidated financial statements.

MOHAWK INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED STATEMENTS
(In thousands, except per share amounts)
(Unaudited)

Three sites near Mohawk's Dallas facility in its Dal-Tile segment are involved in environmental cleanup projects relating principally to the disposal or alleged disposal by Dal-Tile of waste materials containing lead compounds. Dal-Tile's approved closure plans have been implemented and each site is now undergoing post-closure care. Dal-Tile has been named as a potentially responsible party under the federal Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA") and similar state statutes for the disposal of certain hazardous substances at various other sites in the United States. The Company does not believe that any future costs for these sites will have a material adverse effect on the Company's consolidated financial statements.

13. Supplemental Consolidated Statements of Cash Flows Information

	Nine Months Ended	
	September 27, 2003	September 28, 2002
Net cash paid during the period for:		
Interest	\$ 34,251	15,899
Income taxes	\$ 104,734	25,982
Supplemental schedule of non-cash investing and financing activities:		
Fair value of assets acquired in acquisition	\$ 29,308	1,865,225
Liabilities assumed in acquisition	-	(396,900)
Issuance of common stock and options in acquisition	-	(750,687)
Cash paid in acquisition	\$ 29,308	717,638

MOHAWK INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED STATEMENTS
(In thousands, except per share amounts)
(Unaudited)

14. Segment reporting

As a result of the Dal-Tile acquisition in 2002, the Company determined that it has two operating segments, the Mohawk segment and the Dal-Tile segment. The Mohawk segment is comprised of all the product lines and operations that were the Company's prior to the Dal-Tile acquisition. The Dal-Tile segment is comprised of the Dal-Tile product lines and operations.

The accounting policies for each operating segment are consistent with the Company's policies described in the footnotes to the consolidated financial statements included in the Company's Annual Report filed on Form 10-K. Amounts disclosed for each segment are prior to any elimination or consolidation entries. Corporate general and administrative expenses attributable to each segment are estimated and allocated accordingly.

Segment information is as follows:				
	Three Months Ended		Nine Months Ended	
	September 27, 2003	September 28, 2002	September 27, 2003	September 28, 2002
Net sales:				
Mohawk	\$ 967,405	927,299	2,702,261	2,704,204
Dal-Tile	335,761	297,104	932,801	614,656
	<u>\$ 1,303,166</u>	<u>1,224,403</u>	<u>3,635,062</u>	<u>3,318,860</u>
Operating income:				
Mohawk	\$ 108,499	97,594	235,053	266,714
Dal-Tile	52,702	46,955	137,749	95,258
Corporate and Eliminations	(1,797)	(925)	(5,137)	(3,515)
	<u>\$ 159,404</u>	<u>143,624</u>	<u>367,665</u>	<u>358,457</u>
Assets:				
			As of	
			September 27, 2003	December 31, 2002
Mohawk			\$ 1,777,780	1,638,336
Dal-Tile			1,966,519	1,832,701
Corporate and Eliminations			134,136	125,706
			<u>\$ 3,878,435</u>	<u>3,596,743</u>

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

On March 20, 2002, the Company acquired all of the outstanding capital stock of Dal-Tile, a leading manufacturer and distributor of ceramic tile in the United States, for approximately \$1,469 million, consisting of approximately 12.9 million shares of the Company's common stock, options to purchase approximately 2.1 million shares of the Company's common stock and \$718 million in cash. The transaction was accounted for using the purchase method of accounting and, accordingly, the results of operations of Dal-Tile have been included in the Company's consolidated financial statements from March 20, 2002. The purchase price was allocated to the assets acquired and liabilities assumed based upon estimated fair values at the date of acquisition. The excess of the purchase price over the fair value of the net identifiable assets acquired of approximately \$1,168.3 million was recorded as goodwill.

As a result of the Dal-Tile acquisition in 2002, the Company determined that it has two operating segments, the Mohawk segment and the Dal-Tile segment. The Mohawk segment is comprised of all the product lines and operations that were the Company's prior to the Dal-Tile acquisition. The Dal-Tile segment is comprised of the Dal-Tile product lines and operations.

On May 5, 2003, the Company acquired certain assets of International Marble and Granite of Colorado, Inc., a distributor of natural stone slabs and tile. The primary reason for the acquisition was to increase the Company's presence in the stone flooring and countertop slab industry. The acquisition was accounted for by the purchase method and, accordingly, the results of operations are included within the Dal-Tile segment from May 5, 2003.

On June 30, 2003, the Company acquired certain assets of a manufacturer and distributor of washable bath rugs. The primary reason for the acquisition was to increase sales within the bath mat product line. The acquisition was accounted for by the purchase method and, accordingly, the results of operations are included within the Mohawk segment from June 30, 2003.

On July 30, 2003, the Company announced that W.L. Ross & Company and Mohawk were successful in their bid for substantially all of the assets of Burlington Industries, Inc. Mohawk's portion of the purchase price for the Lees Carpet division is estimated to be approximately \$352 million, subject to certain adjustments. The transaction is expected to close in the fourth quarter of 2003. The acquisition will be financed through the Company's operations and existing credit facilities.

Results of Operations

Quarter Ended September 27, 2003, as Compared with Quarter Ended September 28, 2002

Net sales for the quarter ended September 27, 2003 were \$1,303.2 million, reflecting an increase of \$78.8 million, or approximately 6.4%, from the \$1,224.4 million reported in the quarter ended September 28, 2002. The increased net sales are primarily attributable to internal growth of both the Mohawk and Dal-Tile segments. The Mohawk segment recorded net sales of \$967.4 million in the current quarter compared to \$927.3 million in 2002, representing an increase of \$40.1 million, or approximately 4.3%. The increase was primarily due to higher sales in all product categories. The Dal-Tile segment recorded net sales of \$335.8 million in the current quarter, reflecting an increase of \$38.7 million, or approximately 13.0%, from the \$297.1 million reported in the quarter ended September 28, 2002. The increase was primarily attributable to growth within residential products.

Gross profit for the third quarter of 2003 was \$364.9 million (28.0% of net sales) compared to the gross profit of \$341.4 million (27.9% of net sales) for the prior year's third quarter.

Selling, general and administrative expenses for the current quarter were \$205.5 million (15.8% of net sales) compared to \$197.8 million (16.2% of net sales) for the prior year's third quarter. The percentage reduction was attributable to lower general and administrative and bad debt expense.

Operating income for the current quarter was \$159.4 million (12.2% of net sales) compared to \$143.6 million (11.7% of net sales) in the third quarter of 2002. Operating income attributable to the Mohawk segment was

\$108.5 million (11.2% of segment net sales) in the third quarter of 2003 compared to \$97.6 million (10.5% of segment net sales) in the third quarter of 2002. Operating income attributable to the Dal-Tile segment was \$52.7 million (15.7% of segment net sales) in the third quarter of 2003. Excluding the start up costs for the new Dal-Tile manufacturing facility (approximately \$2.5 million), the Dal-Tile segment's operating income for the third quarter of 2003 would have been approximately \$55.2 million (16.4% of segment net sales) compared to \$47.0 million (15.8% of segment net sales) in the third quarter of 2002. Management believes that presentation of segment operating income excluding startup costs for the new manufacturing facility will be useful to investors because it allows investors to compare the results between the two periods.

Interest expense for the third quarter of 2003 was \$14.2 million compared to \$16.4 million in the third quarter of 2002. The decrease in interest expense was attributable to reduced debt levels, offset by an increase in the average borrowing rate due to a change in the mix of fixed rate and variable rate debt, when compared to the third quarter of 2002.

Income tax expense was \$52.5 million, or 36.5% of earnings before income taxes for the third quarter of 2003 compared to \$44.0 million, or 35.0% of earnings before income taxes for the prior year's third quarter. The change in tax rate was a result of the utilization of available tax credits in 2003 when compared to 2002.

Nine Months Ended September 27, 2003, as Compared with Nine Months Ended September 28, 2002

Net sales for the first nine months ended September 27, 2003 were \$3,635.1 million, reflecting an increase of \$316.2 million, or approximately 9.5%, from the \$3,318.9 million reported in the nine months ended September 28, 2002. The increased net sales are attributable to the Dal-Tile segment. The Mohawk segment recorded net sales of \$2,702.3 million in the first nine months of 2003 compared to \$2,704.2 million in the first nine months of 2002. The decrease was primarily attributable to reduced soft surface sales volume of residential replacement product and Home products in the first half of 2003 compared to the first half of 2002. The Company believes the net sales decline was primarily attributable to lower consumer confidence and uncertainty relating to the U.S. economy. The Dal-Tile segment recorded net sales of \$932.8 million in the first nine months of 2003, reflecting an increase of \$318.1 million, from the \$614.7 million reported in the first nine months of 2002. The Dal-Tile results are not included in the Company's consolidated financial statements prior to the March 20, 2002 acquisition. However, when Dal-Tile net sales for the first nine months of 2003 are compared to Dal-Tile pro forma combined net sales of \$850.7 million for the first nine months of 2002 (derived by combining Dal-Tile net sales of \$236.0 million prior to the March 20, 2002 acquisition date, after reclassifications to conform to Mohawk's presentation, with reported Dal-Tile net sales of \$614.7 million for the first nine months of 2002 following the acquisition date), an increase of \$82.1 million or approximately 9.7% for the nine-month period was realized. The increase was primarily attributable to growth within residential products. Management believes that presentation of this pro forma combined net sales information will be useful to investors because it allows investors to compare the results between the two periods.

Gross profit for the first nine months of 2003 was \$979.8 million (27.0% of net sales) compared to the gross profit of \$896.7 million (27.0% of net sales) for the prior year's first nine months

Selling, general and administrative expenses for the first nine months of 2003 were \$612.1 million (16.8% of net sales) compared to \$538.2 million (16.2% of net sales) for the prior year's first nine months. The increased percentage was attributable to the Dal-Tile segment, which had higher selling and servicing costs.

Operating income for the first nine months of 2003 was \$367.7 million (10.1% of net sales) compared to \$358.5 million (10.8% of net sales) in the first nine months of 2002. Operating income attributable to the Mohawk segment was \$235.1 million (8.7% of segment net sales) in the first nine months of 2003 compared to \$266.7 million (9.9% of segment net sales) in the first nine months of 2002. Operating income attributable to the Dal-Tile segment was \$137.7 million (14.8% of segment net sales) in the first nine months of 2003. Excluding the start up costs for the new Dal-Tile manufacturing facility (approximately \$4.5 million), the Dal-Tile segment's operating income for the first nine months of 2003 would have been approximately \$142.2 million (15.2% of segment net sales) compared to \$95.3 million (15.5% of segment net sales) for the first nine months of 2002. Management believes that presentation of segment operating income excluding startup costs for the new manufacturing facility will be useful to investors because it allows investors to compare the results

between the two periods. On a pro forma combined basis, Dal-Tile operating income was \$127.1 million (14.9% of pro forma segment net sales) for the first nine of 2002 (derived by combining Dal-Tile operating income of \$31.8 million prior to March 20, 2002, after reclassifications to conform to Mohawk's presentation, with reported Dal-Tile operating income of \$95.3 million for the first nine months of 2002 following the acquisition date). Management believes that presentation of this pro forma combined operating income information will be useful to investors because it allows investors to compare the results between the two periods.

Interest expense for the first nine months of 2003 was \$41.3 million compared to \$42.4 million in the first nine months of 2002. The decrease in interest expense was attributable to lower average debt levels offset by an increase in the average borrowing rate due to a change in the mix of fixed and variable rate debt in the current nine-month period when compared to the first nine months of 2002.

Other income for the first nine months of 2003 was \$5.5 million compared to \$4.0 million in the first nine months of 2002. The change was attributable to exchange rate fluctuations in operations outside the United States. Other expense for the first nine months of 2003 was \$4.2 million compared to \$6.1 million in the first nine months of 2002. The change was attributable to lower realized exchange losses in the current nine-month period when compared to the first nine months of 2002.

Income tax expense was \$119.6 million, or 36.5% of earnings before income taxes for the first nine months of 2003 compared to \$113.7 million, or 36.2% of earnings before income taxes for the prior year's first nine months.

Liquidity and Capital Resources

The Company's primary capital requirements are for working capital, capital expenditures and acquisitions. The Company's capital needs are met primarily through a combination of internally generated funds, bank credit lines, term and senior notes, the sale of receivables and credit terms from suppliers.

The level of accounts receivable increased from \$501.1 million at the beginning of 2003 to \$602.9 million at September 27, 2003. The \$101.8 million increase was primarily attributable to seasonal fluctuation in net sales. Inventories increased from \$678.0 million at the beginning of 2003 to \$830.3 million at September 27, 2003, due primarily to building of inventory for hard surface product categories within both the Mohawk and Dal-Tile segments and seasonal increases in business.

The outstanding checks in excess of cash represent trade payables checks that have not yet cleared the bank. When the checks clear the bank, they are funded by the revolving credit facility. This policy does not impact any liquid assets on the consolidated balance sheet.

Capital expenditures excluding acquisitions totaled \$80.3 million during the first nine months of 2003. Capital expenditures were incurred primarily to modernize, add and expand manufacturing facilities and equipment. The Company's capital projects are primarily focused on increasing capacity, improving productivity and reducing costs. Capital spending during the remainder of 2003 for both the Mohawk and Dal-Tile segments combined, excluding acquisitions, is expected to range from \$29.7 million to \$49.7 million, and will be used primarily to purchase equipment and to add manufacturing capacity.

On September 30, 2003, the Company refinanced its \$450 million revolving credit facility with a revolving credit facility of \$300 million with interest rates of LIBOR plus 0.4% to 1.5%, depending upon the Company's performance measured against certain financial ratios. The term of the facility is five years for \$200 million and 364 days for the remaining \$100 million. In addition to this new facility, the Company has secured \$50 million in short-term uncommitted lines. All of these credit facilities are unsecured.

On August 4, 2003, the Company entered into an on-balance sheet trade accounts receivable securitization agreement ("Securitization Facility") with bank agents for asset-backed commercial paper conduits replacing two on-balance sheet trade accounts receivable securitization agreements. The new facility enables the Company to borrow up to \$350 million. The Securitization Facility is secured by the trade receivables and is

subject to annual renewal. At September 27, 2003, the Company had no amounts outstanding under the Securitization Facility.

The Company believes that the \$700 combined total of the revolving credit facility, short-term uncommitted credit lines and the Securitization Facility is adequate to support its capital and working capital requirements. This compares to the \$780 million combined total of the revolving credit facility, short-term uncommitted credit lines and the securitization facilities at December 31, 2002.

The Company's Board of Directors has authorized the repurchase of up to 15 million shares of its outstanding common stock. For the nine-month period ended September 27, 2003, the Company repurchased approximately 593,000 shares at a cost of \$27.8 million. Since the inception of the program, a total of approximately 11.0 million shares have been repurchased at an aggregate cost of approximately \$293.1 million. All repurchases have been financed through the Company's operations and revolving line of credit.

Recent Accounting Pronouncements

In April 2003, the FASB issued SFAS No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities." This standard amends and clarifies financial accounting and reporting for derivative instruments, including certain derivative instruments embedded in other contracts (collectively referred to as derivatives) and for hedging activities under SFAS No. 133. The standard is effective for contracts entered into or modified after June 30, 2003. The Company has adopted SFAS No. 149 and it did not have a material impact on the Company's consolidated financial statements.

In May 2003, the FASB issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity." SFAS 150 establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity, and imposes certain additional disclosure requirements. The provisions of SFAS No. 150 are generally effective for all financial instruments entered into or modified after May 31, 2003, and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003. The Company has adopted SFAS No. 150 and it did not have a material impact on the Company's consolidated financial statements.

Impact of Inflation

Inflation affects the Company's manufacturing costs and operating expenses. The carpet and ceramic tile industry has experienced inflation in the prices of raw materials and fuel-related costs. In the past, the Company has generally passed along these price increases to its customers and has been able to enhance productivity to offset increases in costs resulting from inflation in both the United States and Mexico.

Seasonality

The Company is a calendar year-end company and its results of operations for the first quarter tend to be the weakest. The second, third and fourth quarters typically produce higher net sales and operating income. These results are primarily due to consumer residential spending patterns for floorcovering, which historically have decreased during the first two months of each year following the holiday season.

Forward-Looking Information

Certain of the matters discussed in this Quarterly Report on Form 10-Q, particularly anticipating future financial performance, business prospects, growth and operating strategies, proposed acquisitions, new products and similar matters, and those preceded by, followed by or that otherwise include the words "believes," "expects," "anticipates," "intends," "estimates" or similar expressions constitute "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended and Section 21E of the Securities Exchange Act of 1934, as amended. For those statements, Mohawk claims the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995. Those statements are based on many assumptions, including assumptions regarding the Company's ability to maintain its sales growth and gross margins and to control costs. These or other assumptions could prove inaccurate and therefore, there can be no assurance that the "forward-looking statements" will prove to be

accurate. Forward-looking statements involve a number of risks and uncertainties. The following important factors, in addition to those discussed elsewhere in this document and in Mohawk's Annual Report on Form 10-K for the fiscal year ended December 31, 2002, affect the future results of Mohawk and could cause those results to differ materially from those expressed in the forward-looking statements: materially adverse changes in economic conditions generally in the carpet, rug, ceramic tile and other floorcovering markets served by Mohawk; competition from other carpet, rug, ceramic tile and floorcovering manufacturers; raw material prices; declines in residential or commercial construction activity; timing and level of capital expenditures; the successful integration of acquisitions, including the challenges inherent in diverting Mohawk management's attention and resources from other strategic matters and from operational matters for an extended period of time; the successful introduction of new products; the successful rationalization of existing operations; and other risks identified from time to time in the Company's SEC reports and public announcements. Any forward-looking statements represent Mohawk's estimates only as of the date of this report and should not be relied upon as representing Mohawk's estimates as of any subsequent date. While Mohawk may elect to update forward-looking statements at some point in the future, Mohawk specifically disclaims any obligation to do so, even if Mohawk's estimates change.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Financial exposures are managed as an integral part of the Company's risk management program, which seeks to reduce the potentially adverse effect that the volatility of the exchange rate and natural gas markets may have on its operating results. The Company does not regularly engage in speculative transactions, nor does it regularly hold or issue financial instruments for trading purposes.

Natural Gas Risk Management

The Company uses a combination of natural gas futures contracts and long-term supply agreements to manage unanticipated changes in natural gas prices. The contracts are based on forecasted usage of natural gas measured in Million British Thermal Units ("MMBTU").

The Company has designated the natural gas futures contracts as cash flow hedges. Any gain or loss is recognized in cost of sales in the same period or periods during which the hedged transaction affects earnings. At September 27, 2003, the Company had natural gas contracts outstanding with an aggregate notional amount of approximately 4.6 million MMBTU's. The contracts, which mature from October 2003 to December 2004, are marked to market as either an asset or liability with the offset recorded in accumulated other comprehensive income, net of applicable income taxes and any hedge ineffectiveness. At September 27, 2003, the Company had a recorded asset of \$1.2 million.

The long-term natural gas supply agreements are accounted for under the normal purchases provision within SFAS No. 133 and its amendments. At September 27, 2003, the Company had normal purchase commitments of approximately 4.0 million MMBTU's for periods maturing from October 2003 through August 2005. The contracted value of these commitments was approximately \$18.3 million and the fair value of these commitments was approximately \$19.0 million, at September 27, 2003.

Foreign Currency Rate Management

The Company enters into foreign exchange forward contracts to hedge costs associated with its operations in Mexico. The objective of these transactions is to reduce volatility of exchange rates where these operations are located by fixing a portion of their costs in U.S. currency. Gains and losses are recognized in cost of sales in the same period or periods during which the hedged transaction affects earnings. Accordingly, these contracts have been designated as cash flow hedges. At September 27, 2003, the Company had forward contracts maturing from October 2003 through December 2003, to purchase approximately 53.6 million Mexican pesos. The aggregate U.S. Dollar value of these contracts at September 27, 2003 was approximately \$4.8 million. The contracts are marked to market in either assets or liabilities with the offset recorded in accumulated other comprehensive income, net of applicable income taxes and any hedge ineffectiveness. Unrealized gains at September 27, 2003 were not material.

Interest Rate Management

In 2002, the Company determined that its \$100 million interest rate swap was ineffective. Consequently, the \$10.7 million unrealized loss associated with the swap was recorded as a realized loss in interest expense during the fourth quarter of 2002. The Company continues to carry the liability on its consolidated balance sheet and the interest rate swap is marked to market at the end of each reporting period. The change in fair value for the period ended September 27, 2003 was not material.

Item 4. Controls and Procedures

Based on an evaluation of the effectiveness of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended) as of the end of the period covered by this report, the Company's Chief Executive Officer and Chief Financial Officer have concluded that such controls and procedures were effective for the period covered by this report. In connection with such evaluation, no change in the Company's internal control over financial reporting occurred during the period covered by this report that materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

The Company is involved in routine litigation from time to time in the regular course of its business. Except as noted below, there are no material legal proceedings pending or known to be contemplated to which the Company is a party or to which any of its property is subject.

Environmental Matters

The Company is subject to various federal, state, local and foreign environmental health and safety laws and regulations, including those governing air emissions, wastewater discharges, the use, storage, treatment and disposal of solid and hazardous materials, and the cleanup of contamination associated therewith. Because of the nature of the Company's business, the Company has incurred, and will continue to incur, costs relating to compliance with such laws and regulations. The Company is involved in various proceedings relating to environmental matters and is currently engaged in environmental investigation, remediation and post-closure care programs at certain sites. The Company has provided reserves for such activities that it has determined to be both probable and reasonably estimable. The Company does not expect that the ultimate liability with respect to such activities will have a material adverse effect on the Company's consolidated financial statements.

Three sites near Mohawk's Dallas facility in its Dal-Tile segment are involved in environmental cleanup projects relating principally to the disposal or alleged disposal by Dal-Tile of waste materials containing lead compounds. Dal-Tile's approved closure plans have been implemented and each site is now undergoing post-closure care. Dal-Tile has been named as a potentially responsible party under the federal Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA") and similar state statutes for the disposal of certain hazardous substances at various other sites in the United States. The Company does not believe that any future costs for these sites will have a material adverse effect on the Company's consolidated financial statements.

Item 2. Changes in Securities and Use of Proceeds

None.

Item 3. Defaults Upon Senior Securities

None.

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

None.

Item 5. Other Information

None.

Item 6. Exhibits and Reports on Form 8-K

No. Description

(a) Exhibits

10.1	Amended and Restated Credit and Security Agreement, dated as of August 4, 2003, Among Mohawk Factoring, Inc., Mohawk Servicing, Inc., Blue Ridge Asset Funding Corporation, Three Pillars Funding Corporation, SunTrust Capital Markets, Inc., as a co-agent, and Wachovia Bank, National Association, as a co-agent and administrative agent
10.2	Amended and Restated Receivables Purchase and Sale Agreement, dated as of August 4, 2003, among Mohawk Carpet Distribution, L.P. and Dal-Tile Corporation, as originators, and Mohawk Factoring, Inc.
10.3	Five Year Credit Agreement, dated as of September 30, 2003, among Mohawk Industries, Inc., SunTrust Bank and Wachovia Bank, National Association
10.4	364-Day Credit Agreement, dated as of September 30, 2003, among Mohawk Industries, Inc., SunTrust Bank and Wachovia Bank, National Association

31.1 Certification Pursuant to Rule 13a-14(a).

31.2 Certification Pursuant to Rule 13a-14(a).

32.1 Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

32.1 Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

(b) Reports on Form 8-K

Current Report on Form 8-K: Second quarter earnings press release, dated July 16, 2003.

Current Report on Form 8-K: Press release dated July 21, 2003, announcing Mohawk Industries, Inc. proposal to acquire Lees Carpet.

Current Report on Form 8-K: Press release dated July 30, 2003, announcing Mohawk Industries, Inc. successful bid for Lees Carpet.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

MOHAWK INDUSTRIES, INC.

Dated: October 31, 2003

By: /s/ Jeffrey S. Lorberbaum
JEFFREY S. LORBERBAUM, President and
Chief Executive Officer (principal executive officer)

Dated: October 31, 2003

By: /s/ John D. Swift
JOHN D. SWIFT, Chief Financial Officer,
Vice President-Finance and Assistant Secretary
(principal financial and accounting officer)

AMENDED AND RESTATED CREDIT AND SECURITY AGREEMENT

Dated as of August 4, 2003

Among

MOHAWK FACTORING, INC., as Borrower,

MOHAWK SERVICING, INC., as Servicer,

BLUE RIDGE ASSET FUNDING CORPORATION,

THREE PILLARS FUNDING CORPORATION,

SUNTRUST CAPITAL MARKETS, INC., as a Co-Agent,

and

**WACHOVIA BANK, NATIONAL ASSOCIATION, as a Co-Agent and
Administrative Agent**

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Exhibits and Schedules

Exhibit I	Definitions
Exhibit II	Form of Borrowing Notice
Exhibit III	Places of Business of the Loan Parties; Locations of Records; Federal Employer Identification Number(s)
Exhibit IV	Names of Collection Banks; Collection Accounts
Exhibit V	Form of Compliance Certificate
Exhibit VI	Form of Collection Account Agreement
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Exhibit IX	Form of Monthly Report
Exhibit X	Form of Performance Undertaking
Exhibit XI	Form of Reduction Notice
Schedule A	Commitments
Schedule B	Closing Documents

AMENDED AND RESTATED CREDIT AND SECURITY AGREEMENT

This AMENDED AND RESTATED Credit and Security Agreement, dated as of August 4, 2003 is entered into by and among:

(a) Mohawk Factoring, Inc., a Delaware corporation ("**Borrower**") and successor by merger to DT/Mohawk Factoring, LLC, a Delaware limited liability company ("DT/Mohawk Factoring"),

(b) Mohawk Servicing, Inc., a Delaware corporation ("**Mohawk Servicing**"), as initial Servicer (the Servicer together with Borrower, the "**Loan Parties**" and each, a "**Loan Party**"),

(c) Blue Ridge Asset Funding Corporation, a Delaware corporation (together with its successors, "**Blue Ridge**" or a "**Conduit**") and Wachovia Bank, National Association, in its capacity as a Liquidity Bank to Blue Ridge (together with its successors, "**Wachovia**" and together with Blue Ridge, the "**Blue Ridge Group**"),

(d) Three Pillars Funding Corporation, a Delaware corporation (together with its successors, "**TPFC**" or a "**Conduit**") and SunTrust Capital Markets, Inc., in its capacity as a Liquidity Bank to TPFC (together with its successors, "**SunTrust**" and together with TPFC, the "**TPFC Group**"),

(e) The issuers of Commercial Paper from time to time party hereto (together with their respective successors, individually, a "Conduit" and collectively with Blue Ridge and TPFC, the "**Conduits**") and the financial institutions acting in the capacity of a Liquidity Bank to such other Conduits (together with such financial institutions', successors and such Conduit, a "**Conduit Group**" and collectively with the TPFC Group and the Blue Ridge Group, the "**Conduit Groups**"),

(f) Wachovia Bank, National Association, in its capacity as agent for the Blue Ridge Group (together with its successors and assigns in such capacity, the "**Blue Ridge Agent**" or a "**Co-Agent**"), SunTrust Capital Markets, Inc., in its capacity as agent for the TPFC Group (together with its successors and assigns in such capacity, the "**TPFC Agent**" or a "**Co-Agent**") and any other administrative agent for a Conduit Group from time to time party hereto (together with their respective successors, individually a "**Co-Agent**" and collectively with the Blue Ridge Agent and the TPFC Agent the "**Co-Agents**"), and

(g) Wachovia Bank, National Association, as agent for the Conduit Groups and the Co-Agents (together with its successors and assigns hereunder, the "**Administrative Agent**" and together with the Co-Agents, the "**Agents**"),

and amends, restates and consolidates (i) that certain Credit and Security Agreement dated as of October 25, 2000, as amended, by and among Borrower, Mohawk Servicing, the Liquidity Banks party thereto, Blue Ridge and Wachovia in its capacity as agent thereunder and (ii) that certain Loan Agreement dated as of May 14, 2002 by and among Borrower (as successor to DT/Mohawk Funding, LLC), Dal-Tile Corporation, TPFC and SunTrust in its capacity as agent thereunder.

Unless defined elsewhere herein, capitalized terms used in this Agreement shall have the meanings assigned to such terms in Exhibit I.

PRELIMINARY STATEMENTS

Borrower desires to borrow from the Lenders from time to time.

The Conduits may, in their absolute and sole discretion, make Advances to Borrower from time to time.

In the event that any Conduit declines to make its Group's Percentage of any Advance, the applicable Conduit's Liquidity Banks shall, at the request of Borrower, make such Liquidity Banks' Group's Percentage of Advances from time to time.

Wachovia Bank, National Association has been requested and is willing to act as Administrative Agent on behalf of the Co-Agents and the Conduit Groups in accordance with the terms hereof.

ARTICLE I.

THE ADVANCES

Section 1.1 Credit Facility.

(a) Upon the terms and subject to the conditions hereof, from time to time prior to the Facility Termination Date upon receipt of a copy of each Borrowing Notice from Borrower, each of the Co-Agents shall determine whether its Conduit will fund a Loan in an amount equal to its Group's Percentage of the requested Advance specified in such Borrowing Notice. In the event that a Conduit elects not to make any such Loan to Borrower, the applicable Co-Agent shall promptly notify Borrower and, unless Borrower cancels its Borrowing Notice, each of such Conduit's Liquidity Banks severally agrees to make its Pro Rata Share of its Group's Percentage of such Loan to Borrower, on the terms and subject to the conditions hereof, **provided that** at no time may the aggregate principal amount of such Conduit's and such Conduit's Liquidity Banks' Loans outstanding exceed the lesser of (i) the aggregate amount of such Conduit's Liquidity Banks' Commitments, and (ii) such Conduit's Group's Percentage of the Borrowing Base (such lesser amount, the "**Conduit Allocation Limit**").

Each of the Advances, and all other Obligations, shall be secured by the Collateral as provided in Article XIII.

(b) Borrower may, upon at least 10 Business Days' notice to the Co-Agents, terminate in whole or reduce in part, ratably among the Liquidity Banks in each Group in accordance with such Group's Percentage, the unused portion of the Aggregate Commitment; **provided that** each partial reduction of the Aggregate Commitment shall be in an amount equal to \$5,000,000 per Group (or a larger integral multiple of \$1,000,000 per Group if in excess thereof) and shall reduce the Commitments of the Liquidity Banks in each Group ratably in accordance with their respective Pro Rata Shares.

Section 1.2 Increases

. Borrower shall provide the Co-Agents with at least one (1) Business Day's prior notice in a form set forth as Exhibit II hereto of each Advance, provided such notice is received by each Co-Agent no later than 12:00 noon on such Business Day (each, a **"Borrowing Notice"**). Each Borrowing Notice shall be subject to Section 6.2 hereof and, except as set forth below, shall be irrevocable and shall specify the requested increase in Aggregate Principal (which shall not be less than \$1,000,000 per Group or a larger integral multiple of \$100,000 per Group), the Borrowing Date (which, in the case of any Advance after the initial Advance hereunder, shall only be on a Settlement Date), and, in the case of an Advance which Borrower has been notified by the applicable Co-Agent will be funded by the applicable Group's Liquidity Banks, the requested Interest Rate and Interest Period. If a Conduit declines to make its Group's Percentage of a proposed Advance, Borrower may cancel the Borrowing Notice. On the date of each Advance, upon satisfaction of the applicable conditions precedent set forth in Article VI, the applicable Conduit or the applicable Conduit's Liquidity Banks, as applicable, shall make the proceeds of its Loan comprising such Group's Percentage of such requested Advance available to its Group's Co-Agent in immediately available funds on the proposed date of borrowing. Upon receipt by a Co-Agent of such Loan proceeds, such Co-Agent shall deposit to the Facility Account, in immediately available funds, no later than 12:00 noon (New York time), an amount equal to (i) in the case of a Conduit, such Conduit's Group's Percentage of the principal amount of the requested Advance or (ii) in the case of a Conduit's Liquidity Bank, each such Liquidity Bank's Pro Rata Share of such Liquidity Bank's Group's Percentage of the principal amount of the requested Advance.

Section 1.3 Decreases

. Except as provided in Section 1.4, Borrower shall provide the Co-Agents with prior written notice in conformity with the Required Notice Period in the form attached hereto as Exhibit XI (a **"Reduction Notice"**) of any proposed reduction of Aggregate Principal. Such Reduction Notice shall designate (i) the date (the **"Proposed Reduction Date"**) upon which any such reduction of Aggregate Principal shall occur (which date shall give effect to the applicable Required Notice Period), and (ii) the amount of Aggregate Principal to be reduced which shall be applied ratably to the Loans of the Conduits and the Liquidity Banks in accordance with the amount of principal (if any) owing to the Conduits (ratably, based on their Group's Percentage of such reduction), on the one hand, and the amount of principal (if any) owing to the Liquidity Banks (ratably, based on their respective Pro Rata Shares of their Group's Percentage of such reduction), on the other hand (the **"Aggregate Reduction"**). Only one (1) Reduction Notice with respect to any Proposed Reduction Date shall be outstanding at any time.

Section 1.4 Deemed Collections: Borrowing Limit

(a) If on any day:

(i) the Outstanding Balance of any Receivable is reduced by the Servicer as a result of any defective or rejected goods or services or any other adjustment (other than a Cash Discount) by any Originator or any Affiliate thereof, or as a result of any tariff or other governmental or regulatory charge, or

(ii) the Outstanding Balance of any Receivable is reduced or canceled by the Servicer as a result of a setoff in respect of any claim by the Obligor thereof (whether such claim arises out of the same or a related or an unrelated transaction), or

(iii) the Outstanding Balance of any Receivable is reduced by the Servicer on account of the obligation of any Originator or any Affiliate thereof to pay to the related Obligor any rebate or refund, or

(iv) the Outstanding Balance of any Receivable is less than the amount included in calculating the Net Pool Balance for purposes of any Monthly Report (for any reason other than such Receivable becoming a Defaulted Receivable), or

(v) any of the representations or warranties of Borrower set forth in Section 5.1(i), (j), (r), (s), (t) or (u) were not true when made with respect to any Receivable,

then, on such day, Borrower shall be deemed to have received a Collection of such Receivable (A) in the case of clauses (i)-(iv) above, in the amount of such reduction or cancellation or the difference between the actual Outstanding Balance and the amount included in calculating such Net Pool Balance, as applicable; and (B) in the case of clause (v) above, in the amount of the Outstanding Balance of such Receivable and, effective as of the date on which the next succeeding Monthly Report is required to be delivered, the Borrowing Base shall be reduced by the amount of such Deemed Collection.

(b) Borrower shall ensure that the Aggregate Principal at no time exceeds the Borrowing Limit. If, on any Business Day, the aggregate outstanding principal amount of the Loans from any Group exceeds such Group's Conduit Allocation Limit, or the aggregate principal amount of the Loans outstanding from such Group's Conduit exceeds the Liquidity Commitments of such Group's Liquidity Banks pursuant to such Group's Liquidity Agreement divided by 102%, Borrower shall prepay such Loans by wire transfer to the applicable Co-Agent received not later than 1:00 p.m. (New York City time) on the next succeeding Settlement Date of an amount sufficient to eliminate such excess, together with accrued and unpaid interest on the amount prepaid (as allocated by the applicable Co-Agent), such that after giving effect to such payment the Aggregate Principal is less than or equal to the Borrowing Limit and the applicable Group's Percentage of the Aggregate Principal is less than or equal to the applicable Group's Conduit Allocation Limit.

Section 1.5 Payment Requirements

. All amounts to be paid or deposited by any Loan Party pursuant to any provision of this Agreement shall be paid or deposited in accordance with the terms hereof no later than 1:00 p.m. (New York time) on the day when due in immediately available funds, and if not received before 1:00 p.m. (New York time) shall be deemed to be received on the next succeeding Business Day. If such amounts are payable to a Lender they shall be paid to the applicable Co-Agent Account, for the account of such Lender, until otherwise notified by such Co-Agent. All computations of CP Costs, Interest, *per annum* fees calculated as part of any CP Costs, *per annum* fees hereunder and *per annum* fees under the Fee Letter shall be made on the basis of a year of 360 days for the actual number of days elapsed. If any amount hereunder shall be payable on a day which is not a Business Day, such amount shall be payable on the next succeeding Business Day.

Section 1.6 Ratable Loans; Funding Mechanics; Liquidity Fundings

- (a) Each Advance hereunder shall consist of one or more Loans made by the Conduits and/or the applicable Liquidity Banks.
- (b) Each Lender funding any Loan shall wire transfer the principal amount of its Loan to its Co-Agent in immediately available funds not later than 12:00 noon (New York City time) on the applicable Borrowing Date and, subject to such Co-Agent's receipt of such Loan proceeds, such Co-Agent shall wire transfer such funds to the account specified by Borrower in its Borrowing Request not later than 2:00 p.m. (New York City time) on such Borrowing Date.
- (c) While it is the intent of each Conduit to fund each requested Advance through the issuance of its respective Commercial Paper, the parties acknowledge that if any Conduit is unable, or determines that it is undesirable, to issue Commercial Paper to fund all or any portion of its Loans, or is unable to repay such Commercial Paper upon the maturity thereof, such Conduit shall put all or any portion of its Loans to its Liquidity Banks at any time pursuant to its applicable Liquidity Agreement to finance or refinance the necessary portion of its Loans through a Liquidity Funding to the extent available. The Liquidity Fundings may be Alternate Base Rate Loans or LIBO Rate Loans, or a combination thereof, selected by Borrower in accordance with Article IV. Regardless of whether a Liquidity Funding constitutes the direct funding of a Loan, an assignment of a Loan made by a Conduit or the sale of one or more participations in a Loan made by a Conduit, each Liquidity Bank in such Conduit's Group participating in a Liquidity Funding shall have the rights of a "Lender" hereunder with the same force and effect as if it had directly made a Loan to Borrower in the amount of its Liquidity Funding.
- (d) Nothing herein shall be deemed to commit any Conduit to make Loans.

ARTICLE II.

PAYMENTS AND COLLECTIONS

Section 2.1 Payments

. Borrower hereby promises to pay:

- (a) the Aggregate Principal on and after the Facility Termination Date as and when Collections are received;
- (b) the fees set forth in the Fee Letter on the dates specified therein;
- (c) all accrued and unpaid Interest on the Alternate Base Rate Loans on each Settlement Date applicable thereto;
- (d) all accrued and unpaid Interest on the LIBO Rate Loans on the last day of each Interest Period applicable thereto;
- (e) all accrued and unpaid CP Costs on the CP Rate Loans on each Settlement Date; and
- (f) all Broken Funding Costs and Indemnified Amounts upon demand.

Section 2.2 Collections Prior to Amortization; Demand for Payment of Certain Demand Advances

(a) On each Settlement Date prior to the Amortization Date, the Servicer shall deposit to the applicable Co-Agent Account, for distribution to the applicable Lenders, the applicable Percentage of a portion of the Collections received by it during the preceding Settlement Period (after deduction of its Servicing Fee) equal to the sum of the following amounts for application to the Obligations in the order specified:

first, ratably to the payment of all invoiced accrued and unpaid CP Costs, Interest and Broken Funding Costs (if any) that are then due and owing to the applicable Conduit,

second, ratably to the payment of all accrued and unpaid fees under the Fee Letter (if any) that are then due and owing to the applicable Conduit or its Co-Agent,

third, if required under Section 1.3 or 1.4, to the ratable reduction of the applicable Conduit's Percentage of the Aggregate Principal, and

fourth, for the ratable payment of all other unpaid Obligations, if any, that are then due and owing to such Conduit, its Co-Agent or the related Indemnified Parties.

The balance, if any, shall be transferred to Borrower or otherwise in accordance with Borrower's instructions. Collections applied to the payment of Obligations shall be distributed in accordance with the aforementioned provisions, and, giving effect to each of the priorities set forth above in this Section 2.2(a), shall be shared ratably (within each priority) among the applicable Co-Agent and the Lenders in its Group in accordance with the amount of such Obligations owing to each of them in respect of each such priority.

(b) If the Collections are insufficient to pay the Servicing Fee and the Obligations specified above on any Settlement Date, Borrower shall make demand for repayment of any outstanding Demand Advances in an aggregate amount equal to the lesser of (i) the amount of such shortfall in Collections, and (ii) the aggregate outstanding principal balance of the Demand Advances, together with all accrued and unpaid interest thereon.

Section 2.3 Demand for Payment of Demand Advances on the Amortization Date; Collections Following Amortization

(a) On the Amortization Date, Borrower hereby agrees to make demand for payment of all Demand Advances, together with all accrued and unpaid interest thereon, in an amount up to the outstanding balances of such Demand Advances, but not to exceed the then outstanding Obligations.

(b) On the Amortization Date and on each day thereafter, to the extent the Obligations have not otherwise been paid, the Servicer shall set aside and hold in trust, for the Secured Parties, all Collections received on such day. On and after the Amortization Date, the Servicer shall, on each Settlement Date and on each other Business Day specified by the Administrative Agent at the direction of any Co-Agent (after deduction of any accrued and unpaid Servicing Fee as of such date): (i) remit to the applicable Co-Agent Account the applicable Group's Percentage of the amounts set aside pursuant to the preceding two sentences, and (ii) apply such amounts to reduce the Obligations as follows:

first, to the reimbursement of the applicable Conduit's Group's Percentage Share of the Administrative Agent's reasonable costs incurred in connection with the collection of amounts due under this Agreement and enforcement of this Agreement,

second, ratably to the payment of all accrued and unpaid CP Costs, Interest and Broken Funding Costs (if any) that are then due and owing to the applicable Conduit,

third, ratably to the payment of all accrued and unpaid fees under the Fee Letter,

fourth, to the ratable reduction of such Conduit's Percentage of the Aggregate Principal,

fifth, for the ratable payment of all other unpaid Obligations that are then due and owing to such Conduit, its Co-Agent or the related Indemnified Parties, and

sixth, after the Obligations have been indefeasibly reduced to zero, to Borrower.

Collections applied to the payment of Obligations shall be distributed in accordance with the aforementioned provisions, and, giving effect to each of the priorities set forth above in this Section 2.3(b), shall be shared ratably (within each priority) among the Agent and the Lenders in accordance with the amount of such Obligations owing to each of them in respect of each such priority.

Section 2.4 Payment Recission

. No payment of any of the Obligations shall be considered paid or applied hereunder to the extent that, at any time, all or any portion of such payment or application is rescinded by application of law or judicial authority, or must otherwise be returned or refunded for any reason. Borrower shall remain obligated for the amount of any payment or application so rescinded, returned or refunded, and shall promptly pay to the applicable Co-Agent Account (in each case for application to the Person or Persons who suffered such rescission, return or refund) the full amount thereof, plus Interest on such amount at the Default Rate from the date of any such rescission, return or refunding.

ARTICLE III.

COMMERCIAL PAPER FUNDING

Section 3.1 CP Costs

. Borrower shall pay CP Costs with respect to the principal balance of the Loans from time to time outstanding. Each Loan of a Conduit that is funded substantially with Pooled Commercial Paper will accrue CP Costs each day on a pro rata basis, based upon the percentage share that the principal in respect of such Loan represents in relation to all assets held by such Conduit and funded substantially with related Pooled Commercial Paper on such day.

Section 3.2 Calculation of CP Costs

. As soon as practicable, and not later than the 3rd Business Day immediately preceding each Monthly Reporting Date, each Conduit shall calculate the aggregate amount of CP Costs applicable to its CP Rate Loans for the Calculation Period then most recently ended and shall notify Borrower of such aggregate amount, which notice shall include a reasonably detailed description of such calculations.

Section 3.3 CP Costs Payments

. On each Settlement Date, Borrower shall pay to the Co-Agents (for the benefit of their respective Conduit) an aggregate amount equal to all accrued and unpaid CP Costs in respect of the principal associated with all CP Rate Loans for the Calculation Period then most recently ended in accordance with Article II.

Section 3.4 Default Rate

. From and after the occurrence of an Amortization Event, all Loans of the Conduits shall accrue Interest at the Default Rate and shall cease to be CP Rate Loans.

ARTICLE IV.

LIQUIDITY FUNDING

Section 4.1 Liquidity Funding

. Prior to the occurrence of an Amortization Event, the outstanding principal balance of each Liquidity Funding shall accrue interest for each day during its Interest Period at either the LIBO Rate or the Alternate Base Rate in accordance with the terms and conditions hereof. Until Borrower gives notice to the applicable Co-Agent of another Interest Rate in accordance with Section 4.4, the initial Interest Rate for any Loan transferred to the Liquidity Banks by the applicable Conduit pursuant to the applicable Liquidity Agreement shall be the Alternate Base Rate (unless the Default Rate is then applicable). If the applicable Liquidity Banks acquire by assignment from the applicable Conduit any Loan pursuant to the applicable Liquidity Agreement, each Loan so assigned shall each be deemed to have an Interest Period commencing on the date of any such assignment.

Section 4.2 Interest Payments

. On the Settlement Date for each Liquidity Funding, Borrower shall pay to the applicable Co-Agent (for the benefit of the Liquidity Banks in its Group) an aggregate amount equal to the accrued and unpaid Interest for the entire Interest Period of each such Liquidity Funding in accordance with Article II.

Section 4.3 Selection and Continuation of Interest Periods.

(a) With consultation from the applicable Co-Agent, Borrower shall from time to time request Interest Periods for the Liquidity Fundings, **provided that** if at any time any Liquidity Funding is outstanding, Borrower shall always request Interest Periods such that at least one Interest Period shall end on the date specified in clause (A) of the definition of Settlement Date.

(b) Borrower or the applicable Co-Agent, upon notice to and consent by the other received at least three (3) Business Days prior to the end of an Interest Period (the "**Terminating Tranche**") for any Liquidity Funding, may, effective on the last day of the Terminating Tranche: (i) divide any such Liquidity Funding into multiple Liquidity Fundings, (ii) combine any such Liquidity Funding with one or more other Liquidity Fundings that have a Terminating Tranche ending on the same day as such Terminating Tranche or (iii) combine any such Liquidity Funding with a new Liquidity Funding to be made by the applicable Liquidity Banks on the day such Terminating Tranche ends.

Section 4.4 Liquidity Bank Interest Rates

. Borrower may select the LIBO Rate or the Alternate Base Rate for each Liquidity Funding. Borrower shall by 12:00 noon (New York time): (i) at least three (3) Business Days prior to the expiration of any Terminating Tranche with respect to which the LIBO Rate is being requested as a new Interest Rate and (ii) at least one (1) Business Day prior to the expiration of any Terminating Tranche with respect to which the Alternate Base Rate is being requested as a new Interest Rate, give the applicable Co-Agent irrevocable notice of the new Interest Rate for the Liquidity Funding associated with such Terminating Tranche. Until Borrower gives notice to the applicable Co-Agent of another Interest Rate, the initial Interest Rate for any Loan transferred to the applicable Liquidity Banks pursuant to the applicable Liquidity Agreement shall be the Alternate Base Rate (unless the Default Rate is then applicable).

Section 4.5 Suspension of the LIBO Rate

(a) If any Liquidity Bank notifies its applicable Co-Agent that it has reasonably determined that funding its Pro Rata Share of its Group's Percentage of the Liquidity Fundings at a LIBO Rate would violate any applicable law, rule, regulation, or directive of any governmental or regulatory authority, or that (i) deposits of a type and maturity appropriate to match fund its Liquidity Funding at such LIBO Rate are not available or (ii) such LIBO Rate does not accurately reflect the cost of acquiring or maintaining a Liquidity Funding at such LIBO Rate, then such Co-Agent shall suspend the availability of such LIBO Rate and require Borrower to select the Alternate Base Rate for any Liquidity Funding of such Liquidity Bank accruing Interest at such LIBO Rate.

(b) If less than all of the Liquidity Banks of any applicable Group give a notice to such Group's Co-Agent pursuant to Section 4.5(a), each Liquidity Bank which gave such a notice shall be obliged, at the request of Borrower, the applicable Conduit or the applicable Co-Agent, to assign all of its rights and obligations hereunder to (i) another Liquidity Bank in its Group or (ii) another funding entity nominated by Borrower or the applicable Co-Agent that is an Eligible Assignee willing to participate in this Agreement through the Liquidity Termination Date in the place of such notifying Liquidity Bank; **provided that** (i) the notifying Liquidity Bank receives payment in full, pursuant to an Assignment Agreement, of all Obligations owing to it (whether due or accrued), and (ii) the replacement Liquidity Bank otherwise satisfies the requirements of Section 12.1(b).

Section 4.6 Default Rate

. From and after the occurrence of an Amortization Event, all Liquidity Fundings shall accrue Interest at the Default Rate.

ARTICLE V.

REPRESENTATIONS AND WARRANTIES

Section 5.1 Representations and Warranties of the Loan Parties

. Each Loan Party hereby represents and warrants to the Agents and the Lenders, as to itself, as of the date hereof, and except for representations and warranties that are limited to a certain date, as of the date of each Advance and as of each Settlement Date that:

(a) Existence and Power

. Such Loan Party is duly organized, validly existing and in good standing under the laws of its state of organization. Such Loan Party is duly qualified to do business and is in good standing as a foreign entity, and has and holds all organizational power and all governmental licenses, authorizations, consents and approvals required to carry on its business in each jurisdiction in which its business is conducted except where the failure to so qualify or so hold is not reasonably likely to have a Material Adverse Effect.

(b) Power and Authority; Due Authorization, Execution and Delivery

. The execution and delivery by such Loan Party of this Agreement and each other Transaction Document to which it is a party, and the performance of its obligations hereunder and thereunder and, in the case of Borrower, Borrower's use of the proceeds of Advances made hereunder, are within its corporate powers and authority and have been duly authorized by all necessary corporate action on its part. This Agreement and each other Transaction Document to which such Loan Party is a party has been duly executed and delivered by such Loan Party.

(c) No Conflict

. The execution and delivery by such Loan Party of this Agreement and each other Transaction Document to which it is a party, and the performance of its obligations hereunder and thereunder do not contravene or violate (i) its certificate or articles of incorporation or by-laws, (ii) any law, rule or regulation applicable to it, (iii) any restrictions under any agreement, contract or instrument to which it is a party or by which it or any of its property is bound, or (iv) any order, writ, judgment, award, injunction or decree applicable to it, and do not result in the creation or imposition of any Adverse Claim on assets of such Loan Party or its Subsidiaries (except as created hereunder), except, in any case, where such contravention or violation is not reasonably likely to have a Material Adverse Effect; and no transaction contemplated hereby requires compliance with any bulk sales act or similar law.

(d) Governmental Authorization

. Other than the filing of the financing statements required hereunder, no authorization or approval or other action by, and no notice to or filing with, any governmental authority or regulatory body is required for the due execution and delivery by such Loan Party of this Agreement and each other Transaction Document to which it is a party and the performance of its obligations hereunder and thereunder.

(e) Actions, Suits

. There are no actions, suits or proceedings pending, or to the best of such Loan Party's knowledge, threatened in writing, before any court, arbitrator or other body, that is reasonably likely to have a Material Adverse Effect, except as set forth on Schedule 5.1(e) hereto. Such Loan Party is not in default with respect to any order of any court, arbitrator or governmental body which is reasonably likely to have a Material Adverse Effect.

(f) Binding Effect

. This Agreement and each other Transaction Document to which such Loan Party is a party constitute the legal, valid and binding obligations of such Loan Party enforceable against such Loan Party in accordance with their respective terms, except as such enforcement may be limited by applicable bankruptcy, insolvency, reorganization or other similar laws relating to or limiting creditors' rights generally and by general principles of equity (regardless of whether enforcement is sought in a proceeding in equity or at law).

(g) Accuracy of Information

. All written information heretofore furnished by such Loan Party or any of its Affiliates to the Agents or the Lenders for purposes of or in connection with this Agreement, any of the other Transaction Documents or any transaction contemplated hereby or thereby is, and all such information hereafter furnished by such Loan Party or any of its Affiliates to the Agents or the Lenders, as of the date thereof does not and will not contain any material misstatement of fact or omit to state a material fact necessary to make the statements contained therein, in light of the circumstances under which they were made, not misleading.

(h) Use of Proceeds

. No proceeds of any Advance hereunder will be used for a purpose that violates, or would be inconsistent with, (i) Section 7.2(e) of this Agreement or (ii) Regulation T, U or X promulgated by the Board of Governors of the Federal Reserve System from time to time.

(i) Good Title

. Borrower is the legal and beneficial owner of the Receivables and Related Security with respect thereto, free and clear of any Adverse Claim, except as created hereby. There have been duly filed all financing statements or other similar instruments or documents necessary under the UCC of all appropriate jurisdictions to perfect Borrower's ownership interest in each Receivable and the Related Security to the extent such interest can be perfected by filing a financing statement under the UCC.

(j) Perfection

. This Agreement is effective to create a valid security interest in favor of the Administrative Agent for the benefit of the Secured Parties in the Collateral to secure payment of the Obligations, free and clear of any Adverse Claim except as created by the Transactions Documents. There have been duly filed all financing statements or other similar instruments or documents necessary under the UCC of all appropriate jurisdictions to perfect the Administrative Agent's (on behalf of the Secured Parties) security interest in the Collateral to the extent that a security interest therein may be perfected by filing a financing statement under the UCC.

(k) Places of Business and Locations of Collection Records

. The principal places of business and chief executive office of such Loan Party and the offices where it keeps all of its Collection Records are located at the address(es) listed on Exhibit III or such other locations of which the Administrative Agent has been notified in accordance with Section 7.2(a) in jurisdictions where all action required by Section 14.4(a) has been taken and completed. Borrower's Federal Employer Identification Number is correctly set forth on Exhibit III.

(l) Collections

. The conditions and requirements set forth in Section 7.1(j) have at all times since the effective date of this Agreement been satisfied and duly performed. The names and addresses of all Collection Banks, together with the account numbers of the Collection Accounts of Borrower at each Collection Bank and the post office box number of each Lock-Box, are listed on Exhibit IV. Borrower has not granted any Person, other than the Administrative Agent or the TPFC Agent as contemplated by and subject to this Agreement, dominion and control of any Lock-Box or Collection Account, or the right to take dominion and control of any such Lock-Box or Collection Account at a future time or upon the occurrence of a future event; **provided, however**, that nothing herein shall be deemed to preclude Borrower from granting Servicer access to the Lock-Boxes and Collection Accounts for purposes consistent with the terms of the Servicing Agreement and this Agreement prior to delivery of the Collection Notices and the appointment of a successor Servicer.

(m) Material Adverse Effect

. The initial Servicer and the Borrower represent and warrant that since December 31, 2002, no event has occurred that would have a Material Adverse Effect.

(n) Names

. In the past five (5) years ended on the date of this Agreement, Borrower has not used any corporate names, trade names or assumed names other than the name in which it has executed this Agreement other than with respect to DT/Mohawk Funding, LLC which was merged into the Borrower on or prior to the date hereof.

(o) Not a Holding Company or an Investment Company

. Such Loan Party is not a "holding company" or a "subsidiary holding company" of a "holding company" within the meaning of the Public Utility Holding Company Act of 1935, as amended, or any successor statute. Such Loan Party is not an "investment company" within the meaning of the Investment Company Act of 1940, as amended, or any successor statute.

(p) Compliance with Law

. Each Receivable, together with the Invoice related thereto, does not violate any laws, rules or regulations applicable thereto (including, without limitation, laws, rules and regulations relating to truth in lending, fair credit billing, fair credit reporting, equal credit opportunity, fair debt collection practices and privacy), except where such violation is not reasonably likely to have a Material Adverse Effect.

(q) Compliance with Credit and Collection Policy

. Such Loan Party has complied in all material respects with the Credit and Collection Policy with regard to each Receivable and the related Contract, and since the Initial Cutoff Date has not made or consented to any material change to such Credit and Collection Policy, except such material change as to which the Administrative Agent has been notified and, if required under Section 7.1(b)(iii), granted its prior written consent.

(r) Payments to Applicable Originator

. With respect to each Receivable transferred to Borrower under the Receivables Sale Agreement, Borrower has given reasonably equivalent value to the applicable Originator in consideration therefor and such transfer was not made for or on account of an antecedent debt.

(s) Enforceability of Receivables

. Each Receivable represents a legal, valid and binding obligation of the related Obligor to pay the Outstanding Balance of thereof and any accrued interest thereon, enforceable against the Obligor in accordance with its terms, except as such enforcement may be limited by applicable bankruptcy, insolvency, reorganization or other similar laws relating to or limiting creditors' rights generally and by general principles of equity (regardless of whether enforcement is sought in a proceeding in equity or at law).

(t) Eligible Receivables

. Each Receivable included in the Net Pool Balance as an Eligible Receivable on the date of any Monthly Report was an Eligible Receivable on such date.

(u) Borrowing Limit

. Immediately after giving effect to each Advance and each settlement on any Settlement Date hereunder, the Aggregate Principal is less than or equal to the Borrowing Limit and each Group's Percentage of the Aggregate Principal is less than or equal to such Group's Conduit Allocation Limit.

(v) Accounting

. The manner in which Borrower accounts for the transactions contemplated by this Agreement and the Receivables Sale Agreement does not jeopardize the true sale analysis with respect to transfers between the Originators and Borrower pursuant to the Receivables Sale Agreement.

Section 5.2 Liquidity Bank Representations and Warranties

. Each Liquidity Bank hereby represents and warrants to the Agents, the Conduits and the Loan Parties that:

(a) Existence and Power

. Such Liquidity Bank is a banking association duly organized, validly existing and in good standing under the laws of its jurisdiction of organization, and has all organizational power to perform its obligations hereunder and under the applicable Liquidity Agreement.

(b) No Conflict

. The execution and delivery by such Liquidity Bank of this Agreement and the applicable Liquidity Agreement and the performance of its obligations hereunder and thereunder are within its corporate powers, have been duly authorized by all necessary corporate action, do not contravene or violate (i) its certificate or articles of incorporation or association or by-laws, (ii) any law, rule or regulation applicable to it, (iii) any restrictions under any agreement, contract or instrument to which it is a party or any of its property is bound, or (iv) any order, writ, judgment, award, injunction or decree binding on or affecting it or its property, and do not result in the creation or imposition of any Adverse Claim on its assets other than pursuant to the Transaction Documents.

(c) Governmental Authorization

. No authorization or approval or other action by, and no notice to or filing with, any governmental authority or regulatory body is required for the due execution and delivery by such Liquidity Bank of this Agreement or the applicable Liquidity Agreement and the performance of its obligations hereunder or thereunder.

(d) Binding Effect

. Each of this Agreement and the applicable Liquidity Agreement constitutes the legal, valid and binding obligation of such Liquidity Bank enforceable against such Liquidity Bank in accordance with its terms, except as such enforcement may be limited by applicable bankruptcy, insolvency, reorganization or other similar laws relating to or limiting creditors' rights generally and by general principles of equity (regardless of whether such enforcement is sought in a proceeding in equity or at law). This Agreement and the applicable Liquidity Agreement have been duly authorized, executed and delivered by such Liquidity Bank, and is and will remain part of the permanent records of each Liquidity Bank.

ARTICLE VI.

CONDITIONS OF ADVANCES

Section 6.1 Conditions Precedent to Initial Advance

. The initial Advance under this Agreement is subject to the conditions precedent that (a) the Administrative Agent shall have received on or before the date of such Advance those documents listed on Schedule A to the Receivables Sale Agreement and those documents listed on Schedule B to this Agreement, (b) the Rating Agency Condition shall have been satisfied, and (c) the Administrative Agent shall have received all fees and expenses required to be paid on such date pursuant to the terms of this Agreement and the Fee Letter.

Section 6.2 Conditions Precedent to All Advances

. Each Advance and each rollover or continuation of any Advance shall be subject to the further conditions precedent that (a) the Servicer shall have delivered to the Co-Agents on or prior to the date thereof all Monthly Reports as and when due under Section 8.5; (b) the Facility Termination Date shall not have occurred; (c) in the event of a change in law that affects the validity, perfection or priority of the Administrative Agent's security interest in the Collateral or a change in circumstances that materially and adversely affects the Receivables after the date of this Agreement, the Administrative Agent shall have received such other opinions or documents as it may reasonably request; and (d) on the date thereof, the following statements shall be true (and acceptance of the proceeds of such Advance shall be deemed a representation and warranty by Borrower that such statements are then true):

(i) the representations and warranties set forth in Section 5.1 are true and correct on and as of the date of such Advance (or such Settlement Date, as the case may be) as though made on and as of such date;

(ii) no event has occurred and is continuing, or would result from such Advance (or the continuation thereof), that will constitute an Amortization Event, and no event has occurred and is continuing, or would result from such Advance (or the continuation thereof), that would constitute an Unmatured Amortization Event; and

(iii) after giving effect to such Advance (or the continuation thereof), the Aggregate Principal will not exceed the Borrowing Limit.

ARTICLE VII.

COVENANTS

Section 7.1 Affirmative Covenants of the Loan Parties

. Until the Final Payout Date, each Loan Party hereby covenants, as to itself, as set forth below:

(a) Financial Reporting

. Servicer and Borrower will maintain, for itself and each of its Subsidiaries, a system of accounting established and administered in accordance with GAAP, and furnish or cause to be furnished to the Administrative Agent:

(i) Annual Reporting

. Promptly upon the filing thereof with the Securities Exchange Commission, if applicable, and, in any event, within 90 days after the close of each of its respective fiscal years: (A) audited, unqualified consolidated financial statements (which shall include balance sheets, statements of earnings, stockholder's equity, and cash flows) of the Performance Guarantor for such fiscal year, accompanied by an opinion of independent public accountants of recognized national standing, and (B) analogous unaudited balance sheets and statements of earnings for Borrower, certified by one of its Responsible Financial Officers.

(ii) Quarterly Reporting

. Promptly upon the filing thereof with the Securities Exchange Commission, if applicable, and, in any event, within 45 days after the close of the first three (3) quarterly periods of each of Performance Guarantor's fiscal years consolidated balance sheets of the Performance Guarantor as at the close of each such period and consolidated statements of earnings, stockholder's equity and cash flows for the Performance Guarantor for the period from the beginning of such fiscal year to the end of such quarter, all certified by one of its Responsible Financial Officers. Within 90 days after the close of the first three (3) quarterly periods of each of Borrower's fiscal years balance sheets of Borrower as at the close of each such period and statements of earnings for Borrower for the period from the beginning of such fiscal year to the end of such quarter, all certified by one of its Responsible Financial Officers.

(iii) Compliance Certificate

. Together with the financial statements required hereunder, a compliance certificate in substantially the form of Exhibit V signed by one of Borrower's Responsible Financial Officers and dated the date of such annual financial statement or such quarterly financial statement, as the case may be.

(iv) Shareholders Statements and Reports

. Promptly upon the furnishing thereof generally to the shareholders of Performance Guarantor copies of all financial statements, reports and proxy statements so furnished.

(v) S.E.C. Filings

. Promptly upon the filing thereof, copies of all registration statements (other than registration statements on Forms S-8 or S-3 covering benefit or compensation plans, stock purchase or dividend reinvestment plans, or for purposes of resales of securities by holders) and annual, quarterly, monthly or other regular reports which any Loan Party or any of its Affiliates files with the Securities and Exchange Commission.

(vi) Other Information

. Promptly, from time to time, such other information, documents, records or reports relating to the Receivables or the condition or results of operations of such Loan Party as the Administrative Agent may from time to time reasonably request in order to protect the interests of the Agents and the Lenders under or as contemplated by this Agreement.

(b) Notices

. Such Loan Party will notify the Administrative Agent in writing of any of the following within one (1) business day of learning of the occurrence thereof, describing the same and, if applicable, the steps being taken with respect thereto:

(i) Amortization Events or Unmatured Amortization Events

. The occurrence of each Amortization Event and each Unmatured Amortization Event, by a statement of a Responsible Financial Officer of such Loan Party.

(ii) Copies of Notices

. Promptly upon its receipt of any notice, request for consent, financial statements, certification, report or other material communication under or in connection with any other Transaction Document from any Person other than any Agent or any Lender, a copy of the same.

(iii) Change in Credit and Collection Policy

. At least thirty (30) days prior to the effectiveness of any material change in or material amendment to the Credit and Collection Policy, a copy of the Credit and Collection Policy then in effect and a notice (A) indicating such proposed change or amendment, and (B) requesting the Administrative Agent's consent thereto if such proposed change or amendment is reasonably likely to adversely affect the collectibility of the Receivables generally or materially decrease the credit quality of newly created Receivables generally.

(iv) Termination Date

. The occurrence of the "**Termination Date**" under and as defined in the Receivables Sale Agreement.

(v) Defaults Under Other Agreements

. The occurrence of a default or an event of default under any other financing arrangement pursuant to which such Loan Party is a debtor or an obligor.

(vi) Downgrade of Performance Guarantor

. Any downgrade in the rating of any Indebtedness of Performance Guarantor by S&P or Moody's, setting forth the Indebtedness affected and the nature of such change.

(vii) Material Adverse Effect

. The occurrence of any event or condition that has had, or is reasonably likely to have, a Material Adverse Effect.

(c) Compliance with Laws and Preservation of Corporate Existence

. Such Loan Party will comply in all respects with all applicable laws, rules, regulations, orders, writs, judgments, injunctions, decrees or awards to which it may be subject, except where the failure to so comply is not reasonably likely to have a Material Adverse Effect. Such Loan Party will preserve and maintain its corporate existence, rights, franchises and privileges in the jurisdiction of its incorporation, and qualify and remain qualified in good standing as a foreign entity in each jurisdiction where its business is conducted, except where the failure to so preserve and maintain or qualify is not reasonably likely to have a Material Adverse Effect.

(d) Audits

. Such Loan Party will furnish to the Administrative Agent from time to time such information with respect to it and the Receivables as the Administrative Agent may reasonably request. Such Loan Party will, from time to time during regular business hours as requested by the Administrative Agent upon not less than two (2) Business Days' prior written notice (unless an Amortization Event has occurred in which case the Administrative Agent may have access on demand without notice), permit the Administrative Agent, or its agents or representatives (and shall cause each Originator to permit the Administrative Agent or its agents or representatives): (i) to examine and make copies of and abstracts from all Collection Records and Other Records in the possession or under the control of such Person relating to the Collateral, including, without limitation, the related Contracts, and (ii) to visit the offices and properties of such Person for the purpose of examining such materials described in clause (i) above, and to discuss matters relating to such Person's financial condition or the Collateral or any Person's performance under any of the Transaction Documents or any Person's performance under the Contracts and, in each case, with any of the officers or employees of Borrower or the Servicer having knowledge of such matters (each of the foregoing examinations and visits, a "**Review**"); **provided, however**, that, so long as no Amortization Event has occurred and is continuing, (A) the Loan Parties shall only be responsible for the out-of-pocket costs and expenses of one (1) Review in any one calendar year, and (B) the Administrative Agent will not request more than one (1) Review in any period of three consecutive calendar months. So long as no Amortization Event has occurred and is continuing, the Administrative Agent shall provide to the Loan Parties a written estimate of the costs and expenses of each Review for which the Loan Parties are responsible to pay not less than two (2) Business Days prior to the commencement of any such Review.

(e) Keeping and Marking of Records and Books.

(i) The Servicer will maintain and implement administrative and operating procedures (including, without limitation, an ability to recreate records evidencing Receivables in the event of the destruction of the originals thereof), and keep and maintain all documents, books, records and other information reasonably necessary or advisable for the collection of all Receivables (including, without limitation, records adequate to permit the identification of each new Receivable and all Collections of and adjustments to each existing Receivable). The Servicer will (and will cause each Originator to) give the Agents notice of any material change in the administrative and operating procedures referred to in the previous sentence.

(ii) Borrower will: (A) on or prior to the date hereof, make appropriate notation in its computer files and other books and records relating to the Loans with a notation, reasonably acceptable to the Agents, describing the Administrative Agent's security interest in the Collateral and (B) upon the request of the any of the Agents following the occurrence of an Amortization Event: (x) mark each Contract with a legend or code describing the Administrative Agent's security interest relating to the Receivables.

(f) Compliance with Credit and Collection Policy

. Such Loan Party will comply in all respects with the Credit and Collection Policy in regard to each Receivable and the related Contract.

(g) Performance and Enforcement of Receivables Sale Agreement

. Borrower will perform each of its obligations and undertakings under and pursuant to the Receivables Sale Agreement, will purchase Receivables thereunder in compliance with the terms thereof, and will diligently enforce each Originator's obligations under the Receivables Sale Agreement. Borrower will take all actions to perfect and enforce its rights and interests (and the rights and interests of the Agents and the Lenders as assignees of Borrower) under the Receivables Sale Agreement as any of the Agents may from time to time reasonably request, including, without limitation, making claims to which it may be entitled under any indemnity, reimbursement or similar provision contained in the Receivables Sale Agreement.

(h) Ownership

. Borrower will (or will cause each Originator to) (i) take all necessary action to establish and maintain, irrevocably, in Borrower all right, title and interest in and to Receivables purchased under the Receivables Sale Agreement together with the associated Related Security, in each case, free and clear of any Adverse Claims (other than Adverse Claims in favor of the Administrative Agent, for the benefit of the Secured Parties) including, without limitation, the filing of all financing statements or other similar instruments or documents necessary under the UCC of all appropriate jurisdictions to perfect Borrower's interest in such Receivables and the Related Security (to the extent such ownership interest therein can be perfected by filing UCC financing statements) and such other action to perfect, protect or more fully evidence the interest of Borrower therein as any of the Agents may reasonably request), and (ii) establish and maintain, in favor of the Administrative Agent, for the benefit of the Secured Parties, a valid and perfected first priority security interest in all Collateral, free and clear of any Adverse Claims, including, without limitation, the filing of all financing statements or other similar instruments or documents necessary under the UCC of all appropriate jurisdictions to perfect the Administrative Agent's (for the benefit of the Secured Parties) security interest in the Collateral and such other action to perfect, protect or more fully evidence the interest of the Administrative Agent for the benefit of the Secured Parties as any Agent may reasonably request, all to the extent such ownership can be perfected by filing UCC financing statements.

(i) Lenders' Reliance

. Borrower acknowledges that the Agents and the Lenders are relying upon Borrower's identity as a legal entity that is separate from each Originator and its other Affiliates and agrees to take all reasonable steps to maintain Borrower's identity as a separate legal entity and to make it manifest to third parties that Borrower is an entity with assets and liabilities distinct from those of each Originator and its other Affiliates (other than Borrower) and not just a division thereof. Without limiting the generality of the foregoing and in addition to the other covenants set forth herein, (i) Borrower will conduct its affairs in strict compliance with Sections 7.06 and 7.07 of its Amended and Restated Certificate of Incorporation as in effect on the date hereof and as hereafter amended with the consent of the Administrative Agent (which consent shall not be unreasonably withheld or delayed), and (ii) Borrower will maintain at all times Net Worth greater than or equal to the Required Capital Amount and refrain from making any dividend, distribution, redemption of capital stock or payment of any subordinated indebtedness which would cause Net Worth to be less than the Required Capital Amount.

(j) Collections

. Borrower will cause (1) all proceeds from all Lock-Boxes to be directly deposited by a Collection Bank into a Collection Account and (2) each Lock-Box and Collection Account to be subject at all times, to a Collection Account Agreement that is in full force and effect. If any new Lock-Boxes or Collection Accounts are established after the date of this Agreement, in addition to compliance with the foregoing clause (2), Borrower will promptly provide the Administrative Agent with copies of an updated Exhibit IV to this Agreement and an updated Exhibit III to the Receivables Sale Agreement (and upon such delivery both such Exhibits shall be deemed to be amended accordingly notwithstanding anything in Section 14.1 hereof or Section 7.1 of the Receivables Sale Agreement to the contrary). In the event any payments relating to the Collateral are remitted directly to any Loan Party or any Affiliate of such Loan Party, such Loan Party will remit (or will cause all such payments to be remitted) directly to a Collection Bank and deposited into a Collection Account within two (2) Business Days following receipt thereof, and, at all times prior to such remittance, such Loan Party will itself hold or, if applicable, will cause such payments to be held in trust for the exclusive benefit of the Agents and the Lenders. Borrower will maintain exclusive ownership, dominion and control (subject to the terms of this Agreement) of each Lock-Box and Collection Account and shall not grant the right to take dominion and control of any Lock-Box or Collection Account at a future time or upon the occurrence of a future event to any Person, except to the Administrative Agent or the TPFC Agent as contemplated by this Agreement; **provided, however,** that nothing herein shall be deemed to preclude Borrower from granting Servicer access to the Lock-Boxes and Collection Accounts for purposes consistent with the terms of the Servicing Agreement and this Agreement prior to delivery of the Collection Notices.

(k) Taxes

. To the extent that such Loan Party's tax returns are not lawfully consolidated with the returns of another Person, such Loan Party will file all tax returns and reports required by law to be filed by it and will promptly pay all taxes and governmental charges at any time owing, except any such taxes which are not yet delinquent or are being diligently contested in good faith by appropriate proceedings and for which adequate reserves in accordance with GAAP shall have been set aside on its books. Borrower will pay when due any taxes payable by it in connection with the Receivables, exclusive of taxes on or measured by income or gross receipts of any Agent or any Lender.

(l) Payment to Applicable Originator

. With respect to any Receivable purchased by Borrower from any Originator, such sale shall be effected under, and in accordance with the terms of, the Receivables Sale Agreement, including, without limitation, the terms relating to the amount and timing of payments to be made to such Originator in respect of the purchase price for such Receivable.

Section 7.2 Negative Covenants of the Loan Parties

. Until the Final Payout Date, each Loan Party hereby covenants, as to itself, that:

(a) Name Change, Jurisdiction of Organization, Offices and Collection Records

. Each of Borrower and Servicer will not and will not authorize any Originator to, change its name or jurisdiction of organization or relocate any office where Collection Records are kept unless it shall have: (i) given the Agents at least thirty (30) days' prior written notice thereof and (ii) delivered to the Administrative Agent all financing statements, instruments and other documents requested by any Agent in connection with such change or relocation.

(b) Change in Payment Instructions to Obligors

. Except as may be required by the Administrative Agent pursuant to Section 8.2(b), such Loan Party will not, and will not authorize any Originator to, add or terminate any bank as a Collection Bank, or make any change in the instructions to Obligors regarding payments to be made to any Lock-Box or Collection Account, unless the Agents shall have received, at least ten (10) days before the proposed effective date therefor, (i) written notice of such addition, termination or change, and (ii) a Collection Account Agreement with respect to any new Lock-Box or Collection Account; **provided, however**, that the Servicer may make changes in instructions to Obligors regarding payments if such new instructions require such Obligor to make payments to another existing Collection Account that complies with this clause (ii).

(c) Modifications to Contracts and Credit and Collection Policy

. Such Loan Party will not, and will not cause or authorize any Originator to, make any change to the Credit and Collection Policy that is reasonably likely to materially adversely affect the collectibility of the Receivables generally or materially decrease the credit quality of newly created Receivables generally. The Servicer will not, and will not permit any Originator to, extend, amend or otherwise modify the terms of any Receivable or any Contract related thereto other than in accordance with the Credit and Collection Policy.

(d) Sales, Liens

. Borrower will not sell, assign (by operation of law or otherwise) or otherwise dispose of, or grant any option with respect to, or create or suffer to exist any Adverse Claim upon (including, without limitation, the filing of any financing statement) or with respect to, its interest in any of the Collateral, or assign any right to receive income with respect thereto (other than, in each case, the creation of a security interest therein in favor of the Administrative Agent as provided for herein), and Borrower will defend the right, title and interest of the Secured Parties in, to and under any of the foregoing property, against all claims of third parties claiming through or under Borrower or any Originator.

(e) Use of Proceeds

. Borrower will not use the proceeds of the Advances for any purpose other than (i) paying for Receivables and Related Security under and in accordance with the Receivables Sale Agreement, (ii) making loans to Mohawk Resources or Mohawk Carpet at any time so long as no Amortization Event or Unmatured Amortization Event exists and is continuing, (iii) paying its ordinary and necessary operating expenses when and as due, and (iv) making Restricted Junior Payments to the extent permitted under this Agreement.

(f) Termination Date Determination

. Borrower will not designate the Termination Date (as defined in the Receivables Sale Agreement), or send any written notice to any Originator in respect thereof prior to the Final Payout Date, without the prior written consent of the Agents, except with respect to the occurrence of such Termination Date arising pursuant to Section 5.1(d) of the Receivables Sale Agreement.

(g) Restricted Junior Payments

. Borrower will not make any Restricted Junior Payment if after giving effect thereto, Borrower's Net Worth would be less than the Required Capital Amount.

(h) Borrower Indebtedness

. Borrower will not incur or permit to exist any Indebtedness or liability on account of deposits except: (i) the Obligations, and (ii) other current accounts payable arising in the ordinary course of business.

ARTICLE VIII.

ADMINISTRATION AND COLLECTION

Section 8.1 Designation of Servicer.

(a) The servicing, administration and collection of the Receivables shall be conducted by such Person (the "**Servicer**") so designated from time to time in accordance with this Section 8.1. Mohawk Servicing is hereby designated as, and shall have the rights and agrees to perform the duties and obligations of, the initial Servicer pursuant to the terms of the Servicing Agreement, subject to the provisions of this Agreement. The Borrower may, at any time upon thirty (30) days prior written notice to the Agents, designate any other direct or indirect Subsidiary of the Performance Guarantor as a successor Servicer, provided the Rating Agency Condition is satisfied. The Co-Agents may at any time following the occurrence of an Amortization Event designate as Servicer any Person to succeed Mohawk Servicing or any successor Servicer **provided that** the Rating Agency Condition is satisfied. **To the extent that the Servicer's obligations under this Agreement are inconsistent with its obligations under the Servicing Agreement, the terms of this Agreement shall govern and control.**

(b) Mohawk Servicing may delegate, and Mohawk Servicing hereby advises the Lenders and the Agents that it has delegated, to the Originators, as sub-servicers of the Servicer and to the Performance Guarantor, certain of its duties and responsibilities as Servicer hereunder in respect of the Receivables originated by such Originator. Without the prior written consent of the Agents and the Required Liquidity Banks, Mohawk Servicing shall not be permitted to delegate any of its duties or responsibilities as Servicer to any Person other than (i) Borrower, (ii) the Originators, (iii) the Performance Guarantor, and (iv) with respect to certain Defaulted Receivables, outside collection agencies in accordance with its customary practices. Neither Borrower nor any Originator shall be permitted to further delegate to any other Person any of the duties or responsibilities of the Servicer delegated to it by Mohawk Servicing. If at any time the Co-Agents shall designate as Servicer any Person other than Mohawk Servicing, all duties and responsibilities theretofore delegated by Mohawk Servicing to Borrower or the Originators may, at the discretion of the Co-Agents, be terminated forthwith on notice given by the Co-Agents to Mohawk Servicing and to Borrower and the Originators.

(c) Notwithstanding the foregoing subsection (b): Mohawk Servicing shall be and remain primarily liable for the full and prompt performance of all duties and responsibilities of the Servicer pursuant to the Servicing Agreement and this Agreement. Mohawk Servicing, at all times that it is the Servicer, shall be responsible for providing any sub-servicer or other delegate of the Servicer with any notice given to the Servicer under this Agreement.

Section 8.2 Certain Duties of Servicer.

(a) [intentionally deleted].

(b) From and after the date the Administrative Agent delivers to any Collection Bank a Collection Notice pursuant to Section 8.3, any Agent may request that the Servicer, and the Servicer thereupon promptly shall instruct all Obligor with respect to the Receivables, to remit all payments thereon to a new depository account specified by the Administrative Agent and, at all times thereafter, Borrower and the Servicer shall not deposit or otherwise credit, and shall not permit any other Person to deposit or otherwise credit to such new depository account any cash or payment item other than Collections.

(c) The Servicer shall administer the Collections in accordance with the procedures described herein and in Article II. The Servicer shall set aside and hold in trust for the account of Borrower and the Lenders their respective shares of the Collections in accordance with Article II. The Servicer shall, upon the request of any Agent, segregate, in a manner acceptable to the Agents, all cash, checks and other instruments received by it from time to time constituting Collections from the general funds of the Servicer or Borrower prior to the remittance thereof in accordance with Article II. If the Servicer shall be required to segregate Collections pursuant to the preceding sentence, the Servicer shall segregate and deposit with a bank designated by the Administrative Agent such allocable share of Collections of Receivables set aside for the Lenders on the first Business Day following receipt by the Servicer of such Collections, duly endorsed or with duly executed instruments of transfer.

(d) The Servicer may, in accordance with the Credit and Collection Policy, extend the maturity of any Receivable or adjust the Outstanding Balance of any Receivable as the Servicer determines to be appropriate to maximize Collections thereof; **provided, however**, that such extension or adjustment shall not alter the status of such Receivable as a Delinquent Receivable or Defaulted Receivable or limit the rights of the Agents or the Lenders under this Agreement except to the extent payment is received thereon from the Originator pursuant to the Receivables Sale Agreement.

(e) If demanded by the Administrative Agent following an Amortization Event, the Servicer shall deliver or make available to the Administrative Agent all such Collection Records or duplicates thereof, at a place selected by the Administrative Agent, provided that such Collection Records will be available for use by the Borrower, the Performance Guarantor and their Affiliates for reasonable use in their respective businesses. The Servicer shall, as soon as practicable following receipt thereof, turn over to Borrower any cash collections or other cash proceeds received not constituting Receivables. The Servicer shall, from time to time at the request of any Lender, furnish to the Lenders (promptly after any such request) a calculation of the amounts set aside for the Lenders pursuant to Article II.

(f) Any payment by an Obligor in respect of any indebtedness owed by it to Originator or Borrower shall, except as otherwise specified by such Obligor or otherwise required by contract or law and unless otherwise instructed by the Co-Agent, be applied as a Collection of any Receivable of such Obligor (starting with the oldest such Receivable) to the extent of any amounts then due and payable thereunder before being applied to any other receivable or other obligation of such Obligor.

Section 8.3 Collection Notices

. The Administrative Agent and, if applicable, the TPFC Agent are each authorized at any time after the occurrence of an Amortization Event to date and to deliver to the Collection Banks the Collection Notices. Borrower hereby transfers to the Administrative Agent and, if applicable, the TPFC Agent for the benefit of the Agents and the Lenders, effective when the Administrative Agent or, if applicable, the TPFC Agent delivers such Collection Notices, the exclusive ownership and control of each Lock-Box and the Collection Accounts. In case any authorized signatory of Borrower whose signature appears on a Collection Account Agreement shall cease to have such authority before the delivery of such notice, such Collection Notice shall nevertheless be valid as if such authority had remained in force. Borrower hereby authorizes the Administrative Agent, and agrees that the Administrative Agent shall be entitled (i) at any time after delivery of the Collection Notices, to endorse Borrower's name on checks and other instruments representing Collections, (ii) at any time after the occurrence of an Amortization Event, to enforce the Receivables and the Related Security, and (iii) at any time after the occurrence of an Amortization Event, to take such action as shall be necessary or desirable to cause all cash, checks and other instruments constituting Collections of Receivables to come into the possession of the Administrative Agent rather than Borrower and applied against the Obligations.

Section 8.4 Responsibilities of Borrower

. Anything herein to the contrary notwithstanding, the exercise by the Administrative Agent on behalf of the Co-Agents and the Lenders of their rights hereunder shall not release the Servicer, any Originator or Borrower from any of their duties or obligations with respect to any Receivables or under the related Contracts. Neither the Agents nor the Lenders shall have any obligation with respect to any Receivable or related Contracts to perform the obligations of Borrower that give rise to such Receivable.

Section 8.5 Monthly Reports

. The Servicer shall prepare and forward, or cause to be prepared and forwarded, to the Administrative Agent (i) on each Monthly Reporting Date, a Monthly Report and an electronic file of the data contained therein and (ii) at such times as the Co-Agents shall request, a listing by Obligor of all Receivables together with an aging of such Receivables; **provided, however**, that the Co-Agents may, in the exercise of their reasonable credit judgment, request that the Servicer prepare and forward a report similar to the Monthly Report more frequently than set forth above.

Section 8.6 Servicing Fee

. As compensation for the Servicer's servicing activities on their behalf, the Lenders hereby agree to pay the Servicer the Servicing Fee, which fee shall be paid in arrears on each Settlement Date. The Servicing Fee specified in this Section 8.6 shall be in lieu of the fee payable to Mohawk Servicing pursuant to the Servicing Agreement.

ARTICLE IX.

AMORTIZATION EVENTS

Section 9.1 Amortization Events

. The occurrence of any one or more of the following events shall constitute an Amortization Event:

(a) Performance Guarantor or any Loan Party shall fail to make any payment or deposit required to be made by it under this Agreement or the Performance Undertaking when due and, for any such payment or deposit which is not in respect of principal, such failure continues for three (3) consecutive Business Days.

(b) Any representation, warranty, certification or written statement made by Performance Guarantor or any Loan Party in any Transaction Document to which it is a party or in any other document delivered pursuant thereto shall prove to have been materially incorrect when made or deemed made; **provided that** the materiality threshold in the preceding clause shall not be applicable with respect to any representation or warranty which itself contains a materiality threshold.

(c) Any Loan Party shall fail to perform or observe any covenant contained in Section 7.2 or 8.5 when due, or any covenant contained in Section 7.1(b) (other than Section 7.1(b)(vi)) within three (3) Business Days after the same is due.

(d) Performance Guarantor, Borrower or Servicer shall fail to perform or observe any other covenant or agreement applicable to it under any Transaction Document to which it is party and such failure shall continue for thirty (30) consecutive days after notice of non-performance from any of the Agents.

(e) Failure of Borrower to pay any Indebtedness (other than the Obligations) when due (taking into account any grace or cure period) or the default by Borrower in the performance of any term, provision or condition contained in any agreement under which any such Indebtedness was created or is governed, the effect of which is to permit the holder or holders of such Indebtedness to cause such Indebtedness to become due prior to its stated maturity or results in the acceleration of such Indebtedness; or any such Indebtedness of Borrower shall be declared to be due and payable or required to be prepaid (other than by a regularly scheduled payment) prior to the date of maturity thereof.

(f) Failure of Performance Guarantor or any of its Subsidiaries other than Borrower to pay Indebtedness in excess of \$25,000,000 in aggregate principal amount (hereinafter, "**Material Debt**") when due; or the default by Performance Guarantor or any of its Subsidiaries other than Borrower in the performance of any term, provision or condition contained in any agreement under which any Material Debt was created or is governed, the effect of which is to permit the holder or holders of such Material Debt to cause such Material Debt to become due prior to its stated maturity or results in the acceleration of such Material Debt; or any Material Debt of Performance Guarantor or any of its Subsidiaries other than Borrower shall be declared to be due and payable or required to be prepaid (other than by a regularly scheduled payment) prior to the date of maturity thereof.

(g) An Event of Bankruptcy shall occur with respect to Performance Guarantor, any Loan Party or any of their respective Subsidiaries.

(h) As at the end of any Calculation Period:

(i) the three-month rolling average Delinquency Ratio shall exceed 4.15%,

(ii) the three-month rolling average Default Ratio shall exceed 2.80%, or

(iii) the three-month rolling average Dilution Ratio shall exceed 8.75%.

(i) A Change of Control shall occur.

(j) (i) One or more final judgments for the payment of money in an aggregate amount equal to or in excess of the amount set forth in Section 303(b)(2) of the Federal Bankruptcy Code shall be entered against Borrower and such judgment shall continue unsatisfied and in effect for thirty (30) consecutive days without a stay of execution or (ii) one or more final judgments for the payment of money in an amount in excess of \$25,000,000, individually or in the aggregate, shall be entered against Performance Guarantor or any of its Subsidiaries (other than Borrower on claims not covered by insurance or as to which the insurance carrier has denied its responsibility), and such judgment shall continue unsatisfied and in effect for thirty (30) consecutive days without a stay of execution.

(k) The "**Termination Date**" under and as defined in the Receivables Sale Agreement shall occur under the Receivables Sale Agreement; or without the Administrative Agent's prior written consent, Borrower shall consent to any assignment by an Originator of its rights or obligations under the Receivables Sale Agreement other than to any other Originator or to the surviving entity in a merger or consolidation of an Originator with any other Person who is or is to become an Originator after giving effect to such merger or consolidation; or any Originator shall for any reason cease to transfer, or cease to have the legal capacity to transfer, or otherwise be incapable of transferring Receivables to Borrower under the Receivables Sale Agreement.

(l) This Agreement shall terminate in whole or in part (except in accordance with its terms), or shall cease to be effective or to be the legally valid, binding and enforceable obligation of either Loan Party, or the Administrative Agent for the benefit of the Secured Parties shall cease to have a valid and perfected first priority security interest in the Collateral.

(m) On any Settlement Date, after giving effect to the turnover of Collections by the Servicer on such date and the application thereof to the Obligations in accordance with this Agreement, the Aggregate Principal shall exceed the Borrowing Limit after any payment of the Obligations by Borrower.

(n) The Performance Undertaking shall cease to be effective or to be the legally valid, binding and enforceable obligation of Performance Guarantor, or Performance Guarantor shall directly or indirectly contest in any manner such effectiveness, validity, binding nature or enforceability of its obligations thereunder.

(o) The PBGC or Internal Revenue Service shall file any notice of lien on any of the Receivables or the Related Security and such lien shall not have been released within seven (7) days.

(p) [intentionally deleted].

(q) Any event shall occur which has, or is reasonably likely to have, a Material Adverse Effect.

Section 9.2 Remedies

. Upon the occurrence and during the continuation of an Amortization Event, the Administrative Agent may, or upon the direction of any of the Co-Agents or the Required Liquidity Banks shall, take any of the following actions: (i) declare the Amortization Date to have occurred, whereupon the Aggregate Commitment shall immediately terminate and the Amortization Date shall forthwith occur, all without demand, protest or further notice of any kind, all of which are hereby expressly waived by each Loan Party and the Person acting as Servicer may be replaced by the Co-Agents in their sole discretion; **provided, however**, that upon the occurrence of an Event of Bankruptcy with respect to any Loan Party, the Amortization Date shall automatically occur, without demand, protest or any notice of any kind, all of which are hereby expressly waived by each Loan Party, (ii) deliver the Collection Notices to the Collection Banks, (iii) exercise all rights and remedies of a secured party upon default under the UCC and other applicable laws, and (iv) notify Obligors of the Administrative Agent's security interest in the Receivables and other Collateral. The aforementioned rights and remedies shall be without limitation, and shall be in addition to all other rights and remedies of the Agents and the Lenders otherwise available under any other provision of this Agreement, by operation of law, at equity or otherwise, all of which are hereby expressly preserved, including, without limitation, all rights and remedies provided under the UCC, all of which rights shall be cumulative.

ARTICLE X.

INDEMNIFICATION

Section 10.1 Indemnities by the Loan Parties

. Without limiting any other rights that any Agent or any Lender may have hereunder or under applicable law, (A) Borrower hereby agrees to indemnify (and pay upon demand to) each Agent, each Conduit, each of the Liquidity Banks and each of their respective officers, directors, agents and employees of the foregoing (each, an "**Indemnified Party**") from and against any and all damages, losses, claims, taxes, liabilities, costs, expenses and for all other amounts payable, including reasonable attorneys' fees and disbursements actually incurred (all of the foregoing being collectively referred to as "**Indemnified Amounts**") awarded against and actually paid or actually incurred by any of them arising out of or as a result of this Agreement or the acquisition, either directly or indirectly, by a Lender of an interest in the Receivables, and (B) the Servicer hereby agrees to indemnify (and pay upon demand to) each Indemnified Party for Indemnified Amounts awarded against and actually paid or actually incurred by any of them arising out of the Servicer's activities as Servicer hereunder **excluding, however**, in all of the foregoing instances under the preceding clauses (A) and (B):

- (a) Indemnified Amounts to the extent a final judgment of a court of competent jurisdiction holds that such Indemnified Amounts resulted from gross negligence or willful misconduct on the part of any Indemnified Party;
- (b) Indemnified Amounts to the extent the same includes losses in respect of Receivables that are uncollectible on account of the insolvency, bankruptcy or lack of creditworthiness of the related Obligor;
- (c) Indemnified Amounts to the extent the same arise out of or result from claims of one or more Indemnified Parties against another Indemnified Party, or

(d) taxes imposed by the jurisdiction in which such Indemnified Party's principal executive office is located, on or measured by the overall net income or gross receipts of such Indemnified Party;

provided, however, that nothing contained in this sentence shall limit the liability of any Loan Party or limit the recourse of the Lenders to Borrower or Servicer for amounts otherwise specifically provided to be paid by either such Loan Party under the terms of this Agreement. Without limiting the generality of the foregoing indemnification, Borrower shall indemnify the Agents and the Lenders for Indemnified Amounts (including, without limitation, losses in respect of uncollectible receivables, regardless of whether reimbursement therefor would constitute recourse to Borrower or the Servicer) relating to or resulting from:

(e) PLEASE do not delete this hidden level

(i) any representation or warranty made by any Loan Party or any Originator (or any of their respective officers on behalf of any such Person) under or in connection with any Transaction Document to which they are parties, or any other written information or report delivered by any such Person pursuant hereto or thereto, which shall have been false or incorrect when made or deemed made;

(ii) the failure by Borrower, the Servicer or any Originator to comply with any applicable law, rule or regulation with respect to any Receivable or Contract related thereto, or the nonconformity of any Receivable or Contract included therein with any such applicable law, rule or regulation or any failure of any Originator to keep or perform any of its obligations, express or implied, with respect to any Contract;

(iii) any failure of Borrower, the Servicer or any Originator to perform its duties, covenants or other obligations in accordance with the provisions of this Agreement, the Receivables Sale Agreement or the Servicing Agreement;

(iv) any products liability, personal injury or damage suit, or other similar claim arising out of or in connection with merchandise, insurance or services that are the subject of any Contract or any Receivable;

(v) any dispute, claim, offset or defense (other than discharge in bankruptcy of the Obligor) of the Obligor to the payment of any Receivable (including, without limitation, a defense based on such Receivable or the related Contract not being a legal, valid and binding obligation of such Obligor enforceable against it in accordance with its terms), or any other claim resulting from the sale of the merchandise or service related to such Receivable or the furnishing or failure to furnish such merchandise or services;

(vi) any Collections received, directly or indirectly by an Originator (or its agent) which are not promptly remitted to Borrower;

(vii) any investigation, litigation or proceeding related to or arising from this Agreement, the Receivables Sales Agreement or the Servicing Agreement, the transactions contemplated hereby, the use of the proceeds of any Advance, the Collateral or any other investigation, litigation or proceeding relating to Borrower, the Servicer or any Originator in which any Indemnified Party becomes involved as a result of any of the transactions contemplated hereby;

(viii) any inability to litigate any claim against any Obligor in respect of any Receivable as a result of such Obligor being immune from civil and commercial law and suit on the grounds of sovereignty or otherwise from any legal action, suit or proceeding;

(ix) any failure of Borrower to acquire and maintain ownership of any of the Collateral from the applicable Originator, free and clear of any Adverse Claim (other than as created hereunder);

(x) any failure to vest and maintain vested in the Administrative Agent for the benefit of the Secured Parties a valid first priority perfected security interests in the Collateral, free and clear of any Adverse Claim (except as created by the Transaction Documents);

(xi) the failure to have filed or to have maintained effective financing statements or other similar instruments or documents under the UCC of any applicable jurisdiction or other applicable domestic or foreign laws with respect to any Collateral, and the proceeds thereof, whether at the time of any Advance or at any subsequent time;

(xii) the failure of any Receivable included in the calculation of the Net Pool Balance as an Eligible Receivable to be an Eligible Receivable at the time so included.

Section 10.2 Increased Cost and Reduced Return

. If any Funding Source shall be charged any fee, expense or increased cost on account of a "Regulatory Change": (i) that subjects any Funding Source to any tax, duty or other charge on or with respect to any Funding Agreement or a Funding Source's obligations under a Funding Agreement, or on or with respect to the Receivables, or changes the basis of taxation of payments to any Funding Source of any amounts payable under any Funding Agreement (except for changes in the rate of tax on the overall revenues or net income of a Funding Source or taxes excluded by Section 10.1) or (ii) that imposes, modifies or deems applicable any reserve, assessment, insurance charge, special deposit or similar requirement against assets of, deposits with or for the account of a Funding Source, or credit extended by a Funding Source pursuant to a Funding Agreement or (iii) that imposes any other condition the result of which is to increase the cost to a Funding Source of performing its obligations under a Funding Agreement, or to reduce the rate of return on a Funding Source's capital as a consequence of its obligations under a Funding Agreement, or to reduce the amount of any sum received or receivable by a Funding Source under a Funding Agreement or to require any payment calculated by reference to the amount of interests or loans held or interest received by it, then, upon demand by the applicable Co-Agent, Borrower shall pay to such Co-Agent, for the benefit of the relevant Funding Source, such amounts charged to such Funding Source or such amounts to otherwise compensate such Funding Source for such increased cost or such reduction. Each Funding Source will promptly notify the applicable Co-Agent, and such Co-Agent will promptly thereafter notify Borrower, of any event of which it has knowledge, occurring after the date such Funding Source first became entitled to the benefits of this Section, which will entitle such Funding Source to compensation pursuant to this Section and will, if possible, designate a different lending office if such designation will avoid the need for, or reduce the amount of, such compensation and will not, in the judgment of such Funding Source, be otherwise materially disadvantageous to such Funding Source. A certificate of any Funding Source claiming compensation under this Section and setting forth the additional amount or amounts to be paid to it hereunder and showing in reasonable detail the calculation thereof shall be conclusive in the absence of manifest error. In determining such amount, such Funding Source may use any reasonable averaging and attribution methods previously disclosed in writing to Borrower.

Section 10.3 Other Costs and Expenses

. Borrower shall pay to the Agents and the Conduits on demand all reasonable costs and out-of-pocket expenses actually incurred in connection with the preparation, execution, and delivery of this Agreement, the transactions contemplated hereby and the other documents to be delivered hereunder, including without limitation, the cost of each Review (subject to the limitations set forth in Section 7.1(d)). Borrower shall pay to the Agents on demand any and all reasonable costs and expenses of the Agents and the Lenders, including reasonable counsel fees and expenses actually incurred in connection with the enforcement of this Agreement and the other documents delivered hereunder and in connection with any restructuring or workout of this Agreement or such documents, or the administration of this Agreement following an Amortization Event.

ARTICLE XI.

THE AGENTS

Section 11.1 Authorization and Action

(a) Each member of the Blue Ridge Group hereby irrevocably designates and appoints Wachovia Bank, National Association as Blue Ridge Agent hereunder and under the other Transaction Documents to which the Blue Ridge Agent is a party and authorizes the Blue Ridge Agent to take such action on its behalf under the provisions of the Transaction Documents and to exercise such powers and perform such duties as are expressly delegated to the Blue Ridge Agent by the terms of the Transaction Documents, together with such other powers as are reasonably incidental thereto. Each member of the TPFC Group hereby irrevocably designates and appoints SunTrust as TPFC Agent hereunder and under the other Transaction Documents to which the TPFC Agent is a party, and authorizes the TPFC Agent to take such action on its behalf under the provisions of the Transaction Documents and to exercise such powers and perform such duties as are expressly delegated to the TPFC Agent by the terms of the Transaction Documents, together with such other powers as are reasonably incidental thereto. Each member of any other Group that becomes a party to this Agreement after the date hereof shall designate and appoint an agent and authorize such agent to take such action on its behalf under the provision of the Transaction Documents, and to exercise such powers and perform such duties as are expressly delegated to such agent by the terms of the Transaction Documents, together with such other powers as are reasonably incidental thereto. Each of the Lenders and the Co-Agents hereby irrevocably designates and appoints Wachovia Bank, National Association as Administrative Agent hereunder and under the Transaction Documents to which the Administrative Agent is a party, and each Lender and Co-Agent that becomes a party to this Agreement hereafter ratifies such designation and appointment and authorizes the Administrative Agent to take such action on its behalf under the provisions of the Transaction Documents and to exercise such powers and perform such duties as are expressly delegated to the Administrative Agent by the terms of the Transaction Documents, together with such other powers as are reasonably incidental thereto. Notwithstanding any provision to the contrary elsewhere in this Agreement, none of the Agents shall have any duties or responsibilities, except those expressly set forth in the Transaction Documents to which it is a party, or any fiduciary relationship with any Lender, and no implied covenants, functions, responsibilities, duties, obligations or liabilities on the part of such Agent shall be read into any Transaction Document or otherwise exist against such Agent.

(b) The provisions of this Article XI are solely for the benefit of the Agents and the Lenders, and none of the Loan Parties shall have any rights as a third-party beneficiary or otherwise under any of the provisions of this Article XI, except that this Article XI shall not affect any obligations which any of the Agents or Lenders may have to any of the Loan Parties under the other provisions of this Agreement.

(c) In performing its functions and duties hereunder, (i) the Blue Ridge Agent shall act solely as the agent of the members of the Blue Ridge Group and does not assume nor shall be deemed to have assumed any obligation or relationship of trust or agency with or for any of the Loan Parties or any of their respective successors and assigns, (ii) the TPFC Agent shall act solely as the agent of the members of the TPFC Group and does not assume nor shall be deemed to have assumed any obligation or relationship of trust or agency with or for any of the Loan Parties or any of their respective successors and assigns, (iii) the agent for the member of any Group that becomes a party hereto after the date hereof shall act solely as the agent of the members of such Group and does not assume nor shall be deemed to have assumed any obligation or relationship of trust or agency with or for any of the Loan Parties or their respective successors or assigns, and (iv) the Administrative Agent shall act solely as the agent of the Secured Parties and does not assume nor shall be deemed to have assumed any obligation or relationship of trust or agency with or for any of the Loan Parties or any of their respective successors and assigns.

Section 11.2 Delegation of Duties

. Each of the Agents may execute any of its duties under this Agreement and each other Transaction Document by or through agents or attorneys-in-fact and shall be entitled to advice of counsel concerning all matters pertaining to such duties. None of the Agents shall be responsible for the negligence or misconduct of any agents or attorneys-in-fact selected by it with reasonable care.

Section 11.3 Exculpatory Provisions

. None of the Agents nor any of its directors, officers, agents or employees shall be (i) liable for any action lawfully taken or omitted to be taken by it or them under or in connection with this Agreement or any other Transaction Document (except for its, their or such Person's own gross negligence or willful misconduct), or (ii) responsible in any manner to any of the Lenders or other Agents for any recitals, statements, representations or warranties made by any Loan Party contained in this Agreement, any other Transaction Document or any certificate, report, statement or other document referred to or provided for in, or received under or in connection with, this Agreement, or any other Transaction Document or for the value, validity, effectiveness, genuineness, enforceability or sufficiency of this Agreement, or any other Transaction Document or any other document furnished in connection herewith or therewith, or for any failure of any Loan Party to perform its obligations hereunder or thereunder, or for the satisfaction of any condition specified in Article VI, or for the perfection, priority, condition, value or sufficiency of any collateral pledged in connection herewith. None of the Agents shall be under any obligation to any other Agent or any Lender to ascertain or to inquire as to the observance or performance of any of the agreements or covenants contained in, or conditions of, this Agreement or any other Transaction Document, or to inspect the properties, books or records of the Loan Parties. None of the Agents shall be deemed to have knowledge of any Amortization Event or Unmatured Amortization Event unless such Agent has received notice from Borrower, another Agent or a Lender.

Section 11.4 Reliance by the Agents

(a) Each of the Agents shall in all cases be entitled to rely, and shall be fully protected in relying, upon any document or conversation believed by it to be genuine and correct and to have been signed, sent or made by the proper Person or Persons and upon advice and statements of legal counsel (including, without limitation, counsel to Borrower), independent accountants and other experts selected by such Agent. Each of the Agents shall in all cases be fully justified in failing or refusing to take any action under this Agreement or any other Transaction Document unless it shall first receive such advice or concurrence of such of the Lenders or Liquidity Banks in its Group as it deems appropriate and it shall first be indemnified to its satisfaction by the Liquidity Banks in its Group against any and all liability, cost and expense which may be incurred by it by reason of taking or continuing to take any such action.

(b) Any action taken by any of the Agents in accordance with Section 11.5(a) shall be binding upon all of the Agents and the Lenders.

Section 11.5 Non-Reliance on Other Agents and Other Lenders

. Each Lender expressly acknowledges that none of the Agents, nor any of its officers, directors, employees, agents, attorneys-in-fact or affiliates has made any representations or warranties to it and that no act by any Agent hereafter taken, including, without limitation, any review of the affairs of any Loan Party, shall be deemed to constitute any representation or warranty by such Agent. Each Lender represents and warrants to each Agent that it has and will, independently and without reliance upon any Agent or any other Lender and based on such documents and information as it has deemed appropriate, made its own appraisal of and investigation into the business, operations, property, prospects, financial and other conditions and creditworthiness of Borrower and made its own decision to enter into this Agreement, the other Transaction Documents and all other documents related hereto or thereto.

Section 11.6 Reimbursement and Indemnification

. Each Liquidity Bank agrees to reimburse and indemnify (a) its applicable Co-Agent, (b) the Administrative Agent and its officers, directors, employees, representatives and agents ratably according to their Pro Rata Shares of their Group's Percentage of the Obligations, to the extent not paid or reimbursed by the Loan Parties (i) for any amounts for which such Agent, acting in its capacity as Agent, is entitled to reimbursement by the Loan Parties hereunder and (ii) for any other expenses incurred by such Agent, in its capacity as Agent and acting on behalf of the Lenders, in connection with the administration and enforcement of this Agreement and the other Transaction Documents.

Section 11.7 Agents in their Individual Capacities

. Each of the Agents and its Affiliates may make loans to, accept deposits from and generally engage in any kind of business with Borrower or any Affiliate of Borrower as though such Agent were not an Agent hereunder. With respect to the making of Loans pursuant to this Agreement, each of the Agents shall have the same rights and powers under this Agreement in its individual capacity as any Lender and may exercise the same as though it were not an Agent, and the terms "**Liquidity Bank**," "**Lender**," "**Liquidity Banks**" and "**Lenders**" shall include each of the Agents in its individual capacity.

Section 11.8 Conflict Waivers

. Each Co-Agent acts, or may in the future act: (i) as administrative agent for such Co-Agent's Conduit, (ii) as issuing and paying agent for such Conduit's Commercial Paper, (iii) to provide credit or liquidity enhancement for the timely payment for such Conduit's Commercial Paper and (iv) to provide other services from time to time for such Conduit (collectively, the "**Co-Agent Roles**"). Without limiting the generality of Sections 11.1 and 11.8, each of the other Agents and the Lenders hereby acknowledges and consents to any and all Co-Agent Roles and agrees that in connection with any Co-Agent Role, a Co-Agent may take, or refrain from taking, any action which it, in its discretion, deems appropriate, including, without limitation, in its role as administrative agent for its Conduit, the giving of notice to the Liquidity Banks in its Group of a mandatory purchase pursuant to the Liquidity Agreement for such Group, and hereby acknowledges that neither the applicable Co-Agent nor any of its Affiliates has any fiduciary duties hereunder to any Lender (other than its Conduit) arising out of any Co-Agent Roles.

Section 11.9 UCC Filings

. Each of the Secured Parties hereby expressly recognizes and agrees that the Administrative Agent may be listed as the assignee or secured party of record on the various UCC filings required to be made under the Transaction Documents in order to perfect their respective interests in the Collateral, that such listing shall be for administrative convenience only in creating a record or nominee holder to take certain actions hereunder on behalf of the Secured Parties and that such listing will not affect in any way the status of the Secured Parties as the true parties in interest with respect to the Collateral. In addition, such listing shall impose no duties on the Administrative Agent other than those expressly and specifically undertaken in accordance with this Article XI.

Section 11.10 Successor Administrative Agent

. The Administrative Agent, upon five (5) days' notice to the Loan Parties, the other Agents and the Lenders, may voluntarily resign and may be removed at any time, with or without cause, by the Majority Lenders; **provided, however**, that Wachovia shall not voluntarily resign as the Administrative Agent so long as any of the Liquidity Commitments remain in effect or Blue Ridge has any outstanding Loans. If the Administrative Agent (other than Wachovia) shall voluntarily resign or be removed as Administrative Agent under this Agreement, then the Required Liquidity Banks during such five-day period shall appoint, with the consent of Borrower from among the remaining Liquidity Banks, a successor Administrative Agent, whereupon such successor Administrative Agent shall succeed to the rights, powers and duties of the Administrative Agent and the term "Administrative Agent" shall mean such successor agent, effective upon its appointment, and the former Administrative Agent's rights, powers and duties as Administrative Agent shall be terminated, without any other or further act or deed on the part of such former Administrative Agent or any of the parties to this Agreement. Upon resignation or replacement of any Administrative Agent in accordance with this Section 11.8, the retiring Administrative Agent shall execute such UCC-3 or other UCC assignments and amendments, and assignments and amendments of the Transaction Documents, as may be necessary to give effect to its replacement by a successor Administrative Agent. After any retiring Administrative Agent's resignation hereunder as Administrative Agent, the provisions of this Article XI and Article X shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Administrative Agent under this Agreement.

ARTICLE XII.

ASSIGNMENTS; PARTICIPATIONS

Section 12.1 Assignments.

(a) Each of the Agents, the Loan Parties and the Liquidity Banks hereby agrees and consents to the complete or partial assignment by each Conduit of all or any portion of its rights under, interest in, title to and obligations under this Agreement to the Liquidity Banks in its Group pursuant to its Liquidity Agreement.

(b) Any Liquidity Bank may at any time and from time to time assign to one or more Eligible Assignees (each, a "**Purchasing Liquidity Bank**") all or any part of its rights and obligations under this Agreement pursuant to an assignment agreement substantially in the form set forth in Exhibit VII hereto (an "**Assignment Agreement**") executed by such Purchasing Liquidity Bank and such selling Liquidity Bank; **provided, however,** that any assignment of a Liquidity Bank's rights and obligations hereunder shall include a pro rata assignment of its rights and obligations under the applicable Liquidity Agreement. The consent of the applicable Conduit shall be required prior to the effectiveness of any such assignment by a Liquidity Bank in such Conduit's Group. Each assignee of a Liquidity Bank must (i) be an Eligible Assignee and (ii) agree to deliver to the applicable Co-Agent, promptly following any request therefor by the applicable Co-Agent or the applicable Conduit, an enforceability opinion with respect to such Liquidity Banks obligations under the Transaction Documents to which such Liquidity Bank would be a party in form and substance satisfactory to such Co-Agent and such Conduit. Upon delivery of an executed Assignment Agreement to the applicable Co-Agent, such selling Liquidity Bank shall be released from its obligations hereunder and under applicable Liquidity Agreement to the extent of such assignment. Thereafter the Purchasing Liquidity Bank shall for all purposes be a Liquidity Bank party to this Agreement and the applicable Liquidity Agreement and shall have all the rights and obligations of a Liquidity Bank hereunder and thereunder to the same extent as if it were an original party hereto and thereto and no further consent or action by Borrower, the Lenders or the Agents shall be required. The applicable Agent shall give the Borrower prior notice of the name of any assignee of a Liquidity Bank in such Co-Agent's Group and the name(s) of the selling Liquidity Bank(s) and the amounts assigned by each selling Liquidity Bank.

(c) Each of the Liquidity Banks agrees that in the event that it shall suffer a Downgrading Event, the applicable Co-Agent shall promptly notify Borrower and such Downgraded Liquidity Bank shall be obliged, at the request of the applicable Conduit, the applicable Co-Agent or Borrower, to (i) collateralize its Commitment and its Liquidity Commitment in a manner acceptable to the applicable Co-Agent, or (ii) assign all of its rights and obligations hereunder and under the applicable Liquidity Agreement to an Eligible Assignee nominated by the applicable Co-Agent or a Loan Party and acceptable to the applicable Conduit and willing to participate in this Agreement and such Liquidity Agreement through the Liquidity Termination Date in the place of such Downgraded Liquidity Bank; **provided that** the Downgraded Liquidity Bank receives payment in full, pursuant to an Assignment Agreement, of an amount equal to such Liquidity Bank's Pro Rata Share of such Liquidity Bank's Group's Percentage of the Obligations owing to the Liquidity Banks of such Group; provided further that if either conditions set forth above in clause (i) or (ii) is not met with respect in such Downgraded Liquidity Bank, the Liquidity Termination Date shall not occur if (A) the Groups that do not have a Downgraded Liquidity Bank as a member elect to increase their Conduit Allocation Limit and the related Liquidity Commitments in such amounts that total the then existing Aggregate Commitment, (B) the Aggregate Commitment is reduced by an amount equal to the commitments of the Liquidity Banks in such Downgraded Liquidity Bank's Group, or (C) another Conduit Group agrees to replace such Downgraded Liquidity Bank's Conduit Group on the terms and conditions set forth herein (except for any amendments or modifications as are acceptable to the remaining Conduit Groups, in their sole discretion), in each case, prior to the end of the thirty day period set forth in the definition of "Liquidity Termination Date" and with the consent of the remaining Conduit Groups (which consent shall be in such Conduit Group's sole discretion).

(d) No Loan Party may assign any of its rights or obligations under this Agreement without the prior written consent of each of the Agents and each of the Lenders and without satisfying the Rating Agency Condition, if applicable.

Section 12.2 Participations

. Any Liquidity Bank may, in the ordinary course of its business at any time sell to one or more Persons (each, a **"Participant"**) participating interests in its Pro Rata Share of its Group's Percentage of Aggregate Commitment, its Loans, its Liquidity Commitment or any other interest of such Liquidity Bank hereunder or under the applicable Liquidity Agreement. Notwithstanding any such sale by a Liquidity Bank of a participating interest to a Participant, such Liquidity Bank's rights and obligations under this Agreement and such Liquidity Agreement shall remain unchanged, such Liquidity Bank shall remain solely responsible for the performance of its obligations hereunder and under such Liquidity Agreement, and the Loan Parties, the Conduits and the Agents shall continue to deal solely and directly with such Liquidity Bank in connection with such Liquidity Bank's rights and obligations under this Agreement and the applicable Liquidity Agreement. Each Liquidity Bank agrees that any agreement between such Liquidity Bank and any such Participant in respect of such participating interest shall not restrict such Liquidity Bank's right to agree to any amendment, supplement, waiver or modification to this Agreement, except for any amendment, supplement, waiver or modification described in Section 14.1(b)(i).

ARTICLE XIII.

SECURITY INTEREST

Section 13.1 Grant of Security Interest

. To secure the due and punctual payment of the Obligations, whether now or hereafter existing, due or to become due, direct or indirect, or absolute or contingent, including, without limitation, all Indemnified Amounts, in each case pro rata according to the respective amounts thereof, Borrower hereby grants to the Administrative Agent, for the benefit of the Secured Parties, a security interest in, all of Borrower's right, title and interest, whether now owned and existing or hereafter arising in and to all of the Receivables, the Related Security and all proceeds of the foregoing (collectively, the "**Collateral**").

Section 13.2 Termination after Final Payout Date

. Each of the Secured Parties hereby authorizes the Administrative Agent or any other Agent, if applicable, and the Administrative Agent or such other Agent, if applicable, hereby agrees, promptly upon the Final Payout Date to execute and deliver to Borrower a termination of and release of the security interests created under this Agreement and any Collection Account Agreement, together with such UCC termination statements or other documents as may be necessary as reasonably determined by the Borrower to terminate, on behalf of itself, the other Agents and the Lenders, the security interest in and Adverse Claim upon the Collateral held by the Administrative Agent, or other Agent, if applicable, for the benefit of the Secured Parties, all at Borrower's expense. Upon the Final Payout Date, all right, title and interest of the Administrative Agent, the other Agents and the Lenders in and to the Collateral shall terminate. The Secured Parties agree that the Borrower shall be authorized to file any UCC financing statements and amendment statements to evidence such termination.

Section 13.3 Excluded Receivables

. Each of the Secured Parties hereby authorizes the Administrative Agent or any other Agent, if applicable, and the Administrative Agent or such other Agent, if applicable, hereby agrees, promptly upon written request from the Borrower to execute and deliver to Borrower such UCC termination statements or other documents as may be necessary as reasonably determined by the Borrower to terminate, on behalf of itself, the other Agents and the Lenders, the security interest in and Adverse Claim upon any Excluded Receivable held by the Administrative Agent, or other Agent, if applicable, for the benefit of the Secured Parties, all at Borrower's expense.

ARTICLE XIV.

MISCELLANEOUS

Section 14.1 Waivers and Amendments.

(a) No failure or delay on the part of any Agent or any Lender in exercising any power, right or remedy under this Agreement shall operate as a waiver thereof, nor shall any single or partial exercise of any such power, right or remedy preclude any other further exercise thereof or the exercise of any other power, right or remedy. The rights and remedies herein provided shall be cumulative and nonexclusive of any rights or remedies provided by law. Any waiver of this Agreement shall be effective only in the specific instance and for the specific purpose for which given.

(b) No provision of this Agreement may be amended, supplemented, modified or waived except in writing in accordance with the provisions of this Section 14.1(b). The Conduits, Borrower and the Administrative Agent, with the consent of the Required Liquidity Banks, may enter into written modifications or waivers of any provisions of this Agreement, **provided, however**, that no such modification or waiver shall:

(i) without the consent of each affected Lender, (A) extend the Liquidity Termination Date or the date of any payment or deposit of Collections by Borrower or the Servicer, (B) reduce the rate or extend the time of payment of Interest or any CP Costs (or any component of Interest or CP Costs), (C) reduce any fee payable to any Agent for the benefit of the Lenders, (D) except pursuant to Article XII hereof, change the amount of the principal of any Lender, any Liquidity Bank's Pro Rata Share or any Liquidity Bank's Liquidity Commitment, (E) amend, modify or waive any provision of the definition of Required Liquidity Banks or this Section 14.1(b), (F) consent to or permit the assignment or transfer by Borrower of any of its rights and obligations under this Agreement, (G) change the definition of "**Eligible Receivable**," "**Loss Reserve**," "**Dilution Reserve**," "**Interest Reserve**," "**Servicing Reserve**" or "**Required Reserve**" or (H) amend or modify any defined term (or any defined term used directly or indirectly in such defined term) used in clauses (A) through (G) above in a manner that would circumvent the intention of the restrictions set forth in such clauses, or

(ii) without the written consent of any affected Agent, amend, modify or waive any provision of this Agreement if the effect thereof is to affect the rights or duties of such Agent,

and any material amendment, waiver or other modification of this Agreement shall require satisfaction of the Rating Agency Condition, to the extent the Rating Agency Condition is required of any Conduit. Notwithstanding the foregoing, (i) without the consent of the Liquidity Banks, but with the consent of Borrower, the applicable Co-Agent may direct the Administrative Agent to amend this Agreement solely to add additional Persons as Liquidity Banks hereunder and (ii) the Agents, the Required Liquidity Banks and the Conduits may enter into amendments to modify any of the terms or provisions of Article XI, Article XII or any other provision of this Agreement without the consent of Borrower, **provided that** such amendment has no negative impact upon Borrower. Any modification or waiver made in accordance with this Section 14.1 shall apply to each of the Lenders equally and shall be binding upon Borrower, the Lenders and the Agents.

Section 14.2 Notices

. Except as provided in this Section 14.2, all communications and notices provided for hereunder shall be in writing (including bank wire, telecopy or electronic facsimile transmission or similar writing) and shall be given to the other parties hereto at their respective addresses or telecopy numbers set forth on the signature pages hereof or at such other address or telecopy number as such Person may hereafter specify for the purpose of notice to each of the other parties hereto. Each such notice or other communication shall be effective (i) if given by telecopy, upon the receipt thereof, (ii) if given by mail, three (3) Business Days after the time such communication is deposited in the mail with first class postage prepaid or (iii) if given by any other means, when received at the address specified in this Section 14.2. Borrower hereby authorizes the Co-Agents to effect Advances and Interest Period and Interest Rate selections based on telephonic notices made by any Person whom the Borrower has designated in writing to the Agents and whom the applicable Co-Agent in good faith believes to be acting on behalf of Borrower. Borrower agrees to deliver promptly to the applicable Co-Agent a written confirmation of each telephonic or electronic mail notice signed by a Responsible Financial Officer of Borrower; **provided, however**, the absence of such confirmation shall not affect the validity of such notice. If the written confirmation differs from the action taken by the applicable Co-Agent, the records of the applicable Co-Agent shall govern absent manifest error.

Section 14.3 Ratable Payments

. If (a) any Lender, whether by setoff or otherwise, has payment made to such Lender in respect to any portion of the Obligations owing to such Lender (other than payments received pursuant to Section 10.2 or 10.3) in a greater proportion than that received by any other Lender in such Lender's Group entitled to receive a ratable share of such Obligations, such Lender agrees, promptly upon demand, to purchase for cash without recourse or warranty a portion of such Obligations held by the other Lenders in such Lender's Group so that after such Purchase each Lender in such Group will hold its Pro Rata Share of such Obligations and (b) any Group, whether by set off or otherwise, has payment made to such Group (other than payments received pursuant to Section 10.2 or 10.3) in a greater proportion than that received by any other Group entitled to receive a ratable share of such Obligations, the Lenders in such Group agree, promptly upon demand, to purchase for cash without recourse or warranty a portion of such Obligations held by the other Groups so that after such purchase each Lender in such Group, taken together, will hold its Group's Percentage of such Obligations; *provided that* in the case of the preceeding clauses (a) and (b), if all or any portion of such excess amount is thereafter recovered from such Lender or Group, as applicable, such purchase shall be rescinded and the purchase price restored to the extent of such recovery, but without interest.

Section 14.4 Protection of Administrative Agent's Security Interest

(a) Borrower agrees that from time to time, at its expense, it will promptly execute and deliver all instruments and documents, and take all actions, that may be necessary, or that any of the Agents may reasonably request, to perfect, protect or more fully evidence the Administrative Agent's security interest in the Collateral, or to enable the Agents or the Lenders to exercise and enforce their rights and remedies hereunder. At any time after the occurrence of an Amortization Event, the Administrative Agent may, or the Administrative Agent may direct Borrower or the Servicer to, notify the Obligors of Receivables, at Borrower's expense, of the ownership or security interests of the Lenders under this Agreement and may also direct that payments of all amounts due or that become due under any or all Receivables be made directly to the Administrative Agent or its designee.

(b) If Borrower or any Performance Guarantor fails to perform any of its obligations hereunder, any Agent or any Lender may (but shall not be required to) perform, or cause performance of, such obligations, and such Agent's or such Lender's reasonable costs and expenses incurred in connection therewith shall be payable by Borrower as provided in Section 10.3. Borrower irrevocably authorizes the Administrative Agent at any time and from time to time in the sole discretion of the Administrative Agent, and appoints the Administrative Agent as its attorney-in-fact, to act on behalf of Borrower (i) to execute on behalf of Borrower as debtor and to file financing statements necessary or desirable in the Administrative Agent's sole discretion to perfect and to maintain the perfection and priority of the interest of the Lenders in the Receivables and (ii) to file a carbon, photographic or other reproduction of this Agreement or any financing statement with respect to the Receivables as a financing statement in such offices as the Administrative Agent in its sole discretion deems necessary or desirable to perfect and to maintain the perfection and priority of the Administrative Agent's security interest in the Collateral, for the benefit of the Secured Parties. This appointment is coupled with an interest and is irrevocable.

Section 14.5 Confidentiality.

(a) Each of the Loan Parties shall maintain and shall cause each of its employees and officers to maintain the confidentiality of the Fee Letter and the electronic models and files (including electronic files containing model accounting entries for securitization transactions) provided by the Agents or the Conduits in connection with this Agreement, **provided, however**, such information may be disclosed to third parties to the extent such disclosure is (i) required to comply with any applicable law (including federal and state securities laws) or order of any judicial or administrative proceeding, or (ii) required in response to any summons or subpoena or in connection with any litigation, **provided, further**, that such Loan Party informs such person that such information is sensitive, proprietary and confidential. Notwithstanding the foregoing, the Loan Parties shall have no obligation of confidentiality in respect of any information which may be generally available to the public or becomes available to the public through no fault of such Loan Party or its Affiliates.

(b) Each of the Lenders and each of the Agents shall maintain and shall cause each of its employees, officers and agents to maintain the confidentiality of any nonpublic information with respect to the Originators and the Loan Parties, except that any of the foregoing may disclose such information (i) to any party to this Agreement, (ii) to any prospective or actual assignee or participant of any of the Agents or any Lender, (iii) to any rating agency who rates the Commercial Paper, to any Commercial Paper dealer, and to any provider of a surety, guaranty or credit or liquidity enhancement to any Conduit or any other entity organized for the purpose of purchasing, or making loans secured by, financial assets for which Wachovia or SunTrust acts as the administrative agent and to any officers, directors, employees, outside accountants and attorneys of each of the foregoing, **provided that** each Person described in the foregoing clause (ii) or (iii) is informed of the confidential nature of such information and, in the case of a Person described in clause (ii), agrees in writing to maintain the confidentiality of such information in accordance with this Section 14.5(b); and (iv) as required pursuant to any law, rule, regulation, direction, request or order of any judicial, administrative or regulatory authority or proceedings (whether or not having the force or effect of law). Notwithstanding the foregoing, (x) each Conduit shall be permitted to disclose Receivables performance information and details concerning the structure of the facility contemplated hereby in summary form and in a manner not identifying the Originators, the Borrower, the Servicer, the Parent, or the Obligors to prospective investors in Commercial Paper issued by such Conduit, and (y) the Conduits, the Agents and the Lenders shall have no obligation of confidentiality in respect of any information which may be generally available to the public or becomes available to the public through no fault of theirs or their respective Affiliates.

Section 14.6 Bankruptcy Petition

. Borrower, the Servicer, each Agent and each Liquidity Bank hereby covenants and agrees that, prior to the date that is one year and one day after the payment in full of all outstanding senior indebtedness of any Conduit, it will not institute against, or join any other Person in instituting against, such Conduit any bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings or other similar proceeding under the laws of the United States or any state of the United States.

Section 14.7 CHOICE OF LAW

. THIS AGREEMENT AND EACH OF THE OTHER TRANSACTION DOCUMENTS SHALL BE GOVERNED AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF GEORGIA, without regard to the principles of conflicts of laws thereof (except in the case of the other Transaction Documents, to the extent otherwise expressly stated therein) AND EXCEPT TO THE EXTENT THAT THE PERFECTION OF THE OWNERSHIP INTEREST OF BORROWER OR THE SECURITY INTEREST OF THE ADMINISTRATIVE AGENT, FOR THE BENEFIT OF THE SECURED PARTIES, IN ANY OF THE COLLATERAL IS GOVERNED BY THE LAWS OF A JURISDICTION OTHER THAN THE STATE OF GEORGIA.

Section 14.8 CONSENT TO JURISDICTION

. EACH PARTY TO THIS AGREEMENT HEREBY IRREVOCABLY SUBMITS TO THE NON-EXCLUSIVE JURISDICTION OF ANY UNITED STATES FEDERAL OR GEORGIA STATE COURT SITTING IN FULTON COUNTY, GEORGIA IN ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY DOCUMENT EXECUTED BY SUCH PERSON PURSUANT TO THIS AGREEMENT, AND EACH SUCH PARTY HEREBY IRREVOCABLY AGREES THAT ALL CLAIMS IN RESPECT OF SUCH ACTION OR PROCEEDING MAY BE HEARD AND DETERMINED IN ANY SUCH COURT AND IRREVOCABLY WAIVES ANY OBJECTION IT MAY NOW OR HEREAFTER HAVE AS TO THE VENUE OF ANY SUCH SUIT, ACTION OR PROCEEDING BROUGHT IN SUCH A COURT OR THAT SUCH COURT IS AN INCONVENIENT FORUM. NOTHING HEREIN SHALL LIMIT THE RIGHT OF THE AGENT OR ANY LENDER TO BRING PROCEEDINGS AGAINST ANY LOAN PARTY IN THE COURTS OF ANY OTHER JURISDICTION. ANY JUDICIAL PROCEEDING BY ANY LOAN PARTY AGAINST ANY AGENT OR ANY LENDER OR ANY AFFILIATE OF ANY AGENT OR ANY LENDER INVOLVING, DIRECTLY OR INDIRECTLY, ANY MATTER IN ANY WAY ARISING OUT OF, RELATED TO, OR CONNECTED WITH THIS AGREEMENT OR ANY DOCUMENT EXECUTED BY SUCH LOAN PARTY PURSUANT TO THIS AGREEMENT SHALL BE BROUGHT ONLY IN A COURT IN FULTON COUNTY, GEORGIA.

Section 14.9 WAIVER OF JURY TRIAL

. EACH PARTY HERETO HEREBY WAIVES TRIAL BY JURY IN ANY JUDICIAL PROCEEDING INVOLVING, DIRECTLY OR INDIRECTLY, ANY MATTER (WHETHER SOUNDING IN TORT, CONTRACT OR OTHERWISE) IN ANY WAY ARISING OUT OF, RELATED TO, OR CONNECTED WITH THIS AGREEMENT, ANY DOCUMENT EXECUTED BY ANY LOAN PARTY PURSUANT TO THIS AGREEMENT OR THE RELATIONSHIP ESTABLISHED HEREUNDER OR THEREUNDER.

Section 14.10 Integration; Binding Effect; Survival of Terms

(a) This Agreement and each other Transaction Document contain the final and complete integration of all prior expressions by the parties hereto with respect to the subject matter hereof and shall constitute the entire agreement among the parties hereto with respect to the subject matter hereof superseding all prior oral or written understandings.

(b) This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns (including any receiver or trustee in bankruptcy appointed for any of the parties or their respective successors and assigns). This Agreement shall create and constitute the continuing obligations of the parties hereto in accordance with its terms and shall remain in full force and effect until terminated in accordance with its terms; **provided, however**, that the rights and remedies with respect to (i) any breach of any representation and warranty made by any Loan Party pursuant to Article V, (ii) the indemnification and payment provisions of Article X, and Sections 14.5 and 14.6 shall be continuing and shall survive any termination of this Agreement.

Section 14.11 Counterparts; Severability; Section References

. This Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which when taken together shall constitute one and the same Agreement. Any provisions of this Agreement which are prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction. Unless otherwise expressly indicated, all references herein to "**Article**," "**Section**," "**Schedule**" or "**Exhibit**" shall mean articles and sections of, and schedules and exhibits to, this Agreement.

<signature pages follow>

IN WITNESS WHEREOF, the Loan Parties hereto have caused this Agreement to be executed and delivered by their duly authorized officers as of the date hereof in Wilmington, Delaware, and each of the other parties hereto has caused this Agreement to be executed and delivered by their duly authorized officers or attorneys-in-fact as of the date hereof.

MOHAWK FACTORING, INC.

By: _____

Name: Linda Bubacz
Title: Assistant Treasurer and Secretary
Address: 300 Delaware Avenue
Suite 1273C
Wilmington, Delaware 19801
Attn: Linda Bubacz
Phone: (302) 552-3110
Fax: (302) 552-3128

MOHAWK SERVICING, INC.

By: _____

Name: Scott R. Veldman
Title: Vice President and Treasurer
Address: 160 S. Industrial Blvd.
Calhoun, GA 30703
Attn: Scott R. Veldman
Phone: (706) 624-2103
Fax: (706) 624-2052

BLUE RIDGE ASSET FUNDING CORPORATION

BY: WACHOVIA CAPITAL MARKETS, LLC, ITS ATTORNEY-IN-FACT

By: _____

Name:

Title:

Address: Blue Ridge Asset Funding Corporation

301 South College Street

Charlotte, North Carolina 28288

Attention: Doug Wilson

Phone: (704) 374-2520

Fax: (704) 383-9579

With a copy to:

Blue Ridge Asset Funding Corporation

c/o AMACAR Group, L.L.C.

6525 Morrison Blvd., Suite 318

Charlotte, North Carolina 28211

Attention: Douglas K. Johnson

Phone: (704) 365-0569

Fax: (704) 365-1362

WACHOVIA BANK, NATIONAL ASSOCIATION, as Blue Ridge Agent, a Liquidity Bank and as Administrative Agent

By: _____

Name:

Title:

Address: Wachovia Bank, National Association

191 Peachtree Street, 22nd Floor

GA-423

Atlanta, Georgia 30303

Attention: Cecil Noble

Phone: (404) 332-4290

Fax: (404) 332-5152

THREE PILLARS FUNDING CORPORATION

By: _____

Name: _____

Title: _____

Address: c/o AMACAR Group, L.L.C.
6525 Morrison Boulevard
Suite 319
Charlotte, North Carolina 28211

Attention: Susan Burdick-Brennan

Phone: (704) 365-0569

Fax: (704) 365-1362

SUNTRUST CAPITAL MARKETS, INC., as TPFCAgent,

and as a Liquidity Bank

By: _____

Name: _____

Title: _____

Address: SunTrust Capital Markets, Inc.
24th Floor, MC3950
303 Peachtree Street
Atlanta, Georgia 30308

Attention: Robert Anderson

Phone: (404) 588-7607

Fax: (404) 230-1344

EXHIBIT I

DEFINITIONS

As used in this Agreement, the following terms shall have the following meanings (such meanings to be equally applicable to both the singular and plural forms of the terms defined):

"Adjusted Dilution Ratio" means, at any time, the rolling average of the Dilution Ratio for the 12 Calculation Periods then most recently ended.

"Administrative Agent" has the meaning set forth in the preamble to this Agreement.

"Advance" means a borrowing hereunder consisting of the aggregate amount of the several Loans made on the same Borrowing Date.

"Adverse Claim" means a lien, security interest, charge or encumbrance, or other right or claim in, of or on any Person's assets or properties in favor of any other Person.

"Affiliate" means, with respect to any Person, any other Person directly or indirectly controlling, controlled by, or under direct or indirect common control with, such Person or any Subsidiary of such Person. A Person shall be deemed to control another Person if the controlling Person owns 10% or more of any class of voting securities of the controlled Person or possesses, directly or indirectly, the power to direct or cause the direction of the management or policies of the controlled Person, whether through ownership of stock, by contract or otherwise.

"Agents" has the meaning set forth in the preamble to this Agreement.

"Aggregate Commitment" means, on any date of determination, the aggregate amount of the Commitments to make Loans hereunder. As of the date hereof, the Aggregate Commitment is \$350,000,000.

"Aggregate Principal" means, on any date of determination, the aggregate outstanding principal amount of all Advances outstanding on such date.

"Aggregate Reduction" has the meaning specified in Section 1.3.

"Agreement" means this Amended and Restated Credit and Security Agreement, as it may be amended or modified and in effect from time to time.

"Alternate Base Rate" means for any day, the rate *per annum* equal to the higher as of such day of (i) the Prime Rate, or (ii) one-half of one percent (0.50%) above the Federal Funds Rate. For purposes of determining the Alternate Base Rate for any day, changes in the Prime Rate or the Federal Funds Rate shall be effective on the date of each such change.

"Alternate Base Rate Loan" means a Loan which bears interest at the Alternate Base Rate or the Default Rate, as applicable.

"Amortization Date" means the earliest to occur of (i) the day on which any of the conditions precedent set forth in Section 6.2 are not satisfied, (ii) the Business Day immediately prior to the occurrence of an Event of Bankruptcy with respect to any Loan Party, (iii) the Business Day specified in a written notice from the Administrative Agent, at the direction of either Co-Agent, following the occurrence of any other Amortization Event, and (iv) the date which is ten (10) Business Days after the Administrative Agent's receipt of written notice from Borrower that it wishes to terminate the facility evidenced by this Agreement.

"Amortization Event" has the meaning specified in Article IX.

"Applicable Margin" means the applicable margin specified in Section 2.05(a)(iii) of the Mohawk Credit Agreement.

"Assignment Agreement" has the meaning set forth in Section 12.1(b).

"Blue Ridge" has the meaning set forth in the preamble to this Agreement.

"Blue Ridge Agent" has the meaning set forth in the preamble to this Agreement.

"Blue Ridge Group" has the meaning set forth in the preamble to this Agreement.

"Blue Ridge Liquidity Agreement" means that certain liquidity asset purchase agreement dated as of the date hereof by and among Blue Ridge, the Blue Ridge Liquidity Banks and Wachovia as Blue Ridge Agent and liquidity agent, as the same may be amended, restated and/or otherwise modified from time to time.

"Blue Ridge Liquidity Banks" means Wachovia and its successor and permitted assigns under the Blue Ridge Liquidity Agreement.

"Borrower" has the meaning set forth in the preamble to this Agreement.

"Borrowing Base" means, on any date of determination, the Net Pool Balance as of the last day of the period covered by the most recent Monthly Report, *minus* the Required Reserve as of the last day of the period covered by the most recent Monthly Report, and *minus* Deemed Collections that have occurred since the most recent Cut-Off Date to the extent that such Deemed Collections exceed the Dilution Reserve.

"Borrowing Date" means a Business Day on which an Advance is made hereunder.

"Borrowing Limit" means an amount equal to the sum of the Conduit Allocation Limits.

"Borrowing Notice" has the meaning set forth in Section 1.2.

"Broken Funding Costs" means for any CP Rate Loan or LIBO Rate Loan: (a) in the case of any Conduit which utilizes Pooled Commercial Paper, which is funded with Pooled Commercial Paper and, has its principal reduced without compliance by Borrower with the notice requirements hereunder, (b) in the case of any Conduit, which is funded with Commercial Paper that is not Pooled Commercial Paper and has its principal reduced on any day other than the last day of the applicable tranche period(s) of such Commercial Paper; (c) in the case of any Conduit, in the case of a CP Rate Loan or a LIBO Rate Loan, does not become subject to its Percentage of an Aggregate Reduction following the delivery of any Reduction Notice, (d) in the case of a CP Rate Loan, is assigned under the applicable Liquidity Agreement, or (e) in the case of a LIBO Rate Loan made by a Conduit, which is terminated or reduced prior to the last day of its Interest Period, an amount equal to the excess, if any, of (i) the CP Costs or Interest (as applicable) that would have accrued during the remainder of the Interest Periods or the tranche periods for Commercial Paper determined by the applicable Co-Agent to relate to such Loan (as applicable) subsequent to the date of such reduction, assignment or termination (or in respect of clause (c) above, the date such Aggregate Reduction was designated to occur pursuant to the Reduction Notice) of the principal of such Loan if such reduction, assignment or termination had not occurred or such Reduction Notice had not been delivered, over (ii) the sum of (x) to the extent all or a portion of such principal is allocated to another Loan, the amount of CP Costs or Interest actually accrued during the remainder of such period on such principal for the new Loan, and (y) to the extent such principal is not allocated to another Loan, the income, if any, actually received during the remainder of such period by the holder of such Loan from investing the portion of such principal not so allocated. In the event that the amount referred to in clause (B) exceeds the amount referred to in clause (A), the relevant Lender or Lenders agree to pay to Borrower the amount of such excess. All Broken Funding Costs shall be due and payable hereunder upon demand.

"Business Day" means any day on which banks are not authorized or required to close in New York, New York or Atlanta, Georgia, and The Depository Trust Company of New York is open for business, and, if the applicable Business Day relates to any computation or payment to be made with respect to the LIBO Rate, any day on which dealings in dollar deposits are carried on in the London interbank offering market.

"Calculation Period" means a fiscal month of the Borrower or portion thereof which elapses during the term of this Agreement prior to the Final Payout Date. The first Calculation Period shall commence on the date of the initial Advance hereunder. **For purposes of the use of this term in other definitions in Exhibit I to this Agreement, Calculation Periods occurring prior to the date of the initial Advance shall mean a fiscal month of the Borrower.**

"Canadian Receivable" means a Receivable owing from an Obligor domiciled in, or organized under the laws of, Canada or one of its political subdivisions.

"Cash Discount" means any reduction in a Receivable due to any cash discount taken by an Obligor.

"Cash Discount Reduction" means at any time, 3% of the Outstanding Balance of Receivables originated by Mohawk Distribution.

"Change of Control" means the acquisition by any Person, or two or more Persons acting in concert (other than the Performance Guarantor or any of its Subsidiaries; provided that Performance Guarantor remains the direct or indirect owner of 100% of the outstanding shares of voting stock of any Loan Party), of beneficial ownership (within the meaning of Rule 13d-3 of the Securities and Exchange Commission under the Securities Exchange Act of 1934) of 30% or more of the outstanding shares of voting stock of any Loan Party.

"Co-Agent" has the meaning set forth in the preamble to this Agreement.

"Co-Agent Account" means the account set up to receive payments for the applicable Group including without limitation, the Blue Ridge Agent's Account and the TPFC Agent Account.

"Collateral" has the meaning set forth in Section 13.1.

"Collection Account" means each concentration account, depository account, lock-box account or similar account in which any Collections are collected or deposited.

"Collection Account Agreement" means an agreement substantially in the form of Exhibit VI hereto which has been duly executed by each of the parties thereto or otherwise acceptable to the Agents in their sole discretion.

"Collection Bank" means, at any time, any of the banks holding one or more Collection Accounts.

"Collection Notice" means a notice, in substantially the form of Annex A to Exhibit VI, from the Administrative Agent or such other Agent as is acceptable to the Agents in their sole discretion to a Collection Bank.

"Collection Records" means, with respect to any Receivable, all Invoices and all other documents, books, records and other information (including, without limitation, computer programs, tapes, disks, punch cards, data processing software and related property and rights) relating to amounts paid on or owing in respect of such Receivable.

"Collections" means, with respect to any Receivable, all cash collections and other cash proceeds in respect of such Receivable, including, without limitation, all Finance Charges or other related amounts accruing in respect thereof and all cash proceeds of Related Security with respect to such Receivable.

"Commercial Paper" means promissory notes of any Conduit issued by such Conduit, in each case, in the commercial paper market.

"Commitment" means, for each Liquidity Bank, the commitment of such Liquidity Bank to make its Pro Rata Share of its Group's Percentage of Loans to Borrower hereunder in the event the applicable Conduit elects not to fund any Advance in an aggregate principal amount at any one time outstanding not to exceed the amount set forth opposite such Liquidity Bank's name on Schedule A to this Agreement.

"Conduit" has the meaning set forth in the preamble to this Agreement.

"Conduit Allocation Limit" has the meaning set forth in Section 1.1(a).

"Conduit Group" has the meaning set forth in the preamble to this Agreement.

"Contingent Obligation" of a Person means any agreement, undertaking or arrangement by which such Person assumes, guarantees, endorses, contingently agrees to purchase or provide funds for the payment of, or otherwise becomes or is contingently liable upon, the obligation or liability of any other Person, or agrees to maintain the net worth or working capital or other financial condition of any other Person, or otherwise assures any creditor of such other Person against loss, including, without limitation, any comfort letter, operating agreement, take-or-pay contract or application for a letter of credit.

"Contract" means, with respect to any Receivable, any and all instruments and agreements, purchase orders, invoices, writings, or other communications pursuant to which such Receivable arises but excluding any Invoice.

"CP Costs" means, (A) for TPFC, for each day, the sum of (i) discount or interest accrued on its Related Commercial Paper at the TPFC Commercial Paper Rate on such day, plus (ii) any and all accrued commissions and fees of placement agents, dealers and issuing and paying agents incurred in respect of such Related Commercial Paper for such day; and (B) for Blue Ridge, for each day, the sum of (i) discount or interest accrued on Pooled Commercial Paper on such day, plus (ii) any and all accrued commissions in respect of placement agents and Commercial Paper dealers, and issuing and paying agent fees incurred, in respect of such Pooled Commercial Paper for such day, plus (iii) other costs associated with funding small or odd-lot amounts with respect to all receivable purchase facilities which are funded by Pooled Commercial Paper for such day, minus (iv) any accrual of income net of expenses received on such day from investment of collections received under all receivable purchase facilities funded substantially with Pooled Commercial Paper, minus (v) any payment received on such day net of expenses in respect of Broken Funding Costs related to the prepayment of any Loan of Blue Ridge pursuant to the terms of any receivable purchase facilities funded substantially with Pooled Commercial Paper. In addition to the foregoing costs, if Borrower shall request any Advance during any period of time determined by the Blue Ridge Agent in its sole discretion to result in incrementally higher CP Costs applicable to Blue Ridge's Percentage of such Advance, the principal associated with any such Advance shall, during such period, be deemed to be funded by Blue Ridge in a special pool (which may include capital associated with other receivable purchase or financing facilities) for purposes of determining such additional CP Costs applicable only to such special pool and charged each day during such period against such principal.

"CP Rate Loan" means, for each Loan of a Conduit prior to the time, if any, when (i) it is refinanced with a Liquidity Funding pursuant to a Liquidity Agreement, or (ii) the occurrence of an Amortization Event and the commencement of the accrual of Interest thereon at the Default Rate.

"CP Tranche Period" means with respect to any Loan of TPFC that is funded with Commercial Paper, a period of days from 1 Business Day up to the number of days necessary to extend such period to include the next Settlement Date, commencing on a Business Day, which period is either (i) requested by Borrower and agreed to by TPFC or the TPFC Agent or (ii) in the absence of such request and agreement, selected by TPFC or the TPFC Agent (it being understood that the goal shall be to select a period which ends on or as close to the next Settlement Date as possible).

"Credit and Collection Policy" means Borrower's credit and collection policies and practices relating to Contracts and Receivables existing on and as administered historically prior to the date hereof and summarized in Exhibit VIII hereto, as modified from time to time in accordance with this Agreement.

"Cut-Off Date" means the last day of a Calculation Period.

"Days Sales Outstanding" means, as of any day, an amount equal to the product of (x) 91, multiplied by (y) the amount obtained by dividing (i) the aggregate outstanding balance of Receivables as of the most recent Cut-Off Date, by (ii) the aggregate amount of Receivables created during the three (3) Calculation Periods including and immediately preceding such Cut-Off Date.

"Deemed Collections" means Collections deemed received by Borrower under Section 1.4(a).

"Default Horizon Ratio" means, as of any Cut-Off Date, the ratio (expressed as a decimal) computed by dividing (a) the sum of (i) the product of the aggregate sales generated by the Originators during the Calculation Period ending on such Cut-Off Date, **multiplied by** the Weighted Average Credit Percentage, plus (ii) the aggregate sales generated by the Originators during the three Calculation Periods ending prior to the Calculation Period described in clause(a)(i), by (b) the Net Pool Balance as of such Cut-off Date.

"Default Rate" means for any day, a rate *per annum* equal to the Prime Rate plus two percent (2.00%). For purposes of determining the Prime Rate for any day, changes in the Prime Rate shall be effective on the date of each such change.

"Default Ratio" means, as of any Cut-Off Date, the ratio (expressed as a percentage) computed by dividing (x) the total amount of Receivables which became Defaulted Receivables during the Calculation Period that includes such Cut-Off Date, by (y) the aggregate dollar amount of Receivables generated by the Originators during the Calculation Period occurring four months prior to the Calculation Period ending on such Cut-Off Date.

"Defaulted Receivable" means a Receivable: (i) as to which the Obligor thereof has suffered an Event of Bankruptcy; (ii) which, consistent with the Credit and Collection Policy, would be written off Borrower's books as uncollectible; or (iii) as to which any payment, or part thereof, remains unpaid for 61 days or more from the original due date for such payment.

"Delinquency Ratio" means, at any time, a percentage equal to (i) the aggregate Outstanding Balance of all Receivables that were Delinquent Receivables at such time divided by (ii) the aggregate Outstanding Balance of all Receivables at such time.

"Delinquent Receivable" means a Receivable as to which any payment, or part thereof, remains unpaid for 31-60 days from the original due date for such payment or which is delinquent under the Credit and Collection Policy.

"Demand Advance" means an advance of Collections made by Borrower to Mohawk Resources or Mohawk Carpet, as the case may be, on any day prior to the Facility Termination Date on which no Amortization Event or Unmatured Amortization Event exists and is continuing, which advance (a) is payable upon demand, (b) bears interest at a market rate determined from time to time by Borrower and Mohawk Resources or Mohawk Carpet, as the case may be, and (c) is not subordinated to any other Indebtedness or obligation of Mohawk Resources or Mohawk Carpet, as the case may be.

"Dilution" means the amount of any reduction or cancellation of the Outstanding Balance of a Receivable as described in Section 1.4(a).

"Dilution Horizon Ratio" means, as of any Cut-Off Date, an amount, equal to a fraction, the numerator of which is (I) prior to a Dilution Reserve Event, (A) the aggregate dollar amount of Receivables generated by the Originators for the most recent Calculation Period plus (B) the product of (i) the aggregate dollar amount of Receivables generated by the Originators for the second preceding Calculation Period times (ii) the difference of (a) the ratio of (x) the 12-month high Days Sales Outstanding divided by (y) thirty (30) minus (b) one (1) and (II) after a Dilution Reserve Event, the aggregate dollar amount of Receivables generated by the Originators for the two most recent Calculation Periods plus one-half (1/2) of the aggregate dollar amount of Receivables generated by the Originators during the Calculation Period occurring three months prior to the Calculation Period ending on such Cut-Off Date and the denominator of which is the aggregate balance of the Net Pool Balance as of the most recent Cut-Off Date.

"Dilution Ratio" means, as of any Cut-Off Date, an amount (expressed as a percentage) equal to a fraction, the numerator of which is the total amount of Dilution during the previous Calculation Period, and the denominator of which is the aggregate amount of Receivables generated by the Originators (i) prior to a Dilution Reserve Event during the second preceding Calculation Period and (ii) following a Dilution Reserve Event during the third preceding Calculation Period.

"Dilution Reserve" means, on any date of determination, the product (expressed as a percentage) of:

(a) the sum of (i) two (2) times the Adjusted Dilution Ratio, *plus* (ii) the Dilution Volatility Component, *times*

(b) the Dilution Horizon Ratio.

"Dilution Reserve Event" means either (1) the Performance Guarantor's Debt to Capitalization Ratio (as defined in the Mohawk Credit Agreement) shall be greater than 0.60 to 1.0 at the end of each fiscal quarter and/or (2) the ratio of the Performance Guarantor's (a) Consolidated Debt (as defined in the Mohawk Credit Agreement) to (b) the sum of (i) Consolidated Net Income (as defined in the Mohawk Credit Agreement), (ii) Consolidated Interest Expense (as defined in the Mohawk Credit Agreement), (iii) taxes on the Performance Guarantor's consolidated pre-tax income, and (iv) Depreciation and Amortization (as defined in the Mohawk Credit Agreement) shall be greater than 3.5 to 1.0 at the end of each fiscal quarter. Clause (b) in this definition shall be calculated on a trailing 4 quarter basis as at the end of each such fiscal quarter.

"Dilution Volatility Component" means the product (expressed as a percentage) of (i) the difference between (a) the highest one (1)-month Dilution Ratio over the past 12 Calculation Periods and (b) the Adjusted Dilution Ratio, and (ii) a fraction, the numerator of which is equal to the amount calculated in (i)(a) of this definition and the denominator of which is equal to the amount calculated in (i)(b) of this definition.

"Downgraded Liquidity Bank" means a Liquidity Bank which has been the subject of a Downgrading Event.

"Downgrading Event" with respect to any Person means the lowering of the rating with regard to the short-term securities of such Person to below (i) A-1 by S&P, or (ii) P-1 by Moody's.

"Eligible Assignee" means a commercial bank having a combined capital and surplus of at least \$250,000,000 with a rating of its (or its parent holding company's) short-term securities equal to or higher than (i) A-1 by S&P and (ii) P-1 by Moody's.

"Eligible Receivable" means, at any time, a Receivable:

(i) the Obligor of which (a) if a natural person, is a resident of the United States or Canada or, if a corporation or other business organization, is organized under the laws of the United States, Canada or any political subdivision of the United States or Canada and has its chief executive office in the United States or Canada; **provided, however**, that in no event may the Canadian Receivables that are included as Eligible Receivables exceed 3% of total Receivables at any time; (b) is not an Affiliate of any of the parties hereto; and (c) is not a government or a governmental subdivision or agency,

(ii) which is not a Defaulted Receivable,

(iii) which was not a Delinquent Receivable on (A) the date of Purchase (as defined in the Receivables Sale Agreement) (if such Receivable was in existence on the Initial Cutoff Date), or (B) the date on which such Receivable came into existence (in all other cases),

(iv) which (A) by its terms is due and payable within 91 days of the original billing date therefor; provided, however, notwithstanding anything herein to contrary, any Receivable which by its terms is due and payable within 92-120 days of the original billing date thereof shall be included as an Eligible Receivable, provided that the Outstanding Balance of all such Receivables shall not exceed 2.5% of the total Outstanding Balance of all Eligible Receivables, (B) has not had its payment terms extended more than once, and if such extension had not been made, such Receivable would not otherwise have become a Defaulted Receivable, and (C) will not, when added to all other Eligible Receivables, cause the weighted average of the payment terms for all Eligible Receivables to exceed 50 days,

- (v) which is an "account," a "payment intangible," a "general intangible" or "chattel paper" within the meaning of Article 9 of the UCC of all applicable jurisdictions, and is not evidenced by an "instrument" within the meaning of Article 9 of the UCC,
- (vi) which is denominated and payable only in United States Dollars or Canadian Dollars in the United States or Canada,
- (vii) which is in full force and effect and constitutes the legal, valid and binding obligation of the related Obligor enforceable against such Obligor in accordance with its terms,
- (viii) which does not contain a confidentiality provision that purports to restrict the ability of the Borrower (or, at any time this Agreement remains in effect and after an Amortization Event which is continuing, the Administrative Agent as the Borrower's assignee) to exercise its rights under this Agreement, including, without limitation, its right to review the Contract or Invoice applicable thereto,
- (ix) which represents an obligation to pay a specified sum of money, contingent only upon (A) the sale of goods or the provision of services by the applicable Originator (which sale has been consummated or services have been performed), and (B) satisfaction by such Originator of any applicable warranty claims which have not yet been made or asserted,
- (x) which does not contravene any law, rule or regulation applicable thereto (including, without limitation, any law, rule and regulation relating to truth in lending, fair credit billing, fair credit reporting, equal credit opportunity, fair debt collection practices and privacy),
- (xi) which satisfies all applicable requirements of the applicable Credit and Collection Policy,
- (xii) which was generated in the ordinary course of the applicable Originator's business,
- (xiii) which arises solely from the sale (and not the lease) of goods or the provision of services to the related Obligor by the applicable Originator or a predecessor to such Originator, and not by any other Person (in whole or in part),
- (xiv) which is not the subject of, to the Originator's knowledge, any dispute, counterclaim, right of rescission, set-off, counterclaim or any other defense (including defenses arising out of violations of usury laws) of the applicable Obligor against the applicable Originator or any other Adverse Claim, and the Obligor thereon holds no rights as against such Originator to cause such Originator to repurchase the goods or merchandise the sale of which shall have given rise to such Receivable (except with respect to sale discounts effected pursuant to the Contract, or defective goods returned in accordance with the terms of the Contract) and which requires that all or part of such receivable be charged off in accordance with the Credit and Collection Policy; **provided, however**, that if such dispute, offset, counterclaim or defense affects only a portion of the Outstanding Balance of such Receivable, then such Receivable may be deemed an Eligible Receivable to the extent of the portion of such Outstanding Balance which is not so affected,

(xv) as to which the applicable Originator has satisfied and fully performed all obligations on its part with respect to such Receivable required to be fulfilled by it, and no further action is required to be performed by any Person with respect thereto other than payment thereon by the applicable Obligor (excluding any warranty obligation for which no claims exists or is know to exist),

(xvi) as to which each of the representations and warranties contained in Sections 5.1(i), (j), (r), (s) and (t) is true and correct, and

(xvii) all right, title and interest to and in which has been validly transferred by the applicable Originator directly to Borrower under and in accordance with the Receivables Sale Agreement, and Borrower has good and marketable title thereto free and clear of any Adverse Claim (except as created under this Agreement).

"Eligible Receivables Net Balance" means the total Outstanding Balance of Eligible Receivables less the Cash Discount Reduction.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time, and any rule or regulation issued thereunder.

"ERISA Affiliate" means any trade or business (whether or not incorporated) under common control with the Performance Guarantor within the meaning of Section 414(b) or (c) of the Code (and Sections 414(m) and (o) of the Code for purposes of provisions relating to Section 412 of the Code).

"Event of Bankruptcy" shall be deemed to have occurred with respect to a Person if either:

(a) a case or other proceeding shall be commenced, without the application or consent of such Person, in any court, seeking the liquidation, reorganization, debt arrangement, dissolution, winding up, or composition or readjustment of debts of such Person, the appointment of a trustee, receiver, custodian, liquidator, assignee, sequestrator or the like for such Person or all or substantially all of its assets, or any similar action with respect to such Person under any law relating to bankruptcy, insolvency, reorganization, winding up or composition or adjustment of debts, and such case or proceeding shall continue undismissed, or unstayed and in effect, for a period of 60 consecutive days; or an order for relief in respect of such Person shall be entered in an involuntary case under the federal bankruptcy laws or other similar laws now or hereafter in effect; or

(b) such Person shall commence a voluntary case or other proceeding under any applicable bankruptcy, insolvency, reorganization, debt arrangement, dissolution or other similar law now or hereafter in effect, or shall consent to the appointment of or taking possession by a receiver, liquidator, assignee, trustee (other than a trustee under a deed of trust, indenture or similar instrument), custodian, sequestrator (or other similar official) for, such Person or for any substantial part of its property, or shall make any general assignment for the benefit of creditors, or shall be adjudicated insolvent, or admit in writing its inability to pay its debts generally as they become due, or, if a corporation or similar entity, its board of directors shall vote to implement any of the foregoing.

"Facility Termination Date" means the earlier of (i) the Liquidity Termination Date and (ii) the Amortization Date.

"Federal Bankruptcy Code" means Title 11 of the United States Code entitled "Bankruptcy," as amended and any successor statute thereto.

"Federal Funds Effective Rate" means, for any day, the rate *per annum* (rounded upward, if necessary, to the next higher 1/100th of 1%) equal to the weighted average of the rates on overnight federal funds transactions with members of the Federal Reserve System arranged by federal funds brokers on such day, as published by the Federal Reserve Bank of New York on the Business Day next succeeding such day, provided that (i) if the day for which such rate is to be determined is not a Business Day, the Federal Funds Effective Rate for such day shall be such rate on such transactions on the next preceding Business Day as so published on the next succeeding Business Day, and (ii) if such rate is not so published for any day, the Federal Funds Effective Rate for such day shall be the average rate charged to Wachovia on such day on such transactions, as determined by Wachovia.

"Fee Letter" means that certain letter agreement dated as of August 4, 2003 between Borrower and the Agents, as it may be amended, amended and restated, or otherwise modified and in effect from time to time.

"Final Payout Date" means the date on which all Obligations have been paid in full and the Aggregate Commitment has been terminated.

"Finance Charges" means, with respect to a Contract, any finance, interest, late payment charges or similar charges owing by an Obligor pursuant to such Contract.

"Foreign Currency Reserve" means, on any date of determination, an amount equal to 15% of the spot market Dollar-equivalent of all Eligible Receivables otherwise included in the Net Pool Balance which are denominated in Canadian Dollars.

"Funding Agreement" means (i) this Agreement, (ii) a Liquidity Agreement and (iii) any other agreement or instrument executed by any Funding Source with or for the benefit of a Conduit.

"Funding Source" means (i) any Liquidity Bank or (ii) any insurance company, bank or other funding entity providing liquidity, credit enhancement or back-up purchase support or facilities to a Conduit.

"GAAP" means generally accepted accounting principles in effect in the United States of America applied on a basis consistent with the most recent audited consolidated financial statements of Borrower and/or Servicer as of the date of determination (except for changes concurred in by the Borrower's independent public accountants or otherwise required by a change in GAAP).

"Indebtedness" of a Person means such Person's (i) obligations for borrowed money, (ii) obligations representing the deferred purchase price of property or services (other than accounts payable arising in the ordinary course of such Person's business payable on terms customary in the trade), (iii) obligations, whether or not assumed, secured by liens or payable out of the proceeds or production from property now or hereafter owned or acquired by such Person, (iv) obligations which are evidenced by notes, acceptances, or other instruments, (v) capitalized lease obligations, (vi) net liabilities under interest rate swap, exchange or cap agreements, (vii) Contingent Obligations and (viii) liabilities in respect of unfunded vested benefits under plans covered by Title IV of ERISA.

"Independent Director" means, with respect to Borrower, a member of the Board of Directors of Borrower (i) who is not an employee, or a beneficial owner, directly or indirectly of 10% or more of any equity interest in Borrower or any Affiliate thereof, and who is not related by blood, marriage or adoption with any of the foregoing Persons; (ii) who has not been an employee of Borrower or any Affiliate in the last five years; (iii) who is not affiliated with, or employed by, any Person providing services to, any of Borrower's significant customers or suppliers; (iv) who is not affiliated with any tax exempt or other organization that receives significant contributions from Borrower or any of its Affiliates; and (v) who has not provided and is not providing directly or indirectly, whether or not through any related corporation, partnership, limited liability company, limited liability partnership or other Person, legal, accounting or investment banking services for Borrower or any Affiliate. A Person that otherwise meets the foregoing qualifications shall not be precluded from serving as an Independent Director by virtue of his or her service as a director of any direct or indirect parent of Borrower, or if he or she is also a director of a single-purpose, bankruptcy-remote, entity that is an Affiliate of Mohawk Industries, Inc. with a certificate or articles of incorporation substantially similar to Borrower's Amended and Restated Certificate of Incorporation.

"Interest" means for each respective Interest Period relating to Loans of the Liquidity Banks, an amount equal to the product of the applicable Interest Rate for each Loan multiplied by the principal of such Loan for each day elapsed during such Interest Period, annualized on a 360 day basis.

"Interest Period" means, with respect to any Loan held by a Liquidity Bank:

(a) if Interest for such Loan is calculated on the basis of the LIBO Rate, a period of one, two, three or six months, or such other period as may be mutually agreeable to the applicable Co-Agent and Borrower, commencing on a Business Day selected by Borrower or such Co-Agent pursuant to this Agreement. Such Interest Period shall end on the day in the applicable succeeding calendar month which corresponds numerically to the beginning day of such Interest Period, **provided, however**, that if there is no such numerically corresponding day in such succeeding month, such Interest Period shall end on the last Business Day of such succeeding month; or

(b) if Interest for such Loan is calculated on the basis of the Alternate Base Rate, a period commencing on a Business Day selected by Borrower and agreed to by the applicable Co-Agent, **provided that** no such period shall exceed one month.

If any Interest Period would end on a day which is not a Business Day, such Interest Period shall end on the next succeeding Business Day, **provided, however**, that in the case of Interest Periods corresponding to the LIBO Rate, if such next succeeding Business Day falls in a new month, such Interest Period shall end on the immediately preceding Business Day. In the case of any Interest Period for any Loan which commences before the Amortization Date and would otherwise end on a date occurring after the Amortization Date, such Interest Period shall end on the Amortization Date. The duration of each Interest Period which commences after the Amortization Date shall be of such duration as selected by the applicable Co-Agent.

"Interest Rate" means, with respect to each Loan of the Liquidity Banks, the LIBO Rate, the Alternate Base Rate or the Default Rate, as applicable.

"Interest Reserve" means, as of any Cut-Off Date, the product (expressed as a percentage) of (i) 1.5 times (ii) the Alternate Base Rate times (iii) a fraction the numerator of which is the 12-month high Days Sales Outstanding and the denominator of which is 360.

"Invoice" means any paper or electronic invoice evidencing any Receivable.

"Lender" means each Conduit and each Liquidity Bank.

"LIBO Rate" means, for any Interest Period, the rate per annum determined on the basis of the offered rate for deposits in U.S. dollars of amounts equal or comparable to the principal amount of the related Loan offered for a term comparable to such Interest Period, which rates appear on a Bloomberg L.P. terminal, displayed under the address "US0001M <Index> Q <Go>" effective as of 11:00 A.M., London time, two Business Days prior to the first day of such Interest Period, **provided** that if no such offered rates appear on such page, the LIBO Rate for such Interest Period will be the arithmetic average (rounded upwards, if necessary, to the next higher 1/100th of 1%) of rates quoted by not less than three (3) major banks in New York, New York, selected by the applicable Co-Agent, at approximately 10:00 a.m. (New York time), two Business Days prior to the first day of such Interest Period, for deposits in U.S. dollars offered by leading European banks for a period comparable to such Interest Period in an amount comparable to the principal amount of such Loan, divided by (b) one minus the maximum aggregate reserve requirement, if any (including all basic, supplemental, marginal or other reserves) which is imposed against the applicable Co-Agent in respect of Eurocurrency liabilities, as defined in Regulation D of the Board of Governors of the Federal Reserve System as in effect from time to time (expressed as a decimal), applicable to such Interest Period plus (ii) the Applicable Margin *per annum*. The LIBO Rate shall be rounded, if necessary, to the next higher 1/16 of 1%.

"LIBO Rate Loan" means a Loan which bears interest at the LIBO Rate.

"Liquidity Agreements" means the Liquidity between the Conduit of any Group and the Liquidity Banks of such Group.

"Liquidity Banks" means, with respect to each Group, the banks or other financial institutions and their respective successors and permitted assigns under each Group's Liquidity Agreement.

"Liquidity Commitment" means, as to each Liquidity Bank in any Group, its commitment to such Group's Conduit under the Liquidity Agreements, (which shall equal 102% of such Group's Percentage of the Aggregate Commitment hereunder).

"Liquidity Funding" means (a) a purchase made by any Liquidity Bank pursuant to its Liquidity Commitment of all or any portion of, or any undivided interest in, an applicable Conduit's Loans, or (b) any Loan made by a Liquidity Bank in lieu of such Conduit pursuant to Section 1.1.

"Liquidity Termination Date" means, as to any of the Conduits, except as otherwise set forth in this Agreement, the earlier to occur of the following:

(a) the date on which such Conduit's Liquidity Banks' Liquidity Commitments expire, cease to be available to such Conduit or otherwise cease to be in full force and effect unless each other Conduit and its Group otherwise consent; or

(b) the date on which a Downgrading Event with respect to a Liquidity Bank shall have occurred and been continuing for not less than 30 days, and either (i) the Downgraded Liquidity Bank shall not have been replaced by an Eligible Assignee pursuant to the applicable Liquidity Agreement, or (ii) the Liquidity Commitment of such Downgraded Liquidity Bank shall not have been funded or collateralized in such a manner that will avoid a reduction in or withdrawal of the credit rating applied to the Commercial Paper to which such Liquidity Agreement applies by any of the rating agencies then rating such Commercial Paper.

"Loan" means any loan made by a Lender to Borrower pursuant to this Agreement (including, without limitation, any Liquidity Funding). Each Loan shall either be a CP Rate Loan, an Alternate Base Rate Loan or a Eurodollar Rate Loan, selected in accordance with the terms of this Agreement.

"Loan Parties" has the meaning set forth in the preamble to this Agreement.

"Lock-Box" means each locked postal box with respect to which a bank has been granted exclusive access for the purpose of retrieving and processing payments made on the Receivables.

"Loss Reserve" means, as of any Cut-Off Date, the product (expressed as a percentage) of (a) 2.0, times (b) the highest three-month rolling average Default Ratio during the 12 Calculation Periods ending on such Cut-Off Date, times (c) the Default Horizon Ratio as of such Cut-Off Date.

"Material Adverse Effect" means a material adverse effect on (i) the financial condition of any Loan Party and its Subsidiaries, taken as a whole (ii) the ability of any Loan Party to perform its obligations under this Agreement or the Performance Guarantor to perform its obligations under the Performance Undertaking, (iii) the legality, validity or enforceability of this Agreement, the Receivables Sale Agreement, the Servicing Agreement or any Collection Account Agreement, (iv) the Administrative Agent's security interest, for the benefit of the Secured Parties, in the Receivables generally or in any significant portion of the Receivables, the Related Security or the Collections with respect thereto, or (v) the collectibility of the Receivables generally or of any significant portion of the Receivables.

"Mohawk Carpet" means Mohawk Carpet Corporation, a Delaware corporation.

"Mohawk Credit Agreement" means that certain Fifth Amended and Restated Credit Agreement dated as of November 23, 1999, among Mohawk Industries, Inc., First Union National Bank, SunTrust Bank, Wachovia Bank, National Association, and the other banks from time to time party thereto, as amended, amended and restated or otherwise modified from time to time, regardless of whether the same remains in effect.

"Mohawk Distribution" means Mohawk Carpet Distribution, LP, a Delaware limited partnership.

"Mohawk Resources" means Mohawk Resources, Inc., a Delaware corporation.

"Mohawk Servicing" has the meaning specified in the preamble to this Agreement.

"Monthly Report" means a report, in substantially the form of Exhibit IX hereto (appropriately completed), furnished by the Servicer to the Administrative Agent pursuant to Section 8.5.

"Monthly Reporting Date" means the 18th day of each month after the date of this Agreement (or if any such day is not a Business Day, the next succeeding Business Day thereafter).

"Moody's" means Moody's Investors Service, Inc.

"Net Pool Balance" means, at any time, (i) the aggregate Eligible Receivables Net Balance at such time minus (ii) the aggregate amount by which the Eligible Receivables Net Balance of all Eligible Receivables of each Obligor and its Affiliates exceeds the Obligor Concentration Limit for such Obligor and minus (iii) the Foreign Currency Reserve as of the last day of the most recent Calculation Period for which a Monthly Report has been delivered.

"Net Worth" means, as of the last Business Day of each Calculation Period preceding any date of determination, net worth determined in accordance with GAAP.

"Obligations" means, at any time, any and all obligations of either of the Loan Parties or the Performance Guarantor to any of the Secured Parties arising under or in connection with the Transaction Documents, whether now existing or hereafter arising, due or accrued, absolute or contingent, including, without limitation, obligations in respect of Aggregate Principal, CP Costs, Interest, fees under the Fee Letter, Broken Funding Costs and Indemnified Amounts.

"Obligor" means a Person obligated to make payments on a Receivable.

"Obligor Concentration Limit" means, at any time, in relation to the aggregate Outstanding Balance of Receivables owed by any single Obligor and its Affiliates (if any), the applicable concentration limit shall be determined as follows for Obligors who have short term unsecured debt ratings currently assigned to them by S&P and Moody's (or in the absence thereof, the equivalent long term unsecured senior debt rating noted in the table below), the applicable concentration limit shall be determined according to the following table:

S&P Short-term Rating	S&P Equivalent Long-term Rating	Moody's Short-term Rating	Moody's Equivalent Long-term Rating	Allowable % of Eligible Receivables Net Balance
A-1+	AA- or higher	P-1		10%
A-1	A+, A	P-1	A2 or higher	8%
A-2	A-, BBB+	P-2	A3, Baa1	6%
A-3	BBB, BBB-	P-3	Baa2, Baa3	3%
Below A-3 or Unrated	Less than investment grade or Unrated	Below P-3 or Unrated	Less than investment grade or Unrated	2%

; **provided, however**, that (a) if any Obligor has a split rating, the applicable rating will be the lower of the two, (b) if any Obligor is not rated by **both** S&P **and** Moody's, the applicable Obligor Concentration Limit shall be the one set forth in the last line of the table above, and (c) subject to satisfaction of the Rating Agency Condition and/or an increase in the percentage set forth in clause (a)(i) of the definition of **"Required Reserve,"** upon Borrower's request from time to time, the Administrative Agent may agree to a higher percentage of the Eligible Receivables Net Balance for a particular Obligor and its Affiliates (each such higher percentage, a **"Special Concentration Limit"**), it being understood that any Special Concentration Limit may be cancelled by the Administrative Agent upon not less than ten (10) Business Days' prior written notice to the Loan Parties.

"Originator" means each of Mohawk Distribution, Dal-Tile Corporation, a Delaware corporation and each other Originator that becomes a party to the Receivables Sale Agreement pursuant to the terms thereof, in each case, in its capacity as a seller under the Receivables Sale Agreement.

"Other Records" means, with respect to any Receivable: (a) all Contracts and (b) all other documents, books, records and other information (including, without limitation, computer programs, tapes, disks, punch cards, data processing software and related property and rights) relating to the creditworthiness of any Obligor in respect thereof.

"Outstanding Balance" of any Receivable at any time means the then outstanding principal balance thereof.

"Participant" has the meaning set forth in Section 12.2.

"PBGC" means the Pension Benefit Guaranty Corporation, or any successor thereto.

"Pension Plan" means a pension plan (as defined in Section 3(2) of ERISA) subject to Title IV of ERISA which Performance Guarantor sponsors or maintains, or to which it makes, is making, or is obligated to make contributions, or in the case of a multiple employer plan (as described in Section 4064(a) of ERISA) has made contributions at any time during the immediately preceding five plan years.

"Percentage" means, for each Group on any date of determination, the ratio which the sum of the Commitments for all Liquidity Banks in that Group bears to the Aggregate Commitment.

"Performance Guarantor" means Mohawk Industries, Inc., a Delaware corporation, and its successors.

"Performance Undertaking" means that certain Amended and Restated Performance Undertaking, dated as of the date hereof, by Performance Guarantor in favor of Borrower, substantially in the form of Exhibit X, as the same may be amended, restated or otherwise modified from time to time.

"Person" means an individual, partnership, corporation (including a business trust), limited liability company, joint stock company, trust, unincorporated association, joint venture or other entity, or a government or any political subdivision or agency thereof.

"Plan" means an employee benefit plan (as defined in Section 3(3) of ERISA) which Performance Guarantor or any of its ERISA Affiliates sponsors or maintains or to which Performance Guarantor or any of its ERISA Affiliates makes, is making, or is obligated to make contributions and includes any Pension Plan, other than a Plan maintained outside the United States primarily for the benefit of Persons who are not U.S. residents.

"Pooled Commercial Paper" means, if applicable, Commercial Paper notes of a Conduit subject to any particular pooling arrangement by such Conduit, but excluding Commercial Paper issued by such Conduit for a tenor and in an amount specifically requested by any Person in connection with any agreement effected by such Conduit.

"Prime Rate" means a rate *per annum* equal to the prime rate of interest announced from time to time by Wachovia (which is not necessarily the lowest rate charged to any customer), changing when and as said prime rate changes.

"Pro Rata Share" means, with respect to each Group on any date of determination, the ratio which the Liquidity Commitment of a Liquidity Bank in such Group bears to the sum of the Liquidity Commitments of all Liquidity Banks in such Group.

"Proposed Reduction Date" has the meaning set forth in Section 1.3.

"Purchasing Liquidity Bank" has the meaning set forth in Section 12.1(b).

"Rating Agency Condition" means, if applicable, that a Conduit has received written notice from S&P and Moody's or any other rating agency then rating such Conduit's Commercial Paper that the execution and delivery of, or an amendment, a change or a waiver of, this Agreement or the Receivables Sale Agreement will not result in a withdrawal or downgrade of the then current ratings on such Conduit's Commercial Paper.

"Receivable" means all indebtedness and other obligations owed to any Originator at the time it arises and before giving effect to any transfer or conveyance under the Receivables Sale Agreement, arising in connection with the sale of goods or the rendering of services by such Originator or a predecessor, including, without limitation, any indebtedness, obligation or interest constituting an account, chattel paper, instrument, payment intangible or general intangible, if any, together with the obligation to pay any Finance Charges, if any, with respect thereto and all proceeds thereof; **provided, however**, in no event shall the term "Receivable" include any Factored Receivable (as defined in the Receivables Sale Agreement), any Excluded Receivable (as defined in the Receivables Sale Agreement) or any Receivable coming into existence after the Facility Termination Date. For the purposes of this Agreement, indebtedness and other rights and obligations arising from any one transaction, including, without limitation, indebtedness and other rights and obligations represented by an individual invoice, shall constitute a Receivable separate from a Receivable consisting of the indebtedness and other rights and obligations arising from any other transaction; provided further, that any indebtedness, rights or obligations referred to in the immediately preceding sentence shall be a Receivable regardless of whether the account debtor or Borrower treats such indebtedness, rights or obligations as a separate payment obligation.

"Receivables Sale Agreement" means that certain Amended and Restated Receivables Purchase and Sale Agreement, dated as of the date hereof, among the Originators and Borrower, as the same may be amended, restated or otherwise modified from time to time.

"Records" means, with respect to any Receivable, all Contracts and other documents, books, records and other information (including, without limitation, computer programs, tapes, disks, punch cards, data processing software and related property and rights) relating to such Receivable, any Related Security therefor and the related Obligor.

"Reduction Notice" has the meaning set forth in Section 1.3.

"Regulatory Change" means, with respect to a Funding Source, any change about which such Funding Source learns after the date such Funding Source is first entitled to the benefits of Sections 10.2 hereof in United States (federal, state or municipal) or foreign laws, regulations (including Regulation D) or accounting principles or the adoption or making after such date of any interpretations, directives or requests applying to a class of banks (including the Liquidity Banks) of or under any United States (federal, state or municipal) or foreign laws, regulations (whether or not having the force of law) or accounting principles by any court, governmental or monetary authority, or accounting board or authority (whether or not part of government) charged with the establishment, interpretation or administration thereof. For the avoidance of doubt, any interpretation of Accounting Research Bulletin No. 51 by the Financial Accounting Standards Board shall constitute a Regulatory Change.

"Related Commercial Paper" means, for any period with respect to TPFC, any Commercial Paper of TPFC issued or deemed issued for purposes of financing or maintaining any Loan by TPFC (including any discount, yield, or interest thereon) outstanding on any day during such period.

"Related Security" means, with respect to any Receivable:

- (i) all of the applicable Originator's interest, if any, in the goods (including returned or repossessed goods), the sale of which by such Originator gave rise to such Receivable,
- (ii) all other security interests or liens and property subject thereto from time to time, if any, purporting to secure payment of such Receivable, together with all financing statements and security agreements describing any collateral securing such Receivable,
- (iii) all guaranties, letters of credit, credit insurance and other agreements or arrangements of whatever character from time to time supporting payment of such Receivable,
- (iv) all service contracts and agreements, if any, associated with such Receivable,
- (v) all Collections and Collection Records related to such Receivable,
- (vi) all of Borrower's right, title and interest in, to and under the Receivables Sale Agreement in respect of such Receivable,
- (vii) all of Borrower's right, title and interest in, to and under the Performance Undertaking,
- (viii) all of Borrower's right, title and interest in, to and under the Servicing Agreement,
- (ix) all of Borrower's right, title and interest in and to the Demand Advances, and

(x) all proceeds and insurance proceeds of any of the foregoing or of any Receivable.

"Required Capital Amount" means, as of any date of determination, an amount equal to the greater of (a) 3% of the Aggregate Commitment, and (b) the product of (i) 1.5 times the product of the Default Ratio times the Default Horizon Ratio, each as determined from the most recent Monthly Report received from the Servicer, and (ii) the Outstanding Balance of all Receivables as of such date, as determined from the most recent Monthly Report received from the Servicer.

"Required Liquidity Banks" means, at any time, (i) for each Group (other than as set forth in clause (ii) of this definition), Liquidity Banks in such Group with Commitments in excess of $66\frac{2}{3}\%$ of such Group's Percentage of the Aggregate Commitment and (ii) for purposes of Section 11.10 and 14.1(b), $66\frac{2}{3}\%$ of the Aggregate Commitment of the Liquidity Banks in all Groups.

"Required Notice Period" means the number of days required notice set forth below applicable to the Aggregate Reduction indicated below:

<u>Aggregate Reduction</u>	<u>Required Notice Period</u>
< \$100,000,000	2 Business Days
\$100,000,000 +	5 Business Days

"Required Reserve" means, on any day during a Calculation Period, the product of (a) the greater of (i) the Required Reserve Factor Floor and (ii) the sum of the Loss Reserve, the Interest Reserve, the Dilution Reserve and the Servicing Reserve, times (b) the Net Pool Balance as of the Cut-Off Date immediately preceding such Calculation Period.

"Required Reserve Factor Floor" means the sum (expressed as a percentage) of (a) 8.0% plus (b) 3.0%, plus (c) 2.5% plus (d) the product of (i) the Adjusted Dilution Ratio and (ii) the Dilution Horizon Ratio.

"Responsible Financial Officer" means any of Parent's or any Loan Party's chief financial officer, vice president & corporate controller or vice president & treasurer, acting singly.

"Restricted Junior Payment" means (i) any dividend or other distribution, direct or indirect, on account of any shares of any class of capital stock of Borrower now or hereafter outstanding, except a dividend payable solely in shares of that class of stock or in any junior class of stock of Borrower, (ii) any redemption, retirement, sinking fund or similar payment, purchase or other acquisition for value, direct or indirect, of any shares of any class of capital stock of Borrower now or hereafter outstanding, (iii) any payment or prepayment of principal of, premium, if any, or interest, fees or other charges on or with respect to, and any redemption, purchase, retirement, defeasance, sinking fund or similar payment and any claim for rescission with respect to any Indebtedness of Borrower (other than the Obligations), (iv) any payment made to redeem, purchase, repurchase or retire, or to obtain the surrender of, any outstanding warrants, options or other rights to acquire shares of any class of capital stock of Borrower now or hereafter outstanding, and (v) any payment of management fees by Borrower (except for the Servicing Fee and reasonable management fees to the Performance Guarantor or any of its Affiliates in payment of actual management services performed).

"S&P" means Standard and Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc.

"Secured Parties" means the Agents and the Lenders.

"Servicer" means at any time the Person (which may be the Administrative Agent) then authorized pursuant to Article VIII to service, administer and collect Receivables.

"Servicing Agreement" means that certain Amended and Restated Servicing Agreement dated as of August 4, 2003 by and between the Borrower and Mohawk Servicing, Inc., as Servicer, providing for the collection and servicing of all Receivables held by the Borrower.

"Servicing Fee" means, for each Calculation Period:

(a) an amount equal to the greater of (i) 1.0% *per annum* (or, at any time while Mohawk Servicing or one of its Affiliates is the Servicer, such lesser percentage as may be agreed between Borrower and the Servicer on an arms' length basis based on then prevailing market terms for similar services), *times* the aggregate Outstanding Balance of all Receivables at the close of business on the Cut-Off Date immediately preceding such Calculation Period, *times* the product of the actual number of days in such period and 1/360, and (ii) 105% of Servicer's reasonable costs and expenses of performing its obligations under this Agreement during the preceding Calculation Period; or

(b) on and after the Servicer's reasonable request made at any time when Mohawk Servicing or one of its Affiliates is no longer acting as Servicer hereunder, an alternative amount specified by the successor Servicer that is commercially reasonable and not exceeding the greater of (i) 110% of such Servicer's reasonable costs and expenses of performing its obligations under this Agreement during the preceding Calculation Period, and (ii) the amounts specified in clause (a)(i) above.

Any Servicing Fee computed hereunder shall be in lieu of and not in addition to any Servicing Fee payable under the Servicing Agreement.

"Servicing Fee Rate" means a rate of 1% *per annum* (or, at any time while Mohawk Servicing or one of its Affiliates is the Servicer, such lesser percentage as may be agreed between Borrower and the Servicer on an arms' length basis based on then prevailing market terms for similar services).

"Servicing Reserve" means, for any Calculation Period, the product (expressed as a percentage) of (a) the Servicing Fee Rate (expressed as a percentage), and (b) a fraction, the numerator of which is the highest Days Sales Outstanding calculated for each of the most recent 12 Calculation Periods and the denominator of which is 360.

"Settlement Date" means (A) the 2nd Business Day after each Monthly Reporting Date, and (B) the last day of the relevant Interest Period in respect of each Loan of the applicable Liquidity Banks.

"Settlement Period" means (A) in respect of each Loan of a Conduit, the immediately preceding Calculation Period, and (B) in respect of each Loan of the applicable Liquidity Banks, the entire Interest Period of such Loan.

"STCM" means SunTrust Capital Markets, Inc., a Tennessee corporation, and its successors and assigns.

"Subordinated Note" means the Amended and Restated Subordinated Note dated as of the date hereof issued by the Borrower in favor of Mohawk Resources, which amends and restates the Subordinated Note dated October 25, 2000 issued by Borrower in favor of Mohawk Resources.

"Subsidiary" of a Person means (i) any corporation more than 50% of the outstanding securities having ordinary voting power of which shall at the time be owned or controlled, directly or indirectly, by such Person or by one or more of its Subsidiaries or by such Person and one or more of its Subsidiaries, or (ii) any partnership, association, limited liability company, joint venture or similar business organization more than 50% of the ownership interests having ordinary voting power of which shall at the time be so owned or controlled.

"Tax Code" means the Internal Revenue Code of 1986, as the same may be amended from time to time.

"Terminating Tranche" has the meaning set forth in Section 4.3(b).

"TPFC" has the meaning set forth in the preamble to this Agreement.

"TPFC Agent" has the meaning set forth in the preamble to this Agreement.

"TPFC Commercial Paper Rate" means, for any CP Tranche Period of TPFC, a rate *per annum* equal to the sum of (i) the rate or, if more than one rate, the weighted average of the rates, determined by converting to an interest-bearing equivalent rate *per annum* the discount rate (or rates) at which TPFC's Related Commercial Paper outstanding during such CP Tranche Period has been or may be sold by any placement agent or commercial paper dealer selected by the TPFC Agent, plus (ii) the commissions and charges charged by such placement agent or commercial paper dealer with respect to such Related Commercial Paper, expressed as a percentage of the face amount thereof and converted to an interest-bearing equivalent rate *per annum*.

"TPFC Group" has the meaning set forth in the preamble to this Agreement.

"TPFC Liquidity Agreement" means that certain liquidity asset purchase agreement dated as of the date hereof by and among TPFC, the TPFC Liquidity Banks and STCM, as TPFC Agent and liquidity agent, as the same may be amended, restated and/or otherwise modified from time to time.

"TPFC Liquidity Banks" means SunTrust Bank and its successors and assigns under the TPFC Liquidity Agreement.

"Transaction Documents" means, collectively, this Agreement, each Borrowing Notice, the Receivables Sale Agreement, the Subordinated Note, the Servicing Agreement, each Collection Account Agreement, the Performance Undertaking, the Fee Letter and each Monthly Report.

"UCC" means the Uniform Commercial Code as from time to time in effect in the specified jurisdiction.

"Unmatured Amortization Event" means an event which, with the passage of time or the giving of notice, or both, would constitute an Amortization Event.

"Wachovia" means Wachovia Bank, National Association in its individual capacity and its capacity as a Co-Agent and as Administrative Agent.

"Weighted Average Credit Percentage" means, on any date of determination, the percentage determined pursuant to the following formula:

$$100\% \times \frac{\text{WACT}}{30}$$

where:

WACT= the Weighted Average Credit Terms for the most recent Calculation Period.

"Weighted Average Credit Terms" means, for any Calculation Period of determination, the weighted average of payment terms granted in invoices for Receivables generated during such Calculation Period.

All accounting terms not specifically defined herein shall be construed in accordance with GAAP. All terms used in Article 9 of the UCC in the State of Georgia, and not specifically defined herein, are used herein as defined in such Article 9.

EXHIBIT II
FORM OF BORROWING NOTICE

Mohawk Factoring, Inc.

BORROWING NOTICE

dated _____, 20__

for Borrowing on _____, 20__

[Applicable Co-Agent]

Attention: [_____]

Ladies and Gentlemen:

Reference is made to the Amended and Restated Credit and Security Agreement dated as of August 4, 2003 (as amended, supplemented or otherwise modified from time to time, the "**Credit Agreement**") among Mohawk Factoring, Inc. (the "**Borrower**"), Mohawk Servicing, Inc., as initial Servicer, Blue Ridge Asset Funding Corporation, Three Pillars Funding Corporation, each other Conduit party from time to time thereto, SunTrust Capital Markets, Inc., individually and as co-agent and Wachovia Bank National Association, individually, as co-agent, each other co-agent from time to time party thereto and as Administrative Agent for the Agents and the Lenders. Capitalized terms defined in the Credit Agreement are used herein with the same meanings.

1. The Borrower hereby certifies, represents and warrants to the Agents and the Lenders that on and as of the Borrowing Date (as hereinafter defined):

- (a) all applicable conditions precedent set forth in Article VI of the Credit Agreement have been satisfied;
- (b) each of its representations and warranties contained in Section 5.1 of the Credit Agreement will be true and correct, in all material respects, as if made on and as of the Borrowing Date (except to the extent such representation or warranty expressly relates to an earlier date);
- (c) no event will have occurred and is continuing, or would result from the requested Advance, that constitutes an Amortization Event or Unmatured Amortization Event;
- (d) the Facility Termination Date has not occurred; and

(e) after giving effect to the Loans comprising the Advance requested below, the Aggregate Principal will not exceed the Borrowing Limit.

2. The Borrower hereby requests that the Conduits (or their respective Liquidity Banks) make an Advance on _____, 20__ (the "**Borrowing Date**") as follows:

(a) Aggregate Amount of Advance: \$ _____

(i) Blue Ridge Group's Percentage of Advance: \$ _____

(ii) TPFC Group's Percentage of Advance: \$ _____

(iii) [Other Group's Percentage of Advance: \$ _____]

(b) If the Advance is not funded by the applicable Conduits, Borrower requests that the Liquidity Banks for such Conduit's Group make an Alternate Base Rate Loan that converts into LIBO Rate Loan with an Interest Period of ____ months on the third Business Day after the Borrowing Date).

3. Please disburse the proceeds of the Loans as follows:

(i) Blue Ridge Group: [Apply \$ _____ to payment of principal and interest of existing Loans due on the Borrowing Date]. [Apply \$ _____ to payment of fees due on the Borrowing Date]. [Wire transfer \$ _____ to account no. _____ at _____ Bank, in [city, state], ABA No. _____, Reference: _____].

(ii) TPFC Group: [Apply \$ _____ to payment of principal and interest of existing Loans due on the Borrowing Date]. [Apply \$ _____ to payment of fees due on the Borrowing Date]. [Wire transfer \$ _____ to account no. _____ at _____ Bank, in [city, state], ABA No. _____, Reference: _____].

(iii) [Other Group]: [Apply \$ _____ to payment of principal and interest of existing Loans due on the Borrowing Date]. [Apply \$ _____ to payment of fees due on the Borrowing Date]. [Wire transfer \$ _____ to account no. _____ at _____ Bank, in [city, state], ABA No. _____, Reference: _____].

IN WITNESS WHEREOF, the Borrower has caused this Borrowing Request to be executed and delivered as of this ____ day of _____, _____.

MOHAWK FACTORING, INC., as Borrower

By: _____

Name:

Title:

EXHIBIT III

PLACES OF BUSINESS OF THE LOAN PARTIES; LOCATIONS OF RECORDS; FEDERAL EMPLOYER IDENTIFICATION NUMBER(S)
ORGANIZATIONAL IDENTIFICATION NUMBER

Places of Business and Location of Collection Records:

Mohawk Factoring, Inc.

300 Delaware Ave.

Suite 1273 C

Wilmington, DE 19801

Mohawk Servicing, Inc

235 Industrial Blvd.

Chatsworth, GA 30705

Mohawk Servicing, Inc.

160 S. Industrial Blvd.

Calhoun, GA 30703

Federal Employer Identification Number:

Mohawk Factoring, Inc.:

FEI #62-1719971

Organizational Identification Numbers:

Mohawk Factoring, Inc.: 2814276

Legal, Trade and Assumed Names:

Mohawk Servicing Inc.:

none

Mohawk Factoring, Inc.:

none

EXHIBIT IV

NAMES OF COLLECTION BANKS; COLLECTION ACCOUNTS

<p>-</p> <p><u>BORROWER'S</u></p> <p><u>LOCK-BOX</u></p>	<p>-</p> <p><u>RELATED COLLECTION ACCOUNT OF</u></p> <p><u>BORROWER</u></p>

EXHIBIT V

FORM OF COMPLIANCE CERTIFICATE

To: Wachovia Bank, National Association, as Administrative Agent

This Compliance Certificate is furnished pursuant to that certain Amended and Restated Credit and Security Agreement dated as of August 4, 2003 among Mohawk Factoring, Inc. (the "**Borrower**"), Mohawk Servicing, Inc. (the "**Servicer**"), the Lenders party thereto, the Co-Agents party thereto and Wachovia Bank, National Association, as administrative agent for such Co-Agents and such Lenders (the "**Agreement**").

THE UNDERSIGNED HEREBY CERTIFIES THAT:

1. I am the duly elected _____ and, accordingly, a Responsible Financial Officer, of Borrower.
2. I have reviewed the terms of the Agreement and I have made, or have caused to be made under my supervision, a detailed review of the transactions and conditions of Borrower and its Subsidiaries during the accounting period covered by the attached financial statements.
3. The examinations described in paragraph 2 did not disclose, and I have no knowledge of, the existence of any condition or event which constitutes an Amortization Event or Unmatured Amortization Event, as each such term is defined under the Agreement, during or at the end of the accounting period covered by the attached financial statements or as of the date of this Certificate[, except as set forth in paragraph 5 below].
4. Schedule I attached hereto sets forth financial data and computations evidencing the compliance with certain covenants of the Agreement, all of which data and computations are true, complete and correct.
- [5. Described below are the exceptions, if any, to paragraph 3 by listing, in detail, the nature of the condition or event, the period during which it has existed and the action which Borrower has taken, is taking, or proposes to take with respect to each such condition or event:
_____]

The foregoing certifications, together with the computations set forth in Schedule I hereto and the financial statements delivered with this Certificate in support hereof, are made and delivered as of _____, 20__.

By: _____

Name:

Title:

SCHEDULE I TO COMPLIANCE CERTIFICATE

A. Schedule of Compliance as of _____, ____ with Section ____ of the Agreement. Unless otherwise defined herein, the terms used in this Compliance Certificate have the meanings ascribed thereto in the Agreement.

This schedule relates to the month ended: _____

EXHIBIT VI
FORM OF COLLECTION ACCOUNT AGREEMENT
COLLECTION ACCOUNT AGREEMENT

_____, 200__

ANNEX A

FORM OF NOTICE

[On letterhead of the Administrative Agent]

[Date]

[Collection Bank Name]

[Collection Bank Address]

Attn: _____

Fax No. (____) _____

Re: [Name of current lockbox owner]/Mohawk Factoring, Inc.

Ladies and Gentlemen:

We hereby notify you that we are exercising our rights pursuant to that certain letter agreement dated _____, 200__ (the "Letter Agreement") among [Name of current Lockbox Owner], Mohawk Factoring, Inc., you and us, to have the name of, and to have exclusive ownership and control of, account no. _____ identified in the Letter Agreement (the "Lock-Box Account") maintained with you, transferred to us. The Lock-Box Account will henceforth be a zero-balance account, and funds deposited in the Lock-Box Account should be sent at the end of each day to the account specified in Section 3(i) of the Letter Agreement, or as otherwise directed by the undersigned. You have further agreed to perform all other services you are performing under the "Service Agreement" (as defined in the Letter Agreement) on our behalf.

We appreciate your cooperation in this matter.

Very truly yours,

WACHOVIA BANK, NATIONAL ASSOCIATION,

as Administrative Agent

By: _____

Title:

CC: Mohawk Factoring, Inc.

SCHEDULE 1

Lock-Box Post Office Address

EXHIBIT VII

FORM OF ASSIGNMENT AGREEMENT

THIS ASSIGNMENT AGREEMENT (this "**Assignment Agreement**") is entered into as of the ____ day of _____, _____, by and between _____ ("**Assignor**") and _____ ("**Assignee**").

PRELIMINARY STATEMENTS

A. This Assignment Agreement is being executed and delivered in accordance with Section 12.1(b) of that certain Amended and Restated Credit and Security Agreement dated as of August 4, 2003 by and among Mohawk Factoring, Inc., as Borrower, Mohawk Servicing, Inc., as Servicer, Blue Ridge Asset Funding Corporation, Three Pillars Funding Corporation, the other conduits from time to time party thereto, SunTrust Bank, as an agent, the other administrative agents from time to time party thereto, Wachovia Bank, National Association, as an agent and as Administrative Agent, and the Liquidity Banks party thereto (as amended, modified or restated from time to time, the "**Credit and Security Agreement**") and that applicable Liquidity Agreement. Capitalized terms used and not otherwise defined herein are used with the meanings set forth or incorporated by reference in the Credit and Security Agreement.

B. Assignor is a Liquidity Bank party to the Credit and Security Agreement and its Liquidity Agreement, and Assignee wishes to become a Liquidity Bank thereunder; and

C. Assignor is selling and assigning to Assignee an undivided _____% (the "**Transferred Percentage**") interest in all of Assignor's rights and obligations under the Transaction Documents and its Liquidity Agreement, including, without limitation, Assignor's Commitment, Assignor's Liquidity Commitment and (if applicable) Assignor's Loans as set forth herein.

AGREEMENT

The parties hereto hereby agree as follows:

1. The sale, transfer and assignment effected by this Assignment Agreement shall become effective (the "**Effective Date**") two (2) Business Days (or such other date selected by the Agent in its sole discretion) following the date on which a notice substantially in the form of Schedule II to this Assignment Agreement ("**Effective Notice**") is delivered by the applicable Co-Agent to the Conduit in the Assignor's Conduit Group, Assignor and Assignee. From and after the Effective Date, Assignee shall be a Liquidity Bank party to the Credit and Security Agreement for all purposes thereof as if Assignee were an original party thereto and Assignee agrees to be bound by all of the terms and provisions contained therein.

2. If Assignor has no outstanding principal under the Credit and Security Agreement or its Liquidity Agreement, on the Effective Date, Assignor shall be deemed to have hereby transferred and assigned to Assignee, without recourse, representation or warranty (except as provided in paragraph 6 below), and the Assignee shall be deemed to have hereby irrevocably taken, received and assumed from Assignor, the Transferred Percentage of Assignor's Commitment and Liquidity Commitment and all rights and obligations associated therewith under the terms of the Credit and Security Agreement and its Liquidity Agreement, including, without limitation, the Transferred Percentage of Assignor's future funding obligations under the Credit and Security Agreement and its Liquidity Agreement.

3. If Assignor has any outstanding principal under the Credit and Security Agreement and its Liquidity Agreement, at or before 12:00 noon, local time of Assignor, on the Effective Date Assignee shall pay to Assignor, in immediately available funds, an amount equal to the sum of (i) the Transferred Percentage of the outstanding principal of Assignor's Loans and, without duplication, [Assignor's Percentage Interests] (as defined in its Liquidity Agreement) (such amount, being hereinafter referred to as the "**Assignee's Principal**"); (ii) all accrued but unpaid (whether or not then due) Interest attributable to Assignee's Principal; and (iii) accruing but unpaid fees and other costs and expenses payable in respect of Assignee's Principal for the period commencing upon each date such unpaid amounts commence accruing, to and including the Effective Date (the "**Assignee's Acquisition Cost**"); whereupon, Assignor shall be deemed to have sold, transferred and assigned to Assignee, without recourse, representation or warranty (except as provided in paragraph 6 below), and Assignee shall be deemed to have hereby irrevocably taken, received and assumed from Assignor, the Transferred Percentage of Assignor's Commitment, Liquidity Commitment, Loans (if applicable) and Percentage Interests (if applicable) and all related rights and obligations under the Transaction Documents and its Liquidity Agreement, including, without limitation, the Transferred Percentage of Assignor's future funding obligations under the Credit and Security Agreement and its Liquidity Agreement.

4. Concurrently with the execution and delivery hereof, Assignor will provide to Assignee copies of all documents requested by Assignee which were delivered to Assignor pursuant to the Credit and Security Agreement or its Liquidity Agreement.

5. Each of the parties to this Assignment Agreement agrees that at any time and from time to time upon the written request of any other party, it will execute and deliver such further documents and do such further acts and things as such other party may reasonably request in order to effect the purposes of this Assignment Agreement.

6. By executing and delivering this Assignment Agreement, Assignor and Assignee confirm to and agree with each other, the Agent and the Liquidity Banks as follows: (a) other than the representation and warranty that it has not created any Adverse Claim upon any interest being transferred hereunder, Assignor makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made by any other Person in or in connection with any of the Transaction Documents or its Liquidity Agreement or the execution, legality, validity, enforceability, genuineness, sufficiency or value of Assignee, the Credit and Security Agreement, its Liquidity Agreement or any other instrument or document furnished pursuant thereto or the perfection, priority, condition, value or sufficiency of any Collateral; (b) Assignor makes no representation or warranty and assumes no responsibility with respect to the financial condition of Borrower, any Obligor, any Affiliate of Borrower or the performance or observance by Borrower, any Obligor, any Affiliate of Borrower of any of their respective obligations under the Transaction Documents or any other instrument or document furnished pursuant thereto or in connection therewith; (c) Assignee confirms that it has received a copy of each of the Transaction Documents and its Liquidity Agreement, and other documents and information as it has requested and deemed appropriate to make its own credit analysis and decision to enter into this Assignment Agreement; (d) Assignee will, independently and without reliance upon the Agent, Blue Ridge, Borrower or any other Liquidity Bank or Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Transaction Documents and its Liquidity Agreement; (e) Assignee appoints and authorizes the Agent to take such action as agent on its behalf and to exercise such powers under the Transaction Documents and the Liquidity Agreement as are delegated to the Agent by the terms thereof, together with such powers as are reasonably incidental thereto; and (f) Assignee agrees that it will perform in accordance with their terms all of the obligations which, by the terms of its Liquidity Agreement, the Credit and Security Agreement and the other Transaction Documents, are required to be performed by it as a Liquidity Bank or, when applicable, as a Lender.

7. Each party hereto represents and warrants to and agrees with the Agent that it is aware of and will comply with the provisions of the Credit and Security Agreement, including, without limitation, Sections 14.5 and 14.6 thereof.

8. Schedule I hereto sets forth the revised Commitment and Liquidity Commitment of Assignor and the Commitment and Liquidity Commitment of Assignee, as well as administrative information with respect to Assignee.

9. THIS ASSIGNMENT AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF GEORGIA.

10. Assignee hereby covenants and agrees that, prior to the date which is one year and one day after the payment in full of all senior indebtedness for borrowed money of the Conduit in the Assignor's Conduit Group, it will not institute against, or join any other Person in instituting against, such Conduit any bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings or other similar proceeding under the laws of the United States or any state of the United States.

IN WITNESS WHEREOF, the parties hereto have caused this Assignment Agreement to be executed by their respective duly authorized officers of the date hereof.

[ASSIGNOR]

By: _____

Title:

[ASSIGNEE]

By: _____

Title:

SCHEDULE I TO ASSIGNMENT AGREEMENT

**LIST OF LENDING OFFICES, ADDRESSES
FOR NOTICES AND COMMITMENT AMOUNTS**

Date: _____, _____

Transferred Percentage: _____%

	A-1	A-2	B-1	B-2	C-1	C-2
Assignor	Commitment (prior to giving effect to the Assignment Agreement)	Commitment (after giving effect to the Assignment Agreement)	Outstanding principal (if any)	Ratable Share of Outstanding principal	Liquidity Commitment (prior to giving effect to the Assignment Agreement)	Liquidity Commitment (after giving effect to the Assignment Agreement)
	A-1	A-2	B-1	B-2	C-1	C-2
Assignee	Commitment (prior to giving effect to the Assignment Agreement)	Commitment (after giving effect to the Assignment Agreement)	Outstanding principal (if any)	Ratable Share of Outstanding principal	Liquidity Commitment (prior to giving effect to the Assignment Agreement)	Liquidity Commitment (after giving effect to the Assignment Agreement)

Address for Notices

Attention:

Phone:

Fax:

SCHEDULE II TO ASSIGNMENT AGREEMENT

EFFECTIVE NOTICE

TO: _____, Assignor

TO: _____, Assignee

The undersigned, as Administrative Agent under the Amended and Restated Credit and Security Agreement dated as of August 4, 2003 by and among Mohawk Factoring, Inc., a Delaware corporation, Mohawk Servicing, Inc., as Servicer, Blue Ridge Asset Funding Corporation, Three Pillars Funding Corporation, the other conduits party from time to time thereto, SunTrust Capital Markets, Inc., as a Co-Agent, the other administrative agents party from time to time thereof as an agent, Wachovia Bank, National Association, as an agent and as Administrative Agent, and the Liquidity Banks party thereto, hereby acknowledges receipt of executed counterparts of a completed Assignment Agreement dated as of _____, 200__ between _____, as Assignor, and _____, as Assignee. Terms defined in such Assignment Agreement are used herein as therein defined.

1. Pursuant to such Assignment Agreement, you are advised that the Effective Date will be _____, _____.
2. Each of the undersigned hereby consents to the Assignment Agreement as required by Section 12.1(b) of the Credit and Security Agreement.
- [3. Pursuant to such Assignment Agreement, the Assignee is required to pay \$ _____ to Assignor at or before 12:00 noon (local time of Assignor) on the Effective Date in immediately available funds.]

Very truly yours,

WACHOVIA BANK, NATIONAL ASSOCIATION, as Administrative Agent

By: _____

Title: _____

BLUE RIDGE ASSET FUNDING CORPORATION

By: *Wachovia Capital Markets, LLC, its attorney-in-fact*

By: _____
Name:

Title:

******[Borrower hereby consents to the foregoing assignment:**

[MOHAWK FACTORING, INC.]

By: _____
Name:

Title:****

EXHIBIT VIII

CREDIT AND COLLECTION POLICY

See Exhibit V to Receivables Sale Agreement

EXHIBIT IX

FORM OF MONTHLY REPORT

[see attached]

EXHIBIT X

FORM OF AMENDED AND RESTATED PERFORMANCE UNDERTAKING

This AMENDED AND RESTATED Performance Undertaking (this "**Undertaking**"), dated as of August 4, 2003, is executed by Mohawk Industries, Inc., a Delaware corporation (the "**Performance Guarantor**") in favor of Mohawk Factoring, Inc., a Delaware corporation (together with its successors and assigns, "**Recipient**").

RECITALS

1. Mohawk Carpet Distribution, LP, a Delaware limited partnership and Dal-Tile Corporation, a Delaware corporation (collectively, together with any other "Originator" under the Sale Agreement referred to below, as the "**Originators**"), and Recipient have entered into an Amended and Restated Receivables Purchase and Sale Agreement, dated as of the date hereof (as amended, restated or otherwise modified from time to time, the "**Sale Agreement**"), pursuant to which Originators, subject to the terms and conditions contained therein, are selling and/or contributing their respective right, title and interest in their accounts receivable to Recipient.
2. Recipient, Mohawk Servicing, Inc., a Delaware corporation ("**Mohawk Servicing**"), Blue Ridge Asset Funding Corporation ("**Blue Ridge**"), Three Pillars Funding Corporation ("**Three Pillars**"), the other Conduits from time to time party thereto, the Liquidity Banks from time to time party thereto, SunTrust Capital Markets, Inc, as agent for Three Pillars and its liquidity banks, the other administrative agents from time to time party thereto and Wachovia Bank, National Association, as agent for Blue Ridge and its liquidity banks and as Administrative Agent, have entered into a Credit and Security Agreement, dated as of the date hereof (as amended, restated or otherwise modified from time to time, the "**Credit and Security Agreement**"), pursuant to which Blue Ridge, Three Pillars, the other Conduits and/or the Liquidity Banks, subject to the terms and conditions contained therein, may make loans to Recipient.
3. Recipient has requested that Mohawk Servicing act as servicer for the accounts receivable described above.
4. Performance Guarantor owns, directly or indirectly, one hundred percent (100%) of the capital stock of each of the Originators and Recipient, and each of the Originators, and accordingly, Performance Guarantor, is expected to receive substantial direct and indirect benefits from their sale or contribution of receivables to Recipient pursuant to the Sale Agreement (which benefits are hereby acknowledged) and the loans made to Recipient pursuant to the Credit and Security Agreement (which benefits are hereby acknowledged).
5. As an inducement for Agents and the Lenders to make loans to Recipient pursuant to the Credit and Security Agreement and for Agents and Lenders to appoint Mohawk Servicing as Servicer pursuant to the Credit and Security Agreement, Performance Guarantor has agreed to guaranty (a) the due and punctual performance by the Originators under the Sale Agreement, (b) the due and punctual performance by Mohawk Servicing of its servicing duties under the Credit and Security Agreement, and (c) the due and punctual payment of any Demand Advance by Mohawk Carpet and/or Mohawk Resources.

6. Performance Guarantor wishes to guaranty the due and punctual performance of the above-described obligations, as provided herein.

AGREEMENT

NOW, THEREFORE, Performance Guarantor hereby agrees as follows:

Section 1. Definitions. Capitalized terms used herein and not defined herein shall have the respective meanings assigned thereto in the Credit and Security Agreement. In addition:

"Agreements" means the Sale Agreement and the Credit and Security Agreement.

"Servicing Agreement" has the meaning provided in the Credit and Security Agreement.

"Guaranteed Obligations" means, collectively, (a) all covenants, agreements, terms, conditions and indemnities to be performed and observed by the Originators solely in their capacity as "Originators" under the Sale Agreement, including, without limitation, in each of the foregoing cases, the due and punctual payment of all sums which are or may become due and owing by any such Originator in its capacity as a seller under the Sale Agreement, whether for fees, expenses (including actual and reasonable counsel fees), indemnified amounts or otherwise, whether upon any termination or for any other reason, (b) all obligations of each of Mohawk Carpet and Mohawk Resources to repay any Demand Advance owing by it, and (c) all obligations of Mohawk Servicing as Servicer under the Credit and Security Agreement and the Servicing Agreement or which arise pursuant to Sections 8.2, 8.3 or 14.4(a) of the Credit and Security Agreement as a result of its termination as Servicer.

Section 2. Guaranty of Performance of Guaranteed Obligations. Performance Guarantor hereby guarantees to Recipient, the full and punctual payment and performance of the Guaranteed Obligations incurred prior to the earlier of (i) the time such Servicing Agreement is terminated or (ii) the time Mohawk Servicing or an Affiliate thereof is no longer the Servicer under the Servicing Agreement. This Undertaking is an absolute, unconditional and continuing guaranty of the full and punctual performance of all Guaranteed Obligations of Mohawk Servicing and is in no way conditioned upon any requirement that Recipient first attempt to collect any amounts owing by Mohawk Servicing to Recipient, the Agents or the Lenders from any other Person or resort to any collateral security, any balance of any deposit account or credit on the books of Recipient, the Agents or any Lender in favor of Mohawk Servicing or any other Person or other means of obtaining payment. Should Mohawk Servicing default in the performance of any of its Guaranteed Obligations, Recipient (or its assigns) may cause the immediate performance by Performance Guarantor of the Guaranteed Obligations and cause any payment Guaranteed Obligations to become forthwith due and payable to Recipient, without demand or notice of any nature (other than as expressly provided herein or in any other Transaction Document), all of which are hereby expressly waived by Performance Guarantor. Notwithstanding the foregoing, this Undertaking is not a guarantee of the collection of any of the Receivables and Performance Guarantor shall not be responsible for any Guaranteed Obligations to the extent the failure results from Receivables being uncollectible on account of the insolvency, bankruptcy or lack of creditworthiness of the related Obligor.

Section 3. Performance Guarantor's Further Agreements to Pay. Performance Guarantor further agrees, as the principal obligor and not as a guarantor only, to pay to Recipient (and its assigns), forthwith upon demand in funds immediately available to Recipient, all reasonable costs and expenses (including court costs and reasonable legal expenses) actually incurred or expended by Recipient in connection with the Guaranteed Obligations, this Undertaking and the enforcement thereof, together with interest on amounts recoverable under this Undertaking from the time when such amounts become due until payment, at a rate of interest (computed for the actual number of days elapsed based on a 360 day year) equal to the Prime Rate plus 2% *per annum*, such rate of interest changing when and as the Prime Rate changes.

Section 4. Waivers by Performance Guarantor. Performance Guarantor waives notice of acceptance of this Undertaking, notice of any action taken or omitted by Recipient (or its assigns) in reliance on this Undertaking, and any requirement that Recipient (or its assigns) be diligent or prompt in making demands under this Undertaking, giving notice of any Termination Event, Amortization Event, other default or omission by Mohawk Servicing or asserting any other rights of Recipient under this Undertaking. Performance Guarantor warrants that it has adequate means to obtain from Mohawk Servicing, on a continuing basis, information concerning the financial condition of Mohawk Servicing, and that it is not relying on Recipient to provide such information, now or in the future. Performance Guarantor also irrevocably waives all defenses (i) that at any time may be available in respect of the Guaranteed Obligations by virtue of any statute of limitations, valuation, stay, moratorium law or other similar law now or hereafter in effect or (ii) that arise under the law of suretyship, including impairment of collateral. Recipient (and its assigns) shall be at liberty, without giving notice to or obtaining the assent of Performance Guarantor and without relieving Performance Guarantor of any liability under this Undertaking, to deal with Mohawk Servicing and with each other party who now is or becomes liable in any manner for any of the Guaranteed Obligations, in such manner as Recipient in its sole discretion deems fit, and to this end, Performance Guarantor agrees that the validity and enforceability of this Undertaking, including without limitation, the provisions of Section 7 hereof, shall not be impaired or affected by any of the following: (a) any extension, modification or renewal of, or indulgence with respect to, or substitutions for, the Guaranteed Obligations or any part thereof or any agreement relating thereto at any time; (b) any failure or omission to enforce any right, power or remedy with respect to the Guaranteed Obligations or any part thereof or any agreement relating thereto; (c) any waiver of any right, power or remedy or of any Termination Event, Amortization Event, or default with respect to the Guaranteed Obligations or any part thereof or any agreement relating thereto; (d) the enforceability or validity of the Guaranteed Obligations or any part thereof or the genuineness, enforceability or validity of any agreement relating thereto or with respect to the Guaranteed Obligations or any part thereof; (e) the existence of any claim, setoff or other rights which Performance Guarantor may have at any time against Mohawk Servicing in connection herewith or any unrelated transaction; or (f) any failure on the part of Mohawk Servicing to perform or comply with any term of the Guaranteed Obligations whether or not Performance Guarantor shall have had notice or knowledge of any act or omission referred to in the foregoing clauses (a) through (f) of this Section 4.

Section 5. Unenforceability of Guaranteed Obligations Against Mohawk Servicing. Notwithstanding (a) any change of ownership of Mohawk Servicing or the insolvency, bankruptcy or any other change in the legal status of Mohawk Servicing; (b) the change in or the imposition of any law, decree, regulation or other governmental act which does or might impair, delay or in any way affect the validity, enforceability or the payment when due of the Guaranteed Obligations; (c) the failure of Mohawk Servicing or Performance Guarantor to maintain in full force, validity or effect or to obtain or renew when required all governmental and other approvals, licenses or consents required in connection with the Guaranteed Obligations or this Undertaking, or to take any other action required in connection with the performance of all obligations pursuant to the Guaranteed Obligations or this Undertaking; or (d) if any of the moneys included in the Guaranteed Obligations have become irrecoverable from Mohawk Servicing for any other reason other than final payment in full of the payment Guaranteed Obligations in accordance with their terms, this Undertaking shall nevertheless be binding on Performance Guarantor. This Undertaking shall be in addition to any other guaranty or other security for the Guaranteed Obligations, and it shall not be rendered unenforceable by the invalidity of any such other guaranty or security. In the event that acceleration of the time for payment of any of the Guaranteed Obligations is stayed upon the insolvency, bankruptcy or reorganization of Mohawk Servicing or for any other reason with respect to Mohawk Servicing, all such amounts then due and owing with respect to the Guaranteed Obligations under the terms of the Agreements, or any other agreement evidencing, securing or otherwise executed in connection with the Guaranteed Obligations, shall be immediately due and payable by Performance Guarantor.

Section 6. Representations and Warranties. Performance Guarantor hereby represents and warrants to Recipient that:

(a) Existence and Standing. Performance Guarantor is a corporation duly organized, validly existing and in good standing under the laws of its state of incorporation. Performance Guarantor is duly qualified to do business and is in good standing as a foreign corporation, and has and holds all corporate power and all governmental licenses, authorizations, consents and approvals required to carry on its business in each jurisdiction in which its business is conducted except where the failure to so qualify or so hold could not reasonably be expected to have a Material Adverse Effect.

(b) Authorization, Execution and Delivery; Binding Effect. The execution and delivery by Performance Guarantor of this Undertaking, and the performance of its obligations hereunder, are within its corporate powers and authority and have been duly authorized by all necessary corporate action on its part. This Undertaking has been duly executed and delivered by Performance Guarantor. This Undertaking constitutes the legal, valid and binding obligation of Performance Guarantor enforceable against Performance Guarantor in accordance with its respective terms, except as such enforcement may be limited by applicable bankruptcy, insolvency, reorganization or other similar laws relating to or limiting creditors' rights generally and by general principles of equity (regardless of whether enforcement is sought in a proceeding in equity or at law).

(c) No Conflict; Government Consent. The execution and delivery by Performance Guarantor of this Undertaking, and the performance of its obligations hereunder do not contravene or violate (i) its certificate or articles of incorporation or by-laws, (ii) any law, rule or regulation applicable to it, (iii) any restrictions under any agreement, contract or instrument to which it is a party or by which it or any of its property is bound, or (iv) any order, writ, judgment, award, injunction or decree binding on or affecting it or its property, and do not result in the creation or imposition of any Adverse Claim on assets of Performance Guarantor (except as created hereunder) except, in any case, where such contravention or violation could not reasonably be expected to have a Material Adverse Effect.

(d) Financial Statements. The consolidated financial statements of Performance Guarantor and its consolidated Subsidiaries dated as of December 31, 2001 and December 31, 2002 heretofore delivered to Recipient have been prepared in accordance with generally accepted accounting principles consistently applied and fairly present in all material respects the consolidated financial condition and results of operations of Performance Guarantor and its consolidated Subsidiaries as of such dates and for the periods ended on such dates. Since the later of (i) December 31, 2002 and (ii) the last time this representation was made or deemed made, no event has occurred which would or is reasonably likely to have a Material Adverse Effect.

Section 7. Subrogation; Subordination. Notwithstanding anything to the contrary contained herein, until the Guaranteed Obligations are paid in full Performance Guarantor: (a) will not enforce or otherwise exercise any right of subrogation to any of the rights of Recipient, the Agent, or any Lender against Mohawk Servicing and (b) will not claim any setoff, recoupment or counterclaim against Mohawk Servicing in respect of any liability of Performance Guarantor to Mohawk Servicing. The payment of any amounts due with respect to any indebtedness of Mohawk Servicing now or hereafter owed to Performance Guarantor is hereby subordinated to the prior payment in full of all of the Guaranteed Obligations. Performance Guarantor agrees that, after the occurrence of any default in the payment or performance of any of the Guaranteed Obligations, Performance Guarantor will not demand, sue for or otherwise attempt to collect any such indebtedness of Mohawk Servicing to Performance Guarantor until all of the Guaranteed Obligations shall have been paid and performed in full. If, notwithstanding the foregoing sentence, Performance Guarantor shall collect, enforce or receive any amounts in respect of such indebtedness while any Obligations are still unperformed or outstanding, such amounts shall be collected, enforced and received by Performance Guarantor as trustee for Recipient (and its assigns) and be paid over to Recipient (or its assigns) on account of the Guaranteed Obligations without affecting in any manner the liability of Performance Guarantor under the other provisions of this Undertaking. The provisions of this Section 7 shall be supplemental to and not in derogation of any rights and remedies of Recipient under any separate subordination agreement which Recipient may at any time and from time to time enter into with Performance Guarantor.

Section 8. Termination of Performance Undertaking. Performance Guarantor's obligations hereunder shall continue in full force and effect until the earlier to occur of (i) the time such Servicing Agreement is terminated, or (ii) the time Mohawk Servicing is no longer the Servicer under the Servicing Agreement and the Credit and Security Agreement, except as to the Guaranteed Obligations incurred prior to such date which remain unsatisfied. No invalidity, irregularity or unenforceability by reason of the federal bankruptcy code or any insolvency or other similar law, or any law or order of any government or agency thereof purporting to reduce, amend or otherwise affect the Guaranteed Obligations shall impair, affect, be a defense to or claim against the obligations of Performance Guarantor under this Undertaking.

Section 9. Effect of Bankruptcy. Subject to Sections 2 and 8 hereof, this Performance Undertaking shall survive the insolvency of Mohawk Servicing and the commencement of any case or proceeding by or against Mohawk Servicing under the federal bankruptcy code or other federal, state or other applicable bankruptcy, insolvency or reorganization statutes. No automatic stay under the federal bankruptcy code with respect to Mohawk Servicing or other federal, state or other applicable bankruptcy, insolvency or reorganization statutes to which Mohawk Servicing is subject shall postpone the obligations of Performance Guarantor under this Undertaking.

Section 10. Taxes. All payments to be made by Performance Guarantor hereunder shall be made free and clear of any deduction or withholding. If Performance Guarantor is required by law to make any deduction or withholding on account of tax or otherwise from any such payment, the sum due from it in respect of such payment shall be increased to the extent necessary to ensure that, after the making of such deduction or withholding, Recipient receive a net sum equal to the sum which they would have received had no deduction or withholding been made.

Section 11. Further Assurances. Performance Guarantor agrees that it will from time to time, at the request of Recipient (or its assigns), provide information relating to the business and affairs of Performance Guarantor as Recipient may reasonably request.

Section 12. Successors and Assigns. This Undertaking shall be binding upon Performance Guarantor, its successors and permitted assigns, and shall inure to the benefit of and be enforceable by Recipient and its successors and permitted assigns. Neither party may assign or transfer any of its rights or obligations hereunder without the prior written consent of each of Recipient and each Agent; **provided, however**, that Performance Guarantor hereby acknowledges and consents to Recipient's grant of a security interest in this Undertaking to Administrative Agent for the benefit of Lenders.

Section 13. Amendments and Waivers. No amendment or waiver of any provision of this Undertaking nor consent to any departure by Performance Guarantor therefrom shall be effective unless the same shall be in writing and signed by Recipient, the Agents and Performance Guarantor. No failure on the part of Recipient to exercise, and no delay in exercising, any right hereunder shall operate as a waiver thereof; nor shall any single or partial exercise of any right hereunder preclude any other or further exercise thereof or the exercise of any other right.

Section 14. Notices. All notices and other communications provided for hereunder shall be made in writing and shall be addressed as follows: if to Performance Guarantor, at the address set forth beneath its signature hereto, and if to Recipient, at the addresses set forth beneath its signature hereto, or at such other addresses as each of Performance Guarantor or any Recipient may designate in writing to the other. Any notice by any party to the other must include a copy to the Administrative Agent at the address specified in the Credit and Security Agreement. Each such notice or other communication shall be effective (1) if given by telecopy, upon the receipt thereof, (2) if given by mail, three (3) Business Days after the time such communication is deposited in the mail with first class postage prepaid or (3) if given by any other means, when received at the address specified in this Section 14.

Section 15. GOVERNING LAW. THIS UNDERTAKING SHALL BE CONSTRUED IN ACCORDANCE WITH THE INTERNAL LAWS (AND NOT THE LAW OF CONFLICTS) OF THE STATE OF GEORGIA.

Section 16. CONSENT TO JURISDICTION. EACH OF PERFORMANCE GUARANTOR AND RECIPIENT HEREBY IRREVOCABLY SUBMITS TO THE NON-EXCLUSIVE JURISDICTION OF ANY UNITED STATES FEDERAL OR GEORGIA STATE COURT SITTING IN FULTON COUNTY, GEORGIA IN ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS UNDERTAKING, THE AGREEMENTS OR ANY OTHER DOCUMENT EXECUTED IN CONNECTION THEREWITH OR DELIVERED THEREUNDER AND EACH OF THE PERFORMANCE GUARANTOR AND RECIPIENT HEREBY IRREVOCABLY AGREES THAT ALL CLAIMS IN RESPECT OF SUCH ACTION OR PROCEEDING MAY BE HEARD AND DETERMINED IN ANY SUCH COURT AND IRREVOCABLY WAIVES ANY OBJECTION IT MAY NOW OR HEREAFTER HAVE AS TO THE VENUE OF ANY SUCH SUIT, ACTION OR PROCEEDING BROUGHT IN SUCH A COURT OR THAT SUCH COURT IS AN INCONVENIENT FORUM.

Section 18. Bankruptcy Petition. Performance Guarantor hereby covenants and agrees that, prior to the date that is one year and one day after the payment in full of all outstanding senior Indebtedness of Recipient, it will not institute against, or join any other Person in instituting against, Recipient any bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings or other similar proceeding under the laws of the United States or any state of the United States.

Section 19. Miscellaneous. This Undertaking constitutes the entire agreement of Performance Guarantor with respect to the matters set forth herein. The rights and remedies herein provided are cumulative and not exclusive of any remedies provided by law or any other agreement, and this Undertaking shall be in addition to any other guaranty of or collateral security for any of the Guaranteed Obligations. The provisions of this Undertaking are severable, and in any action or proceeding involving any state corporate law, or any state or federal bankruptcy, insolvency, reorganization or other law affecting the rights of creditors generally, if the obligations of Performance Guarantor hereunder would otherwise be held or determined to be avoidable, invalid or unenforceable on account of the amount of Performance Guarantor's liability under this Undertaking, then, notwithstanding any other provision of this Undertaking to the contrary, the amount of such liability shall, without any further action by Performance Guarantor or Recipient, be automatically limited and reduced to the highest amount that is valid and enforceable as determined in such action or proceeding. Any provisions of this Undertaking which are prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction. Unless otherwise specified, references herein to "**Section**" shall mean a reference to sections of this Undertaking.

IN WITNESS WHEREOF, Performance Guarantor has caused this Undertaking to be executed and delivered as of the date first above written.

Mohawk Industries, Inc.

By: _____

Name: Scott R. Veldman

Title: Vice President and Treasurer

Address for Notices: 160 S. Industrial Blvd.

Calhoun, GA 30703

Attn: Scott R. Veldman

Phone: (706) 624-2103

Fax: (706) 624-2052

Acknowledged and Agreed:

MOHAWK FACTORING, INC.

By: _____

Name: Linda Bubacz

Title: Assistant Treasurer and Secretary

Address for Notices: 300 Delaware Avenue

Suite 1273 C

Wilmington, Delaware 19801

Attn: Linda Bubacz

Fax: (302) 552-3128

EXHIBIT XI
FORM OF REDUCTION NOTICE

Mohawk Factoring, Inc.

REDUCTION NOTICE

dated _____, 20__
for reduction on _____, 20__

[Applicable Co-Agent]

Attention: [_____]

Ladies and Gentlemen:

Reference is made to the Amended and Restated Credit and Security Agreement dated as of August 4, 2003 (as amended, supplemented or otherwise modified from time to time, the "**Credit Agreement**") among Mohawk Factoring, Inc. (the "**Borrower**"), Mohawk Servicing, Inc., as initial Servicer, Blue Ridge Asset Funding Corporation, Three Pillars Funding Corporation, each other Conduit party from time to time thereto, SunTrust Capital Markets, Inc., individually and as co-agent and Wachovia Bank, National Association, individually and as co-agent, each other co-agent from time to time party thereto and Wachovia Bank, National Association, as Administrative Agent for the Agents and the Lenders. Capitalized terms defined in the Credit Agreement are used herein with the same meanings.

1. The Borrower hereby certifies, represents and warrants to the Agents and the Lenders that on and as of the Proposed Reduction Date (as hereinafter defined) after giving effect to the Reduction requested below, the Aggregate Principal will not exceed the Borrowing Limit.
2. The Borrower hereby requests that the Conduits (or their respective Liquidity Banks) make a reduction of Aggregate Principal on _____, 20__ (the "**Proposed Reduction Date**") (Notice must be received at least 2 Business Days prior for reduction < \$100,000,000 and at least 5 Business Days prior for reduction \$100,000,000+) as follows:

Aggregate Reduction: \$ _____

(i) Blue Ridge Group's Percentage of such reduction: \$ _____

(ii) TPFC Group's Percentage of such reduction: \$ _____

(iii) [Other Group's Percentage of such reduction: \$ _____]

IN WITNESS WHEREOF, the Borrower has caused this Reduction Notice to be executed and delivered as of this ____ day of _____,
_____.

MOHAWK FACTORING, INC., as Borrower

By: _____

Name:

Title:

SCHEDULE A

COMMITMENTS OF LIQUIDITY BANKS

<u>Blue Ridge Liquidity Banks</u>	<u>Commitment</u>
Wachovia Bank, National Association	\$178,500,000
<u>TPFC Liquidity Banks</u>	<u>Commitment</u>
SunTrust Bank	\$178,500,000

SCHEDULE B

DOCUMENTS TO BE DELIVERED TO THE AGENT

ON OR PRIOR TO THE INITIAL PURCHASE

1. Executed copies of the Credit and Security Agreement, duly executed by the parties thereto.
 2. Executed copy of the Performance Undertaking, duly executed by the Performance Guarantor.
 3. Copy of the Resolutions of the Board of Directors of each Loan Party and Performance Guarantor certified by its Secretary authorizing such Person's execution, delivery and performance of this Agreement and the other documents to be delivered by it hereunder.
 4. Articles or Certificate of Incorporation of each Loan Party and Performance Guarantor certified by the Secretary of State of its jurisdiction of incorporation on or within thirty (30) days prior to the initial Advance.
 5. Good Standing Certificate for each Loan Party and Performance Guarantor issued by the Secretaries of State of its state of incorporation and each jurisdiction where it has material operations, each of which is listed below:
 - a. Borrower: Delaware
 - b. Servicer: Delaware; Georgia
 - c. Performance Guarantor: Delaware; Georgia
 6. A certificate of the Secretary of each Loan Party and Performance Guarantor certifying (i) the names and signatures of the officers authorized on its behalf to execute this Agreement and any other documents to be delivered by it hereunder and (ii) a copy of such Person's By-Laws.
 7. Pre-filing state and federal tax lien, judgment lien and UCC lien searches against each Loan Party from the following jurisdictions:
 - a. Borrower: Delaware; Georgia
 - b. Originators: Georgia
 8. Time stamped receipt copies of proper financing statements, duly filed under the UCC on or before the date of the initial Advance in all jurisdictions as may be necessary or, in the opinion of the Agents, desirable, under the UCC of all appropriate jurisdictions or any comparable law in order to perfect the ownership interests contemplated by this Agreement.
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9. Time stamped receipt copies of proper UCC termination statements, if any, necessary to release all security interests and other rights of any Person in the Receivables, Contracts or Related Security previously granted by Borrower.
10. Executed copies of Collection Account Agreements for each Lock-Box and Collection Account to be delivered not later than 45 days of the first Advance hereunder.
11. A favorable opinion of legal counsel for the Loan Parties and Performance Guarantor reasonably acceptable to the Agents which addresses the following matters and such other matters as the Agents may reasonably request:
- (a) Each of the Loan Parties and Performance Guarantor is a corporation duly organized, validly existing, and in good standing under the laws of the state of where each is organized
 - (b) The execution and delivery by each of the Loan Parties and Performance Guarantor of the Transaction Document to which it is a party and its performance of its obligations thereunder have been duly authorized by all necessary organizational action and proceedings on the part of such entity and will not:
 - (i) require any action by or in respect of, or filing with, any governmental body, agency or official (other than the filing of UCC financing statements);
 - (ii) contravene, or constitute a default under the Georgia Business Corporations Code or the Delaware General Corporations Law to the extent applicable, its articles or certificate of incorporation or bylaws or, to such counsel's knowledge, of any agreement, judgment, injunction, order, decree or other instrument binding upon such entity; or
 - (iii) result in the creation or imposition of any Adverse Claim on assets of such entity or any of its Subsidiaries (except as contemplated by the Transaction Documents).
 - (d) Each of the Transaction Documents to which each of the Loan Parties and Performance Guarantor is a party has been duly executed and delivered by such entity and constitutes the legally valid, and binding obligation of such entity enforceable in accordance with its terms, except to the extent the enforcement thereof may be limited by bankruptcy, insolvency or similar laws affecting the enforcement of creditors' rights generally and subject also to the availability of equitable remedies if equitable remedies are sought and exclusions for contribution and/or indemnity.
 - (e) The provisions of the Credit and Security Agreement are effective to create valid security interests in favor of the Agent, for the benefit of the Secured Parties, in all of Borrower's right, title and interest in and to the Receivables and their proceeds thereof described therein which constitute "accounts," "chattel paper" or "general intangibles" (each as defined in the UCC) (collectively, the "**Opinion Collateral**"), as security for the payment of the Obligations.
-

(f) Upon filing of such UCC-1 Financing Statements in such filing offices and payment of the required filing fees, the security interest in favor of the Administrative Agent, for the benefit of the Secured Parties, in the Opinion Collateral will be perfected.

(g) Based solely on our review of the [describe UCC Search Reports], and assuming (i) the filing of the Financing Statements and payment of the required filing fees in accordance with paragraph (f) and (ii) the absence of any intervening filings between the date and time of the Search Reports and the date and time of the filing of the Financing Statements, the security interest of the Administrative Agent in the Opinion Collateral is prior to any security interest granted in the Opinion Collateral by Borrower, the priority of which is determined solely by the filing of a financing statement in the [describe filing offices].

(h) Neither of the Loan Parties nor the Performance Guarantor is a "holding company" or a "subsidiary holding company" of a "holding company" within the meaning of the Public Utility Holding Company Act of 1935, as amended, or an "investment company" within the meaning of the Investment Company Act of 1940, as amended.

12. A certificate of a Responsible Financial Officer of each of the Loan Parties certifying that no Amortization Event or Unmatured Amortization Event exists and is continuing as of the date of the initial Advance.

13. The Fee Letter.

14. A Monthly Report as of a June 30, 2003.

15. Executed copies of (i) all consents from and authorizations by any Persons and (ii) all waivers and amendments to existing credit facilities, that are necessary in connection with this Agreement.

16. The Liquidity Agreements, duly executed by each of the parties thereto.

17. A copy of the Subordinated Note issued by Mohawk Factoring, Inc. in favor of Mohawk Resources, Inc.

18. The Receivables Sale Agreement and each of the closing documents required thereunder.

**AMENDED AND RESTATED RECEIVABLES PURCHASE
AND SALE AGREEMENT**

Dated as of August 4, 2003

among

**Mohawk CARPET DISTRIBUTION, L.P. AND DAL-TILE CORPORATION
as Originators,**

and

**MOHAWK FACTORING, INC.,
as the Buyer**

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AMENDED AND RESTATED RECEIVABLES PURCHASE AND SALE AGREEMENT

THIS AMENDED AND RESTATED RECEIVABLES PURCHASE AND SALE AGREEMENT, dated as of August 4, 2003, is by and among Mohawk Carpet Distribution, L.P., a Delaware limited partnership ("**Mohawk Distribution**"), and Dal-Tile Corporation, a Pennsylvania corporation ("**Dal-Tile**"); each of Mohawk Distribution, Dal-Tile and any other Person that becomes an "Originator" hereunder pursuant to Section 7.9(b) hereof, an "**Originator**" and collectively the "**Originators**"), and Mohawk Factoring, Inc., a Delaware corporation ("**Buyer**").

Unless defined elsewhere herein, capitalized terms used in this Agreement shall have the meanings assigned to such terms in Exhibit I hereto.

PRELIMINARY STATEMENTS

Pursuant to the terms of that certain Receivables Purchase and Sale Agreement dated as of October 23, 2000 (as amended, the "**Existing Mohawk Agreement**") by and between Mohawk Distribution, as seller, and Buyer, as buyer, Mohawk Distribution sold Receivables to Buyer.

Pursuant to the terms of that certain Receivables Purchase and Sale Agreement dated as of May 14, 2002 (as amended, the "**Existing First Step Dal-Tile Agreement**"), by and between Dal-Tile, as seller and DTSC, Inc. ("**DTSC**"), as buyer, Dal-Tile sold Receivables to DTSC.

Pursuant to the terms of that certain Receivables Purchase and Sale Agreement dated as of May 14, 2002 (as amended, the "**Existing Second Step Dal-Tile Agreement**"; together with the Existing Mohawk Agreement, the "**Existing Receivables Purchase Agreements**"), by and between DTSC, as seller and DT/Mohawk Funding, LLC ("**DT/Mohawk Funding**"), as buyer, DTSC sold Receivables acquired from Dal-Tile under the Existing First Step Dal-Tile Agreement to DT/Mohawk Funding.

DT/Mohawk Funding is to merge with and into Buyer and accordingly, the parties hereto wish to amend, restate and consolidate the Existing Receivables Purchase Agreements with this Agreement.

Each of the Originators party to this Agreement on the date hereof and the Buyer intended that the past transfers of Receivables under the Existing Receivables Purchase Agreements be true sales to the applicable party thereunder, and each of the Originators and the Buyer intend that all transfers of Receivables hereunder, be true sales to the Buyer by such Originator of the Receivables originated by it, providing the Buyer with the full benefits of ownership of such Receivables, and none of the Originators nor the Buyer intends these transactions to be, or for any purpose to be characterized as, loans from the Buyer to such Originator. Each of the Originators acknowledges that from and after the date hereof, the Buyer intends to finance purchases of Receivables from the Originators, in part, from the proceeds of loans made pursuant to an Amended and Restated Credit and Security Agreement of even date herewith (as the same may from time to time hereafter be amended, supplemented, restated or otherwise modified, the "**Credit and Security Agreement**") among the Buyer, as the borrower, Mohawk Servicing, Inc., a Delaware corporation, as the initial Servicer, Blue Ridge Asset Funding Corporation ("**Blue Ridge**"), Three Pillars Funding Corporation ("**TPFC**"; together with Blue Ridge and the other issuers of Commercial Paper from time to time party thereto as "Conduits," each a "**Conduit**" and collectively, the "**Conduits**") and certain other lenders from time to time party thereto, SunTrust Capital Markets, Inc., as agent for TPFC (the "**TPFC Agent**"), and Wachovia Bank, National Association ("**Wachovia**") as agent for Blue Ridge (the "**Blue Ridge Agent**") and any other entity acting as administrative agent for a Conduit (together with the TPFC Agent and the Blue Ridge Agent, individually a "**Co-Agent**" and collectively, the "**Co-Agents**") and Wachovia as agent for the Co-Agents and the Conduits (in such capacity, together with its successors, the "**Administrative Agent**").

NOW, THEREFORE, in consideration of the foregoing premises and the mutual agreements herein contained and other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties hereto agree that the Existing Agreements are amended and restated as follows:

ARTICLE I
AMOUNTS AND TERMS OF THE PURCHASE

Section 1.1 Purchase of Receivables.

(a) Pursuant to the terms of the Existing Mohawk Agreement, Mohawk Distribution has sold, transferred, set-over and otherwise conveyed to the Buyer, without recourse (except to the extent expressly provided therein), and the Buyer purchased from Mohawk Distribution, all of Mohawk Distribution's right, title and interest in and to all Receivables originated by Mohawk Distribution and existing as of the close of business on the Initial Cutoff Date. Pursuant to the terms of the Existing First Step Dal-Tile Agreement and the Existing Second Step Dal-Tile Agreement, Dal-Tile has sold, assigned, transferred, set-over and otherwise conveyed to DTSC, who then sold, assigned, transferred, set-over and in otherwise conveyed to the Buyer (as successor by merger to DT/Mohawk Funding), in each case without recourse (except to the extent expressly provided therein), and the Buyer (as the surviving entry of the merger between it and DT/Mohawk Funding) has purchased from DTSC who purchased from Dal-Tile, all of Dal-Tile's right, title and interest in and to all Receivables originated by Dal-Tile and existing as of the close business on the Initial Cutoff Date. In consideration for the Purchase Price paid to each Originator upon the terms and subject to the conditions set forth herein, each Originator does hereby sell, assign, transfer, set-over and otherwise convey to the Buyer, without recourse (except to the extent expressly provided herein), and the Buyer does hereby purchase from such Originator all Receivables originated on the date hereof and thereafter by such Originator through and including the Termination Date, together, in each case, with all Related Security relating thereto. In accordance with the preceding sentence, the Buyer shall acquire all of each Originator's right, title and interest in and to all Receivables arising on and after the date hereof through and including the Termination Date, together with all of such Originator's rights in and to all Related Security relating thereto. The Buyer shall be obligated to pay the Purchase Price for the Receivables purchased hereunder from each Originator in accordance with Section 1.2. From and after the Termination Date, the Buyer shall not be obligated to purchase Receivables from any Originator.

(b) On each Monthly Reporting Date, each Originator shall (or shall require the Servicer to) deliver to the Buyer a report in substantially the form of Exhibit VI hereto (each such report being herein called a "**Purchase Report**") with respect to the Receivables sold by such Originator to the Buyer during the fiscal month then most recently ended. In addition to, and not in limitation of, the foregoing, in connection with the payment of the Purchase Price for any Receivables purchased hereunder, the Buyer may request that the applicable Originator deliver, and such Originator shall deliver, such approvals, opinions, information or documents as the Buyer may reasonably request.

(c) It is the intention of the parties hereto that each Purchase of Receivables from an Originator made hereunder shall constitute a sale, which sale is absolute and irrevocable and provides the Buyer with the full benefits of ownership of the Receivables originated by such Originator. Except for the Purchase Price Credits owed to such Originator pursuant to Section 1.3, the sale of Receivables hereunder by each Originator is made without recourse to such Originator; **provided, however**, that (i) such Originator shall be liable to the Buyer for all representations, warranties, covenants and indemnities made by such Originator pursuant to the terms of the Transaction Documents to which such Originator is a party, and (ii) such sale does not constitute and is not intended to result in an assumption by the Buyer or any assignee thereof of any obligation of such Originator or any other Person arising in connection with the Receivables, the related Contracts and/or other Related Security or any other obligations of such Originator. In view of the intention of the parties hereto that each Purchase of Receivables made hereunder shall constitute a sale of such Receivables rather than loans secured thereby, each Originator agrees that it will, on or prior to the date hereof and in accordance with Section 4.1(e)(ii), make appropriate notation in its computer files relating to the Receivables originated by it with a legend properly evidencing that the Buyer has purchased such Receivables as provided in this Agreement and to note in its financial statements that its Receivables have been sold to the Buyer. Upon the request of the Buyer or the Administrative Agent (as the Buyer's assignee), each Originator will execute and file such financing or continuation statements, or amendments thereto or assignments thereof, and such other instruments or notices, as may be necessary or appropriate to perfect and maintain the perfection of the Buyer's ownership interest in the Receivables originated by such Originator and the Related Security with respect thereto, or as the Buyer may reasonably request.

Section 1.2 Payment for the Purchases.

(a) The Purchase Price for the Purchase from each Originator of its Receivables in existence as of the close of business on the Initial Cutoff Date and not previously assigned or transferred to the Buyer, if any, shall be payable in full by the Buyer to such Originator on the date hereof in immediately available funds.

(b) The Purchase Price for each Receivable coming into existence after the Initial Cutoff Date shall be due and owing in full by the Buyer to the applicable Originator or its designee in immediately available funds on the date each such Receivable came into existence except that the Buyer may, with respect to any such Purchase Price:

(i) offset against such Purchase Price any amounts owed by such Originator to the Buyer hereunder and which have become due but remain unpaid; and/or

(ii) elect to defer payment of all or any portion of the Purchase Price for Receivables originated by such Originator during the same Calculation Period (based on the information contained in the Purchase Report delivered by such Originator for the Calculation Period then most recently ended) until the next succeeding Settlement Date.

Section 1.3 Purchase Price Credit Adjustments

. If on any day:

(a) the Outstanding Balance of a Receivable purchased from any Originator is:

(i) reduced as a result of any defective or rejected or returned goods or services, any discount or any adjustment or otherwise by such Originator (other than (A) as a result of (1) such Receivable becoming a Charged-Off Receivable or (2) cash and volume discounts of up to 3% of the original Outstanding Balance of such Receivable or (B) to reflect cash Collections on account of such Receivable),

(ii) reduced or canceled as a result of a setoff in respect of any claim by any Person (whether such claim arises out of the same or a related transaction or an unrelated transaction), or

(b) any of the representations and warranties set forth in Section 2.1(i), (l), (p), (q), (r), (s) or (t) hereof is not true when made or deemed made with respect to any Receivable,

then, in such event, the Buyer shall be entitled to a credit (each, a **"Purchase Price Credit"**) against the Purchase Price otherwise payable to the applicable Originator hereunder equal to the Purchase Price paid by the Buyer with respect to such Receivable (less any Collections received on or after the date of purchase to and including the date that the Purchase Price Credit is determined). Each Purchase Price Credit shall be deemed to be a collection of the related Receivable. If such Purchase Price Credit exceeds the Original Balance of the Receivables originated by the applicable Originator on any day, such Originator shall pay the remaining amount of such Purchase Price Credit in cash on or prior to the earlier of (i) the next Settlement Date or (ii) the Termination Date.

Section 1.4 Payments and Computations, Etc.

All amounts to be paid or deposited by the Buyer hereunder shall be paid or deposited in accordance with the terms hereof on the day when due in immediately available funds to the account of the applicable Originator designated from time to time by such Originator or as otherwise directed by such Originator. In the event that any payment owed by any Person hereunder becomes due on a day that is not a Business Day, then such payment shall be made on the next succeeding Business Day. If any Person fails to pay any amount hereunder when due, such Person agrees to pay, on demand, the Default Fee in respect thereof until paid in full; **provided, however**, that such Default Fee shall not at any time exceed the maximum rate permitted by applicable law. All computations of interest payable hereunder shall be made on the basis of a year of 360 days for the actual number of days elapsed.

Section 1.5 Transfer of Collection Records; License of Software; Access to Contracts

. In connection with, and in consideration of, the Purchase from each Originator of Receivables originated by it, each Originator will deliver to the Buyer or to the Servicer, on behalf of the Buyer, originals or copies (in written, photostatic, electronic or other mutually acceptable form) of such Originator's Collection Records relating to all Receivables sold by it hereunder. Each Originator shall permit the Servicer and the Buyer during such Originator's normal business hours and without undue disruption to the Originator's operations, at the expense of the Buyer or the Servicer, as applicable (but in no event at the expense of the Administrative Agent), to inspect and copy all such Collection Records and other books and records regarding the Receivables and the Contracts solely for purposes of administering and collecting the Receivables hereunder and under the Collection Services Agreement. In order to facilitate such administration, collection and servicing of such Receivables, each Originator hereby grants to each of the Buyer, Servicer, and, for so long as the Credit and Security Agreement remains in effect, the Administrative Agent, an irrevocable, non-exclusive license to use, without royalty or payment of any kind, all software used by such Originator to account for such Receivables, to the extent necessary to administer such Receivables, whether such software is owned by such Originator or is owned by others and used by such Originator under license agreements with respect thereto, **provided that** should the consent of any licensor of such software be required for the grant of the license described herein, to be effective, such Originator hereby agrees that upon the request of the Servicer or the Buyer, such Originator will use its reasonable efforts to obtain the consent of such third-party licensor. The license granted hereby shall be irrevocable until the later to occur of (i) the indefeasible payment in full of the Aggregate Unpaid under the Credit and Security Agreement, and (ii) the date on which this Agreement terminates in accordance with its terms.

Section 1.6 Characterization

. If, notwithstanding the intention of the parties expressed in Section 1.1(c), any sale by an Originator to the Buyer of Receivables hereunder shall be characterized as a secured loan and not a sale or such sale shall for any reason be ineffective or unenforceable, then this Agreement shall be deemed to constitute a security agreement under the UCC and other applicable law. For this purpose and without being in derogation of the parties' intention that the sale of Receivables by each Originator hereunder shall constitute a true sale thereof, such Originator hereby grants to the Buyer a duly perfected security interest in all of such Originator's right, title and interest in and to all Receivables of such Originator which exist on the date hereof or arise thereafter through and including the Termination Date, together with all Related Security with respect thereto, all other rights and payments relating to such Receivables and all proceeds of the foregoing, to secure the prompt and complete payment of a loan deemed to have been made in an amount equal to the Purchase Price of the Receivables purchased from such Originator together with any Purchase Interest applicable thereto and all other obligations of such Originator hereunder, which security interest shall be prior to all other Adverse Claims thereto. Upon the occurrence of a Termination Event, the Buyer shall have, in addition to the rights and remedies which it may have under this Agreement, all other rights and remedies provided to a secured creditor upon default under the UCC and other applicable law, which rights and remedies shall be cumulative.

ARTICLE II
REPRESENTATIONS AND WARRANTIES

Section 2.1 Representations and Warranties of Originators

. Each Originator hereby represents and warrants to the Buyer on the date of the Purchase from such Originator hereunder and, except for representations and warranties that are limited to a certain date, on each date that any Receivable is originated by such Originator on or after the date of such Purchase through and including the Termination Date, that:

(a) Existence and Power

. Such Originator is duly organized, validly existing and in good standing under the laws of the state set forth after its name in the preamble to this Agreement, and is duly qualified to do business and is in good standing as a foreign entity, and has and holds all organizational power, and all governmental licenses, authorizations, consents and approvals required to carry on its business in each jurisdiction in which its business is conducted except where the failure to so qualify or so hold is not reasonably likely to have a Material Adverse Effect.

(b) Power and Authority: Due Authorization, Execution and Delivery

. The execution and delivery by such Originator of this Agreement and each other Transaction Document to which it is a party, and the performance of its obligations hereunder and thereunder, and such Originator's use of the proceeds of the Purchase made from it hereunder, are within its powers and authority and have been duly authorized by all necessary action on its part. This Agreement and each other Transaction Document to which such Originator is a party has been duly executed and delivered by such Originator.

(c) No Conflict

. The execution and delivery by such Originator of this Agreement and each other Transaction Document to which it is a party, and the performance of its obligations hereunder and thereunder do not contravene or violate (i) its Organizational Documents, (ii) any law, rule or regulation applicable to it, (iii) any restrictions under any agreement, contract or instrument to which it is a party or by which it or any of its property is bound, or (iv) any order, writ, judgment, award, injunction or decree applicable to it, and do not result in the creation or imposition of any Adverse Claim on assets of such Originator or its Subsidiaries (except as created hereunder) except, in any case, where such contravention or violation is not reasonably likely to have a Material Adverse Effect; and no transaction contemplated hereby requires compliance with any bulk sales act or similar law.

(d) Governmental Authorization

. Other than the filing of the financing statements required hereunder, no authorization or approval or other action by, and no notice to or filing with, any governmental authority or regulatory body is required for the due execution and delivery by such Originator of this Agreement and each other Transaction Document to which it is a party and the performance of its obligations hereunder and thereunder.

(e) Actions, Suits

. There are no actions, suits or proceedings pending, or to the best of such Originator's knowledge, threatened, before any court, arbitrator or other body, that could reasonably be expected to have a Material Adverse Effect, except as previously disclosed or for which reserves in reasonable amounts have been established. Such Originator is not in default with respect to any order of any court, arbitrator or governmental body.

(f) Binding Effect

. This Agreement and each other Transaction Document to which such Originator is a party constitute the legal, valid and binding obligations of such Originator enforceable against such Originator in accordance with their respective terms, except as such enforcement may be limited by applicable bankruptcy, insolvency, reorganization or other similar laws relating to or limiting creditors' rights generally and by general principles of equity (regardless of whether enforcement is sought in a proceeding in equity or at law).

(g) Accuracy of Information

. All written information heretofore furnished by such Originator or any of its Affiliates to the Buyer for purposes of or in connection with this Agreement, any of the other Transaction Documents or any transaction contemplated hereby or thereby is, and all such information hereafter furnished by such Originator or any of its Affiliates to the Buyer, as of the date thereof, does not and will not contain any material misstatement of fact or omit to state a material fact necessary to make the statements contained therein, in light of the circumstances under which they were made, not misleading.

(h) Use of Proceeds

. No payment made to any Originator hereunder will be used for a purpose that violates Regulation T, U or X of the Board of Governors of the Federal Reserve System.

(i) Good Title

. Each Receivable which is sold to the Buyer hereunder shall be owned by the respective Originator, free and clear of any Adverse Claim, except as provided herein or except as may be granted by the Buyer. Whenever the Buyer makes a purchase hereunder, it shall have acquired and shall continue to have maintained a valid ownership interest (free and clear of any Adverse Claim) in the respective Originator's entire right, title and interest in and to each Receivable and the Related Security with respect thereto. There have been duly filed all financing statements or other similar instruments or documents necessary under the UCC of all appropriate jurisdictions to perfect the Buyer's ownership interest in such Receivables and the Related Security to the extent such interest can be perfected by filing a financing statement under the UCC.

(j) [Reserved]

(k) Places of Business and Locations of Collection Records

. The principal places of business and chief executive office of such Originator and the offices where it keeps its Collection Records are located at the address(es) listed on Exhibit II or such other locations of which the Buyer has been notified in accordance with Section 4.2(a) in jurisdictions where all action required by Section 4.2(a) has been taken and completed. Such Originator's Federal Employer Identification Number and Organization Identification Number are correctly set forth on Exhibit II.

(l) Collections

. Such Originator has directed all Obligors on the Receivables originated by it existing on or after the Initial Cutoff Date to make payments thereon directly to a Collection Account or Lock-Box of the Buyer which is listed on Exhibit III hereto as the same may be amended from time to time by the Buyer upon not less than 30 days' prior written notice to the Originators.

(m) Material Adverse Effect

. Since December 31, 2002, no event has occurred that would have a Material Adverse Effect.

(n) Names

. In the 5 years ending on the date of this Agreement, such Originator has not used any name in which a financing statement naming such Originator (or any entity which has merged with and into such Originator) as a debtor may be properly recorded and effective to grant a security interest under the UCC as in effect in any applicable jurisdiction other than (i) the name in which it has executed this Agreement, and (ii) as listed on Exhibit II.

(o) Not a Holding Company or an Investment Company

. Such Originator is not a "*holding company*" or a "*subsidiary holding company*" of a "*holding company*" within the meaning of the Public Utility Holding Company Act of 1935, as amended, or any successor statute. Such Originator is not an "*investment company*" within the meaning of the Investment Company Act of 1940, as amended, or any successor statute.

(p) Compliance with Law

. Each Receivable reflected in any Purchase Report as an Eligible Receivable, together with the Invoice related thereto, does not violate any laws, rules or regulations applicable thereto (***including, without limitation***, laws, rules and regulations relating to truth in lending, fair credit billing, fair credit reporting, equal credit opportunity, fair debt collection practices and privacy), except where such violation is not reasonably likely to have a Material Adverse Effect.

(q) Compliance with Credit and Collection Policy

. Such Originator has complied in all material respects with the Credit and Collection Policy with regard to each Receivable originated by it and the related Contract, and has not made any change since the Initial Cut-Off Date to such Credit and Collection Policy, except such material change as to which the Buyer has been notified and has consented, as required, in accordance with Section 4.1(a)(vi).

(r) Payments to such Originator

. With respect to each Receivable originated by such Originator and sold to the Buyer hereunder, the Purchase Price (and, if applicable, Purchase Interest) received by such Originator constitutes fair and reasonably equivalent value in consideration therefor.

(s) Enforceability of Receivables

. Each Receivable sold by such Originator to the Buyer hereunder is a legal, valid and binding obligation of the related Obligor to pay the Outstanding Balance of the Receivable created thereunder and accrued Finance Charges (if any) thereon, enforceable against the Obligor in accordance with its terms, except as such enforcement may be limited by applicable bankruptcy, insolvency, reorganization or other similar laws relating to or limiting creditors' rights generally and by general principles of equity (regardless of whether enforcement is sought in a proceeding in equity or at law).

(t) Eligible Receivables

. Each Receivable reflected in any Purchase Report as an Eligible Receivable was an Eligible Receivable on the date of its acquisition by the Buyer hereunder.

(u) Accounting

. The manner in which such Originator accounts for the transactions contemplated by this Agreement does not jeopardize the characterization of the transactions contemplated herein as being true sales.

ARTICLE III
CONDITIONS OF PURCHASE

Section 3.1 Conditions Precedent to Purchase.

The Purchase from each Originator under this Agreement is subject to the conditions precedent that the Buyer shall have received on or before the date thereof the documents listed on Schedule A.

Section 3.2 Conditions Precedent to Subsequent Payments.

The Buyer's obligation to pay for Receivables coming into existence after the Initial Cutoff Date shall be subject to the further conditions precedent that: (a) the Facility Termination Date shall not have occurred under the Credit and Security Agreement; (b) the Buyer (or, at any time the Credit and Security Agreement remains in effect, the Administrative Agent as the Buyer's assignee) shall have received such other approvals, opinions or documents as it may reasonably request; and (c) on the date such Receivable came into existence, the following statements shall be true (and acceptance of the proceeds of any payment for such Receivable shall be deemed a representation and warranty by such Originator that such statements are then true):

(i) the representations and warranties set forth in Article II are true and correct on and as of the date such Receivable came into existence as though made on and as of such date; and

(ii) no event has occurred and is continuing that will constitute a Termination Event.

Notwithstanding the foregoing conditions precedent, and subject to the applicable Originator's receipt of payment of the Purchase Price for any Receivable, all of such Originator's right, title and interest in and under such Receivable and the Related Security with respect thereto shall vest in the Buyer, whether or not the conditions precedent to the Buyer's obligation to pay for such Receivable were in fact satisfied. The failure of such Originator to satisfy any of the foregoing conditions precedent may, however, give rise to a claim for indemnity under Article VI of this Agreement.

ARTICLE IV
COVENANTS

Section 4.1 Affirmative Covenants of Originators.

Until the date on which this Agreement terminates in accordance with its terms, each Originator hereby covenants as set forth below:

(a) Financial Reporting

. Such Originator will maintain, for itself and each of its Subsidiaries, a system of accounting established and administered in accordance with GAAP, and furnish to the Buyer (or, at any time the Credit and Security Agreement remains in effect, the Agent as the Buyer's assignee):

(i) Annual Reporting

. Promptly upon the filing thereof with the Securities and Exchange Commission, if applicable, and, in any event, within 90 days after the close of each of Parent's fiscal years, audited, unqualified consolidated financial statements (which shall include balance sheets, statements of earnings and stockholders' equity and cash flows) for Parent and its consolidated Subsidiaries (which include such Originator) for such fiscal year, accompanied by an opinion of independent public accountants of recognized national standing.

(ii) Quarterly Reporting

. Promptly upon the filing thereof with the Securities and Exchange Commission, if applicable, and, in any event, within 45 days after the close of the first three (3) quarterly periods of each of Parent's fiscal years, consolidated balance sheets of Parent and its consolidated Subsidiaries (including such Originator) as at the close of each such period and consolidated statements of earnings and stockholders' equity and cash flows for Parent and its consolidated Subsidiaries for the period from the beginning of such fiscal year to the end of such quarter, all certified by a Responsible Financial Officer of Parent.

(iii) Compliance Certificate

. Together with the financial statements required hereunder, a compliance certificate in substantially the form of Exhibit IV signed by an Authorized Officer of Parent and dated the date of such annual financial statement or such quarterly financial statement, as the case may be.

(iv) Shareholders' Statements and Reports

. Promptly upon the furnishing thereof generally to the shareholders of Parent, copies of all financial statements, reports and proxy statements so furnished.

(v) S.E.C. Filings

. Promptly upon the filing thereof, copies of all registration statements (other than registration statements on Forms S-8 or S-3 covering benefit or compensation plans, stock purchase or dividend repurchase plans, or for purposes of resales of securities by holders) and annual, quarterly or other periodic reports which Parent or any of its Subsidiaries files with the Securities and Exchange Commission.

(vi) Change in Credit and Collection Policy

. At least thirty (30) days prior to the effectiveness of any material change in or material amendment to the Credit and Collection Policy, a copy of the Credit and Collection Policy then in effect and a notice indicating such proposed change or amendment and, if such proposed change is reasonably likely to adversely affect the collectibility of the Receivables generally or materially decrease the credit quality of newly created Receivables generally, requesting the Buyer's consent thereto.

(vii) Other Information

. Promptly, from time to time, such other information, documents, records or reports relating to the Receivables originated by such Originator or the condition or operations, financial or otherwise, of such Originator as the Buyer may from time to time reasonably request in order to protect the interests of the Buyer under or as contemplated by this Agreement; **provided, however**, that the Buyer shall keep all such information which is not otherwise in the public domain confidential and require a confidentiality agreement from any third party that may properly request such information.

(b) Notices

. Such Originator will notify the Buyer in writing of any of the following promptly upon learning of the occurrence thereof, describing the same and, if applicable, the steps being taken with respect thereto:

(i) Termination Events or Unmatured Termination Events

. The occurrence of each Termination Event and each Unmatured Termination Event, by a statement of an Authorized Officer of such Originator.

(ii) Material Adverse Effect

. The occurrence of any event or condition that has had, or is reasonably likely to have, a Material Adverse Effect.

(iii) ERISA Events

. The occurrence of any ERISA Event.

(c) Compliance with Laws and Preservation of Existence

. Such Originator will comply in all respects with all applicable laws, rules, regulations, orders, writs, judgments, injunctions, decrees or awards to which it may be subject, except where the failure to so comply is not reasonably likely to have a Material Adverse Effect. Such Originator will preserve and maintain its legal existence, rights, franchises and privileges in the jurisdiction of its organization, and qualify and remain qualified in good standing as a foreign entity in each jurisdiction where its business is conducted, except where the failure to so qualify or remain in good standing is not reasonably likely to have a Material Adverse Effect.

(d) Audits

. Such Originator will furnish to the Buyer from time to time such information with respect to it and the Receivables sold by it as the Buyer may reasonably request. Such Originator will, from time to time during regular business hours as requested by the Buyer (or, at any time the Credit and Security Agreement remains in effect, the Administrative Agent as the Buyer's assignee), upon not less than two (2) Business Days' prior written notice unless a Termination Event has occurred, permit the Buyer or their respective agents or representatives: (i) to examine and make copies of and abstracts from all Other Records in the possession or under the control of such Originator relating to the Receivables and the Related Security, including, without limitation, the related Contracts to the extent permitted by Section 1.5, and (ii) to visit the offices and properties of such Originator for the purpose of examining such materials described in clause (i) above, and to discuss, on a confidential basis, matters relating to such Originator's financial condition or the Receivables and the Related Security or such Originator's performance under any of the Transaction Documents or such Originator's performance under the Contracts and, in each case, with any of the officers or employees of such Originator having knowledge of such matters.

(e) Keeping and Marking of Records and Books.

(i) Such Originator will maintain or will cause the Servicer to maintain administrative and operating procedures (including, without limitation, an ability to recreate records evidencing Receivables in the event of the destruction of the originals thereof), and keep and maintain all documents, books, records and other information reasonably necessary or advisable for the collection of all Receivables (including, without limitation, records adequate to permit the immediate identification of each new Receivable and all Collections of and adjustments to each existing Receivable). Such Originator will give, or will direct the Servicer to give, the Buyer notice of any material change in the administrative and operating procedures referred to in the previous sentence.

(ii) Such Originator will (A) on or prior to the date hereof, make appropriate notation in its computer files and other books and records relating to the Receivables describing the Buyer's ownership interests in the Receivables and (B) upon the request of the Buyer following the occurrence of a Termination Event, mark each Invoice applicable to any Receivable sold by such Originator to the Buyer hereunder with a legend or code describing the Buyer's ownership thereof.

(f) Compliance with Contracts and Credit and Collection Policy

. Such Originator will timely (i) perform and comply in all material respects with all provisions, covenants and other promises required to be observed by it under the Contracts related to the Receivables originated by it, and (ii) comply in all material respects with the Credit and Collection Policy in regard to each such Receivable and the related Contract.

(g) Ownership

. Such Originator will take all necessary action to establish and maintain, irrevocably, the Buyer's right, title and interest in and to the Receivables originated or acquired by such Originator and sold to the Buyer hereunder, and to keep the Receivables and associated Related Security, in each case, free and clear of any Adverse Claims other than Adverse Claims in favor of the Buyer (**including, without limitation**, the filing of all financing statements, continuation statements and/or financing statement amendments necessary under the UCC of all appropriate jurisdictions to perfect the Buyer's interest in such Receivables and Related Security to the extent such interest can be perfected by filing any of the foregoing under the UCC and such other action to perfect, protect or more fully evidence the interest of the Buyer as the Buyer may reasonably request).

(h) Agents' and Lenders' Reliance

. Such Originator acknowledges that the Agents and the Lenders are relying upon the Buyer's identity as a legal entity that is separate from such Originator and its other Affiliates and agrees to take all reasonable steps to maintain the Buyer's identity as a separate legal entity and to make it manifest to third parties that the Buyer is an entity with assets and liabilities distinct from those of such Originator and its other Affiliates and not just a division thereof. Without limiting the generality of the foregoing and in addition to the other covenants set forth herein, such Originator (i) will not hold itself out to third parties as liable for the debts of the Buyer nor purport to own any of the Receivables or Related Security sold to the Buyer hereunder, and (ii) will conduct all business with the Buyer on terms reasonably believed by such Originator and the Buyer to be reasonably comparable to those applicable in transactions with an unaffiliated Person in similar circumstances.

(i) Taxes

. To the extent not handled by Parent, such Originator will file all tax returns and reports required by law to be filed by it and promptly pay all taxes and governmental charges at any time owing, except any such taxes which are not yet delinquent or are being diligently contested in good faith by appropriate proceedings and for which adequate reserves in accordance with GAAP shall have been set aside on its books. Such Originator will pay when due any taxes payable in connection with the Receivables originated by it, exclusive of taxes on or measured by income or gross receipts of the Buyer and its assigns.

Section 4.2 Negative Covenants of Originators.

Until the date on which this Agreement terminates in accordance with its terms, each Originator hereby covenants that:

(a) Name Change, Offices and Collection Records

. Such Originator will not (i) change its state of organization, (ii) change its legal name, or (iii) relocate any office where Collection Records are kept by or on behalf of such Originator unless, in each of the foregoing cases, it shall have: (A) given the Buyer at least 30 days' prior written notice thereof and (B) delivered to the Buyer all financing statements, instruments and other documents requested by the Buyer in connection with such change or relocation.

(b) Change in Payment Instructions to Obligors

. Such Originator will not direct any Obligor on the Receivables sold by it to the Buyer hereunder to make payments to any location other than to one of the Buyer's Lock-Boxes or Collection Accounts listed on Exhibit III hereto as the same may be amended pursuant to Section 7.1(j) of the Credit and Security Agreement from time to time by the Buyer upon not less than 30 days' prior written notice to the Originators.

(c) Modifications to Credit and Collection Policy

. Such Originator will not, and will not cause or authorize the Servicer to, make any material change to the Credit and Collection Policy that would materially decrease the collectibility of its Receivables generally.

(d) Sales, Liens

. Such Originator will not sell, assign (by operation of law or otherwise) or otherwise dispose of, or grant any option with respect to, or create or suffer to exist any Adverse Claim upon (including, without limitation, the filing of any financing statement) or with respect to, any Receivable or the Related Security, or upon or with respect to any Contract under which any Receivable arises, or assign any right to receive income with respect thereto (other than, in each case, the creation of the interests therein in favor of the Buyer provided for herein), and such Originator will defend the right, title and interest of the Buyer in, to and under any of the foregoing property, against all claims of third parties claiming through or under such Originator.

(e) Accounting for Purchases

. Such Originator will not account for the transactions contemplated hereby in any manner other than the sale for financial accounting purposes by such Originator to the Buyer of the Receivables sold and transferred by such Originator on or after the Initial Cutoff Date through and including the Termination Date, together with the associated Related Security, except to the extent that such transactions are not recognized on account of consolidated financial reporting in accordance with generally accepted accounting principles.

ARTICLE V
TERMINATION EVENTS

Section 5.1 Termination Events.

The occurrence of any one or more of the following events shall constitute a Termination Event:

- (a) Such Originator shall fail to make any payment or deposit required hereunder when due, or to perform or observe any term, covenant or agreement hereunder or under any other Transaction Document to which it is a party and such failure shall continue for 30 days after written notice of such failure is given.
- (b) Any representation, warranty, certification or statement made by such Originator in this Agreement, any other Transaction Document to which it is a party, or in any other document delivered pursuant hereto or thereto shall prove to have been incorrect in any material respect when made or deemed made; **provided that** the materiality threshold in the preceding clause shall not be applicable with respect to any representation or warranty which itself contains a materiality threshold.
- (c) Failure of any Originator to pay any Indebtedness when due in excess of \$25,000,000 ("**Material Debt**"); or the default by any Originator in the performance of any term, provision or condition contained in any agreement under which any Material Debt was created or is governed, the effect of which is to cause, or to permit the holder or holders of such Material Debt to cause, such Indebtedness to become due prior to its stated maturity; or any Material Debt of any Originator shall be declared to be due and payable or required to be prepaid (other than by a regularly scheduled payment) prior to the date of maturity thereof.
- (d) An Event of Bankruptcy shall occur with respect to any Originator or any of its Material Subsidiaries.
- (e) A Change of Control shall occur.

(f) One or more final judgments for the payment of money in an amount in excess of \$25,000,000, individually or in the aggregate, shall be entered against any Originator on claims not covered by insurance or as to which the insurance carrier has denied its responsibility, and such judgment shall continue unsatisfied and in effect for thirty (30) consecutive days without a stay of execution.

(g) The PBGC or Internal Revenue Service shall file any notice of lien on any of the Receivables or the Related Security and such lien shall not have been released within seven (7) days.

Section 5.2 Remedies.

Upon the occurrence and during the continuation of a Termination Event, the Buyer may take any of the following actions: (i) declare the Termination Date to have occurred, whereupon the Termination Date shall forthwith occur, without demand, protest or further notice of any kind, all of which are hereby expressly waived by each Originator; **provided, however**, that upon the occurrence of a Termination Event described in Section 5.1(d), the Termination Date shall automatically occur, without demand, protest or any notice of any kind, all of which are hereby expressly waived by each Originator and (ii) to the fullest extent permitted by applicable law, declare that the Default Fee shall accrue with respect to any amounts then due and owing by such Originator to the Buyer. The aforementioned rights and remedies shall be without limitation and shall be in addition to all other rights and remedies of the Buyer and, so long as the Credit and Security Agreement remains in effect, the Administrative Agent as the Buyer's assignee otherwise available under any other provision of this Agreement, by operation of law, at equity or otherwise, all of which are hereby expressly preserved, including, without limitation, all rights and remedies provided under the UCC, all of which rights shall be cumulative.

ARTICLE VI
INDEMNIFICATION

Section 6.1 Indemnities by Originators.

Without limiting any other rights that the Buyer may have hereunder or under applicable law, each Originator hereby agrees to indemnify (and pay upon demand to) the Buyer and its assigns, officers, directors, agents and employees (each an **"Indemnified Party"**) from and against any and all damages, losses, claims, taxes, liabilities, costs, expenses and for all other amounts payable, including reasonable attorneys' fees and disbursements actually incurred (all of the foregoing being collectively referred to as **"Indemnified Amounts"**) awarded against and actually paid or actually incurred by any of them arising out of or as a result of this Agreement or the acquisition, either directly or indirectly, by the Buyer of any interest in the Receivables originated by such Originator, **excluding, however:**

(a) Indemnified Amounts to the extent a final judgment of a court of competent jurisdiction holds that such Indemnified Amounts resulted from gross negligence or willful misconduct on the part of the Indemnified Party seeking indemnification;

(b) Indemnified Amounts to the extent the same arise out of or as a result of claims of one or more Indemnified Parties against another Indemnified Party;

(c) Indemnified Amounts to the extent the same includes losses in respect of Receivables originated by such Originator that are uncollectible on account of the insolvency, bankruptcy or lack of creditworthiness of the related Obligor; or

(d) taxes imposed by the jurisdiction in which such Indemnified Party's principal executive office is located, on or measured by the overall net income or gross receipts of such Indemnified Party;

provided, however, that nothing contained in this sentence shall limit the liability of such Originator or limit the recourse of the Buyer to such Originator for amounts otherwise specifically provided to be paid by such Originator under the terms of this Agreement. Without limiting the generality of the foregoing indemnification, but subject in each case to clauses (a), (b) and (c) above, each Originator shall indemnify the Buyer for Indemnified Amounts relating to or resulting from:

(i) any representation or warranty made by such Originator (or any officers of such Originator) under or in connection with any Purchase Report, this Agreement, any other Transaction Document to which such Originator is a party or any other information or report delivered by such Originator pursuant hereto or thereto for which the Buyer has not received a Purchase Price Credit that shall have been false or incorrect when made or deemed made;

(ii) the failure by such Originator, to comply with any applicable law, rule or regulation with respect to any Receivable or Contract related thereto, or the nonconformity of any Receivable or Contract included therein with any such applicable law, rule or regulation or any failure of such Originator to keep or perform any of its obligations, express or implied, with respect to any Contract;

(iii) any failure of such Originator to perform its duties, covenants or other obligations in accordance with the provisions of this Agreement or any other Transaction Document;

(iv) any products liability, personal injury or damage, suit or other similar claim arising out of or in connection with goods or services that are the subject of any Contract or any Receivable;

(v) any dispute, claim, offset or defense (other than discharge in bankruptcy of the Obligor) of the Obligor to the payment of any Receivable (including, without limitation, a defense based on such Receivable or the related Contract not being a legal, valid and binding obligation of such Obligor enforceable against it in accordance with its terms), or any other claim resulting from the sale of the goods or service related to such Receivable or the furnishing or failure to furnish such goods or services;

- (vi) any Collections received, directly or indirectly by an Originator (or its agent) which are not promptly remitted to Buyer;
- (vii) any investigation, litigation or proceeding related to or arising from this Agreement or any other Transaction Document, the transactions contemplated hereby, such Originator's use of the proceeds of the Purchase from it hereunder, the ownership of the Receivables originated by such Originator or any other investigation, litigation or proceeding relating to such Originator in which any Indemnified Party becomes involved as a result of any of the transactions contemplated hereby;
- (viii) any inability to litigate any claim against any Obligor in respect of any Receivable reflected in any Purchase Report as being an Eligible Receivable as a result of such Obligor being immune from civil and commercial law and suit on the grounds of sovereignty or otherwise from any legal action, suit or proceeding;
- (ix) any Termination Event described in Section 5.1(d);
- (x) any failure to vest and maintain vested in the Buyer, or to transfer to the Buyer, ownership of the Receivables originated by such Originator and purported to be conveyed to the Buyer hereunder, together with the associated Related Security, in each case, free and clear of any Adverse Claim;
- (xi) the failure to have filed, or any delay in filing, financing statements or other similar instruments or documents under the UCC of any applicable jurisdiction or the applicable laws of Canada with respect to any Receivable originated by such Originator and the Related Security with respect thereto, and the proceeds of any thereof, whether at the time of the Purchase from such Originator hereunder or at any subsequent time;
- (xii) any action or omission by such Originator which impairs the rights of the Buyer with respect to any Receivable or reduces the value of any such Receivable (for any reason other than the application of Collections thereto or charge-off of any Receivable as uncollectible) unless the Buyer has received a Purchase Price Credit therefor; and
- (xiii) the failure of any Receivable reflected as an Eligible Receivable on any Purchase Report prepared by such Originator to be an Eligible Receivable at the time acquired by the Buyer.

Section 6.2 Other Costs and Expenses.

Each Originator shall pay to the Buyer on demand all reasonable costs and out-of-pocket expenses actually incurred in connection with the preparation, execution and delivery of this Agreement, the transactions contemplated hereby and the other documents to be delivered hereunder. In addition to the foregoing, each Originator shall pay, on demand, any and all reasonable costs and expenses, including reasonable counsel fees and expenses, actually incurred by the Buyer (or, at any time the Credit and Security Agreement remains in effect, the Administrative Agent as the Buyer's assignee) in connection with (i) any amendment to or waiver of this Agreement, and/or (ii) the enforcement of this Agreement and the other documents delivered hereunder following a Termination Event.

ARTICLE VII
MISCELLANEOUS

Section 7.1 Waivers and Amendments.

(a) No failure or delay on the part of the Buyer (or, at any time the Credit and Security Agreement remains in effect, the Administrative Agent as the Buyer's assignee) in exercising any power, right or remedy under this Agreement shall operate as a waiver thereof, nor shall any single or partial exercise of any such power, right or remedy preclude any other further exercise thereof or the exercise of any other power, right or remedy. The rights and remedies herein provided shall be cumulative and nonexclusive of any rights or remedies provided by law. Any waiver of this Agreement shall be effective only in the specific instance and for the specific purpose for which given.

(b) No provision of this Agreement may be amended, supplemented, modified or waived except in writing signed by each Originator and the Buyer and, to the extent required under the Credit and Security Agreement, the applicable Agent and the Liquidity Banks or the Required Liquidity Banks. At any time while the Credit and Security Agreement remains in effect, any material amendment, supplement, modification or waiver will require satisfaction of the Rating Agency Condition, if applicable.

Section 7.2 Notices

. All communications and notices provided for hereunder shall be in writing (including bank wire, telecopy or electronic facsimile transmission or similar writing) and shall be given to the other parties hereto at their respective addresses or telecopy numbers set forth on the signature pages hereof or at such other address or telecopy number as such Person may hereafter specify for the purpose of notice to each of the other parties hereto. Each such notice or other communication shall be effective (a) if given by telecopy, upon the receipt thereof, (b) if given by mail, three (3) Business Days after the time such communication is deposited in the mail with first class postage prepaid or (c) if given by any other means, when received at the address specified in this Section 7.2.

Section 7.3 Protection of Ownership Interests of the Buyer.

(a) Each Originator agrees that from time to time, at its expense, it will promptly execute and deliver all instruments and documents, and take all actions, that may be necessary or desirable, or that the Buyer (or, at any time the Credit and Security Agreement remains in effect, the Administrative Agent as the Buyer's assignee) may request, to perfect, protect or more fully evidence the interest of the Buyer (or, at any time the Credit and Security Agreement remains in effect, the Administrative Agent as the Buyer's assignee) hereunder, or to enable the Buyer (or, at any time the Credit and Security Agreement remains in effect, the Administrative Agent as the Buyer's assignee) to exercise and enforce their rights and remedies hereunder. At any time following a Termination Event, the Buyer (or, at any time the Credit and Security Agreement remains in effect, the Administrative Agent as the Buyer's assignee) may, at such Originator's sole cost and expense, direct such Originator to notify the Obligors of Receivables of the ownership interests of the Buyer under this Agreement and may also direct that payments of all amounts due or that become due under any or all Receivables be made directly to the Buyer (or, at any time the Credit and Security Agreement remains in effect, the Administrative Agent as the Buyer's assignee) or the Buyer's (or such assigns') designee.

(b) If any Originator fails to perform any of its obligations hereunder, the Buyer (or, at any time the Credit and Security Agreement remains in effect, the Administrative Agent as the Buyer's assignee) may (but shall not be required to) perform, or cause performance of, such obligations, and the Buyer's (or such assignees') costs and expenses incurred in connection therewith shall be payable by such Originator as provided in Section 6.2. Each Originator irrevocably authorizes the Buyer (and, at any time the Credit and Security Agreement remains in effect, the Administrative Agent as the Buyer's assignee) at any time and from time to time in the sole discretion of the Buyer (or, at any time the Credit and Security Agreement remains in effect, the Administrative Agent as the Buyer's assignee), and appoints the Buyer (and, at any time the Credit and Security Agreement remains in effect, the Administrative Agent as the Buyer's assignee) as its attorney(ies)-in-fact, to act on behalf of such Originator (i) to execute on behalf of such Originator as debtor, in the event such Originator fails to timely execute, and to file financing statements necessary in the Buyer's (or, at any time while the Credit and Security Agreement remains in effect, the Administrative Agent's) reasonable opinion to perfect and to maintain the perfection and priority of the interest of the Buyer in the Receivables originated by such Originator and (ii) in the event such Originator fails to deliver any financing statement requested pursuant to the preceding clause (i), to file a carbon, photographic or other reproduction of this Agreement or any financing statement with respect to the Receivables as a financing statement in such offices as the Buyer (or, at any time the Credit and Security Agreement remains in effect, the Administrative Agent as the Buyer's assignee) in their sole discretion deem necessary or desirable to perfect and to maintain the perfection and priority of the Buyer's interest in such Receivables. This appointment is coupled with an interest and is irrevocable.

Section 7.4 Confidentiality.

(a) Each Originator shall maintain and shall cause each of its employees and officers to maintain the confidentiality of the Fee Letters (under and as defined in the Credit and Security Agreement) and the electronic models and files (including electronic files containing model accounting entries for securitization transactions) provided by any Agent or any Conduit in connection with the Credit and Security Agreement, **provided, however**, such information may be disclosed to third parties to the extent such disclosure is (i) required to comply with any applicable law (including federal and state securities laws) or order of any judicial or administrative proceeding, or (ii) required in response to any summons or subpoena or in connection with any litigation, **provided, further**, that such Originator inform such person that such information is sensitive, proprietary and confidential. Notwithstanding the foregoing, each Originator shall have no obligation of confidentiality in respect of any information which may be generally available to the public or becomes available to the public through no fault of such Originator or its Affiliates.

(b) The Buyer (and, accordingly, each of its assignees) shall maintain, shall cause each of its employees, officers and agents to maintain, and shall require the Lenders to maintain and to cause each of their respective employees, officers and agents to maintain, the confidentiality of any information obtained by it in respect of the Receivables (including, without limitation, credit losses and delinquency levels) and any other proprietary or confidential information with respect to Parent, the Obligors, the Receivables, the Originators and the Servicer in communications with third parties; **provided, however**, such information may be disclosed to third parties to the extent such disclosure is (i) required to comply with any applicable law (including federal and state securities laws) or order of any judicial or administrative proceeding, or (ii) required in response to any summons or subpoena or in connection with any litigation, or (iii) to any Person specified in Section 14.5 of the Credit and Security Agreement on the terms set forth therein.

Section 7.5 Bankruptcy Petition.

(a) Each Originator and the Buyer covenant and agree that, prior to the date that is one year and one day after the payment in full of all outstanding senior indebtedness of all Conduits, it will not institute against, or join any other Person in instituting against, any Conduit any bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings or other similar proceeding under the laws of the United States or any state of the United States.

(b) Each Originator covenants and agrees that, prior to the date that is one year and one day after the payment in full of all outstanding obligations of the Buyer under the Credit and Security Agreement, it will not institute against, or join any other Person in instituting against, the Buyer any bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings or other similar proceeding under the laws of the United States or any state of the United States.

Section 7.6 CHOICE OF LAW

. THIS AGREEMENT SHALL BE GOVERNED AND CONSTRUED IN ACCORDANCE WITH THE INTERNAL LAWS (AND NOT THE LAW OF CONFLICTS) OF THE STATE OF GEORGIA.

Section 7.7 CONSENT TO JURISDICTION

. ORIGINATOR HEREBY IRREVOCABLY SUBMITS TO THE NON-EXCLUSIVE JURISDICTION OF ANY UNITED STATES FEDERAL OR GEORGIA STATE COURT SITTING IN FULTON COUNTY, GEORGIA IN ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY DOCUMENT EXECUTED BY ORIGINATOR PURSUANT TO THIS AGREEMENT AND ORIGINATOR HEREBY IRREVOCABLY AGREES THAT ALL CLAIMS IN RESPECT OF SUCH ACTION OR PROCEEDING MAY BE HEARD AND DETERMINED IN ANY SUCH COURT AND IRREVOCABLY WAIVES ANY OBJECTION IT MAY NOW OR HEREAFTER HAVE AS TO THE VENUE OF ANY SUCH SUIT, ACTION OR PROCEEDING BROUGHT IN SUCH A COURT OR THAT SUCH COURT IS AN INCONVENIENT FORUM. NOTHING HEREIN SHALL LIMIT THE RIGHT OF BUYER (OR ITS ASSIGNS) TO BRING PROCEEDINGS AGAINST ORIGINATOR IN THE COURTS OF ANY OTHER JURISDICTION.

. TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, EACH PARTY HERETO HEREBY WAIVES TRIAL BY JURY IN ANY JUDICIAL PROCEEDING INVOLVING, DIRECTLY OR INDIRECTLY, ANY MATTER (WHETHER SOUNDING IN TORT, CONTRACT OR OTHERWISE) IN ANY WAY ARISING OUT OF, RELATED TO, OR CONNECTED WITH THIS AGREEMENT, ANY DOCUMENT EXECUTED BY ORIGINATOR PURSUANT TO THIS AGREEMENT OR THE RELATIONSHIP ESTABLISHED HEREUNDER OR THEREUNDER.

(a) The Transaction Documents contain the final and complete integration of all prior expressions by the parties hereto with respect to the sale and collection of the Receivables and Related Security and shall constitute the entire agreement among the parties hereto with respect to such subject matter, superseding all prior oral or written understandings with respect to the sale and collection of the Receivables and Related Security.

(b) Nothing contained herein or in any other Transaction Document shall be deemed to prohibit or limit any merger or consolidation of an Originator with another Originator so long as any necessary financing statements are filed, promptly after the effectiveness of such merger or consolidation, under the UCC in all jurisdictions necessary to make the representations and warranties contained in this Agreement true and correct after giving effect to such merger or consolidation. Nothing contained herein or any other Transaction Document shall be deemed to prohibit or limit any new entity from becoming an Originator hereunder so long as items 2 through 10 of Schedule A attached hereto are satisfied by such entity. This Agreement shall be binding upon and inure to the benefit of the Originators, the Buyer and their respective successors and permitted assigns (including any trustee in bankruptcy). No Originator may assign any of its rights and obligations hereunder or any interest herein without the prior written consent of the Buyer; **provided, however**, that no consent of the Buyer shall be required in connection with an assignment by operation of law to the surviving Originator in a merger or consolidation described in the first sentence of this Section 7.9(b). The Buyer may pledge or assign at any time its rights and obligations hereunder and interests herein to any other Person without the consent of any Originator. Without limiting the foregoing, each Originator acknowledges that the Buyer, pursuant to the Credit and Security Agreement, may grant to the Administrative Agent for the benefit of the Secured Parties (under and as defined in the Credit and Security Agreement), a security interest in the Buyer's rights, remedies, powers and privileges hereunder. This Agreement shall create and constitute the continuing obligations of the parties hereto in accordance with its terms and shall remain in full force and effect until terminated in accordance with its terms; **provided, however**, that the rights and remedies with respect to (i) any breach of any representation and warranty made by any Originator pursuant to Article II; (ii) the indemnification and payment provisions of Article VI; and (iii) Section 7.4 shall be continuing and shall survive any assignment or termination of this Agreement.

Section 7.10 Counterparts; Severability; Section References

. This Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which when taken together shall constitute one and the same Agreement. Any provisions of this Agreement which are prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction. Unless otherwise expressly indicated, all references herein to "Article," "Section," "Schedule" or "Exhibit" shall mean articles and sections of, and schedules and exhibits to, this Agreement.

<Signature pages follow>

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed and delivered by their duly authorized officers as of the date hereof in Wilmington, Delaware.

Mohawk CARPET DISTRIBUTION, L.P.

By: _____

Name: _____

Title: _____

Address: 160 S. Industrial Blvd.

Calhoun, GA 30703

Attn: Scott R. Veldman

Phone: (706) 624-2103

Fax: (706) 624-2052

DAL-TILE CORPORATION

By: _____

Name: _____

Title: _____

Address: 160 S. Industrial Blvd.

Calhoun, GA 30703

Attn: Scott R. Veldman

Phone: (706) 624-2103

Fax: (706) 624-2052

MOHAWK FACTORING, INC.

By: _____

Name: Linda Bubacz

Title: Assistant Treasurer and Secretary

Address: 300 Delaware Ave.

Suite 1273 C

Wilmington, Delaware 19801

Attn: Linda Bubacz

Phone: (302) 552-3100

Fax: (302) 552-3128

Definitions

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This is Exhibit I to the Agreement (as hereinafter defined). As used in the Agreement and the Exhibits and Schedules thereto, capitalized terms have the meanings set forth in this Exhibit I (such meanings to be equally applicable to the singular and plural forms thereof).

"Administrative Agent" has the meaning set forth in the Preliminary Statements to the Agreement.

"Adverse Claim" means a lien, security interest, charge or encumbrance, or other right or claim in, of or on any Person's assets or properties in favor of any other Person.

"Agreement" means the Amended and Restated Receivables Purchase and Sale Agreement, dated as of August 4, 2003, among Originators and the Buyer, as the same may be amended, restated or otherwise modified.

"Blue Ridge" has the meaning set forth in the Preliminary Statements to the Agreement.

"Business Day" means any day on which banks are not authorized or required to close in New York, New York or Atlanta, Georgia, and The Depository Trust Company of New York is open for business, and, if the applicable Business Day relates to any computation or payment to be made with respect to the LIBO Rate, any day on which dealings in dollar deposits are carried on in the London interbank offering market.

"Buyer" has the meaning set forth in the preamble to the Agreement.

"Calculation Period" means each fiscal month of the Buyer or portion thereof which elapses during the term of the Agreement. The first Calculation Period shall commence on the date of the initial Purchase hereunder and the final Calculation Period shall terminate on the Termination Date. ***For purposes of the use of this term in other definitions in Exhibit I to this Agreement, Calculation Periods occurring prior to the date of the initial Purchase hereunder shall mean a fiscal month of the Buyer.***

"Canadian Receivable" means a Receivable owing from an Obligor domiciled in, or organized under the laws of, Canada or one of its political subdivisions.

"Change of Control" means the acquisition by any Person, or two or more Persons acting in concert, of beneficial ownership (within the meaning of Rule 13d-3 of the Securities and Exchange Commission under the Securities Exchange Act of 1934) of 30% or more of the outstanding shares of voting stock of Parent, or Parent ceases to own, directly or indirectly, all of the outstanding shares of voting stock of each Originator.

"Collection Accounts" means those accounts shown on Exhibit III, as the same may be amended from time to time by the Buyer in accordance with the terms hereof.

"Collection Records" means, with respect to any Receivable, all Invoices and all other documents, books, records and other information (including, without limitation, computer programs, tapes, disks, punch cards, data processing software and related property and rights) relating to amounts paid on or owing in respect of such Receivable.

"Collection Services Agreement" means that certain Servicing Agreement dated as of October 25, 2000 by and between the Buyer and Mohawk Servicing, Inc., as Servicer, providing for the collection and servicing of all Receivables held by the Buyer.

"Collections" means, with respect to any Receivable, all cash collections and other cash proceeds in respect of such Receivable, including, without limitation, all Finance Charges or other related amounts accruing in respect thereof and all cash proceeds of Related Security with respect to such Receivable.

"Contingent Obligation" of a Person means any agreement, undertaking or arrangement by which such Person assumes, guarantees, endorses, contingently agrees to purchase or provide funds for the payment of, or otherwise becomes or is contingently liable upon, the obligation or liability of any other Person, or agrees to maintain the net worth or working capital or other financial condition of any other Person, or otherwise assures any creditor of such other Person against loss, including, without limitation, any comfort letter, operating agreement, take-or-pay contract or application for a letter of credit.

"Contract" means, with respect to any Receivable, any and all instruments and agreements, purchase orders, invoices, writings, or other communications pursuant to which such Receivable arises but excluding any Invoice.

"Credit and Collection Policy" means each Originator's credit and collection policies and practices relating to Contracts and Receivables existing on and as administered historically prior to the date hereof and summarized in **Exhibit V**, as modified from time to time in accordance with the Agreement.

"Credit and Security Agreement" has the meaning set forth in the Preliminary Statements to the Agreement.

"Dal-Tile" has the meaning set forth in the preamble to the Agreement.

"Default Fee" means a *per annum* rate of interest equal to the sum of (i) the Prime Rate, **plus** (ii) 2% per annum.

"Defaulted Receivable" means a Receivable: (i) as to which the Obligor thereof has suffered an Event of Bankruptcy; (ii) which, consistent with the Credit and Collection Policy, would be written off Originator's books as uncollectible; or (iii) as to which any payment, or part thereof, remains unpaid for 61 days or more from the original due date for such payment.

"Delinquent Receivable" means a Receivable as to which any payment, or part thereof, remains unpaid for 31-60 days from the original due date for such payment.

"Discount Factor" means a percentage calculated to provide the Buyer with a reasonable return on its investment in the Receivables originated by each Originator after taking account of (i) the time value of money based upon the anticipated dates of collection of such Receivables and the cost to the Buyer of financing its investment in such Receivables during such period and (ii) the risk of nonpayment by the Obligors. Each Originator and the Buyer may agree from time to time to change the Discount Factor based on changes in one or more of the items affecting the calculation thereof, **provided that** any change to the Discount Factor shall take effect as of the commencement of a Calculation Period, shall apply only prospectively and shall not affect the Purchase Price payment made prior to such Calculation Period during which such Originator and the Buyer agree to make such change.

"Eligible Receivable" means, at any time, a Receivable:

(i) the Obligor of which (a) if a natural person, is a resident of the United States or Canada or, if a corporation or other business organization, is organized under the laws of the United States, Canada or any political subdivision of the United States or Canada and has its chief executive office in the United States or Canada; (b) is not an Affiliate of any of the parties hereto; and (c) is not a government or a governmental subdivision or agency; **provided, however**, that in no event may the Canadian Receivables that are included as Eligible Receivables exceed 3% of total Receivables at any time,

(ii) which is not a Defaulted Receivable,

(iii) which was not a Delinquent Receivable on (A) the date of Purchase (if such Receivable was in existence on the Initial Cutoff Date), or (B) the date on which such Receivable came into existence (in all other cases),

(iv) which (A) by its terms is due and payable within 91 days of the original billing date therefor; provided, however, notwithstanding anything herein to contrary, any Receivable which by its terms is due and payable within 92-120 days of the original billing date thereof shall be included as an Eligible Receivable, provided that the Outstanding Balance of all such Receivables shall not exceed 2.5% of the total Outstanding Balance of all Eligible Receivables, (B) has not had its payment terms extended more than once, and (C) will not, when added to all other Eligible Receivables, cause the weighted average of the payment terms for all Eligible Receivables to exceed 50 days,

(v) which is an "account," a "payment intangible," a "general intangible" or "chattel paper" within the meaning of Article 9 of the UCC in the applicable jurisdiction, and is not evidenced by an "instrument" within the meaning of Article 9 of the UCC,

- (vi) which is denominated and payable only in United States Dollars or Canadian Dollars in the United States or Canada,
- (vii) which is in full force and effect and constitutes the legal, valid and binding obligation of the related Obligor enforceable against such Obligor in accordance with its terms,
- (viii) which does not contain a confidentiality provision that purports to restrict the ability of the Buyer (or, at any time the Credit and Security Agreement remains in effect, the Administrative Agent as the Buyer's assignee) to exercise its rights under this Agreement, including, without limitation, its right to review the Contract or Invoice applicable thereto,
- (ix) which represents an obligation to pay a specified sum of money, contingent only upon (A) the sale of goods or the provision of services by the applicable Originator (which sale has been consummated or services have been performed), and (B) satisfaction by such Originator of any applicable warranty claims which have not yet been made or asserted,
- (x) which does not contravene any law, rule or regulation applicable thereto (including, without limitation, any law, rule and regulation relating to truth in lending, fair credit billing, fair credit reporting, equal credit opportunity, fair debt collection practices and privacy),
- (xi) which satisfies all applicable requirements of the applicable Credit and Collection Policy in all material respects,
- (xii) which was generated in the ordinary course of the applicable Originator's business,
- (xiii) which arises solely from the sale (and not the lease) of goods or the provision of services to the related Obligor by the applicable Originator or a predecessor to such Originator, and not by any other Person (in whole or in part),
- (xiv) which is not the subject of, to the Originator's knowledge, any dispute, counterclaim, right of rescission, set-off, counterclaim or any other defense (including defenses arising out of violations of usury laws) of the applicable Obligor against the applicable Originator or any other Adverse Claim, and the Obligor thereon holds no right as against such Originator to cause such Originator to repurchase the goods or merchandise the sale of which shall have given rise to such Receivable (except with respect to sale discounts effected pursuant to the Contract, or defective goods returned in accordance with the terms of the Contract) and which requires that all or part of such Receivables be charged off in accordance with the Credit and Collections Policy; **provided, however**, that if such dispute, offset, counterclaim or defense affects only a portion of the Outstanding Balance of such Receivable, then such Receivable may be deemed an Eligible Receivable to the extent of the portion of such Outstanding Balance which is not so affected,

(xv) as to which the applicable Originator has satisfied and fully performed all obligations on its part with respect to such Receivable required to be fulfilled by it, and no further action is required to be performed by any Person with respect thereto other than payment thereon by the applicable Obligor (excluding any warranty obligations for which no claim exists or is know to exist), and

(xvi) as to which each of the representations and warranties contained in Sections 2.1(i), (l) and (s) is true and correct.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time, and any rule or regulation issued thereunder.

"ERISA Affiliate" means any trade or business (whether or not incorporated) under common control with any Originator within the meaning of Section 414(b) or (c) of the Code (and Sections 414(m) and (o) of the Code for purposes of provisions relating to Section 412 of the Code).

"ERISA Event" means (a) a Reportable Event with respect to a Pension Plan; (b) a withdrawal by any Originator or any ERISA Affiliate from a Pension Plan subject to Section 4063 of ERISA during a plan year in which it was a substantial employer (as defined in Section 4001 (a) (2) of ERISA) or a cessation of operations which is treated as such a withdrawal under Section 4062(e) of ERISA; (c) a complete or partial withdrawal by any Originator or any ERISA Affiliate from a Multiemployer Plan or notification that a Multiemployer Plan is in reorganization; (d) the filing of a notice of intent to terminate, the treatment of a Plan amendment as a termination under Section 4041 or 4041A of ERISA, or the commencement of proceedings by the PBGC to terminate a Pension Plan or Multiemployer Plan; (e) an event or condition which might reasonably be expected to constitute grounds under Section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any Pension Plan or Multiemployer Plan; or (f) the imposition of any liability under Title IV of ERISA, other than PBGC premiums due but not delinquent under Section 4007 of ERISA, upon any Originator or any ERISA Affiliate.

"Event of Bankruptcy" shall be deemed to have occurred with respect to a Person if either:

(a) a case or other proceeding shall be commenced, without the application or consent of such Person, in any court, seeking the liquidation, reorganization, debt arrangement, dissolution, winding up, or composition or readjustment of debts of such Person, the appointment of a trustee, receiver, custodian, liquidator, assignee, sequestrator or the like for such Person or all or substantially all of its assets, or any similar action with respect to such Person under any law relating to bankruptcy, insolvency, reorganization, winding up or composition or adjustment of debts, and such case or proceeding shall continue undismissed, or unstayed and in effect, for a period of 60 consecutive days; or an order for relief in respect of such Person shall be entered in an involuntary case under the federal bankruptcy laws or other similar laws now or hereafter in effect; or

(b) such Person shall commence a voluntary case or other proceeding under any applicable bankruptcy, insolvency, reorganization, debt arrangement, dissolution or other similar law now or hereafter in effect, or shall consent to the appointment of or taking possession by a receiver, liquidator, assignee, trustee (other than a trustee under a deed of trust, indenture or similar instrument), custodian, sequestrator (or other similar official) for, such Person or for any substantial part of its property, or shall make any general assignment for the benefit of creditors, or shall be adjudicated insolvent, or admit in writing its inability to pay its debts generally as they become due, or, if a corporation or similar entity, its board of directors shall vote to implement any of the foregoing.

"Excluded Receivable" means a Receivable for which (i) any of Kmart Corporation (including without limitation, Kmart Corporation d/b/a Kmart Fashions), Builders Square, Inc. or Sourcing & Technical Services, Inc., is the Obligor and (ii) any Obligor which is an Obligor designated in writing by an Originator to Buyer and approved in writing by the Administrative Agent and the Co-Agents with respect to Receivables owing by such Obligor that arises on or after the date specified such written approval of such designation.

"Factored Receivable" means, with respect to any Originator, any right to payment for goods sold or services performed by such Originator existing on or after the Initial Cutoff Date which is sold or pledged to any factor and designated on such Originator's accounting system with code "C", "D", "S", "1" or any other code identified as such in writing by the Originator to the Buyer (and, as long as the Credit and Security Agreement remains in effect, the Administrative Agent as the Buyer's assignee), or which directs that payment be made to a Person other than the Buyer.

"Finance Charges" means, with respect to any Contract, any finance, interest, late payment charges or similar charges owing by an Obligor pursuant to such Contract.

"Indebtedness" of a Person means such Person's (i) obligations for borrowed money, (ii) obligations representing the deferred purchase price of property or services (other than accounts payable arising in the ordinary course of such Person's business payable on terms customary in the trade), (iii) obligations, whether or not assumed, secured by liens or payable out of the proceeds or production from property now or hereafter owned or acquired by such Person, (iv) obligations which are evidenced by notes, acceptances, or other instruments, (v) capitalized lease obligations, (vi) net liabilities under interest rate swap, exchange or cap agreements, (vii) Contingent Obligations and (viii) liabilities in respect of unfunded vested benefits under plans covered by Title IV of ERISA.

"Initial Cutoff Date" means, as to each Originator, the close of business on the Business Day immediately prior to the date on which such Originator became a party to this Agreement.

"Invoice" means any paper or electronic invoice evidencing any Receivable.

"Lock-Boxes" means those lock-boxes shown on Exhibit III, as the same may be amended from time to time by the Buyer in accordance with the terms hereof.

"Material Adverse Effect" means a material adverse effect on (i) the financial condition or results of operations of Parent and its Subsidiaries, considered as a whole, (ii) the ability of any Originator to perform its obligations under this Agreement or any other Transaction Document to which such Originator is a party, (iii) the legality, validity or enforceability of this Agreement or any other Transaction Document to which such Originator is a party, (iv) any Originator's, the Buyer's, any Agent's or any Lender's interest in the Receivables generally or in any significant portion of the Receivables or the Related Security with respect thereto, or (v) the collectibility of the Receivables generally or of any significant portion of the Receivables.

"Material Subsidiary" means, as of the date of any determination thereof, any Subsidiary that either: (a) owns assets having a book value equal to or greater than 5% of the consolidated total assets shown on the consolidated balance sheet of Parent and its consolidated subsidiaries, or (b) had net income for any prior period of four consecutive fiscal quarters equal to or greater than 5% of the Parent's and its consolidated subsidiaries consolidated net income shown on the statements of earnings for the same four fiscal quarter period.

"Mohawk Distribution" has the meaning set forth in the preamble to the Agreement.

"Monthly Reporting Date" means the 18th day of each calendar month hereafter (or if any such day is not a Business Day, the next succeeding Business Day thereafter).

"Multiemployer Plan" means a "multiemployer plan," within the meaning of Section 4001(a)(3) of ERISA, to which any Originator or any ERISA Affiliate makes, is making, or is obligated to make contributions or, during the preceding three calendar years, has made, or been obligated to make, contributions.

"Obligor" means a Person obligated to make payments on a Receivable.

"Organizational Documents" means, for any Person, the documents for its formation and organization, which, for example, (a) for a corporation are its corporate charter and bylaws, (b) for a partnership are its certificate of partnership (if applicable) and partnership agreement, (c) for a limited liability company are its certificate of formation or organization and its operating agreement, regulations or the like and (d) for a trust is the trust agreement, declaration of trust, indenture or bylaws under which it is created.

"Original Balance" means, with respect to any Receivable coming into existence after the Initial Cutoff Date, the Outstanding Balance of such Receivable on the date it was created.

"Originator" has the meaning set forth in the preamble to the Agreement.

"Other Records" means, with respect to any Receivable: (a) all Contracts and (b) all other documents, books, records and other information (including, without limitation, computer programs, tapes, disks, punch cards, data processing software and related property and rights) relating to the creditworthiness of any Obligor in respect thereof.

"Outstanding Balance" of any Receivable at any time means the then outstanding principal balance thereof.

"Parent" means Mohawk Industries, Inc., a Delaware corporation, and its successors.

"PBGC" means the Pension Benefit Guaranty Corporation, or any successor thereto.

"Pension Plan" means a pension plan (as defined in Section 3(2) of ERISA) subject to Title IV of ERISA which any Originator sponsors or maintains, or to which it makes, is making, or is obligated to make contributions, or in the case of a multiple employer plan (as described in Section 4064(a) of ERISA) has made contributions at any time during the immediately preceding five plan years.

"Person" means an individual, partnership, corporation (including a business trust), limited liability company, joint stock company, trust, unincorporated association, joint venture or other entity, or a government or any political subdivision or agency thereof.

"Plan" means an employee benefit plan (as defined in Section 3(3) of ERISA) which any Originator or any of its ERISA Affiliates sponsors or maintains or to which any Originator or any of its ERISA Affiliates makes, is making, or is obligated to make contributions and includes any Pension Plan, other than a Plan maintained outside the United States primarily for the benefit of Persons who are not U.S. residents.

"Purchase" means the purchase by the Buyer from an Originator pursuant to Section 1.1(a) of the Agreement of the Receivables originated by such Originator and the Related Security related thereto, together with all related rights in connection therewith.

"Purchase Price" means, with respect to the Purchase from each Originator, the aggregate price to be paid by the Buyer to such Originator for such Purchase in accordance with Section 1.2 of the Agreement for the Receivables originated by such Originator and the associated Related Security being sold to the Buyer, which price shall equal on any date (i) the product of (x) the Outstanding Balance of such Receivables on such date, **multiplied by** (y) one minus the Discount Factor in effect on such date, minus (ii) any Purchase Price Credits to be credited against the Purchase Price otherwise payable in accordance with Section 1.3 of the Agreement.

"Purchase Price Credit" has the meaning set forth in Section 1.3 of the Agreement.

"Purchase Report" has the meaning set forth in Section 1.1(b) of the Agreement.

"Rating Agency Condition" means, at any time the Credit and Security Agreement remains in effect, the Rating Agency Condition as defined therein.

"Receivable" means all indebtedness and other obligations owed to an Originator, at the times it arises and before giving effect to any transfer or conveyance under the Agreement, arising in connection with the sale of goods or the rendering of services by such Originator or a predecessor (including, without limitation, any indebtedness, obligation or interest constituting an account, instrument, chattel paper or general intangible, if any) together with the obligation, if any, to pay any Finance Charges with respect thereto and all proceeds thereof; **provided, however**, in no event shall the term **"Receivable"** include any Factored Receivable, Excluded Receivable or any Receivable coming into existence after the Termination Date. All Receivables are identified with the legend pay to Buyer or similar language. For purposes of this Agreement, indebtedness and other rights and obligations arising from any one transaction, including, without limitation, indebtedness and other rights and obligations represented by an individual invoice, shall constitute a Receivable separate from a Receivable consisting of the indebtedness and other rights and obligations arising from any other transaction; **provided, further**, that any indebtedness, rights or obligations referred to in the immediately preceding sentence shall be a Receivable regardless of whether the account debtor or such Originator treats such indebtedness, rights or obligations as a separate payment obligation.

"Related Security" means, with respect to any Receivable:

- (i) all of the applicable Originator's interest, if any, in the goods (including returned or repossessed goods), the sale of which by such Originator gave rise to such Receivable,
- (ii) all other security interests or liens and property subject thereto from time to time, if any, purporting to secure payment of such Receivable, together with all financing statements and security agreements describing any collateral securing such Receivable,
- (iii) all guaranties, letters of credit, credit insurance and other agreements or arrangements of whatever character from time to time supporting payment of such Receivable,

- (iv) all service contracts and agreements, if any, associated with such Receivable,
- (v) all Collections and Collection Records related to such Receivable, and
- (vi) all other proceeds and insurance proceeds of any of the foregoing or of any Receivable.

"Reportable Event" means any of the events set forth in Section 4043(c) of ERISA or the regulations thereunder, other than any such event for which the 30-day notice requirement under ERISA has been waived in regulations issued by the PBGC.

"Responsible Financial Officer" of Parent means any of its chief financial officer, vice president & corporate controller or vice president & treasurer, acting singly.

"Servicer" means Mohawk Servicing, Inc. and its permitted successors and assigns.

"Settlement Date" means the second Business Day after each Monthly Reporting Date.

"Subsidiary" of a Person means (i) any corporation more than 50% of the outstanding securities having ordinary voting power of which shall at the time be owned or controlled, directly or indirectly, by such Person or by one or more of its Subsidiaries or by such Person and one or more of its Subsidiaries, or (ii) any partnership, association, limited liability company, joint venture or similar business organization more than 50% of the ownership interests having ordinary voting power of which shall at the time be so owned or controlled.

"Termination Date" means the earliest to occur of (i) the date on which the Buyer is unable to pay the Purchase Price for any Receivable in accordance with Section 1.2, (ii) the Business Day immediately prior to the occurrence of a Termination Event set forth in Section 5.1(d), (iii) the Business Day specified in a written notice from the Buyer (or, at any time the Credit and Security Agreement remains in effect, the Administrative Agent as the Buyer's assignee) to the Originators following the occurrence of any other Termination Event, (iv) the date which is 5 Business Days after the Buyer's receipt of written notice from any Originator that it wishes to terminate sales under this Agreement, and (v) the date which is 5 Business Days after each Originator receives written notice that the Buyer wishes to terminate purchases under this Agreement.

"Termination Event" has the meaning set forth in Section 5.1 of the Agreement.

"Transaction Documents" means, collectively, this Agreement, the Collection Services Agreement, and all Purchase Reports.

"Unmatured Termination Event" means an event which, with the passage of time or the giving of notice, or both, would constitute a Termination Event.

All accounting terms not specifically defined herein shall be construed in accordance with GAAP. All terms used in Article 9 of the UCC in the State of Georgia, and not specifically defined herein, are used herein as defined in such Article 9.

Exhibit II

Places of Business; Locations of Collection Records;
Federal Employer Identification Number(s); Organizational
Identification Number; Other Names

Places of Business:

Mohawk Carpet Distribution, L.P.

160 S. Industrial Blvd.

Calhoun, GA 30703

Dal-Tile Corporation

160 S. Industrial Blvd.

Calhoun, GA 30703

Location of Collection Records:

Mohawk Servicing, Inc

235 Industrial Blvd.

Chatsworth, GA 30705

Mohawk Servicing, Inc.

160 S. Industrial Blvd.

Calhoun, GA 30703

***Federal Employer Identification Number
and Organizational Identification Number:***

Mohawk Carpet Distribution, L.P.

FEI # 582173403

Organizational ID# 3467750

Dal-Tile Corporation

FEI# 16-0577180

Organizational ID# 002607239

Legal, Trade and Assumed Names:

Alladin Mills
World Carpet
Mohawk Commercial
IMAGE
Galaxy
Merit Hospitality
Custom Weave
Wunda Weave
Mohawk International
Karastan
Alliance Pad
Crown Craft
Mohawk Carpet
World
Diamond
Durkan Patterned Carpet
Rug & Textile Group
Aladdin Rug
Townhouse
Newmark & James
Durkan Commercial
American Rug Craftsman
Horizon
Alexander Smith
Bigelow
Harbinger
Helios
Delaware Valley Wool Scouring
American Weavers
Burton Rug
Insignia
Sunrise
Hamilton
Cyboney
Mohawk Rug & Textile
Ultra Weave

The foregoing may be changed by the Buyer at any time upon 30 days prior written notice to each Originator.

Exhibit IV

Form of Compliance Certificate

This Compliance Certificate is furnished pursuant to that certain Amended and Restated Receivables Purchase and Sale Agreement dated as of August 4, 2003, among Mohawk Carpet Distribution, L.P., Dal-Tile Corporation, and each other Originator that is a party thereto from time to time and Mohawk Factoring, Inc. (as amended, restated or otherwise modified from time to time in accordance with the Transaction Documents, the "**Agreement**"). Capitalized terms used and not otherwise defined herein are used with the meanings attributed thereto in the Agreement.

THE UNDERSIGNED HEREBY CERTIFIES THAT:

1. I am the duly elected _____ and, accordingly, a Responsible Financial Officer, of Mohawk Industries, Inc., a Delaware corporation (the "**Parent**").
2. I have reviewed the terms of the Agreement and I have made, or have caused to be made under my supervision, a detailed review of the transactions and conditions of Parent and its Subsidiaries during the accounting period covered by the attached financial statements.
3. The examinations described in paragraph 2 did not disclose, and I have no knowledge of, the existence of any condition or event which constitutes a Termination Event or an Unmatured Termination Event, as each such term is defined under the Agreement, during or at the end of the accounting period covered by the attached financial statements or as of the date of this Certificate[, except as set forth below].
4. Described below are the exceptions, if any, to paragraph 3 by listing, in detail, the nature of the condition or event, the period during which it has existed and the action which Parent and its Subsidiaries have taken, is taking, or proposes to take with respect to each such condition or event: _____].

The foregoing certifications, together with the computations set forth in Schedule I hereto and the financial statements delivered with this Certificate in support hereof, are made and delivered this ____ day of _____, 200_.

[Name]

Exhibit V

Credit and Collection Policy

[attach copy]

Exhibit VI

[Form of] Purchase Report

For the Calculation Period beginning [date] and ending [date]

To: the buyer

cc: (WHILE THE CREDIT AND SECURITY AGREEMENT REMAINS IN EFFECT) the agent

from: [INSERT ORIGINATOR NAME]

Aggregate Outstanding Balance of all Receivables sold during the period:	\$ _____		A
Less: Aggregate Outstanding Balance of all Receivables sold during such period which were not Eligible Receivables on the date when sold:	(\$ _____)		(B)
Equals: Aggregate Outstanding Balance of all Eligible Receivables sold during the period (A - B):		\$ _____	=C
Less: Purchase Price discount during the Period:	(\$ _____)		(D)
Equals: Gross Purchase Price Payable during the period (C - D)		\$ _____	=E
Less: Total Purchase Price Credits arising during the Period:	(\$ _____)		(F)
Equals: Net Purchase Price payable during the Period (E - F):		\$ _____	=G
Cash Purchase Price Paid to Originator during the Period:	\$ _____		H

The undersigned hereby represents and warrants that the information set forth above is accurate and complete as of the last day of the Calculation Period set forth above.

[ORIGINATOR NAME]

By: _____
Name:
Title:

Schedule A

DOCUMENTS TO BE DELIVERED TO BUYER
ON OR PRIOR TO THE INITIAL PURCHASE OF RECEIVABLES

1. Executed copies of the Receivables Purchase and Sale Agreement, duly executed by the parties thereto.
 2. Copy of each Credit and Collection Policy of each Originator to attach to the Receivables Purchase and Sale Agreement as an Exhibit.
 3. A certificate of each Originator's [Assistant] Secretary certifying:
 - (a) A copy of the Resolutions of the Board of Directors of such Originator, authorizing Originator's execution, delivery and performance of the Receivables Purchase and Sale Agreement and the other documents to be delivered by it thereunder;
 - (b) A copy of the Organizational Documents of such Originator (also certified, to the extent that such documents are filed with any governmental authority, by the Secretary of State of the jurisdiction of organization of such Originator on or within thirty (30) days prior to closing);
 - (c) Good Standing Certificates for such Originator issued by the Secretaries of State of its state of incorporation and the State of Georgia; and
 - (d) The names and signatures of the officers authorized on its behalf to execute the Receivables Purchase and Sale Agreement and any other documents to be delivered by it thereunder.
 4. Pre-filing state and federal tax lien, judgment lien and UCC lien searches against each Originator from the following jurisdictions:
 - a. State of Delaware
 - b. Superior Court Clerk's Cooperative Authority (State of Georgia)
 - c. Superior Court Clerk's Office in the following Georgia Counties:
 - (i) Gordon
 5. Duly executed UCC financing statements, in form appropriate for filing in all jurisdictions as may be necessary or, in the opinion of the Buyer (or, at any time the Credit and Security Agreement remains in effect, the Administrative Agent as the Buyer's assignee), desirable, under the UCC of all appropriate jurisdictions or any comparable law in order to perfect the transfer of the ownership interests contemplated by the Receivables Purchase and Sale Agreement.
-

6. Duly executed UCC termination statements, in form suitable for filing, if any, necessary to release all security interests and other rights of any Person in the Receivables, Contracts or Related Security previously granted by each Originator.

7. A favorable opinion of legal counsel for each Originator licensed to give opinions under Georgia law reasonably acceptable to the Buyer (and the Administrative Agent, as the Buyer's assignee) as to the following:

(a) Such Originator is a corporation duly organized, validly existing, and in good standing under the laws of the State of Delaware.

(b) Such Originator has all requisite authority to conduct its business in the jurisdiction where it maintains its chief executive office.

(c) The execution and delivery by such Originator of the Receivables Purchase and Sale Agreement and each other Transaction Document to which it is a party and its performance of its obligations thereunder have been duly authorized by all necessary organizational action and proceedings on the part of such Originator and will not:

(i) require any action by or in respect of, or filing with, any governmental body, agency or official (other than the filing of UCC financing statements);

(ii) contravene, or constitute a default under, any provision of applicable law or regulation or of its articles or certificate of incorporation or bylaws or of any agreement, judgment, injunction, order, decree or other instrument binding upon such Originator; or

(iii) result in the creation or imposition of any Adverse Claim on assets of such Originator or any of its Subsidiaries (except as contemplated by the Receivables Purchase and Sale Agreement).

(d) The Receivables Purchase and Sale Agreement and each other Transaction Document to which it is a party has been duly executed and delivered by such Originator and constitutes the legally valid, and binding obligation of such Originator enforceable in accordance with its terms, except to the extent the enforcement thereof may be limited by bankruptcy, insolvency or similar laws affecting the enforcement of creditors' rights generally and subject also to the availability of equitable remedies if equitable remedies are sought.

(e) In the event that the Receivables Purchase and Sale Agreement is held to create a transfer for security purposes rather than a true sale or other outright assignment, the provisions of the Receivables Purchase and Sale Agreement are effective to create valid security interests in favor of the Buyer in all of such Originator's right, title and interest in and to the Receivables described therein which constitute "accounts," "chattel paper" or "general intangibles" (each as defined in the UCC) (collectively, the "**Opinion Collateral**").

(f) Upon filing of such UCC-1 Financing Statements in such filing offices and payment of the required filing fees, the security interest in favor of the Buyer in the Opinion Collateral will be perfected and assigned of record to the Administrative Agent.

(g) Based solely on our review of the UCC Search Reports and assuming (i) the filing of the Financing Statements and payment of the required filing fees in accordance with paragraph (f) and (ii) the absence of any intervening filings between the date and time of the Search Reports and the date and time of the filing of the Financing Statements and other customary exhibits, the security interest of the Buyer in the Opinion Collateral is prior to any security interest granted in the Opinion Collateral by such Originator, the priority of which is determined solely by the filing of a financing statement in the [describe filing offices].

(h) To the best of the opinion giver's knowledge, there is no action, suit or other proceeding against such Originator which would materially adversely affect the ability of such Originator to perform its obligations under the Receivables Purchase and Sale Agreement.

(i) Such Originator is not an "investment company" as such term is defined in the Investment Company Act of 1940, as amended.

8. A **"true sale"** opinion and **"substantive consolidation"** opinion of counsel for Originator with respect to the transactions contemplated by the Receivables Purchase and Sale Agreement.

9. A Certificate of a Responsible Financial Officer of each Originator certifying that, as of the closing date or, if applicable, as of the date such Originator becomes a party to the Receivables Purchase and Sale Agreement, no Termination Event or Unmatured Termination Event exists and is continuing.

10. Executed copies of (i) all consents from and authorizations by any Persons and (ii) all waivers and amendments to existing credit facilities, that are necessary in connection with the Receivables Purchase and Sale Agreement.

11. A copy of the Servicing Agreement duly executed by the parties thereto.

Exhibit 10.3

FIVE YEAR CREDIT AGREEMENT

dated as of

September 30, 2003

among

MOHAWK INDUSTRIES, INC.,

SUNTRUST BANK

and

WACHOVIA BANK, NATIONAL ASSOCIATION

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CREDIT AGREEMENT

THIS CREDIT AGREEMENT dated as of September 30, 2003, among MOHAWK INDUSTRIES, INC., SUNTRUST BANK, as Co-Lead Arranger and Agent, WACHOVIA BANK, NATIONAL ASSOCIATION, as Co-Lead Arranger and Administrative Agent, and the other Banks from time to time party hereto.

ARTICLE I

DEFINITIONS

SECTION 1.01. Definitions. The terms as defined in this Section 1.01 shall, for all purposes of this Agreement and any amendment hereto (except as herein otherwise expressly provided or unless the context otherwise requires), have the meanings set forth herein:

"364 Day Revolving Credit Facility" means that 364 Day Credit Agreement dated as of even date herewith among Mohawk Industries, Inc., SunTrust Bank, Wachovia Bank, National Association, and the other lenders party thereto from time to time.

"Additional Issuer" means one Bank (but no more than one Bank), in addition to the Administrative Agent, designated by the Borrower by written notice to the Administrative Agent as an additional issuer of New Letters of Credit.

"Adjusted London Interbank Offered Rate" has the meaning set forth in Section 2.06(c).

"Administrative Agent" means Wachovia Bank, National Association, a national banking association organized under the laws of the United States of America, in its capacity as agent for the Banks hereunder, and its successors and permitted assigns in such capacity.

"Affected Bank" has the meaning set forth in Section 8.06.

"Affiliate" means (i) any Person that directly, or indirectly through one or more intermediaries, controls the Borrower (a "Controlling Person"), (ii) any Person (other than the Borrower or a Subsidiary) which is controlled by or is under common control with a Controlling Person, or (iii) any Person (other than a Subsidiary) of which the Borrower owns, directly or indirectly, 20% or more of the common stock or equivalent equity interests. As used herein, the term "control" means possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ownership of voting securities, by contract or otherwise.

"Agreement" means this Credit Agreement, together with all amendments and modifications hereto.

"Aladdin" means Aladdin Manufacturing Corporation, a Delaware corporation.

"Amendment Events" has the meaning set forth in Section 2.16.

"Amortization" means for any period the sum of all amortization expenses of the Borrower and its Consolidated Subsidiaries for such period, as determined in accordance with GAAP.

"Applicant" means each Person which, as the initial applicant or a Person that has assumed, pursuant to a written agreement in a form reasonably acceptable to the Required Banks, the obligations of an applicant, is liable for the reimbursement obligations with respect to a Letter of Credit.

"Applicable Margin" has the meaning set forth in Section 2.06(a).

"Approved Investment" means an Investment in compliance with the Investment Guidelines.

"Asset Securitization" means the sale of accounts receivable and related assets of a Person in connection with a bona fide asset securitization program.

"Assignee" has the meaning set forth in Section 9.08(c).

"Assignment and Acceptance" means an Assignment and Acceptance executed in accordance with Section 8.08(c) in the form of Exhibit C.

"Authority" has the meaning set forth in Section 8.02.

"Banks" collectively means SunTrust, Wachovia, and the other banks from time to time party hereto.

"Base Rate" means that interest rate as denominated and publicly announced by the Administrative Agent from time to time as its "prime rate". The Base Rate is but one of several interest rate bases used by the Administrative Agent. The Administrative Agent and each of the Banks lends at interest rates above and below the Base Rate.

"Base Rate Loan" means a Loan to be made as a Base Rate Loan pursuant to the applicable Notice of Borrowing, Section 2.02(f), or Article VIII, as applicable.

"Borrower" means Mohawk Industries, Inc., a Delaware corporation, and its successors and permitted assigns.

"Borrowing" means a borrowing hereunder consisting of Loans made to the Borrower at the same time by the Banks pursuant to Article II. A Borrowing is a "Base Rate Borrowing" if such Loans are Base Rate Loans or a "Euro-Dollar Borrowing" if such Loans are Euro-Dollar Loans, or a "Swing Loan Borrowing" if such Loan is made pursuant to Section 2.01(b).

"Business" has the meaning set forth in Section 2.16.

"Capital Stock" means any nonredeemable capital stock of the Borrower or any Consolidated Subsidiary (to the extent issued to a Person other than the Borrower), whether common or preferred.

"Catoosa Co. IRB" means that issuance of certain bonds by The Development Authority of Catoosa County, Georgia, pursuant to the terms and conditions set forth in that certain Indenture of Trust dated as of November 1, 1991.

"CERCLA" means the Comprehensive Environmental Response Compensation and Liability Act, 42 U.S.C. § 9601 et. seq. and its implementing regulations and amendments.

"CERCLIS" means the Comprehensive Environmental Response Compensation and Liability Inventory System established pursuant to CERCLA.

"Change of Law" shall have the meaning set forth in Section 8.02.

"Closing Date" means September 30, 2003.

"Code" means the Internal Revenue Code of 1986, as amended, or any successor Federal tax code.

"Commitment" means, with respect to each Bank, the amount set forth opposite the name of such Bank in the signature pages hereof as its Commitment, or in the Assignment and Acceptance by which such Bank became a party hereto, as such amount may be reduced from time to time pursuant to Sections 2.08 and 2.09.

"Compliance Certificate" has the meaning set forth in Section 5.01(c).

"Consolidated Debt" means at any date the Debt of the Borrower and its Consolidated Subsidiaries, determined on a consolidated basis as of such date.

"Consolidated Interest Expense" for any period means interest, whether expensed or capitalized, in respect of Debt of the Borrower or any of its Consolidated Subsidiaries outstanding during such period.

"Consolidated Net Income" means, for any period, the Net Income of the Borrower and its Consolidated Subsidiaries for such period as determined on a consolidated basis in accordance with GAAP, but excluding from the determination thereof (without duplication) (a) any non-cash extraordinary or non-recurring gains or losses, (b) non-cash losses or gains from the proposed or actual disposition of material assets not exceeding \$20,000,000 in any fiscal year (c) non-cash goodwill and intangible asset write-downs and restructuring charges (but deducting from the determination of Consolidated Net Income for any period, cash payments made during such period in respect of any goodwill and intangible asset write-downs or restructuring charges recorded after the Closing Date), (d) non-cash charges resulting from the vesting or exercise of stock options or stock appreciation rights granted to management of the Borrower, (e) non-cash gains or losses under the Statement of Financial Accounting Standards number 133 and its amendments and (f) any equity interests of the Borrower or any Subsidiary in the unremitted earnings of any Person that is not a Subsidiary.

"Consolidated Net Worth" means at any time Stockholder's Equity but excluding from the determination thereof (without duplication) the effect of (a) any foreign currency translation adjustments, (b) any extraordinary or non-recurring, non-cash losses or gains, (c) non-cash losses or gains under the Statement of Financial Accounting Standards number 133 and its amendments, (d) non-cash intangible and material write-downs of assets (but deducting from the determination of Consolidated Net Worth for any period, cash payments made during such period in respect of any write-downs recorded after the Closing Date) not exceeding \$20,000,000 in any Fiscal Year and (e) non-cash charges resulting from the vesting or exercise of stock options or stock appreciation rights granted to management of the Borrower.

"Consolidated Subsidiary" means at any date any Subsidiary or other entity the accounts of which, in accordance with GAAP, would be consolidated with those of the Borrower in its consolidated financial statements as of such date.

"Consolidated Total Assets" means, at any time, without duplication, (x) the total assets of the Borrower and its Consolidated Subsidiaries, determined on a consolidated basis, as set forth or reflected on the most recent consolidated balance sheet of the Borrower and its Consolidated Subsidiaries, prepared in accordance with GAAP, plus (y) the accounts receivable balance reported as of the last day of the Fiscal Quarter most recently ended by the Borrower or a Subsidiary with respect to an Asset Securitization.

"Consolidated Total Capital" means, at any time, the sum of the following as of such time (i) Consolidated Net Worth, and (ii) Consolidated Debt.

"Controlled Group" means all members of a controlled group of corporations and all trades or businesses (whether or not incorporated) under common control which, together with the Borrower, are treated as a single employer under Section 414 of the Code.

"Debt" of any Person means at any date, without duplication, all of the following as of such date (i) all obligations of such Person for borrowed money, (ii) all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments, (iii) all obligations of such Person to pay the deferred purchase price of property or services, except trade accounts payable arising in the ordinary course of business, (iv) all obligations of such Person as lessee under capital leases, (v) all obligations of such Person to reimburse any bank or other Person in respect of amounts payable under a banker's acceptance, (vi) all Redeemable Preferred Stock of such Person (in the event such Person is a corporation), (vii) all obligations of such Person to reimburse any bank or other Person in respect of amounts paid under a letter of credit or similar instrument (provided, however, solely with respect to commercial letters of credit, such amounts shall be included hereunder only to the extent that they exceed \$1,000,000 in the aggregate), (viii) all Debt of others secured by a Lien on any asset of such Person, whether or not such Debt is assumed by such Person, (ix) all obligations of such Person with respect to interest rate protection agreements, foreign currency exchange agreements or other hedging arrangements (valued as the termination value thereof computed in accordance with a method approved by the International Swap Dealers Association and agreed to by such Person in the applicable hedging agreement, if any) (provided, however, solely with respect to hedging arrangements entered into in the ordinary course of business for natural gas or any other fuels used for the same purposes, such obligations shall be included hereunder only to the extent that they exceed \$50,000,000 in the aggregate), (x) all Debt of others Guaranteed by such Person, and (xi) the total accounts receivable reported as sold during any Fiscal Quarter as of the last day of the Fiscal Quarter most recently ended by the Borrower or a Subsidiary with respect to an Asset Securitization. For all purposes of this Agreement, the amount of a Person's Debt under a loan or lease agreement between such Person and a governmental agency that has issued industrial development bonds or similar instruments, the repayment of which is secured by the payment obligations of such Person under such loan or lease agreement, shall be equal to the aggregate principal amount of such bonds or instruments outstanding at the time of determination less the amount of proceeds of such bonds or instruments which at such time are on deposit with a trustee or other fiduciary in a "construction" fund, or other similar fund which would be available to such trustee or other fiduciary to repay the bonds or other instruments if then due and payable.

"Debt to Capitalization Ratio" means the ratio of Consolidated Debt to Consolidated Total Capital.

"Default" means any condition or event which constitutes an Event of Default or which with the giving of notice or lapse of time or both would, unless cured or waived, become an Event of Default.

"Default Rate" means, with respect to any Loan, on any day, the sum of 2% plus the then highest interest rate (including the Applicable Margin) which may be applicable to any Loans hereunder, including, without limitation, under Section 8.06, (irrespective of whether any such class of Loans are actually outstanding hereunder).

"Depreciation" means for any period the sum of all depreciation expenses of the Borrower and its Consolidated Subsidiaries for such period, as determined in accordance with GAAP.

"Dividends" means for any period the sum of all dividends paid or declared during such period in respect of any Capital Stock and Redeemable Preferred Stock (other than dividends paid or payable in the form of additional Capital Stock).

"Dollars" or "\$" means dollars in lawful currency of the United States of America.

"Domestic Business Day" means any day except a Saturday, Sunday or other day on which commercial banks in Georgia are authorized by law to close.

"Effective Date" means September 30, 2003.

"Environmental Authority" means any foreign, federal, state, local or regional government that exercises any form of jurisdiction or authority under any Environmental Requirement.

"Environmental Judgments and Orders" means all judgments, decrees or orders arising from or in any way associated with any Environmental Requirements, whether or not entered upon consent or written agreements with an Environmental Authority or other entity arising from or in any way associated with any Environmental Requirement, whether or not incorporated in a judgment, decree or order.

"Environmental Liabilities" means any liabilities, whether pending or, to the knowledge of the Borrower or any Subsidiary threatened, arising from and in any way associated with any Environmental Requirements and which would have or create a reasonable possibility of causing a Material Adverse Effect.

"Environmental Notices" means notice from any Environmental Authority or by any other person or entity, of possible or alleged noncompliance with or liability under any Environmental Requirement, including without limitation any complaints, citations, demands or requests from any Environmental Authority or from any other person or entity for correction of any, violation of any Environmental Requirement or any investigations concerning any violation of any Environmental Requirement.

"Environmental Proceedings" means any judicial or administrative proceedings arising from or in any way associated with any Environmental Requirement.

"Environmental Releases" means releases as defined in CERCLA or under any applicable state or local environmental law or regulation.

"Environmental Requirements" means any legal requirement relating to health, safety or the environment and applicable to any of the Borrower, any Subsidiary, or the Properties, including but not limited to any such requirement under CERCLA or similar state legislation and all federal, state and local laws, ordinances, regulations, orders, writs, decrees and common law.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time, or any successor law. Any reference to any provision of ERISA shall also be deemed to be a reference to any successor provision or provisions thereof.

"Euro-Dollar Business Day" means any Domestic Business Day on which dealings in Dollar deposits are carried out in the London interbank market.

"Euro-Dollar Loan" means a Loan to be made as a Euro-Dollar Loan pursuant to the applicable Notice of Borrowing.

"Euro-Dollar Reserve Percentage" has the meaning set forth in Section 2.06(c).

"Event of Default" has the meaning set forth in Section 6.01.

"Existing Letters of Credit" means the letters of credit set forth on Schedule 1.01

"Existing Letter of Credit Issuer" means Wachovia.

"Federal Funds Rate" means, for any day, the rate per annum (rounded upward, if necessary, to the next higher 1/100th of 1%) equal to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers on such day, as published by the Federal Reserve Bank of New York on the Business Day next succeeding such day, provided that (i) if the day for which such rate is to be determined is not a Business Day, the Federal Funds Rate for such day shall be such rate on such transactions on the next preceding Business Day as so published on the next succeeding Business Day, and (ii) if such rate is not so published for any day, the Federal Funds Rate for such day shall be the average rate charged to the Administrative Agent on such day on such transactions, as determined by the Administrative Agent.

"Fiscal Quarter" means any fiscal quarter of the Borrower.

"Fiscal Year" means any fiscal year of the Borrower.

"Foreign Subsidiary" means any Subsidiary (i) which is organized and existing under the laws of any jurisdiction other than any state of the United States or (ii) which has all or substantially all of its operations in any jurisdiction outside of the United States.

"GAAP" means generally accepted accounting principles applied on a basis consistent with those which, in accordance with Section 1.02, are to be used in making the calculations for purposes of determining compliance with the terms of this Agreement.

"Galaxy" means Galaxy Carpet Mills, Inc., a Delaware corporation, which corporation was liquidated into the Borrower as successor thereto.

"Guarantee" by any Person means any obligation, contingent or otherwise, of such Person directly or indirectly guaranteeing any Debt or other obligation of any other Person and, without limiting the generality of the foregoing, any obligation, direct or indirect, contingent or otherwise, of such Person (i) to secure, purchase or pay (or advance or supply funds for the purchase or payment of) such Debt or other obligation (whether arising by virtue of partnership arrangements, by agreement to keep-well, to purchase assets, goods, securities or services, to provide collateral security, to take-or-pay, or to maintain financial statement conditions or otherwise) or (ii) entered into for the purpose of assuring in any other manner the obligee of such Debt or other obligation of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part), provided that the term Guarantee shall not include endorsements for collection or deposit in the ordinary course of business. The term "Guarantee" used as a verb has a corresponding meaning.

"Hazardous Materials" means (a) hazardous waste, as defined in the Resource Conservation and Recovery Act of 1980, 42 U.S.C. § 6901 et seq. and its implementing regulations and amendments, or in any applicable state or local law or regulation, (b) "hazardous substance", "pollutant", or "contaminant" as defined in CERCLA, or in any applicable state or local law or regulation, (c) gasoline, or any other petroleum product or by-product, including, crude oil or any fraction thereof (d) toxic substances, as defined in the Toxic Substances Control Act of 1976, or in any applicable state or local law or regulation or (e) insecticides, fungicides, or rodenticides, as defined in the Federal Insecticide, Fungicide, and Rodenticide Act of 1975, or in any applicable state or local law or regulation, as each such Act, statute or regulation may be amended from time to time.

"Interest Period" means: (1) with respect to each Euro-Dollar Borrowing, the period commencing on the date of such Borrowing and ending on the numerically corresponding day in the first, second, third or sixth month thereafter, as the Borrower may elect in the applicable Notice of Borrowing; provided that:

(a) any Interest Period (other than an Interest Period determined pursuant to paragraph (c) below) which would otherwise end on a day which is not a Euro-Dollar Business Day shall be extended to the next succeeding Euro-Dollar Business Day unless such Euro-Dollar Business Day falls in another calendar month, in which case such Interest Period shall end on the next preceding Euro-Dollar Business Day;

(b) any Interest Period which begins on the last Euro-Dollar Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the appropriate subsequent calendar month) shall, subject to paragraph (c) below, end on the last Euro-Dollar Business Day of the appropriate subsequent calendar month; and

(c) any Interest Period which begins before the Termination Date and would otherwise end after the Termination Date shall end on the Termination Date.

(2) with respect to each Base Rate Borrowing, the period commencing on the date of such Borrowing and ending 30 days thereafter; provided that:

(d) any Interest Period (other than an Interest Period determined pursuant to paragraph (b) below) which would otherwise end on a day which is not a Domestic Business Day shall be extended to the next succeeding Domestic Business Day; and

(e) any Interest Period which begins before the Termination Date and would otherwise end after the Termination Date shall end on the Termination Date.

"Investment" means any investment in any Person, whether by means of purchase or acquisition of obligations or securities of such Person, capital contribution to such Person, loan or advance to such Person, making of a time deposit with such Person, Guarantee or assumption of any obligation of such Person or otherwise.

"Investment Guidelines" means the guidelines for investment of funds of the Borrower and the Subsidiaries as approved by the Board of Directors of the Borrower or an authorized executive committee thereof and in effect on the Closing Date, as modified or supplemented from time to time with the approval of the Board of Directors of the Borrower or an authorized executive committee.

"Issuer" means the Existing Letter of Credit Issuer solely with respect to Existing Letters of Credit or the Administrative Agent or the Additional Issuer with respect to New Letters of Credit; provided, however, in the event of the resignation or removal of a Bank from its appointment as the Administrative Agent hereunder, such Bank shall continue to be an Issuer under this Agreement solely with respect to any Letter of Credit issued by such Bank prior to such date of resignation or removal.

"LC Commitment Percentage" means, with respect to a Bank, the ratio, expressed as a percentage, of (a) the amount of such Bank's Commitment to (b) the aggregate amount of the Commitments of all Banks hereunder; provided, however, that if at the time of determination the Commitments have terminated or been reduced to zero, the "LC Commitment Percentage" of each Bank shall be the LC Commitment Percentage of such Bank in effect immediately prior to such termination or reduction.

"Lending Office" means, as to each Bank, its office located at its address set forth on the signature pages hereof (or identified on the signature pages hereof as its Lending Office) or such other office as such Bank may hereafter designate as its Lending Office by notice to the Borrower.

"Letter of Credit" means any Existing Letter of Credit or any New Letter of Credit.

"Letter of Credit Fee" means a letter of credit fee in an amount equal to the Applicable Margin for Euro-Dollar Loans multiplied times the average daily amount of the Letter of Credit Obligations, computed for the actual number of days elapsed on the basis of a 360 day year.

"Letter of Credit Obligations" shall mean, at any time, the aggregate unfunded amount of the outstanding Letters of Credit.

"Letters of Credit" means each Existing Letter of Credit and each New Letter of Credit.

"Lien" means, with respect to any asset, any mortgage, deed to secure debt, deed of trust, lien, pledge, charge, security interest, security title, preferential arrangement, which has the practical effect of constituting a security interest or encumbrance, or encumbrance or servitude of any kind in respect of such asset to secure or assure payment of a Debt or a Guarantee, whether by consensual agreement or by operation of statute or other law. For the purposes of this Agreement, the Borrower or any Subsidiary shall be deemed to own subject to a Lien any asset which it has acquired or holds subject to the interest of a vendor or lessor under any conditional sale agreement, capital lease or other title retention agreement relating to such asset.

"Loan" means a Base Rate Loan or a Euro-Dollar Loan and "Loans" means Base Rate Loans or Euro-Dollar Loans, or either or each of them, as the context shall require.

"Loan Documents" means this Agreement, the Notes, and any other document evidencing, relating to or securing the Loans, and any other document or instrument delivered in connection with this Agreement, the Notes or the Loans, as such documents and instruments may be amended or modified from time to time.

"London Interbank Offered Rate" has the meaning set forth in Section 2.06(c).

"Margin Stock" means "margin stock" as defined in Regulations T, U or X.

"Material Adverse Effect" means, with respect to any event, act, condition or occurrence of whatever nature (including any adverse determination in any litigation, arbitration, or governmental investigation or proceeding), whether singly or in conjunction with any other event or events, act or acts, condition or conditions, occurrence or occurrences, whether or not related, a material adverse change in, or a material adverse effect upon, any of (a) the financial condition, operations, business, properties or prospects of the Borrower and its Consolidated Subsidiaries taken as a whole, (b) the rights and remedies of the Banks under the Loan Documents, or the ability of the Borrower to perform its obligations under the Loan Documents to which it is a party, as applicable, or (c) the legality, validity or enforceability of any Loan Document.

"Material Subsidiary" means, as of the date of any determination thereof, any Subsidiary that either: (a) owns assets having a book value equal to or greater than 5.0% of Consolidated Total Assets, or (b) had Net Income for any prior period of four consecutive Fiscal Quarters equal to or greater than 5.0% of Consolidated Net Income for the same four Fiscal Quarter period.

"More Favorable Terms" has the meaning set forth in Section 2.16.

"Multiemployer Plan" shall have the meaning set forth in Section 4001(a)(3) of ERISA.

"Net Cash Position" means on any day, with respect to the Operating Account, a sum equal to the opening available balance in the Operating Account, plus any maturing investment principal and interest credited to the Operating Account, minus the daily presentment of checks and Operating Account holds, minus any floor balance which has been established to cover bank charges, minus any maturing interest debited to the Operating Account, in each case for such day.

"Net Income" means, as applied to any Person for any period, the aggregate amount of net income of such Person, after taxes, for such period, as determined in accordance with GAAP.

"New Letter(s) of Credit" means each standby letter of credit (other than the Existing Letters of Credit) issued by the Administrative Agent or Additional Issuer for the account of the Borrower pursuant to Section 2.13(a); provided, however, in the event that the Additional Issuer fails to provide the notice to the Administrative Agent required by the first proviso contained in Section 2.14(a), any letter of credit issued by the Additional Issuer without the giving of such notice shall not constitute a New Letter of Credit under this Agreement.

"Notes" means the promissory notes of the Borrower, substantially in the form of Exhibit A, evidencing the obligation of the Borrower to repay the Loans, together with all amendments, consolidations, modifications, renewals, and supplements thereto.

"Notice of Borrowing" has the meaning set forth in Section 2.02.

"Notice of Continuation of Conversion" has the meaning set forth in Section 2.03.

"Operating Account" means the principal operating account of the Borrower maintained with Administrative Agent.

"Original Credit Agreement" has the meaning set forth in the preamble to this Agreement.

"Participant" has the meaning set forth in Section 9.08(b).

"PBGC" means the Pension Benefit Guaranty Corporation or any entity succeeding to any or all of its functions under ERISA.

"Performance Pricing Determination Date" has the meaning set forth in Section 2.06(a).

"Permanent Facility" has the meaning set forth in Section 2.16.

"Permitted Acquisition" means a non-hostile acquisition, however structured, of all or substantially all of the assets of, or a majority of all the issued and outstanding capital stock of, a Person in a Permitted Line of Business.

"Permitted Line of Business" means the manufacturing, marketing and/or distribution of commercial or home furnishings and floor coverings and other reasonably related products and any "vertical integration" with respect thereto.

"Person" means an individual, a corporation, a partnership, an unincorporated association, joint venture, limited liability company, a trust or any other entity or organization, including, but not limited to, a government or political subdivision or an agency or instrumentality thereof.

"Plan" means at any time an employee pension benefit plan which is covered by Title IV of ERISA or subject to the minimum funding standards under Section 412 of the Code and is either (i) maintained by a member of the Controlled Group for employees of any member of the Controlled Group or (ii) maintained pursuant to a collective bargaining agreement or any other arrangement under which more than one employer makes contributions and to which a member of the Controlled Group is then making or accruing an obligation to make contributions or has within the preceding five plan years made contributions.

"Pricing Terms" has the meaning set forth in Section 2.16.

"Properties" means all real property owned, leased or otherwise used or occupied by the Borrower or any Subsidiary (including, without limitation, the Borrower), wherever located.

"Redeemable Preferred Stock" of any Person means any preferred stock issued by such Person which is at any time prior to the Termination Date either (i) mandatorily redeemable (by sinking fund or similar payments or otherwise) or (ii) redeemable at the option of the holder thereof.

"Regulation D" means Regulation D of the Board of Governors of the Federal Reserve System, as in effect from time to time, together with all official rulings and interpretations issued thereunder.

"Regulation T" means Regulation T of the Board of Governors of the Federal Reserve System, as in effect from time to time, together with all official rulings and interpretations issued thereunder.

"Regulation U" means Regulation U of the Board of Governors of the Federal Reserve System, as in effect from time to time, together with all official rulings and interpretations issued thereunder.

"Regulation X" means Regulation X of the Board of Governors of the Federal Reserve System, as in effect from time to time, together with all official rulings and interpretations issued thereunder.

"Reimbursement Agreement" means each reimbursement agreement executed and delivered by an Applicant with respect to a Letter of Credit, as amended from time to time.

"Reimbursement Obligations" means the reimbursement or repayment obligations of the Borrower to the Issuers pursuant to Section 2.14 with respect to Letters of Credit.

"Related Fund" means, with respect to any Bank, a special purpose entity that purchases or participates in such Bank's loans and for which such Bank is agent, advisor or manager for such special purpose entity.

"Replacement Bank" has the meaning set forth in Section 8.06.

"Required Banks" means at any time Banks having at least 66 2/3% of the aggregate amount of the Commitments, or if the Commitments are no longer in effect, holding at least 66 2/3% of the aggregate outstanding principal amount of the Notes.

"Restricted Payment" means (i) any dividend or other distribution on any shares of the Borrower's capital stock (except dividends payable solely in shares of its capital stock) or (ii) any payment on account of the purchase, redemption, retirement or acquisition of (a) any shares of the Borrower's capital stock (except shares acquired upon the conversion thereof into other shares of its capital stock) or (b) any option, warrant or other right to acquire shares of the Borrower's capital stock.

"Revolving Credit Facilities" means this Agreement and the 364 Day Revolving Credit Facility.

"Stockholders' Equity" means, at any time, the stockholders' equity of the Borrower and its Consolidated Subsidiaries, as set forth or reflected on the most recent consolidated balance sheet of the Borrower and its Consolidated Subsidiaries prepared in accordance with GAAP, but excluding any Redeemable Preferred Stock of the Borrower or any of its Consolidated Subsidiaries. Shareholders' equity generally would include, but not be limited to, (i) the par or stated value of all outstanding Capital Stock, (ii) capital surplus, (iii) retained earnings, and (iv) various deductions such as (A) purchases of treasury stock, (B) valuation allowances, (C) receivables due from an employee stock ownership plan, (D) employee stock ownership plan debt guarantees, and (E) foreign currency translation adjustments.

"Subsidiary" means any corporation or other entity of which securities or other ownership interests having ordinary voting power to elect a majority of the board of directors or other persons performing similar functions are at the time directly or indirectly owned by the Borrower.

"Summerville City IRB" means that issuance of certain bonds by The Development Authority of the City of Summerville, Georgia, pursuant to the terms and conditions set forth in that certain Trust Indenture dated as of September 1, 1997.

"SunTrust" means SunTrust Bank, a Georgia state banking corporation, and its successors and, as the context requires, its permitted assigns.

"Sweep Agreement" means any agreement relating to the Sweep Plus Service Program of the Administrative Agent or any other cash management arrangement which the Borrower and the Administrative Agent have executed for the purposes of effecting the borrowing and repayment of Swing Loans.

"Swing Loan" means a Loan made by the Administrative Agent pursuant to Section 2.01(b).

"Swing Loan Note" means the promissory note of the Borrower, substantially in the form of Exhibit A-2, evidencing the obligation of the Borrower to repay the Swing Loans, together with all amendments, consolidations, modifications, renewals, and supplements thereto.

"Syndicated Borrowing" means any Base Rate Loans or Euro-Dollar Loans made to the Borrower pursuant to the terms and conditions set forth in Section 2.01.

"Syndicated Loans" means Base Rate Loans or Euro-Dollar Loans made pursuant to the terms and conditions set forth in Section 2.01(a).

"Termination Date" means whichever is applicable of (i) September 30, 2008, (ii) the date the Commitments are terminated pursuant to Section 6.01 following the occurrence of an Event of Default, or (iii) the date the Borrower terminates the Commitments entirely pursuant to Section 2.09.

"Third Parties" means all lessees, sublessees, licensees and other users of the Properties, excluding those users of the Properties in the ordinary course of the Borrower's business and on a temporary basis.

"Transferee" has the meaning set forth in Section 9.08(d).

"Unused Commitments" means at any date an amount equal to the aggregate Commitments less the aggregate outstanding principal amount of the Syndicated Loans, but excluding the Swing Loans and the Letter of Credit Obligations.

"Wachovia" means Wachovia Bank, National Association, a national banking association, and its successors and, as the context requires, its permitted assigns.

"Wholly Owned Subsidiary" means any Subsidiary all of the shares of capital stock or other ownership interests of which (except directors' qualifying shares) are at the time directly or indirectly owned by the Borrower or a Consolidated Subsidiary.

SECTION 1.02. Accounting Terms and Determinations. Unless otherwise specified herein, all terms of an accounting character used herein shall be interpreted, all accounting determinations hereunder shall be made, and all financial statements required to be delivered hereunder shall be prepared in accordance with GAAP, applied on a basis consistent (except for changes concurred in by the Borrower's independent public accountants or otherwise required by a change in GAAP) with the most recent audited consolidated financial statements of the Borrower delivered to the Banks unless with respect to any such change concurred in by the Borrower's independent public accountants or required by GAAP, in determining compliance with any of the provisions of any of the Loan Documents: (i) the Borrower shall have objected to determining such compliance on such basis at the time of delivery of such financial statements, or (ii) the Required Banks shall so object in writing within 30 days after the delivery of such financial statements, in either of which events the Banks and the Borrower shall negotiate in good faith to resolve any existing disagreements regarding such calculations, provided, that if such disagreements are not resolved within 30 days after receipt of a notice of objection, such calculations shall be made on a basis consistent with those used in the preparation of the latest financial statements as to which such objection shall not have been made (which, if objection is made in respect of the first financial statements delivered under Section 5.01 hereof, shall mean the financial statements referred to in Section 4.04).

SECTION 1.03. References. Unless otherwise indicated, references in this Agreement to "Articles", "Exhibits", "Schedules", "Sections" and other Subdivisions are references to articles, exhibits, schedules, sections and other subdivisions hereof.

SECTION 1.04. Use of Defined Terms. All terms defined in this Agreement shall have the same defined meanings when used in any of the other Loan Documents, unless otherwise defined therein or unless the context shall require otherwise.

SECTION 1.05. Terminology. All personal pronouns used in this Agreement, whether used in the masculine, feminine or neuter gender, shall include all other genders; the singular shall include the plural, and the plural shall include the singular. Titles of Articles and Sections in this Agreement are for convenience only, and neither limit nor amplify the provisions of this Agreement.

ARTICLE II

THE CREDITS

SECTION 2.01. Commitments to Lend.

(a) Syndicated Loans. Each Bank severally agrees, on the terms and conditions set forth herein, to make Syndicated Loans to the Borrower from time to time before the Termination Date; provided that,

(i) immediately after each such Syndicated Loan is made, the aggregate outstanding principal amount of Syndicated Loans by such Bank shall not exceed the amount of its Commitment, and

(ii) the sum of (x) the aggregate outstanding principal amount of all Syndicated Loans plus Swing Loans plus Letter of Credit Obligations shall not exceed the aggregate amount of (y) the Commitments.

Each Syndicated Borrowing under this Section shall be in an aggregate principal amount of \$500,000 or any larger integral multiple of \$500,000 (except that any such Syndicated Borrowing may be in the aggregate amount of the Unused Commitments) and shall be made from the several Banks ratably in proportion to their respective Commitments. Within the foregoing limits, the Borrower may borrow under this Section, repay or, subject to the provisions of Section 2.10, prepay Syndicated Loans and reborrow under this Section at any time before the Termination Date.

(b) Swing Loans. In addition to the foregoing, the Administrative Agent shall from time to time, upon the request of the Borrower, if the applicable conditions precedent in Article III have been satisfied or waived in accordance with Section 9.06, make Swing Loans to the Borrower in an aggregate principal amount at any time outstanding not exceeding \$50,000,000; provided that, immediately after such Swing Loan is made, the conditions set forth in clauses (i) and (ii) of Section 2.01(a) shall have been satisfied. Except as set forth below in this Section 2.01(b) under the Sweep Agreement, each Swing Loan Borrowing under this Section 2.01(b) shall be in an aggregate principal amount of \$100,000 or any larger multiple of \$25,000. Within the foregoing limits, the Borrower may borrow under this Section 2.01(b), prepay and reborrow under this Section 2.01(b) at any time before the Termination Date. Swing Loans shall not be considered a utilization of the Commitment of the Administrative Agent or any other Bank hereunder. All Swing Loans shall bear interest at the per annum rate or rates agreed to by the Borrower and the Administrative Agent from time to time, or, if no agreement is reached, at the Base Rate plus the Applicable Margin. At any time, upon the request of the Administrative Agent, each Bank other than the Administrative Agent shall, on the third Domestic Business Day after such request is made, purchase a participating interest in Swing Loans in an amount equal to its ratable share (based upon its respective Commitment) of such Swing Loans. On such third Domestic Business Day, each Bank will immediately transfer to the Administrative Agent, in immediately available funds, the amount of its participation. Whenever, at any time after the Administrative Agent has received from any such Bank its participating interest in a Swing Loan, the Administrative Agent receives any payment on account thereof, the Administrative Agent will distribute to such Bank its participating interest in such amount (appropriately adjusted, in the case of interest payments, to reflect the period of time during which such Bank's participating interest was outstanding and funded); provided, however, that in the event that such payment received by the Administrative Agent is required to be returned, such Bank will return to the Administrative Agent any portion thereof previously distributed by the Administrative Agent to it. Each Bank's obligation to purchase such participating interests shall be absolute and unconditional and shall not be affected by any circumstance, including, without limitation: (i) any set-off, counterclaim, recoupment, defense or other right which such Bank or any other Person may have against the Administrative Agent requesting such purchase or any other Person for any reason whatsoever; (ii) the occurrence or continuance of a Default or an Event of Default or the termination of the Commitments; (iii) any adverse change in the condition (financial or otherwise) of the Borrower or any other Person; (iv) any breach of this Agreement by the Borrower or any other Bank; or (v) any other circumstance, happening or event whatsoever, whether or not similar to any of the foregoing.

At any time during which the Sweep Agreement is in effect, on each Domestic Business Day, the Administrative Agent shall calculate the Net Cash Position in accordance with the terms of the Sweep Agreement. If the Net Cash Position is less than zero, and so long as no Default or Event of Default has occurred and is continuing, then the Borrower shall be deemed to have irrevocably requested that the Administrative Agent make a Swing Loan to the Borrower in an amount equal to the lesser of (i) an amount equal to the amount of the deficit Net Cash Position, rounded up to the nearest \$1,000 and (ii) an amount, which when added to the aggregate principal amount of all outstanding Swing Loans (after giving effect to any amount requested), shall not exceed the lesser of (A) the aggregate Commitment less the sum of all outstanding Loans and the Letter of Credit Obligations and (B) \$50,000,000. Principal and interest on Swing Loans deemed requested pursuant to this Section shall be paid pursuant to the terms and conditions of the Sweep Agreement without any deduction, setoff or counterclaim whatsoever. Unless sooner paid pursuant to the provisions hereof or the provisions of the Sweep Agreement, the principal amount of the Swing Loans shall be paid in full, together with accrued interest thereon, on the Termination Date.

SECTION 2.02. Method of Borrowing Syndicated Loans and Swing Loans.

(a) The Borrower shall give the Administrative Agent notice (a "Notice of Borrowing"), which shall be substantially in the form of Exhibit D-1, prior to (i) 11:00 A.M. (Charlotte, North Carolina time) on the same Domestic Business Day of each Base Rate Borrowing or a Swing Loan Borrowing (except as provided under the Sweep Agreement), and (ii) 11:00 A.M. (Charlotte, North Carolina time) and at least 3 Euro-Dollar Business Days before each Euro-Dollar Borrowing, specifying:

(i) the date of such Borrowing, which shall be a Domestic Business Day in the case of a Base Rate Borrowing and of each Swing Loan Borrowing or a Euro-Dollar Business Day in the case of a Euro-Dollar Borrowing,

(ii) the aggregate amount of such Borrowing,

(iii) whether the Syndicated Loans comprising such Borrowing are to be Base Rate Loans or Euro-Dollar Loans, or stating that such Borrowing is to be a Swing Loan Borrowing,

(iv) in the case of a Euro-Dollar Borrowing, the duration of the Interest Period applicable thereto, subject to the provisions of the definition of Interest Period, and

(v) how the proceeds of such Borrowing are to be made available to the Borrower.

(b) Upon receipt of a Notice of Borrowing, the Administrative Agent shall promptly notify each Bank of the contents thereof and unless such Borrowing is a Swing Loan Borrowing of such Bank's ratable share of such Syndicated Borrowing and such Notice of Borrowing, once received by the Administrative Agent, shall not thereafter be revocable by the Borrower (except as otherwise provided in Section 8.01).

(c) Not later than 1:00 P.M. (Charlotte, North Carolina time) on the date of each Syndicated Borrowing, each Bank shall (except as provided in paragraph (d) of this Section) make available its ratable share of such Syndicated Borrowing, in Federal or other funds immediately available in Charlotte, North Carolina, to the Administrative Agent at its address determined pursuant to Section 9.01. Unless the Administrative Agent determines that any applicable condition specified in Article III has not been satisfied or waived in accordance with Section 9.06, the Administrative Agent will make the funds so received from the Banks available to the Borrower in the manner provided for in the applicable Notice of Borrowing no later than 2:00 P.M. Unless the Administrative Agent receives notice from a Bank, at the Administrative Agent's address referred to in or specified pursuant to Section 9.01, no later than 4:00 P.M. (local time at such address) on the Domestic Business Day before the date of a Syndicated Borrowing with respect to a Euro-Dollar Loan, or no later than 1:00 P.M. on the date of a Syndicated Borrowing with respect to a Base Rate Loan, stating that such Bank will not make a Syndicated Loan in connection with such Syndicated Borrowing, the Administrative Agent shall be entitled to assume that such Bank will make a Syndicated Loan in connection with such Syndicated Borrowing and, in reliance on such assumption, the Administrative Agent may (but shall not be obligated to) make available such Bank's ratable share of such Syndicated Borrowing to the Borrower for the account of such Bank. If the Administrative Agent makes such Bank's ratable share available to the Borrower and such Bank does not in fact make its ratable share of such Syndicated Borrowing available on such date, the Administrative Agent shall be entitled to recover such Bank's ratable share from such Bank or the Borrower (and for such purpose shall be entitled to charge such amount to any account of the Borrower maintained with the Administrative Agent), together with interest thereon for each day during the period from the date of such Syndicated Borrowing until such sum shall be paid in full at a rate per annum equal to the rate at which the Administrative Agent determines that it obtained (or could have obtained) overnight Federal funds to cover such amount for each such day during such period, provided that (i) any such payment by the Borrower of such Bank's ratable share and interest thereon shall be without prejudice to any rights that the Borrower may have against such Bank and (ii) until such Bank has paid its ratable share of such Syndicated Borrowing, together with interest pursuant to the foregoing, it will have no interest in or rights with respect to such Syndicated Borrowing for any purpose hereunder. If the Administrative Agent does not exercise its option to advance funds for the account of such Bank, it shall forthwith notify the Borrower of such decision. Unless the Administrative Agent determines that any applicable condition specified in Article III has not been satisfied or waived in accordance with Section 9.06, the Administrative Agent will make available to the Borrower at the Administrative Agent's Lending Office (or as otherwise agreed by the Administrative Agent) the amount of any such Borrowing which is a Swing Loan Borrowing no later than 2:00 P.M (except as provided under the Sweep Agreement).

(d) If any Bank makes a new Syndicated Loan hereunder on a day on which the Borrower is to repay all or any part of an outstanding Syndicated Loan from such Bank, such Bank shall apply the proceeds of its new Syndicated Loan to make such repayment and only an amount equal to the difference (if any) between the amount being borrowed and the amount being repaid shall be made available by such Bank to the Administrative Agent as provided in paragraph (c) of this Section.

(e) Notwithstanding anything to the contrary contained in this Agreement, no Euro-Dollar Borrowing may be made if there shall have occurred a Default or an Event of Default, which Default or Event of Default shall not have been cured or waived.

(f) In the event that a Notice of Borrowing fails to specify whether the Syndicated Loans comprising such Syndicated Borrowing are to be Base Rate Loans or Euro-Dollar Loans, such Syndicated Loans shall be made as Base Rate Loans. If the Borrower is otherwise entitled under this Agreement to repay any Syndicated Loans maturing at the end of an Interest Period applicable thereto with the proceeds of a new Borrowing, and the Borrower fails to repay such Syndicated Loans using its own moneys and fails to give a Notice of Borrowing in connection with such new Syndicated Borrowing, a new Syndicated Borrowing shall be deemed to be made on the date such Syndicated Loans mature in an amount equal to the principal amount of the Syndicated Loans so maturing, and the Syndicated Loans comprising such new Syndicated Borrowing shall be Base Rate Loans.

(g) Notwithstanding anything to the contrary contained herein, there shall not be more than 6 Interest Periods outstanding at any given time.

SECTION 2.03. Continuation and Conversion Elections. By delivering a notice (a "Notice of Continuation or Conversion"), which shall be substantially in the form of Exhibit D-2, to the Administrative Agent on or before 12:00 P.M., Charlotte, North Carolina time, on a Domestic Business Day (or Euro-Dollar Business Day, in the case of Euro-Dollar Loans outstanding), the Borrower may from time to time irrevocably elect, by notice on the same Domestic Business Day, in the case of Base Rate Loans, or 3 Euro-Dollar Business Days, in the case of Euro-Dollar Loans, that all, or any portion in an aggregate principal amount of \$500,000 or any larger integral multiple of \$500,000 be, (i) in the case of Base Rate Loans, converted into or Euro-Dollar Loans or, or (ii) in the case of Euro-Dollar Loans, converted into Base Rate Loans or continued as Euro-Dollar Loans (in the absence of delivery of a Notice of Continuation or Conversion with respect to any Euro-Dollar Loan at least 3 Euro-Dollar Business Days before the last day of the then current Interest Period with respect thereto, such Euro-Dollar Loan shall, on such last day, automatically convert to a Base Rate Loan); provided, however, that (x) each such conversion or continuation shall be pro rated among the Banks that have made such Loans, and (y) no portion of the outstanding principal amount of any Loans may be continued as, or be converted into, any Euro-Dollar Loan when any Event of Default has occurred and is continuing.

SECTION 2.04. Notes. (a) The Syndicated Loans of each Bank shall be evidenced by a single Note made by the Borrower payable to the order of such Bank for the account of its Lending Office in an amount equal to the original principal amount of such Bank's Commitment. The Swing Loans shall be evidenced by a single Swing Loan Note payable to the order of the Administrative Agent in the original principal amount of \$50,000,000.

(b) Upon receipt of each Bank's Notes pursuant to Section 3.01, the Administrative Agent shall deliver such Notes to such Bank. Each Bank shall record, and prior to any transfer of its Note shall endorse on the schedule forming a part thereof appropriate notations to evidence the date, amount and maturity of each Loan made by it, the date and amount of each payment of principal made by the Borrower with respect thereto and whether such Loan is a Base Rate Loan or Euro-Dollar Loan, and such schedule shall constitute rebuttable presumptive evidence of the principal amount owing and unpaid on such Bank's Note; provided that the failure of any Bank to make any such recordation or endorsement shall not affect the obligation of the Borrower hereunder or under the Notes. Each Bank is hereby irrevocably authorized by the Borrower so to endorse its Note and to attach to and make a part of its Note a continuation of any such schedule as and when required.

SECTION 2.05. Maturity of Loans.

(a) Each Euro-Dollar Loan included in any Borrowing shall mature, and the principal amount thereof shall be due and payable, on the last day of the Interest Period applicable to such Borrowing.

(b) Notwithstanding the foregoing, the outstanding principal amount of the Loans, if any, together with all accrued but unpaid interest thereon, if any, shall be due and payable on September 30, 2008.

SECTION 2.06. Interest Rates. (a) "Applicable Margin" means at all times:

(i) for the period commencing on the Closing Date to and including the first Performance Pricing Determination Date, for each Base Rate Loan 0.0%, and for each Euro-Dollar Loan 0.6%; and

(ii) from and after the first Performance Pricing Determination Date, for each Base Rate Loan and for each Euro-Dollar Loan, the percentage determined on each Performance Pricing Determination Date by reference to the table set forth below as to such type of Loan and the Debt to Capitalization Ratio for the quarterly or annual period ending immediately prior to such Performance Pricing Determination Date.

<u>Debt to Capitalization Ratio</u>	<u>Base Rate Loan</u>	<u>Euro-Dollar Loan</u>
≥ 0.55 to 1.0	0.600%	1.500%
≥ 0.50 to 1.0 but < 0.55 to 1.0	0.350%	1.250%
≥ 0.40 to 1.0 but < 0.50 to 1.0	0.000%	1.000%
≥ 0.30 to 1.0 but < 0.40 to 1.0	0.000%	0.750%
≥ 0.20 to 1.0 but < 0.30 to 1.0	0.000%	0.600%
≤ 0.20 to 1.0	0.000%	0.500%

In determining interest for purposes of this Section 2.06 and fees for purposes of Section 2.07, the Borrower and the Banks shall refer to the Borrower's most recent consolidated quarterly and annual (as the case may be) financial statements delivered pursuant to Section 5.01(a) or (b), as the case may be. The "Performance Pricing Determination Date" is the date which is the last date on which such financial statements are permitted to be delivered pursuant to Section 5.01(a) or (b), as applicable. Any such required change in interest and fees shall become effective on such Performance Pricing Determination Date, and shall be in effect until the next Performance Pricing Determination Date, provided that no fees or interest shall be decreased pursuant to this Section 2.06 or Section 2.07 if an Event of Default is in existence on the Performance Pricing Determination Date.

(b) Each Base Rate Loan shall bear interest on the outstanding principal amount thereof, for each day from the date such Loan is made until it becomes due, at a rate per annum equal to the Base Rate for such day plus (or minus) the Applicable Margin. Such interest shall be payable for each Interest Period on the last day thereof. Any overdue principal of and, to the extent permitted by applicable law, overdue interest on any Base Rate Loan shall bear interest, payable on demand, for each day until paid at a rate per annum equal to the Default Rate.

(c) Each Euro-Dollar Loan shall bear interest on the outstanding principal amount thereof, for the Interest Period applicable thereto, at a rate per annum equal to the sum of the Applicable Margin plus the applicable Adjusted London Interbank Offered Rate for such Interest Period; provided that if any Euro-Dollar Loan shall, as a result of paragraph (1)(c) of the definition of Interest Period, have an Interest Period of less than one month, such Euro-Dollar Loan shall bear interest during such Interest Period at the rate applicable to Base Rate Loans during such period. Such interest shall be payable for each Interest Period on the last day thereof and, if such Interest Period is longer than 3 months, at intervals of 3 months after the first day thereof. Any overdue principal of and, to the extent permitted by law, overdue interest on any Euro-Dollar Loan shall bear interest, payable on demand, for each day until paid at a rate per annum equal to the Default Rate.

The "Adjusted London Interbank Offered Rate" applicable to any Interest Period means a rate per annum equal to the quotient obtained (rounded upwards, if necessary, to the next higher 1/100th of 1%) by dividing (i) the applicable London Interbank Offered Rate for such Interest Period by (ii) 1.00 minus the Euro-Dollar Reserve Percentage.

The "London Interbank Offered Rate" applicable to any Euro-Dollar Loan means for the Interest Period of such Euro-Dollar Loan, the rate per annum determined on the basis of the offered rate for deposits in Dollars of amounts equal or comparable to the principal amount of such Euro-Dollar Loan offered for a term comparable to such Interest Period, which rates appear on Telerate Page 3750 effective as of 11:00 A.M., London time, 2 Euro-Dollar Business Days prior to the first day of such Interest Period, provided that (i) if more than one such offered rate appears on Telerate Page 3750, the "London Interbank Offered Rate" will be the arithmetic average (rounded upward, if necessary, to the next higher 1/100th of 1%) of such offered rates; (ii) if no such offered rates appear on such page, the "London Interbank Offered Rate" for such Interest Period will be the arithmetic average (rounded upward, if necessary, to the next higher 1/100th of 1%) of rates quoted by not less than two major banks in New York City, selected by the Administrative Agent, at approximately 10:00 A.M., New York City time, 2 Euro-Dollar Business Days prior to the first day of such Interest Period, for deposits in Dollars offered to leading European banks for a period comparable to such Interest Period in an amount comparable to the principal amount of such Euro-Dollar Loan.

"Euro-Dollar Reserve Percentage" means, with respect to a given Bank, for any day that percentage (expressed as a decimal) which is in effect on such day, as prescribed by the Board of Governors of the Federal Reserve System (or any successor) for determining the actual reserve requirement for such Bank in respect of "Eurocurrency liabilities" (or in respect of any other category of liabilities which includes deposits by reference to which the interest rate on Euro-Dollar Loans is determined or any category of extensions of credit or other assets which includes loans by a non-United States office of any Bank to United States residents). The Adjusted London Interbank Offered Rate shall be adjusted automatically on and as of the effective date of any change in the Euro-Dollar Reserve Percentage.

(d) The Administrative Agent shall determine the interest rates applicable to the Loans hereunder (other than Swing Loans, which shall be determined in accordance with Section 2.01(b)). The Administrative Agent shall give prompt notice to the Borrower and the other Banks (by telephone or facsimile transmission) of each rate of interest so determined, and its determination thereof shall be conclusive in the absence of manifest error.

SECTION 2.07. Fees. (a) The Borrower shall pay to the Administrative Agent, for the ratable account of each Bank, a facility fee, calculated in the manner provided in the last paragraph of Section 2.07(a)(iii), on the aggregate amount of such Bank's Commitment (without taking into account the amount of the outstanding Loans made by such Bank), at a rate per annum equal to: (i) for the period commencing on the Closing Date to and including the first Performance Pricing Determination Date, 0.15%; and (ii) from and after the first Performance Pricing Determination Date, the percentage determined on each Performance Pricing Determination Date by reference to the table set forth below and the Debt to Capitalization Ratio for the quarterly or annual period ending immediately prior to such Performance Pricing Determination Date:

Debt to <u>Capitalization Ratio</u>	<u>Facility Fee</u>
≥ 0.55 to 1.0	0.500%
≥ 0.50 to 1.0 but < 0.55 to 1.0	0.250%
≥ 0.40 to 1.0 but <0.50 to 1.0	0.150%
≥0.30 to 1.0 but	0.150%
<0.40 to 1.0	0.150%
≥0.20 to 1.0 but	0.150%
<0.30 to 1.0	0.150%
≤ 0.20 to 1.0	0.150%

Such facility fees shall accrue from and including the Closing Date to (but excluding the Termination Date) and shall be payable on each December 31, March 31, June 30, and September 30 and on the Termination Date.

(b) The Borrower shall pay to the Administrative Agent, for the account and sole benefit of the Administrative Agent, such fees and other amounts at such times as mutually agreed in writing as of the Closing Date.

SECTION 2.08. Optional Termination or Reduction of Commitments. The Borrower may, upon at least 3 Domestic Business Days' notice to the Administrative Agent, terminate at any time, or proportionately reduce the Unused Commitments from time to time by an aggregate amount of at least \$10,000,000. Upon a reduction of the Unused Commitments, each Bank's Commitments shall be permanently and ratably reduced.

SECTION 2.09. Mandatory Reduction and Termination of Commitments. The Commitments shall terminate on the Termination Date and any Loans then outstanding (together with accrued interest thereon) shall be due and payable by the Borrower on such date.

SECTION 2.10. Optional Prepayments. (a) The Borrower may, upon notice to the Administrative Agent on the same day, prepay any Base Rate Borrowing in whole at any time, or from time to time in part in amounts aggregating at least \$100,000 or any larger amount, by paying the principal amount to be prepaid together with accrued interest thereon to the date of prepayment.

(b) Subject to Section 8.05, the Borrower may, upon at least 2 Euro-Dollar Business Days' notice to the Administrative Agent, prepay any Euro-Dollar Loan in whole at any time, or from time to time in part, prior to the maturity thereof, in amounts aggregating at least \$1,000,000 or any larger multiple of \$100,000, by paying the principal amount to be prepaid together with accrued interest thereon to the date of the prepayment.

(c) Upon any Administrative Agent's receipt of a notice of prepayment pursuant to this Section, such notice shall not thereafter be revocable by the Borrower.

SECTION 2.11. Mandatory Prepayments. On each date on which the Commitments are reduced pursuant to Section 2.08 or Section 2.09, the Borrower shall repay or prepay such principal amount of the outstanding Loans, if any (together with interest accrued thereon), as may be necessary so that after such payment the aggregate unpaid principal amount of the Loans does not exceed the aggregate amount of the Commitments as then reduced.

SECTION 2.12. General Provisions as to Payments. (a) The Borrower shall make each payment of principal of, and interest on, each Bank's Loans and of each Bank's fees hereunder, not later than 11:00 A.M. (Charlotte, North Carolina time) on the date when due, in Federal or other funds immediately available at the place where payment is due, to such Bank at its address set forth on the signature pages hereof or at such other address as such Bank may notify the Borrower in writing from time to time.

(b) Whenever any payment of principal of, or interest on, the Base Rate Loans or of fees shall be due on a day which is not a Domestic Business Day, the date for payment thereof shall be extended to the next succeeding Domestic Business Day. Whenever any payment of principal of or interest on, the Euro-Dollar Loans shall be due on a day which is not a Euro-Dollar Business Day, the date for payment thereof shall be extended to the next succeeding Euro-Dollar Business Day unless such Euro-Dollar Business Day falls in another calendar month, in which case the date for payment thereof shall be the next preceding Euro-Dollar Business Day.

SECTION 2.13. Computation of Interest and Fees. Interest on Base Rate Loans shall be computed on the basis of a year of 360 days and paid for the actual number of days elapsed (including the first day but excluding the last day). Interest on Euro-Dollar Loans shall be computed on the basis of a year of 360 days and paid for the actual number of days elapsed, calculated as to each Interest Period from and including the first day thereof to but excluding the last day thereof. Any fees payable hereunder shall be computed on the basis of a year of 360 days and paid for the actual number of days elapsed (including the first day but excluding the last day).

SECTION 2.14. Letters of Credit.

(a) New Letters of Credit. Subject to the terms and conditions of this Agreement, and in reliance upon the representations and warranties of the Borrower herein set forth, the Administrative Agent and the Additional Issuer shall issue for the account of Borrower, one or more New Letters of Credit denominated in Dollars, in accordance with this Section 2.14(a), from time to time during the period commencing on the Closing Date and ending on the Business Day prior to the Termination Date; provided, however, the Additional Issuer may only issue New Letters of Credit under this Section 2.14(a) after prior written notice has been sent to the Administrative Agent.

(i) An Issuer shall have no obligation to issue any New Letter of Credit at any time: (A) if the Administrative Agent has determined that the aggregate maximum amount then available for drawing under all Letters of Credit, after giving effect to the issuance of the requested New Letter of Credit, would exceed any limit imposed by law or regulation upon the Issuer; (B) if the Administrative Agent has determined that, after giving effect to the issuance of the requested New Letter of Credit, (1) the aggregate Letter of Credit Obligations would exceed \$100,000,000, or (2) the conditions set forth in this Agreement as to the advancing of Loans or issuance of New Letters of Credit Section which have not been waived in accordance with Section 9.06 would not be satisfied; and (C) which has an expiration date (1) more than 364 days after the date of issuance (except in the case of any New Letter of Credit which contains an "evergreen" extension function, so long as any such extension does not extend beyond the Termination Date) or (2) after the Termination Date. The obligation of an Issuer to issue any New Letter of Credit is subject to the satisfaction in full of the following conditions: (A) the Borrower shall have delivered to the applicable Issuer at such times and in such manner as the applicable Issuer may prescribe, a Reimbursement Agreement as to New Letters of Credit and such other documents and materials as may be required pursuant to the terms thereof all satisfactory in form and substance to the applicable Issuer and the terms of the proposed New Letter of Credit shall be satisfactory in form and substance to such applicable Issuer; (B) as of the date of issuance no order, judgment or decree of any court, arbitrator or Authority shall purport by its terms to enjoin or restrain the applicable Issuer from issuing the New Letter of Credit and no law, rule or regulation applicable to the applicable Issuer and no request or directive (whether or not having the force of law) from any Authority with jurisdiction over the applicable Issuer shall prohibit or request that the applicable Issuer refrain from the issuance of letters of credit generally or the issuance of that New Letter of Credit; and (C) after the issuance of the requested New Letter of Credit, the conditions set forth in this Section shall be satisfied.

(ii) At least two Business Days before the effective date for any New Letter of Credit, the Borrower shall give the applicable Issuer and the Administrative Agent notice by telecopier containing the signature of an authorized officer or employee of such Borrower. Such notice shall be irrevocable and shall specify the original face amount of the New Letter of Credit requested, the effective date (which day shall be a Business Day) of issuance of such requested New Letter of Credit, the date on which such requested New Letter of Credit is to expire, the amount of then outstanding aggregate Letter of Credit Obligations, the purpose for which such New Letter of Credit is to be issued, whether such New Letter of Credit may be drawn in single or partial draws and the person for whose benefit the requested New Letter of Credit is to be issued and the identity of the proposed Issuer.

(iii) If the conditions set forth above are satisfied, the applicable Issuer shall issue the requested New Letter of Credit. The Administrative Agent shall give each Bank written or telex notice in substantially the form of Exhibit F, or telephonic notice confirmed promptly thereafter in writing, of the issuance of a New Letter of Credit and shall deliver to each Bank in connection with such notice a copy of the New Letter of Credit issued by the applicable Issuer, provided that the Administrative Agent shall be obligated to deliver the foregoing with respect to a New Letter of Credit issued by the Additional Issuer only after receipt by the Administrative Agent of all notices required to be delivered to the Administrative Agent with respect thereto.

(iv) The Borrower shall pay to the applicable Issuer, solely for its own account, the standard charges and fees (including, without limitation, fronting fees) assessed by the applicable Issuer in connection with the issuance, administration, amendment and payment or cancellation of New Letters of Credit issued hereunder, which charges and fees shall be those typically charged by the applicable Issuer to its customers generally having credit and other characteristics similar to the Borrower, as determined in good faith by the applicable Issuer.

(b) Letters of Credit Payments; Duties of the Administrative Agent.

(i) Subject to the terms and conditions contained in this Agreement, with respect to the Letters of Credit, the Borrower shall pay to the order of the Administrative Agent the amount of the Letter of Credit Fee payable with respect to each Letter of Credit (and the Administrative Agent shall pay to each other Bank such Bank's respective pro rata share thereof) (A) on the first day of each Fiscal Quarter, (B) on the Termination Date and (C) if there are any Letter of Credit Obligations on the Termination Date, on the first date thereafter on which there are no Letter of Credit Obligations, in each case for the previous period.

(ii) Upon receipt by an Issuer from the beneficiary of a Letter of Credit of any demand for payment under such Letter of Credit, such Issuer shall promptly notify the Borrower and the Administrative Agent of the amount to be paid by such Issuer as a result of such demand and the date on which payment is to be made by such Issuer to such beneficiary in respect of such demand. The Borrower shall reimburse the Issuer for drawings under a Letter of Credit issued by it no later than the earlier of (A) the time specified in the Reimbursement Agreement, or (B) 1 Domestic Business Day after the payment by the Issuer. Upon its receipt of a notice referred to in the first sentence of this Subsection (ii), the Borrower shall advise the Administrative Agent whether or not the Borrower intends to borrow hereunder to finance its obligation to reimburse the applicable Issuer for the amount of the related demand for payment and, if it does, the Borrower shall submit a timely request for such borrowing as provided in the applicable provisions of this Agreement. If the Borrower fails to so advise the Administrative Agent, or if the Borrower fails to reimburse an Issuer for a demand for payment under a Letter of Credit by the date required to do so, then (i) if the applicable conditions contained in Article III would permit the making of Syndicated Loans, the Borrower shall be deemed to have requested a borrowing of Syndicated Loans (which shall be Base Rate Loans) in an amount equal to the unpaid Reimbursement Obligation and the Administrative Agent shall give each Lender notice of the amount of the Syndicated Loan to be made available in accordance with Section 2.02(c), and (ii) if such conditions would not permit the making of Loans, the provisions of Subsection (d) of this Section shall apply. The \$500,000 limitations set forth in Section 2.01(a) shall not apply to any borrowing of Base Rate Loans under this subsection.

(iii) Any Reimbursement Obligation with respect to any Letter of Credit shall bear interest from the date of the relevant drawing under the pertinent Letter of Credit until the date of payment in full thereof at a rate per annum equal to (A) prior to the date that is 3 Domestic Business Days after the date of the related payment by the Issuer, the Base Rate and (B) thereafter, the Default Rate.

(iv) Any action taken or omitted to be taken by an Issuer in connection with any Letter of Credit issued by it, if taken or omitted in the absence of willful misconduct or gross negligence, shall not put such Issuer under any resulting liability to any Bank, or assuming that such Issuer has complied with the procedures specified in Subsection (iii), relieve that Bank of its obligations hereunder to such Issuer. In determining whether to pay under any Letter of Credit, the Issuer thereof shall have no obligation relative to the Banks other than to confirm that any documents required to have been delivered under such Letter of Credit appear to comply on their face, with the requirements of such Letter of Credit.

(v) After the occurrence and during the continuation of an Event of Default, or upon the termination of this Agreement, to the extent of any Letter of Credit Obligations, the Issuers may, as separate collateral security to be held by the Banks for reimbursement of amounts of the Letter of Credit Obligations which are subsequently funded by an Issuer (and for which the other Banks have purchased a participation therein as set forth below), either (x) immediately advance the principal amount thereof as Loans, and set aside the amounts so advanced as such collateral security, or (y) demand from the Borrower cash collateral in an amount equal to 100% of such Letter of Credit Obligations with respect to each Letter of Credit as such collateral security. The Borrower hereby agrees that the Banks shall have a right of setoff against and security interest in such collateral reserve. After a Letter of Credit has been canceled and all Letter of Credit Obligations with respect to such Letter of Credit have been satisfied, and the applicable Issuer (or participant) has been reimbursed all amounts funded by such Issuer with respect thereto, any balance remaining in said collateral reserve with respect to such Letter of Credit may be applied to other unpaid obligations of the Borrower hereunder, and, if none, shall be remitted to the Borrower.

(c) Purchase of Participations. Each Bank hereby irrevocably and unconditionally purchases and receives from each Issuer, without recourse or warranty, an undivided interest and participation, equal to the amount of such Bank's LC Commitment Percentage in each Letter of Credit issued by such Issuer. Each Bank acknowledges receipt of a copy of each Existing Letter of Credit as of the Closing Date.

(d) Sharing of Letters of Credit Payments. In the event that an Issuer makes any payment under a Letter of Credit issued by it for which the Borrower shall not have repaid such amount to such Issuer pursuant to this Section, such Issuer shall promptly notify the other Banks of such failure, and each other Bank shall promptly and unconditionally pay to such Issuer the LC Commitment Percentage of the amount of such payment in Dollars and in same day funds. If an Issuer so notifies the other Banks prior to 10:00 A.M. (Charlotte, North Carolina time) on any Domestic Business Day, such other Banks shall make available to such Issuer the LC Commitment Percentage of the amount of such payment on such Domestic Business Day in same day funds. If and to the extent any of such other Banks shall not have so made its LC Commitment Percentage of the amount of such payment available to such Issuer, such other Bank agrees to pay to such Issuer forthwith on demand such amount together with interest thereon, for each day from the date such payment was first due until the date such amount is paid to such Issuer at the Federal Funds Rate.

(e) Sharing of Reimbursement Obligation Payments. Whenever an Issuer receives a payment from the Borrower or any guarantor on account of Letter of Credit Obligations owing in respect of a Letter of Credit issued by such Issuer including any interest thereon, as to which such Issuer has received any payments from the other Banks pursuant to this Section, such Issuer shall promptly pay to each other Bank its participating interest therein, in Dollars and in the kind of funds so received, an amount equal to such other Bank's LC Commitment Percentage thereof. Each such payment shall be made by such Issuer on the Domestic Business Day on which the funds are paid to such Person, if received prior to 10:00 a.m. (Charlotte, North Carolina time) on such Domestic Business Day, and otherwise on the next succeeding Domestic Business Day. Each Bank agrees that letter of credit fees (other than the Letter of Credit Fee) payable under an Issuer's Reimbursement Agreement are solely for the account of such Issuer, notwithstanding any provision contained herein to the contrary.

(f) Obligations Irrevocable. The obligations of each Bank to make payments to an Issuer with respect to a Letter of Credit shall be irrevocable, not subject to any qualification or exception whatsoever and shall be made in accordance with, but not subject to, the terms and conditions of this Agreement under all circumstances, including, without limitation, any of the following circumstances:

(i) any lack of validity or enforceability of this Agreement or any of the other Loan Documents;

(ii) the existence of any claim, set-off, defense or other right which the Borrower may have at any time against a beneficiary named in the Letters of Credit or any transferee of the Letters of Credit (or any Person for whom any such transferee may be acting), an Issuer, any Bank or any other Person, whether in connection with this Agreement, any Letter of Credit, the transactions contemplated herein or any unrelated transactions;

- (iii) any draft, certificate or any other document presented under a Letter of Credit proves to be forged, fraudulent, invalid or insufficient in any respect or any statement therein being untrue or inaccurate in any respect;
- (iv) the surrender or impairment of any security for the performance or observance of any of the terms of any of the Loan Documents;
- (v) payment by an Issuer under a Letter of Credit proving to be forged, fraudulent, invalid or insufficient in any respect or any statement therein being untrue or inaccurate in any respect;
- (vi) payment by an Issuer under a Letter of Credit against presentation of any draft or certificate that does not comply with the terms of such Letter of Credit, except payment resulting from the gross negligence or willful misconduct of an Issuer; or
- (vii) any other circumstances or happenings whatsoever, whether or not similar to any of the foregoing, except circumstances or happenings resulting from the gross negligence or willful misconduct of the Issuer.
- (g) Amendments to Letters of Credit and Reimbursement Agreements. No Issuer shall agree to an amendment or modification to its Reimbursement Agreement or any Letter of Credit issued by it unless the Required Banks have granted their prior written consent thereto, which consent shall not be unreasonably withheld or delayed; provided, however, an Issuer of a Letter of Credit may amend or otherwise modify such Letter of Credit without the need to obtain consent of the Required Banks if the respective Letter of Credit affected thereby could have been issued under this Agreement in such amended or modified form, but if the undrawn available amount under such Letter of Credit is increased thereby, only so long as a notice is sent by the Borrower under Section 3.02(a) and the Additional Issuer under the first proviso contained in Section 2.14(a). In the case of any conflict between provisions of any Reimbursement Agreement or this Agreement, the provisions of this Agreement shall govern, but only for so long as this Agreement is in effect.

SECTION 2.15. Guarantee of Reimbursement Obligations. The following provisions of this Section 2.15 shall apply solely to each Reimbursement Agreement for which the Borrower is not the Applicant.

- (a) The Borrower hereby absolutely and unconditionally, guarantees the due and punctual payment and performance of the Letter of Credit Obligations. Upon failure by an Applicant to pay any such amount in accordance with the terms of its Reimbursement Agreement, the Borrower agrees that it shall forthwith on demand pay the amount not so paid at the place and in the manner specified in the Reimbursement Agreement.

(b) The obligations of the Borrower under this Section 2.15 shall be unconditional and absolute and, without limiting the generality of the foregoing, shall not be released, discharged or otherwise affected by: (i) any extension, renewal, settlement, compromise, waiver or release in respect of any obligation of an Applicant under the Reimbursement Agreement, by operation of law or otherwise or any obligation of any other guarantor of any of the Letter of Credit Obligations; (ii) any modification or amendment of or supplement to the Reimbursement Agreement; (iii) any release, nonperfection or invalidity of any direct or indirect security for any obligation of an Applicant under the Reimbursement Agreement, or any obligations of any other guarantor of any of the Letter of Credit Obligations; (iv) any change in the corporate existence, structure or ownership of an Applicant or any other guarantor of any of the Letter of Credit Obligations, or any insolvency, bankruptcy, reorganization or other similar proceeding affecting an Applicant, or any other guarantor of the Letter of Credit Obligations, or its assets or any resulting release or discharge of any obligation of an Applicant, or any other guarantor of any of the Letter of Credit Obligations; (v) the existence of any claim, setoff or other rights which the Borrower may have at any time against an Applicant, any other guarantor of any of the Letter of Credit Obligations, any Bank or any other Person, whether in connection herewith or any unrelated transactions, provided that nothing herein shall prevent the assertion of any such claim by separate suit or compulsory counterclaim; (vi) any invalidity or unenforceability relating to or against an Applicant, or any other guarantor of any of the Letter of Credit Obligations, for any reason related to the Reimbursement Agreement, or any other Guaranty, or any provision of applicable law or regulation purporting to prohibit the payment of the Letter of Credit Obligations by an Applicant, or any other guarantor of the Letter of Credit Obligations; and (vii) any other act or omission to act or delay of any kind by an Applicant, any other guarantor of the Letter of Credit Obligations, any Bank or any other Person or any other circumstance whatsoever which might, but for the provisions of this paragraph, constitute a legal or equitable discharge of the Borrower's obligations hereunder, including without limitation, any failure, omission, delay or inability on the part of any Bank to enforce, assert or exercise any right power or remedy conferred on any Bank under the Reimbursement Agreement or any other Loan Documents.

(c) The Borrower's obligations hereunder shall remain in full force and effect until all Letter of Credit Obligations shall have been paid in full and the relevant Reimbursement Agreement shall have terminated or expired. If at any time any amount payable by an Applicant under a Reimbursement Agreement or any other Loan Document is rescinded or must be otherwise restored or returned upon the insolvency, bankruptcy or reorganization of an Applicant or otherwise, the Borrower's obligations hereunder with respect to such payment shall be reinstated as though such payment had been due but not made at such time.

(d) The Borrower irrevocably waives any requirement that at any time any action be taken by any Person against an Applicant, any other guarantor of the Letter of Credit Obligations, or any other Person.

SECTION 2.16. Amendments Required as a Result of Permanent Facility. In the event that:

(a) the Borrower obtains senior bank debt financing in addition to the Revolving Credit Facilities in an amount greater than \$300 million, including without limitation, in connection with any (i) acquisition (whether of assets or stock) of a business operation, unit, division or entity (each, a "Business"), or (ii) merger or other transaction having the effect of acquiring a Business;

(b) such senior bank debt financing (or any commitment with respect thereto) remains outstanding with the original lender (whether alone or as a part of syndicate of lenders) in whole or in part for a period greater than 180 days (each, a "Permanent Facility");

(c) the Permanent Facility contains any provisions more favorable to the lenders party thereto than the provisions of the Revolving Credit Facilities (the "More Favorable Terms"), including, without limitation, interest rates (including, without limitation, margins), fees or other pricing terms (collectively, the "Pricing Terms") in amounts greater than any comparable Pricing Terms with respect to the 364 Day Revolving Credit Facility (as reasonably determined by the Banks); and

(d) after giving effect to a fully funded commitment under the Permanent Facility the Debt to Capitalization Ratio shall be greater than 0.40 to 1.00 at the end of any Fiscal Quarter;

then, upon the written request by the Banks after the occurrence of all such events described in the immediately preceding clauses (a), (b), (c) and (d) (the "Amendment Events"), the Borrower agrees to promptly amend the Revolving Credit Facilities effective for so long as the Debt to Capitalization Ratio is greater than 0.40 to 1.00 as follows:

1. to give the Banks the benefit of any such More Favorable Terms, and
2. to increase (but not decrease) any such Pricing Terms of the Revolving Credit Facilities as follows:

(i) in amounts mutually agreed between the Borrower and the Banks, or

(ii) in the event such an amendment by mutual agreement is not executed and delivered within 30 days after the Amendment Events, then the Revolving Credit Facilities will be amended such that the Pricing Terms of the Revolving Credit Facilities will be identical to the Pricing Terms of the Permanent Facility.

ARTICLE III

CONDITIONS TO BORROWINGS AND ISSUANCE OF NEW LETTERS OF CREDIT

SECTION 3.01. Conditions to Effective Date. The obligations of each Bank under this Agreement are subject to the satisfaction of the conditions set forth in Section 3.02 and receipt by the Administrative Agent of the following (in sufficient number of counterparts (except as to the Notes) for delivery of a counterpart to each Bank and retention of one counterpart by the Administrative Agent):

- (a) a written letter agreement evidencing the termination of the Fifth Amended and Restated Credit Agreement dated as of November 23, 1999 among Mohawk Industries, Inc., SunTrust Bank, and Wachovia Bank, National Association, and any other lenders party thereto;
- (b) from each of the parties hereto a duly executed counterpart of this Agreement;
- (c) a duly executed Note by the Borrower for the account of each Bank complying with the provisions of Section 2.04;
- (d) an opinion of Alston & Bird LLP, counsel for the Borrower, dated as of the Effective Date, substantially in the form of Exhibit B;
- (e) the Borrower's most recent audited consolidated financial statements, including, without limitation, a balance sheet and income statement and its most recent 10-K filed with the Securities and Exchange Commission, in such form and substance satisfactory to the Banks in their sole discretion;
- (f) a certificate, dated as of the Effective Date, signed by a principal financial officer of the Borrower, certifying (i) that no Default has occurred and is continuing on the Effective Date, (ii) that the representations and warranties of the Borrower contained in Article IV are true on and as of the Effective Date, and (iii) in detail satisfactory to the Administrative Agent, the amount of all outstanding Debt as of the Effective Date;
- (g) all documents which the Administrative Agent or any Bank may reasonably request relating to the existence of the Borrower, the corporate authority for and the validity of the Loan Documents to which the Borrower is a party, and any other matters relevant thereto, all in form and substance satisfactory to the Administrative Agent, including, without limitation, a certificate of incumbency of the Borrower, signed by the Secretary or an Assistant Secretary of the Borrower, certifying as to the names, true signatures and incumbency of the officer or officers of the Borrower, authorized to execute and deliver the Loan Documents, and certified copies of the following items as to the Borrower: (i) its Certificate of Incorporation, (ii) its Bylaws, (iii) a certificate of the Secretary of State of the State of Delaware as to the good standing of the Borrower as a Delaware corporation, and (iv) the action taken by its Board of Directors (or a duly authorized committee thereof) authorizing its execution, delivery and performance of the Loan Documents to which it is a party; and
- (h) a Notice of Borrowing, if necessary.

SECTION 3.02. Conditions to All Borrowings and Issuance of New Letters of Credit. The obligation of each Bank to make a Loan on the occasion of each Borrowing or an Issuer to issue a New Letter of Credit is subject to the satisfaction of the following conditions:

- (a) in the case of a Loan, receipt by the Administrative Agent of a Notice of Borrowing, or in the case of a New Letter of Credit (or increase to the undrawn amount available under a Letter of Credit), receipt by the Administrative Agent and the applicable Issuer of a request for such Letter of Credit (or request as to such increase);

- (b) the fact that, immediately after such Borrowing or issuance of such Letter of Credit, no Default shall have occurred and be continuing;
- (c) the fact that the representations and warranties contained in Article IV of this Agreement shall be true on and as of the date of such Borrowing or issuance of such Letter of Credit except for changes permitted by this Agreement and except to the extent they relate solely to an earlier date; and
- (d) the fact that, immediately after such Borrowing or issuance of such Letter of Credit, the sum of (x) the aggregate outstanding principal amount of the Loans plus the Letter of Credit Obligations of the Banks will not exceed (y) the amount of the aggregate Commitments.

Each Borrowing and issuance of a New Letter of Credit hereunder shall be deemed to be a representation and warranty by the Borrower on the date thereof as to the facts specified in paragraphs (b), (c) and (d) of this Section.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES

The Borrower represents and warrants that:

SECTION 4.01. Corporate Existence and Power. The Borrower is a corporation duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation, is duly qualified to transact business in every jurisdiction where, by the nature of its business, such qualification is necessary and where failure to be so qualified could have or create a reasonable possibility of causing a Material Adverse Effect, and has all corporate powers and all material governmental licenses, authorizations, consents and approvals required to carry on its business as now conducted.

SECTION 4.02. Corporate and Governmental Authorization; No Contravention. The execution, delivery and performance by the Borrower of this Agreement, the Notes and the other Loan Documents to which it is a party (i) are within its corporate powers, (ii) have been duly authorized by all necessary corporate action, (iii) require no action by or in respect of or filing with, any governmental body, agency or official (other than routine filings with the Securities and Exchange Commission), (iv) do not contravene, or constitute a default under, any provision of applicable law or regulation or of the certificate of incorporation or by-laws of the Borrower or of any agreement, judgment, injunction, order, decree or other instrument binding upon the Borrower or any of its Subsidiaries, and (v) do not result in the creation or imposition of any Lien on any asset of the Borrower or any of its Subsidiaries.

SECTION 4.03. Binding Effect. This Agreement constitutes a valid and binding agreement of the Borrower enforceable in accordance with its terms, and the Notes and the other Loan Documents, when executed and delivered in accordance with this Agreement, will constitute valid and binding obligations of the Borrower (provided that the Borrower is a party to any such Loan Document) enforceable in accordance with their respective terms, provided that the enforceability hereof and thereof is subject in each case to general principles of equity and to bankruptcy, insolvency and similar laws affecting the enforcement of creditors' rights generally.

SECTION 4.04. Financial Information. (a) The consolidated balance sheet of the Borrower and its Consolidated Subsidiaries as of December 31, 2002, and the related consolidated statements of income, shareholders' equity and cash flows for the Fiscal Year then ended, reported on by KPMG LLP, copies of which have been delivered to each of the Banks, and the unaudited consolidated financial statements of the Borrower for the interim period ended June 30, 2003, copies of which have been delivered to each of the Banks, fairly present in all material respects, in conformity with GAAP, the consolidated financial position of the Borrower and its Consolidated Subsidiaries as of such dates and their consolidated results of operations and cash flows for such periods stated.

(b) Since December 31, 2002, there has been no event, act, condition or occurrence having, or which could reasonably be expected to have a Material Adverse Effect.

SECTION 4.05. No Litigation. Except as set forth on Schedule 4.05, as of the date hereof, there is no action, suit or proceeding pending, or to the knowledge of the Borrower threatened in writing, against or affecting the Borrower or any of its Subsidiaries before any court or arbitrator or any governmental body, agency or official which could reasonably be expected to have a Material Adverse Effect.

SECTION 4.06. Compliance with ERISA. (a) The Borrower and each member of the Controlled Group have fulfilled their obligations under the minimum funding standards of ERISA and the Code with respect to each Plan and are in compliance with the presently applicable provisions of ERISA and the Code (except where such noncompliance could not reasonably be expected to have a Material Adverse Effect), and have not incurred any liability to the PBGC under Title IV of ERISA.

(b) Neither the Borrower nor any member of the Controlled Group is or ever has been obligated to contribute to any Multiemployer Plan.

SECTION 4.07. Taxes. There have been filed on behalf of the Borrower and its Subsidiaries all Federal, state and local income, excise, property and other tax returns which are required to be filed by them and all taxes due pursuant to such returns or pursuant to any assessment received by or on behalf of the Borrower or any Subsidiary have been paid or valid and effective extensions therefor have been obtained. The charges, accruals and reserves on the books of the Borrower and its Subsidiaries in respect of taxes or other governmental charges are, in the opinion of the Borrower, adequate. United States income tax returns of the Borrower and its Subsidiaries' have been examined and closed through the Fiscal Year ended 1994.

SECTION 4.08. Subsidiaries. Each of the Borrower's Subsidiaries is duly organized or formed, validly existing and in good standing under the laws of the jurisdiction of its creation and organization, and has all powers (by virtue of its creation and organization) and all material governmental licenses, authorizations, consents and approvals required to carry on its business as now conducted. As of the date hereof, the Borrower has no Subsidiaries except for those Subsidiaries listed on Schedule 4.08, which accurately sets forth each such Subsidiary's complete name and jurisdiction of creation and organization. Schedule 4.08 also sets forth the amount of the Borrower's and each of its Subsidiaries' Investments in the Foreign Subsidiaries as of the Closing Date.

SECTION 4.09. Not an Investment Company. The Borrower is not an "investment company" within the meaning of the Investment Company Act of 1940, as amended.

SECTION 4.10. Ownership of Property; Liens. Each of the Borrower and its Consolidated Subsidiaries has title to its properties sufficient for the conduct of its business, and none of such property is subject to any Lien except as permitted in Section 5.07.

SECTION 4.11. No Default. Neither the Borrower nor any of its Consolidated Subsidiaries is in default under or with respect to any agreement, instrument or undertaking to which it is a party or by which it or any of its property is bound which could reasonably be expected to have or cause a Material Adverse Effect. No Default or Event of Default has occurred and is continuing.

SECTION 4.12. Full Disclosure. All information heretofore furnished by the Borrower to any Bank for purposes of or in connection with this Agreement or any transaction contemplated hereby is, and all such information hereafter furnished by the Borrower to any Bank will be, true, accurate and complete in every material respect or based on reasonable estimates on the date as of which such information is stated or certified. The Borrower has disclosed to the Banks in writing any and all facts which would have or create a reasonable possibility of causing a Material Adverse Effect.

SECTION 4.13. Environmental Matters. (a) To the best knowledge of the Borrower, after due inquiry (which does not necessarily mean the performance of a phase I environmental audit), (a) neither the Borrower nor any Subsidiary is subject to any Environmental Liability and (b) neither the Borrower nor any Subsidiary has been designated as a potentially responsible party under CERCLA or under any state statute similar to CERCLA in respect of any matters that could reasonably be expected to have a Material Adverse Effect. To the best knowledge of the Borrower, after due inquiry (which does not necessarily mean the performance of a phase I environmental audit), none of the Properties has been identified on any current or proposed (i) National Priorities List under 40 C.F.R. Section 300, (ii) CERCLIS list or (iii) any list arising from a state statute similar to CERCLA, in each case, in respect of any matters that could reasonably be expected to have a Material Adverse Effect.

(b) To the best knowledge of the Borrower, after due inquiry (which does not necessarily mean the performance of a phase I environmental audit), no Hazardous Materials have been or are being used, produced, manufactured, processed, treated, recycled, generated, stored, disposed of, managed or otherwise handled at, or shipped or transported to or from the Properties or are otherwise present at, on, in or under the Properties, or, to the best of the knowledge of the Borrower, at or from any adjacent site or facility, except for (i) Hazardous Materials, such as cleaning solvents, combustion enhancers, pesticides and other materials used, produced, manufactured, processed, treated, recycled, generated, stored, disposed of, managed, or otherwise handled in the ordinary course of business in compliance with all applicable Environmental Requirements, and (ii) Hazardous Materials with respect to which the presence thereof, any required remediation with respect thereto, or the expenses, fines, penalties and other costs relating thereto could not reasonably be expected to have a Material Adverse Effect.

(c) Except for non-compliance which could not reasonably be expected to have a Material Adverse Effect, the Borrower, and each of its Subsidiaries is in compliance with all Environmental Requirements in connection with the operation of the Properties and each of the Borrower's and its Subsidiary's respective businesses.

SECTION 4.14. Capital Stock. All Capital Stock, debentures, bonds, notes and all other securities of the Borrower and its Subsidiaries presently issued and outstanding are validly and properly issued in accordance with all applicable laws, including but not limited to, the "Blue Sky" laws of all applicable states and the federal securities laws. At least a majority of the issued shares of capital stock of each of the Borrower's other Subsidiaries, if any, (other than Wholly Owned Subsidiaries) is owned by the Borrower free and clear of any Lien or adverse claim.

SECTION 4.15. Margin Stock. Neither the Borrower nor any of its Subsidiaries is engaged principally, or as one of its important activities, in the business of purchasing or carrying any Margin Stock, and no part of the proceeds of any Loan will be used, except as permitted by Section 5.11, (a) to purchase or carry any Margin Stock or (b) to extend credit to others for the purpose of purchasing or carrying any Margin Stock.

SECTION 4.16. Insolvency. After giving effect to the execution and delivery of the Loan Documents and the making of the Loans under this Agreement, the Borrower will not be "insolvent," within the meaning of such term as used in O.C.G.A. § 18-2-22 or as defined in § 101 of Title 11 of the United States Code, as amended from time to time, or be unable to pay its debts generally as such debts become due, or have an unreasonably small capital to engage in any business or transaction, whether current or contemplated.

ARTICLE V

COVENANTS

The Borrower agrees that, so long as any Commitment shall remain in effect, any Letter of Credit Obligations are outstanding or any amount payable hereunder or under any Note remains unpaid:

SECTION 5.01. Information. The Borrower will deliver to each of the Banks:

(a) as soon as available and in any event within 90 days after the end of each Fiscal Year, a consolidated balance sheet of the Borrower and its Consolidated Subsidiaries as of the end of such Fiscal Year and the related consolidated statements of earnings, stockholders' equity and cash flows for such Fiscal Year, setting forth in each case in comparative form the figures for the previous Fiscal Year, including the related unqualified audit opinion issued by KPMG LLP or other independent public accountants of nationally recognized standing, with such certification to be free of exceptions and qualifications not acceptable to the Required Banks;

- (b) as soon as available and in any event within 45 days after the end of each Fiscal Quarter (other than the fourth Fiscal Quarter), a consolidated balance sheet of the Borrower and its Consolidated Subsidiaries as of the end of such Fiscal Quarter and the related consolidated statements of earnings and statements of cash flows for such quarter and for the portion of the Fiscal Year ended at the end of such quarter, setting forth in each case in comparative form the figures for the corresponding quarter and the corresponding portion of the previous Fiscal Year, all certified (subject to normal year-end adjustments) as to fairness of presentation, GAAP (except for the failure to provide footnotes thereto) and consistency by the chief financial officer or the corporate controller of the Borrower;
- (c) simultaneously with the delivery of each set of financial statements referred to in paragraphs (a) and (b) above, a certificate, substantially in the form of Exhibit E (a "Compliance Certificate"), of the chief financial officer, treasurer or the corporate controller of the Borrower (i) setting forth in reasonable detail the calculations required to establish whether the Borrower was in compliance with the requirements of Sections 5.03, 5.04, and Section 5.07, on the date of such financial statements and (ii) stating whether any Default exists on the date of such certificate and, if any Default then exists, setting forth the details thereof and the action which the Borrower is taking or proposes to take with respect thereto;
- (d) simultaneously with the delivery of each set of annual financial statements referred to in paragraph (a) above, operations and cash flow projections (indicating projected earnings and significant cash sources and uses) prepared by the Borrower for the Fiscal Year following the Fiscal Year reported on in such statements referred to in paragraph (a), in such form and substance as is acceptable to the Required Banks, in their sole discretion;
- (e) within 1 Domestic Business Day after the Borrower becomes aware of the occurrence of any Default, telephonic notice to each of the Banks of the occurrence of a Default (which telephonic notice shall set forth the details thereof), followed, within 10 Domestic Business Days after the date of such telephonic notice, with a certificate of the chief financial officer or the treasurer of the Borrower setting forth the details thereof and the action which the Borrower is taking or proposes to take with respect thereto;
- (f) promptly upon the mailing thereof to the shareholders of the Borrower generally, copies of all financial statements, reports and proxy statements so mailed;
- (g) promptly upon the filing thereof, copies of all registration statements (other than the exhibits thereto and any registration statements on Form S-8 or its equivalent) and annual, quarterly or monthly reports which the Borrower shall have filed with the Securities and Exchange Commission;

(h) if and when any member of the Controlled Group (i) gives or is required to give notice to the PBGC of any "reportable event" (as defined in Section 4043 of ERISA) with respect to any Plan which might constitute grounds for a termination of such Plan under Title IV of ERISA, or knows that the plan administrator of any Plan has given or is required to give notice of any such reportable event, a copy of the notice of such reportable event given or required to be given to the PBGC; (ii) receives notice of complete or partial withdrawal liability under Title IV of ERISA, a copy of such notice; or (iii) receives notice from the PBGC under Title IV of ERISA of an intent to terminate or appoint a trustee to administer any Plan, a copy of such notice; and

(i) from time to time such additional information regarding the financial position or business of the Borrower and its Subsidiaries as any Bank may reasonably request, including, without limitation, consolidating balance sheets and statements of earnings of the Borrower and the Borrower's Subsidiaries, in existence at such time, as at the end of any fiscal period.

SECTION 5.02. Inspection of Property, Books and Records. The Borrower will (i) keep, and cause each Subsidiary to keep, proper books of record and account in which full, true and correct entries in conformity with GAAP shall be made of all dealings and transactions in relation to its business and activities; and (ii) permit, and cause each Subsidiary to permit, representatives of any Bank at such Bank's expense prior to the occurrence of a Default and at the Borrower's expense after the occurrence of a Default to visit and inspect any of their respective properties, to examine and make abstracts from any of their respective books and records and to discuss their respective affairs, finances and accounts with their respective officers, employees and independent public accountants. The Borrower agrees to cooperate and assist in such visits and inspections, in each case upon reasonable notice, at such reasonable times and as often as may reasonably be desired.

SECTION 5.03. Debt to Capitalization Ratio. The Debt to Capitalization Ratio shall be less than 0.60 to 1.0 at the end of each Fiscal Quarter.

SECTION 5.04. Debt to EBITDA Ratio. The ratio of the Borrower's (a) Consolidated Debt to (b) the sum of (i) Consolidated Net Income, (ii) Consolidated Interest Expense, (iii) taxes on the Borrower's consolidated pre-tax income, and (iv) Depreciation and Amortization shall not be greater than 3.5 to 1.0 at the end of each Fiscal Quarter. Clause (b) in this Section 5.04 shall be calculated on a trailing 4 quarter basis as at the end of each such Fiscal Quarter.

SECTION 5.05. Restricted Payments. The Borrower shall not declare or make any Restricted Payment unless, after giving effect thereto, no Default shall exist.

SECTION 5.06. Investments. The Borrower will not, and will not permit any of its Subsidiaries to, make or maintain any Investments except (a) Investments in the Borrower or any Subsidiary, including without limitation, advances or loans between or among the Borrower or any Subsidiary and loans and advances to officers and employees of the Borrower or any Subsidiary in the ordinary course of business, provided, however, in no event will Investments made by the Borrower or any Subsidiary in Foreign Subsidiaries after the Closing Date exceed, in the aggregate, 20% of Consolidated Total Assets calculated immediately after giving effect thereto; (b) Investments in Persons engaged in a Permitted Line of Business (whether or not such Person is, or after giving effect to any such Investment becomes, a Subsidiary); (c) Investments in Persons in connection with Permitted Acquisitions; and (d) Investments in Approved Investments; provided, however, during the existence of an Event of Default, neither the Borrower nor any of its Subsidiaries may make any new Investments without the prior written consent of the Required Banks.

SECTION 5.07. Negative Pledge. Neither the Borrower nor any of its Subsidiaries will create, assume or suffer to exist any Lien on any asset now owned or hereafter acquired by it, except:

- (a) Liens existing on the date of this Agreement securing Debt outstanding on the date of this Agreement in an aggregate principal amount not exceeding \$5,000,000;
- (b) any Lien existing on any asset of any Person at the time such Person becomes a Consolidated Subsidiary and not created in contemplation of such event;
- (c) any Lien on any asset securing Debt incurred or assumed for the purpose of financing all or any part of the cost of acquiring or constructing such asset, provided that such Lien attaches to such asset concurrently with or within 18 months after the acquisition or completion of construction thereof;
- (d) any Lien on any asset of any Person existing at the time such Person is merged or consolidated with or into the Borrower or a Consolidated Subsidiary and not created in contemplation of such event;
- (e) any Lien existing on any asset prior to the acquisition thereof by the Borrower or a Consolidated Subsidiary and not created in contemplation of such acquisition;
- (f) Liens securing Debt owing by any Subsidiary to the Borrower;
- (g) any Lien arising out of the refinancing, extension, renewal or refunding of any Debt secured by any Lien permitted by any of the foregoing paragraphs of this Section, provided that (i) such Debt is not secured by any additional assets, and (ii) the amount of such Debt secured by any such Lien is not increased;
- (h) Liens incidental to the conduct of its business or the ownership of its assets which (i) do not secure Debt and (ii) do not in the aggregate materially detract from the value of its assets or materially impair the use thereof in the operation of its business;
- (i) any Lien on Margin Stock;
- (j) Liens in connection with an Asset Securitization permitted under Section 5.10;

(k) Liens involuntarily imposed and being contested in good faith, subject to the Borrower or such Subsidiary having established reasonable reserves therefor to the extent required under GAAP;

(l) Liens against the assets of Aladdin (formerly owned by Galaxy) under the Catoosa Co. IRB solely to the extent existing as of the date hereof; and

(m) Liens against the assets of Aladdin (formerly owned by Image Industries, Inc.) under the Summerville City IRB solely to the extent existing as of the date of the Image Acquisition.

provided that Liens permitted by the foregoing paragraphs (a) through (i) shall at no time secure Debt in an aggregate amount exceeding the greater of (x) \$90,000,000 or (y) 15% of Consolidated Net Worth.

SECTION 5.08. Maintenance of Existence. Other than as permitted by Section 5.09 or 5.10, the Borrower shall, and shall cause each Subsidiary to, maintain its corporate existence and carry on its business in a Permitted Line of Business.

SECTION 5.09. Dissolution. Neither the Borrower nor any of its Subsidiaries shall suffer or permit dissolution or liquidation either in whole or in part or redeem or retire any shares of its own stock or that of any Subsidiary, except through corporate reorganization to the extent permitted by Section 5.10 or in connection with a Restricted Payment which is permitted pursuant to Section 5.05.

SECTION 5.10. Consolidations, Mergers and Sales of Assets. The Borrower will not, nor will the Borrower permit any Subsidiary to, consolidate or merge with or into, or sell, lease or otherwise transfer all or any substantial part of its assets to, any other Person, provided that (a) the Borrower may merge with another Person if (i) such Person was organized under the laws of the United States of America or one of its states, (ii) the Borrower is the corporation surviving such merger and (iii) immediately after giving effect to such merger, no Default shall have occurred and be continuing, (b) Subsidiaries of the Borrower may merge with and into the Borrower, any other Subsidiary, or any other Person if after giving effect thereto such other Person would be a Subsidiary, (c) assets may be transferred from a Subsidiary to the Borrower or another Subsidiary, (d) any Wholly-Owned Subsidiary may dissolve or liquidate so long as the assets of such Subsidiary at the time of such dissolution or liquidation are transferred to such Subsidiary's shareholder and such shareholder assumes all of the liabilities of such Subsidiary at the time of such dissolution or liquidation, (e) the Borrower and its Subsidiaries may factor receivables, (f) the Borrower and its Subsidiaries may effect Asset Securitizations, and (g) the foregoing limitation on the sale, lease or other transfer of assets shall not prohibit, during any Fiscal Quarter, a transfer of assets by the Borrower or any Subsidiary (in a single transaction or in a series of related transactions) unless (x) the proceeds thereof are not reinvested within 180 days thereafter in a Permitted Line of Business owned by the Borrower or such Subsidiary or (y) the aggregate assets to be so transferred or utilized in a business line or segment to be so discontinued, when combined with all other assets transferred, and all other assets utilized in all other business lines or segments discontinued, during such Fiscal Quarter and the immediately preceding three Fiscal Quarters, constituted more than 20% of Consolidated Total Assets at the end of the fourth Fiscal Quarter immediately preceding such Fiscal Quarter.

SECTION 5.11. Use of Proceeds. The proceeds of the Loans shall be used by the Borrower to provide for working capital, to finance capital expenditures, to finance Investments permitted under Section 5.06, and for the other general corporate purposes of the Borrower and its Subsidiaries. In no event shall any portion of the proceeds of the Loans be used by the Borrower (i) except for Permitted Acquisitions, in connection with any tender offer for, or other acquisition of, stock of any corporation with a view towards obtaining control of such other corporation, (ii) directly or indirectly, for the purpose, whether immediate, incidental or ultimate, of purchasing or carrying any Margin Stock other than the common stock or other capital stock of the Borrower, or (iii) for any purpose in violation of any applicable law or regulation.

SECTION 5.12. Compliance with Laws; Payment of Taxes. The Borrower will, and will cause each of its Subsidiaries to, comply in all material respects with applicable laws (including but not limited to ERISA), regulations and similar requirements of governmental authorities (including but not limited to PBGC), except where the necessity of such compliance is being contested in good faith through appropriate proceedings or where noncompliance would not have or create a reasonable possibility of causing a Material Adverse Effect. The Borrower will, and will cause each of its Subsidiaries to, pay promptly when due, giving regard for any extensions obtained, all taxes, assessments, governmental charges, claims for labor, supplies, rent and other obligations which, if unpaid, might become a lien against the property of either the Borrower or any Subsidiary, except liabilities being contested in good faith and against which, if requested by the Banks, either the Borrower or such Subsidiary will set up reserves in accordance with GAAP.

SECTION 5.13. Insurance. The Borrower will maintain, and will cause each of its Subsidiaries to maintain (either in the name of the Borrower or in such Subsidiary's own name), with financially sound and reputable insurance companies, insurance on all its property in at least such amounts and against at least such risks as are usually insured against in the same general area by companies of established repute engaged in the same or similar business, subject to the Borrower's right to self-insure with respect to loss or damage to property in an amount reasonably acceptable to the Banks.

SECTION 5.14. Change in Fiscal Year. The Borrower shall give the Banks at least 30 day's prior written notice of any change in the determination of its Fiscal Year.

SECTION 5.15. Maintenance of Property. Subject to the rights of the Borrower or any Subsidiary to discontinue certain operations under Section 5.09 or 5.10, the Borrower shall, and shall cause each Subsidiary to, maintain all of its properties and assets in good working order, ordinary wear and tear and obsolescence excepted (excluding losses due to fully insured, subject to commercially reasonable deductibles, casualties).

SECTION 5.16. Environmental Notices. The Borrower shall furnish to the Banks prompt written notice of all Environmental Liabilities, pending, threatened or anticipated Environmental Proceedings, Environmental Notices, Environmental Judgments and Orders, and Environmental Releases at, on, in, under or in any way affecting the Properties or any adjacent property which would have a Material Adverse Effect, and all relevant facts, events, or conditions relating thereto.

SECTION 5.17. Environmental Matters. The Borrower will not, nor will it permit any Third Party to, use, produce, manufacture, process, treat, recycle, generate, store, dispose of, manage at, or otherwise handle, or ship or transport to or from the Properties any Hazardous Materials except for Hazardous Materials such as cleaning solvents, combustion enhancers, pesticides and other materials used, produced, manufactured, processed, treated, recycled, generated, stored, disposed, managed, or otherwise handled in the ordinary course of business in compliance with all applicable Environmental Requirements.

SECTION 5.18. Environmental Release. The Borrower agrees that upon the occurrence of an Environmental Release which would have a Material Adverse Effect and which violates any Environmental Requirement it will promptly investigate the extent of, and take appropriate action to remediate such Environmental Release, whether or not ordered or otherwise directed to do so by any Environmental Authority.

SECTION 5.19. Debt of Subsidiaries. The Borrower shall not permit any Subsidiary to incur any Debt except for (i) Debt owed by a Subsidiary to the Borrower or another Subsidiary, (ii) Debt deemed incurred in connection with an Asset Securitization permitted under Section 5.10; (iii) (A) Debt of Subsidiaries arising in connection with the Summerville City IRB and the Catoosa Co. IRB and incurrence of reimbursement obligations with respect to the Letters of Credit and (B) other Debt of Subsidiaries arising in connection with the issuance of bonds by governmental authorities so long as such Debt is supported by a letter of credit issued by a financial institution for the benefit of the Borrower and the Borrower is obligated to such financial institution under a reimbursement agreement for the reimbursement of amounts drawn under such letter of credit; and (iv) in addition to Debt incurred under clauses (i) through (iii) of this Section, other Debt of Subsidiaries not exceeding in the aggregate amount outstanding at any time 15% of Consolidated Net Worth.

ARTICLE VI

DEFAULTS

SECTION 6.01. Events of Default. If one or more of the following events ("Events of Default") shall have occurred and be continuing:

- (a) the Borrower shall fail to pay when due any principal or any interest on any Loan or any fee or other amount payable hereunder within 5 Domestic Business Days after such principal, interest, fee or other amount shall become due (except at maturity on the applicable Termination Date); or
- (b) the Borrower shall fail to observe or perform any covenant contained in Sections 5.02(ii), 5.03 through 5.11, inclusive, or 5.19; or
- (c) the Borrower shall fail to observe or perform any covenant or agreement contained or incorporated by reference in this Agreement (other than those covered by paragraph (a) or (b) above) and such failure shall not have been cured within 30 days after the earlier to occur of (i) written notice thereof has been given to the Borrower by the Administrative Agent at the request of any Bank or (ii) the Borrower otherwise becomes aware of any such failure; or

- (d) any representation, warranty, certification or statement made by the Borrower in Article IV of this Agreement or in any certificate, financial statement or other document delivered pursuant to this Agreement or any of the other Loan Documents shall prove to have been incorrect or misleading in any material respect when made (or deemed made); or
- (e) the Borrower or any Subsidiary shall fail to make any payment in respect of Debt in excess of \$25,000,000 in the aggregate outstanding (other than the Notes or pursuant to any of the other Loan Documents) when due, and such failure shall continue following any applicable grace period; or
- (f) any event or condition shall occur which results in the acceleration of the maturity of Debt in excess of \$25,000,000 in the aggregate outstanding of the Borrower or any Subsidiary (including, without limitation, any "put" of such Debt to the Borrower or any Subsidiary) or enables or, with the giving of notice or lapse of time or both, would enable, the holders of such Debt or any Person acting on such holders' behalf to accelerate the maturity thereof (including, without limitation, any "put" of such Debt to the Borrower or any Subsidiary); or
- (g) the Borrower or any Material Subsidiary shall commence a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to itself or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property, or shall consent to any such relief or to the appointment of or taking possession by any such official in an involuntary case or other proceeding commenced against it, or shall make a general assignment for the benefit of creditors, or shall fail generally to pay its debts as they become due, or shall take any corporate action to authorize any of the foregoing; or
- (h) an involuntary case or other proceeding shall be commenced against the Borrower or any Material Subsidiary seeking liquidation, reorganization or other relief with respect to it or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property, and such involuntary case or other proceeding shall remain undismitted and unstayed for a period of 60 days; or an order for relief shall be entered against the Borrower or any Material Subsidiary under the federal bankruptcy laws as now or hereafter in effect; or
- (i) the Borrower or any member of the Controlled Group shall fail to pay when due any material amount which it shall have become liable to pay to the PBGC or to a Plan under Title IV of ERISA; or notice of intent to terminate a Plan or Plans (other than pursuant to a standard termination) shall be filed under Title IV of ERISA by the Borrower, any member of the Controlled Group, any plan administrator or any combination of the foregoing; or the PBGC shall institute proceedings under Title IV of ERISA to terminate or to cause a trustee to be appointed to administer any such Plan or Plans or a proceeding shall be instituted by a fiduciary of any such Plan or Plans to enforce Section 515 or 4219(c)(5) of ERISA and such proceeding shall not have been dismissed within 30 days thereafter; or a condition shall exist by reason of which the PBGC would be entitled to obtain a decree adjudicating that any such Plan or Plans must be terminated; or

(j) one or more judgments or orders for the payment of money in an aggregate amount in excess of \$25,000,000 (exclusive of insurance coverage if any insurer shall have acknowledged such coverage in writing) shall be rendered against the Borrower or any Material Subsidiary and such judgment or order shall continue unsatisfied and unstayed for a period of 30 days; or

(k) one or more federal tax liens securing an aggregate amount in excess of \$5,000,000 shall be filed against the Borrower or any Material Subsidiary under Section 6323 of the Code or a lien of the PBGC shall be filed against the Borrower or any Material Subsidiary under Section 4068 of ERISA and in either case such lien shall remain undischarged for a period of 25 days after the date of filing; or

(l) (i) any Person or two or more Persons acting in concert shall have acquired, after the Closing Date, beneficial ownership (within the meaning of Rule 13d-3 of the Securities and Exchange Commission under the Securities Exchange Act of 1934) of 30% or more of the outstanding shares of the voting stock of the Borrower; or (ii) as of any date following the Closing Date a majority of the Board of Directors of the Borrower consists of individuals who were not either (A) directors of the Borrower, as appropriate, as of the corresponding date of the previous year, (B) selected or nominated to become directors by the Board of Directors of the Borrower of which a majority consisted of individuals described in clause (A), or (C) selected or nominated to become directors by the Board of Directors of the Borrower of which a majority consisted of individuals described in clause (A) and individuals described in clause (B); or

(m) an "Event of Default" shall occur under any of the other Loan Documents; or

(n) (i) any of the Loan Documents shall cease to be enforceable, or (ii) the Borrower shall assert that any Loan Document shall cease to be enforceable.

then, and in every such event, (i) the Administrative Agent shall, if requested by the Required Banks by notice to the Borrower terminate the Commitments and they shall thereupon terminate, and (ii) the Administrative Agent shall, if requested by the Required Banks by notice to the Borrower declare the Notes (together with accrued interest thereon) to be, and the Notes shall thereupon become, immediately due and payable without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Borrower together with interest at the Default Rate accruing on the principal amount thereof from and after the date of such Event of Default; provided that if any Event of Default specified in paragraph (g) or (h) above occurs with respect to the Borrower, without any notice to the Borrower or any other act by the Administrative Agent or the Banks, the Commitments shall thereupon terminate and the Notes (together with accrued interest thereon) shall become immediately due and payable without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Borrower together with interest thereon at the Default Rate accruing on the principal amount thereof from and after the date of such Event of Default. Notwithstanding the foregoing, each of the Banks shall have available to it all other remedies at law or equity.

SECTION 6.02. Notice of Default.

The Administrative Agent shall give notice to the Borrower of any Default under Section 6.01(c) promptly upon being requested to do so by any Bank and shall thereupon notify all Banks thereof.

ARTICLE VII
THE AGENT

SECTION 7.01. Appointment; Powers and Immunities.

Each Bank hereby irrevocably appoints and authorizes the Administrative Agent to act as its agent hereunder and under the other Loan Documents with such powers as are specifically delegated to the Administrative Agent by the terms hereof and thereof, together with such other powers as are reasonably incidental thereto. The Administrative Agent: (a) shall have no duties or responsibilities except as expressly set forth in this Agreement and the other Loan Documents, and shall not by reason of this Agreement or any other Loan Document be a trustee for any Bank; (b) shall not be responsible to the Banks for any recitals, statements, representations or warranties contained in this Agreement or any other Loan Document, or in any certificate or other document referred to or provided for in, or received by any Bank under, this Agreement or any other Loan Document, or for the validity, effectiveness, genuineness, enforceability or sufficiency of this Agreement or any other Loan Document or any other document referred to or provided for herein or therein or for any failure by the Borrower to perform any of its obligations hereunder or thereunder; (c) shall not be required to initiate or conduct any litigation or collection proceedings hereunder or under any other Loan Document except to the extent requested by the Required Banks, and then only on terms and conditions satisfactory to the Administrative Agent, and (d) shall not be responsible for any action taken or omitted to be taken by it hereunder or under any other Loan Document or any other document or instrument referred to or provided for herein or therein or in connection herewith or therewith, except for its own gross negligence or willful misconduct. The Administrative Agent may employ agents and attorneys-in-fact and shall not be responsible for the negligence or misconduct of any such agents or attorneys-in-fact selected by it with reasonable care. The provisions of this Article VII are solely for the benefit of the Administrative Agent and the Banks, and the Borrower shall not have any rights as a third party beneficiary of any of the provisions hereof (other than Section 7.10). In performing its functions and duties under this Agreement and under the other Loan Documents, the Administrative Agent shall act solely as agent of the Banks and does not assume and shall not be deemed to have assumed any obligation towards or relationship of agency or trust with or for the Borrower. The duties of the Administrative Agent shall be ministerial and administrative in nature, and the Administrative Agent shall not have by reason of this Agreement or any other Loan Document a fiduciary relationship in respect of any Bank.

SECTION 7.02. Reliance by Administrative Agent.

The Administrative Agent shall be entitled to rely upon any certification, notice or other communication (including any thereof by telephone, telecopier, telegram or cable) believed by it to be genuine and correct and to have been signed or sent by or on behalf of the proper Person or Persons, and upon advice and statements of legal counsel, independent accountants or other experts selected by the Administrative Agent. As to any matters not expressly provided for by this Agreement or any other Loan Document, the Administrative Agent shall in all cases be fully protected in acting, or in refraining from acting, hereunder and thereunder in accordance with instructions signed by the Required Banks, and such instructions of the Required Banks in any action taken or failure to act pursuant thereto shall be binding on all of the Banks.

SECTION 7.03. Defaults.

The Administrative Agent shall not be deemed to have knowledge of the occurrence of a Default or an Event of Default (other than the nonpayment of principal of or interest on the Loans) unless the Administrative Agent has received notice from a Bank or the Borrower specifying such Default or Event of Default and stating that such notice is a "Notice of Default". In the event that the Administrative Agent receives such a notice of the occurrence of a Default or an Event of Default, the Administrative Agent shall give prompt notice thereof to the Banks. The Administrative Agent shall (subject to Section 9.06) take such action hereunder with respect to such Default or Event of Default as shall be directed by the Required Banks, provided that, unless and until the Administrative Agent shall have received such directions, the Administrative Agent may (but shall not be obligated to) take such action, or refrain from taking such action, with respect to such Default or Event of Default as it shall deem advisable in the best interests of the Banks.

SECTION 7.04. Rights of Administrative Agent and its Affiliates as a Bank.

With respect to the Loans made by the Administrative Agent and any Affiliate of the Administrative Agent, Wachovia in its capacity as a Bank hereunder and any Affiliate of the Administrative Agent or such Affiliate in its capacity as a Bank hereunder shall have the same rights and powers hereunder as any other Bank and may exercise the same as though Wachovia were not acting as the Administrative Agent, and the term "Bank" or "Banks" shall, unless the context otherwise indicates, include Wachovia in its individual capacity and any Affiliate of the Administrative Agent in its individual capacity. The Administrative Agent and any Affiliate of the Administrative Agent may (without having to account therefor to any Bank) accept deposits from, lend money to and generally engage in any kind of banking, trust or other business with the Borrower (and any of the Borrower's Affiliates) as if Wachovia were not acting as the Administrative Agent, and the Administrative Agent and any Affiliate of the Administrative Agent may accept fees and other consideration from the Borrower (and any of the Borrower's Affiliates) (in addition to any agency fees and arrangement fees heretofore agreed to between the Borrower and the Administrative Agent) for services in connection with this Agreement or any other Loan Document or otherwise without having to account for the same to the Banks.

SECTION 7.05. Indemnification.

Each Bank severally agrees to indemnify the Administrative Agent, to the extent the Administrative Agent shall not have been reimbursed by the Borrower, ratably in accordance with its Commitment, for any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses (including, without limitation, counsel fees and disbursements) or disbursements of any kind and nature whatsoever which may be imposed on, incurred by or asserted against the Administrative Agent in any way relating to or arising out of this Agreement or any other Loan Document or any other documents contemplated by or referred to herein or therein or the transactions contemplated hereby or thereby (excluding, unless an Event of Default has occurred and is continuing, the normal administrative costs and expenses incident to the performance of its agency duties hereunder) or the enforcement of any of the terms hereof or thereof or any such other documents; provided that no Bank shall be liable for any of the foregoing to the extent they arise from the gross negligence or willful misconduct of the Administrative Agent. If any indemnity furnished to the Administrative Agent for any purpose shall, in the opinion of the Administrative Agent, be insufficient or become impaired, the Administrative Agent may call for additional indemnity and cease, or not commence, to do the acts indemnified against until such additional indemnity is furnished.

SECTION 7.06. Consequential Damages.

THE AGENT SHALL NOT BE RESPONSIBLE OR LIABLE TO ANY BANK, THE BORROWER OR ANY OTHER PERSON OR ENTITY FOR ANY PUNITIVE, EXEMPLARY OR CONSEQUENTIAL DAMAGES WHICH MAY BE ALLEGED AS A RESULT OF THIS AGREEMENT, THE OTHER LOAN DOCUMENTS OR ANY OF THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY.

SECTION 7.07. Payee of Note Treated as Owner.

The Administrative Agent may deem and treat each Person in whose name a Loan is registered as the owner thereof for all purposes hereof unless and until a written notice of the assignment or transfer thereof shall have been filed with the Administrative Agent and the provisions of Section 9.08(c) have been satisfied. Any requests, authority or consent of any Person who at the time of making such request or giving such authority or consent is the holder of any Note shall be conclusive and binding on any subsequent holder, transferee or assignee of that Note or of any Note or Notes issued in exchange therefor or replacement thereof.

SECTION 7.08. Nonreliance on Administrative Agent and Other Banks.

Each Bank agrees that it has, independently and without reliance on the Administrative Agent or any other Bank, and based on such documents and information as it has deemed appropriate, made its own credit analysis of the Borrower and decision to enter into this Agreement and that it will, independently and without reliance upon the Administrative Agent or any other Bank, and based on such documents and information as it shall deem appropriate at the time, continue to make its own analysis and decisions in taking or not taking action under this Agreement or any of the other Loan Documents. The Administrative Agent shall not be required to keep itself (or any Bank) informed as to the performance or observance by the Borrower of this Agreement or any of the other Loan Documents or any other document referred to or provided for herein or therein or to inspect the properties or books of the Borrower or any other Person. Except for notices, reports and other documents and information expressly required to be furnished to the Banks by the Administrative Agent hereunder or under the other Loan Documents, the Administrative Agent shall not have any duty or responsibility to provide any Bank with any credit or other information concerning the affairs, financial condition or business of the Borrower or any other Person (or any of their Affiliates) which may come into the possession of the Administrative Agent.

SECTION 7.09. Failure to Act.

Except for action expressly required of the Administrative Agent hereunder or under the other Loan Documents, the Administrative Agent shall in all cases be fully justified in failing or refusing to act hereunder and thereunder unless it shall receive further assurances to its satisfaction by the Banks of their indemnification obligations under Section 7.05 against any and all liability and expense which may be incurred by the Administrative Agent by reason of taking, continuing to take, or failing to take any such action.

SECTION 7.10. Resignation or Removal of Administrative Agent.

Subject to the appointment and acceptance of a successor Administrative Agent as provided below, the Administrative Agent may resign at any time by giving notice thereof to the Banks and the Borrower and the Administrative Agent may be removed at any time with or without cause by the Required Banks. Upon any such resignation or removal, the Required Banks shall have the right to appoint a successor Administrative Agent. If no successor Administrative Agent shall have been so appointed by the Required Banks and shall have accepted such appointment within 30 days after the retiring Administrative Agent's notice of resignation or the Required Banks' removal of the retiring Administrative Agent, then the retiring Administrative Agent may, on behalf of the Banks, appoint a successor Administrative Agent. Any successor Administrative Agent shall be a lender which has a combined capital and surplus of at least \$500,000,000. Upon the acceptance of any appointment as Administrative Agent hereunder by a successor Administrative Agent, such successor Administrative Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the retiring Administrative Agent, and the retiring Administrative Agent shall be discharged from its duties and obligations hereunder. After any retiring Administrative Agent's resignation or removal hereunder as Administrative Agent, the provisions of this Article VII shall continue in effect for its benefit in respect of any actions taken or omitted to be taken by it while it was acting as the Administrative Agent hereunder. The appointment of any successor Administrative Agent shall, provided no Default of Event of Default exists, be subject to the Borrower's prior written approval.

ARTICLE VIII

CHANGE IN CIRCUMSTANCES; COMPENSATION

SECTION 8.01. Basis for Determining Interest Rate Inadequate or Unfair. If on or prior to the first day of any Interest Period:

(a) the Administrative Agent determines that deposits in Dollars (in the applicable amounts) are not being offered in the relevant market for such Interest Period, or

(b) the Required Banks advise the Administrative Agent that the London Interbank Offered Rate as determined by the Administrative Agent will not adequately and fairly reflect the cost to such Banks of funding the relevant Euro-Dollar Loans for such Interest Period,

the Administrative Agent shall forthwith give notice thereof to the Borrower and the Banks, whereupon until the Administrative Agent notifies the Borrower that the circumstances giving rise to such suspension no longer exist (which the Administrative Agent agrees to do promptly upon such circumstances ceasing to exist), the obligations of the Banks to make any Euro-Dollar Loan specified in such notice shall be suspended. Unless the Borrower notifies the Administrative Agent at least 2 Domestic Business Days before the date of any Borrowing of such Euro-Dollar Loan for which a Notice of Borrowing has previously been given that it elects not to borrow on such date, such Borrowing shall instead be made as a Base Rate Borrowing.

SECTION 8.02. Illegality. If, after the date hereof, the adoption of any applicable law, rule or regulation, or any change therein, or any change in the interpretation or administration thereof by any governmental authority, central bank or comparable agency charged with the interpretation or administration thereof (any such agency being referred to as an "Authority" and any such event being referred to as a "Change of Law"), or compliance by any Bank (or its Lending Office) with any request or directive (whether or not having the force of law) of any Authority shall make it unlawful or impossible for any Bank (or its Lending Office) to make, maintain or fund its Euro-Dollar Loans, and such Bank shall so notify the Administrative Agent, the Administrative Agent shall forthwith give notice thereof to the other Banks and the Borrower, whereupon until such Bank notifies the Borrower and the Administrative Agent that the circumstances giving rise to such suspension no longer exist (which the Administrative Agent agrees to do promptly upon such circumstances ceasing to exist), the obligation of such Bank to make Euro-Dollar Loans, shall be suspended. Before giving any notice to the Administrative Agent pursuant to this Section, such Bank shall designate a different Lending Office if such designation will avoid the need for giving such notice and will not, in the judgment of such Bank, be otherwise materially disadvantageous to such Bank. If such Bank shall determine that it may not lawfully continue to maintain and fund any of its outstanding Euro-Dollar Loans to maturity and shall so specify in such notice, the Borrower shall immediately prepay in full the then outstanding principal amount of each Euro-Dollar Loan of such Bank, together with accrued interest thereon and any amount due such Bank pursuant to Section 8.05(a). Concurrently with prepaying each such Euro-Dollar Loan, the Borrower shall borrow a Base Rate Loan in an equal principal amount from such Bank (on which interest and principal shall be payable contemporaneously with the related Euro-Dollar Loans of the other Banks), and such Bank shall make such a Base Rate Loan.

SECTION 8.03. Increased Cost and Reduced Return. (a) If after the date hereof, a Change of Law or compliance by any Bank (or its Lending Office) with any request or directive (whether or not having the force of law) of any Authority:

(i) shall subject any Bank (or its Lending Office) to any tax, duty or other charge with respect to its Euro-Dollar Loans, its Note or its obligation to make Euro-Dollar Loans, or shall change the basis of taxation of payments to any Bank (or its Lending Office) of the principal of or interest on its Euro-Dollar Loans or any other amounts due under this Agreement in respect of its Euro-Dollar Loans or its obligation to make Euro-Dollar Loans (except for changes in the rate of tax on the overall net income of such Bank or its Lending Office imposed by the jurisdiction in which such Bank's principal executive office or Lending Office is located); or

(ii) shall impose, modify or deem applicable any reserve, special deposit or similar requirement (including, without limitation, any such requirement imposed by the Board of Governors of the Federal Reserve System, but excluding with respect to any Euro-Dollar Loan any such requirement included in an applicable Euro-Dollar Reserve Percentage) against assets of, deposits with or for the account of, or credit extended by, any Bank (or its Lending Office); or

(iii) shall impose on any Bank (or its Lending Office) or on the United States market for certificates of deposit or the London interbank market any other condition affecting its Euro-Dollar Loans, its Note or its obligation to make Euro-Dollar Loans;

and the result of any of the foregoing is to increase the cost to such Bank (or its Lending Office) of making or maintaining any Euro-Dollar Rate Loan, or to reduce the amount of any sum received or receivable by such Bank (or its Lending Office) under this Agreement or under its Notes with respect thereto, by an amount deemed by such Bank to be material, then, within 15 days after demand by such Bank (with a copy to the Administrative Agent), the Borrower shall pay to such Bank such additional amount or amounts as will compensate such Bank for such increased cost or reduction.

(b) If any Bank shall have determined that after the date hereof the adoption of any applicable law, rule or regulation regarding capital adequacy, or any change therein, or any change in the interpretation or administration thereof, or compliance by any Bank (or its Lending Office) with any request or directive regarding capital adequacy (whether or not having the force of law) of any Authority, has or would have the effect of reducing the rate of return on such Bank's capital as a consequence of its obligations hereunder to a level below that which such Bank could have achieved but for such adoption, change or compliance (taking into consideration such Bank's policies with respect to capital adequacy) by an amount deemed by such Bank to be material, then from time to time, within 15 days after demand by such Bank, the Borrower shall pay to such Bank such additional amount or amounts as will compensate such Bank for such reduction.

(c) Each Bank will promptly notify the Borrower and the Administrative Agent of any event of which it has knowledge, occurring after the date hereof, which will entitle such Bank to compensation pursuant to this Section and will designate a different Lending Office if such designation will avoid the need for, or reduce the amount of, such compensation and will not, in the judgment of such Bank, be otherwise materially disadvantageous to such Bank. A certificate of any Bank claiming compensation under this Section and setting forth the additional amount or amounts to be paid to it hereunder shall be conclusive in the absence of manifest error. In determining such amount, such Bank may use any reasonable averaging and attribution methods.

(d) The provisions of this Section 8.03 shall be applicable with respect to any Participant, Assignee or other Transferee (unless the date of any such assignment or transfer, a condition listed under Section 8.02 or 8.03 existed with respect to any such Participant, Assignee or other Transferee), and any calculations required by such provisions shall be made based upon the circumstances of such Participant, Assignee or other Transferee.

SECTION 8.04. Base Rate Loans Substituted for Euro-Dollar Loans. If (i) the obligation of any Bank to make or maintain Euro-Dollar Loans has been suspended pursuant to Section 8.02 or (ii) any Bank has demanded compensation under Section 8.03, and the Borrower shall, by at least 5 Euro-Dollar Business Days' prior notice to such Bank through the Administrative Agent, have elected that the provisions of this Section shall apply to such Bank, then, unless and until such Bank notifies the Borrower that the circumstances giving rise to such suspension or demand for compensation no longer apply:

(a) all Loans which would otherwise be made by such Bank as Euro-Dollar Loans, as the case may be, shall be made instead as Base Rate Loans; provided, that interest and principal on such Loans shall be payable contemporaneously with the related Euro-Dollar Loans of the other Bank), and

(b) after each of its Euro-Dollar Loan, has been repaid, all payments of principal which would otherwise be applied to repay such Euro-Dollar Loans shall be applied to repay its Base Rate Loans instead.

SECTION 8.05. Compensation. Upon the request of any Bank, delivered to the Borrower and the Administrative Agent, the Borrower shall pay to such Bank such amount or amounts as shall compensate such Bank for any loss, cost or expense actually incurred by such Bank and not compensated pursuant to Section 8.03 as a result of:

(a) any payment or prepayment (pursuant to Section 2.09(b), Section 8.02 or otherwise) of a Euro-Dollar Loan on a date other than the last day of an Interest Period for such Euro-Dollar Loan; or

(b) any failure by the Borrower to prepay a Euro-Dollar Loan on the date for such prepayment specified in the relevant notice of prepayment hereunder; or

(c) any failure by the Borrower to borrow a Euro-Dollar Loan on the date for the Euro-Dollar Borrowing of which such Euro-Dollar Loan is a part specified in the applicable Notice of Borrowing delivered pursuant to Section 2.02;

such compensation to include, without limitation, an amount equal to the excess, if any, of (x) the amount of interest which would have accrued on the amount so paid or prepaid or not prepaid or borrowed for the period from the date of such payment, prepayment or failure to prepay or borrow to the last day of the then current Interest Period for such Euro-Dollar Loan (or, in the case of a failure to prepay or borrow, the Interest Period for such Euro-Dollar Loan which would have commenced on the date of such failure to prepay or borrow) at the applicable rate of interest for such Euro-Dollar Loan provided for herein over (y) the amount of interest (as reasonably determined by such Bank) such Bank would have paid on deposits in Dollars of comparable amounts having terms comparable to such period placed with it by leading banks in the London interbank market.

SECTION 8.06. Replacement of Banks. If any Bank (an "Affected Bank") makes demand for amounts owed under Section 8.03 (other than due to any change in the Eurodollar Reserve Percentage), or gives notice under Section 8.01 or 8.02 that it can no longer participate in Euro-Dollar Loans, then in each case the Borrower shall have the right, if no Default or Event of Default exists, and subject to the terms and conditions set forth in Section 9.08(c) with respect to assignments of Loans, to designate an Assignee (a "Replacement Bank") to purchase the Affected Bank's share of outstanding Loans and all other obligations hereunder and to assume the Affected Bank's obligations to the Borrower under this Agreement; provided, that, any Replacement Bank (and, in any event, may not be an Affiliate of the Borrower). Subject to the foregoing, the Affected Bank agrees to assign without recourse to the Replacement Bank its share of outstanding Loans and its Commitment, and to delegate to the Replacement Bank its obligations to the Borrower under this Agreement. Upon such sale and delegation by the Affected Bank and the purchase and assumption by the Replacement Bank, and compliance with the provisions of Section 9.08(c), the Affected Bank shall cease to be a "Bank" hereunder and the Replacement Bank shall become a "Bank" under this Agreement; provided, however, that any Affected Bank shall continue to be entitled to the indemnification provisions contained elsewhere herein.

ARTICLE IX

MISCELLANEOUS

SECTION 9.01. Notices. All notices, requests and other communications to any party hereunder shall be in writing (including bank wire, telecopier or similar writing) and shall be given to such party at its address or telecopier number set forth on the signature pages hereof or such other address or telecopier number as such party may hereafter specify for the purpose by notice to each other party. Each such notice, request or other communication shall be effective (i) if given by telecopier, when such telecopy is transmitted to the telecopier number specified in this Section and the appropriate confirmation is received, (ii) if given by mail, 72 hours after such communication is deposited in the mails, certified or registered mail, with first class postage prepaid, addressed as aforesaid or (iii) if given by any other means, when delivered at the address specified in this Section; provided, that notices to the Administrative Agent under Article II or Article VIII shall not be effective until received.

SECTION 9.02. No Waivers. No failure or delay by the Administrative Agent or any Bank in exercising any right, power or privilege hereunder or under any Note or other Loan Document shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies herein provided shall be cumulative and not exclusive of any rights or remedies provided by law.

SECTION 9.03. Expenses: Documentary Taxes. The Borrower shall pay (i) all out-of-pocket expenses of the Administrative Agent, including reasonable fees and disbursements actually incurred of special counsel for the Administrative Agent, in connection with the preparation of this Agreement and the other Loan Documents, any waiver or consent hereunder or thereunder or any amendment hereof or thereof and (ii) if a Default or an Event of Default occurs, all out-of-pocket expenses incurred by the Administrative Agent and the Banks, including reasonable fees and disbursements of counsel, actually incurred in connection with such Default and collection and other enforcement proceedings resulting therefrom, including out-of-pocket expenses incurred in enforcing this Agreement and the other Loan Documents. The Borrower shall indemnify the Administrative Agent and each Bank against any transfer taxes, documentary taxes, assessments or charges made by any Authority by reason of the execution and delivery of this Agreement or the other Loan Documents but not by reason of any participation or assignment by the Banks, their successors or assigns.

SECTION 9.04. Indemnification. The Borrower shall indemnify the Administrative Agent, the Banks and each Affiliate thereof and their respective directors, officers, employees and agents (each, an "Indemnified Party") from, and hold each of them harmless against, any and all losses, liabilities, claims or damages to which any of them may become subject, insofar as such losses, liabilities, claims or damages arise out of or result from any actual or proposed use by the Borrower of the proceeds of any extension of credit by any Bank hereunder or breach by the Borrower of this Agreement or any other Loan Document or from any investigation, litigation (including, without limitation, any actions taken by the Administrative Agent or any of the Banks to enforce this Agreement or any of the other Loan Documents) or other proceeding (including, without limitation, any threatened investigation or proceeding) relating to the foregoing, and the Borrower shall reimburse the Administrative Agent and each Bank, and each Affiliate thereof and their respective directors, officers, employees and agents, upon demand for any expenses (including, without limitation, legal fees) incurred in connection with any such investigation or proceeding; but excluding any such losses, liabilities, claims, damages or expenses (i) incurred by reason of the gross negligence or willful misconduct of the Person to be indemnified or (ii) to the extent arising directly out of or resulting directly from claims of one or more Indemnified Parties against another Indemnified Party.

SECTION 9.05. Sharing of Setoffs. Each Bank agrees that if it shall, by exercising any right of setoff or counterclaim or otherwise, receive payment of a proportion of the aggregate amount of principal and interest owing with respect to the Note held by it which is greater than the proportion received by any other Bank in respect of the aggregate amount of all principal and interest owing with respect to the Note held by such other Bank, the Bank receiving such proportionately greater payment shall purchase such participations in the Notes held by the other Banks owing to such other Banks, and such other adjustments shall be made, as may be required so that all such payments of principal and interest with respect to the Note held by the Bank owing to such other Banks shall be shared by the Banks pro rata; provided that (i) nothing in this Section shall impair the right of any Bank to exercise any right of setoff or counterclaim it may have and to apply the amount subject to such exercise to the payment of indebtedness of the Borrower other than its indebtedness under the Notes, and (ii) if all or any portion of such payment received by the purchasing Bank is thereafter recovered from such purchasing Bank, such purchase from such other Banks shall be rescinded and such other Bank shall repay to the purchasing Bank the purchase price of such participation to the extent of such recovery together with an amount equal to such other Banks' ratable share (according to the proportion of (x) the amount of such other Banks' required repayment to (y) the total amount so recovered from the purchasing Bank) of any interest or other amount paid or payable by the purchasing Bank in respect of the total amount so recovered. The Borrower agrees, to the fullest extent it may effectively do so under applicable law, that any holder of a participation in a Note, whether or not acquired pursuant to the foregoing arrangements, may exercise rights of setoff or counterclaim and other rights with respect to such participation as fully as if such holder of a participation were a direct creditor of the Borrower in the amount of such participation.

SECTION 9.06. Amendments and Waivers. (a) Any provision of this Agreement, the Notes or any other Loan Documents may be amended or waived if, but only if, such amendment or waiver is in writing and is signed by the Borrower and the Required Banks (and, if the rights or duties of the Administrative Agent are affected thereby, by the Administrative Agent); provided that, no such amendment or waiver shall, unless signed by all Banks, (i) change the Commitments of any Bank or subject any Bank to any additional obligation, (ii) change the principal of or decrease the rate of interest on any Loan or decrease any fees (other than fees payable to the Administrative Agent) hereunder, (iii) extend the date fixed for any payment of principal of or interest on any Loan or any fees hereunder, (iv) change the amount of principal, interest or fees due on any date fixed for the payment thereof, (v) change the percentage of the Commitments or of the aggregate unpaid principal amount of the Notes, or the number of Banks, which shall be required for the Banks or any of them to take any action under this Section or any other provision of this Agreement, (vi) change the manner of application of any payments made under this Agreement or the Notes, (vii) release or substitute all or any substantial part of the collateral (if any) held as security for the Loans, or (viii) release any Guarantee (if any) given to support payment of the Loans.

(b) The Borrower will not solicit, request or negotiate for or with respect to any proposed waiver or amendment of any of the provisions of this Agreement unless each Bank shall be informed thereof by the Borrower and shall be afforded an opportunity of considering the same and shall be supplied by the Borrower with sufficient information to enable it to make an informed decision with respect thereto. Executed or true and correct copies of any waiver or consent effected pursuant to the provisions of this Agreement shall be delivered by the Borrower to each Bank forthwith following the date on which the same shall have been executed and delivered by the requisite percentage of Banks. The Borrower will not, directly or indirectly, pay or cause to be paid any remuneration, whether by way of supplemental or additional interest, fee or otherwise, to any Bank (in its capacity as such) as consideration for or as an inducement to the entering into by such Bank of any waiver or amendment of any of the terms and provisions of this Agreement unless such remuneration is concurrently paid, on the same terms, ratably to each of the Banks.

SECTION 9.07. No Margin Stock Collateral. Each of the Banks represents to the Administrative Agent and each of the other Banks that it in good faith is not, directly or indirectly (by negative pledge or otherwise), relying upon any Margin Stock as collateral in the extension or maintenance of the credit provided for in this Agreement.

SECTION 9.08. Successors and Assigns. (a) The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns; provided that the Borrower may not assign or otherwise transfer any of its rights under this Agreement.

(b) Any Bank may at any time sell to one or more Persons (each a "Participant") participating interests in any Loan owing to such Bank, its Note, its Commitment hereunder or any other interest of such Bank hereunder. In the event of any such sale by a Bank of a participating interest to a Participant, such Bank's obligations under this Agreement shall remain unchanged, such Bank shall remain solely responsible for the performance thereof, such Bank shall remain the holder of any such Note for all purposes under this Agreement, and the Borrower and the Administrative Agent shall continue to deal solely and directly with such Bank in connection with such Bank's rights and obligations under this Agreement. In no event shall a Bank that sells a participation be obligated to the Participant to take or refrain from taking any action hereunder except that such Bank may agree that it will not (except as provided below), without the consent of the Participant, agree to (i) extend any date fixed for the payment of principal of or interest on the related loan or loans, (ii) the change of the amount of any principal, interest or fees due on any date fixed for the payment thereof with respect to the related loan or loans, (iii) the change of the principal of the related loan or loans, (iv) any decrease in the rate at which either interest is payable thereon or (if the Participant is entitled to any part thereof) commitment fee is payable hereunder from the rate at which the Participant is entitled to receive interest or commitment fee (as the case may be) in respect of such participation, (v) the release or substitution of all or any substantial part of the collateral (if any) held as security for the Loans, or (vi) the release of any Guarantee (if any) given to support payment of the Loans. Unless such Participant is a Related Fund with respect to such Bank, each Bank selling a participating interest in any Loan, Note, Commitment or other interest under this Agreement shall, within 10 Domestic Business Days of such sale, provide the Borrower and the Administrative Agent with written notification stating that such sale has occurred and identifying the Participant and the interest purchased by such Participant. The Borrower agrees that each Participant shall be entitled to the benefits of Article VIII with respect to its participation in Loans outstanding from time to time.

(c) Any Bank may at any time assign to one or more banks or financial institutions (each an "Assignee") all, or a proportionate part of all, of its rights and obligations under this Agreement and the Notes, and such Assignee shall assume all such rights and obligations, pursuant to an Assignment and Acceptance in the form attached hereto as Exhibit C, executed by such Assignee and such transferor Bank and the Administrative Agent; provided that (i) no interest may be sold by a Bank pursuant to this paragraph (c) unless the Assignee shall agree to assume ratably equivalent portions of the transferor Bank's Commitment, (ii) the amount of the Commitment of the assigning Bank subject to such assignment (determined as of the effective date of the assignment) shall be equal to \$10,000,000 (or any larger multiple of \$1,000,000), and (iii) no interest may be sold by a Bank pursuant to this paragraph (c) to any Assignee that is not then a Bank without the consent of the Borrower and the Administrative Agent, which consent shall not be unreasonably withheld or delayed, and (iv) a Bank may not have more than 2 Assignees that are not then Banks at any one time. Each Bank agrees to notify the Agent who will notify the other Banks of any assignment hereunder. Upon (A) execution of the Assignment and Acceptance by such transferor Bank, such Assignee, the Administrative Agent (if applicable) and the Borrower, (B) delivery of an executed copy of the Assignment and Acceptance to the Borrower, and the Administrative Agent, and (C) payment by such Assignee to such transferor Bank of an amount equal to the purchase price agreed between such transferor Bank and such Assignee, such Assignee shall for all purposes be a Bank party to this Agreement and shall have all the rights and obligations of a Bank under this Agreement to the same extent as if it were an original party hereto with a Commitment as set forth in such instrument of assumption, and the transferor Bank shall be released from its obligations hereunder to a corresponding extent, and no further consent or action by the Borrower, the Banks or the Administrative Agent shall be required. Upon the consummation of any transfer to an Assignee pursuant to this paragraph (c), the transferor Bank, the Administrative Agent and the Borrower shall make appropriate arrangements so that, if required, a new Note is issued to each of such Assignee and such transferor Bank.

(d) Subject to the provisions of Section 9.09, the Borrower authorizes each Bank to disclose to any Participant, Assignee or other transferee (each a "Transferee") and any prospective Transferee any and all financial information in such Bank's possession concerning the Borrower which has been delivered to such Bank by the Borrower pursuant to this Agreement or which has been delivered to such Bank by the Borrower in connection with such Bank's credit evaluation prior to entering into this Agreement.

(e) No Transferee shall be entitled to receive any greater payment under Section 8.03 than the transferor Bank would have been entitled to receive with respect to the rights transferred, unless such transfer is made with the Borrower's prior written consent or by reason of the provisions of Section 8.02 or 8.03 requiring such Bank to designate a different Lending Office under certain circumstances or at a time when the circumstances giving rise to such greater payment did not exist.

SECTION 9.09. Confidentiality. Each Bank agrees to exercise its best efforts to keep any information delivered or made available by the Borrower to it which is clearly indicated to be confidential information, confidential from any one other than persons employed or retained by such Bank who are or are expected to become engaged in evaluating, approving, structuring or administering the Loans; provided, however that nothing herein shall prevent any Bank from disclosing such information (i) to any other Bank, (ii) upon the order of any court or administrative agency, (iii) upon the request or demand of any regulatory agency or authority having jurisdiction over such Bank, (iv) which has been publicly disclosed, (v) to the extent reasonably required in connection with any litigation to which the Administrative Agent, any Bank or their respective Affiliates may be a party, (vi) to the extent reasonably required in connection with the exercise of any remedy hereunder, (vii) to such Bank's legal counsel and independent auditors and (viii) to any actual or proposed Participant, Assignee or other Transferee of all or part of its rights hereunder which has agreed in writing to be bound by the provisions of this Section 9.09. Notwithstanding anything herein to the contrary, "Information" shall not include, and each Bank may disclose to any and all persons, without limitation of any kind, any information with respect to the U.S. federal income tax treatment and U.S. federal income tax structure of the transactions contemplated hereby and all materials of any kind (including opinions or other tax analysis) that are provided to such Bank relating to such tax treatment and tax structure.

SECTION 9.10. Representation by Banks. Each Bank hereby represents that it is a commercial lender or financial institution which makes loans in the ordinary course of its business and that it will make its Loans hereunder for its own account in the ordinary course of such business; provided, however that, subject to Section 9.08, the disposition of the Note or Notes held by that Bank shall at all times be within its exclusive control.

SECTION 9.11. Obligations Several. The obligations of each Bank hereunder are several, and no Bank shall be responsible for the obligations or commitment of any other Bank hereunder. Nothing contained in this Agreement and no action taken by Banks pursuant hereto shall be deemed to constitute the Banks to be a partnership, an association, a joint venture or any other kind of entity. The amounts payable at any time hereunder to each Bank shall be a separate and independent debt, and each Bank shall be entitled to protect and enforce its rights arising out of this Agreement or any other Loan Document, subject to any restrictions requiring actions to be taken upon the consent of the Required Banks, and it shall not be necessary for any other Bank to be joined as an additional party in any proceeding for such purpose.

SECTION 9.12. Georgia Law. This Agreement and each Note shall be construed in accordance with and governed by the law of the State of Georgia.

SECTION 9.13. Interpretation. No provision of this Agreement or any of the other Loan Documents shall be construed against or interpreted to the disadvantage of any party hereto by any court or other governmental or judicial authority by reason of such party having or being deemed to have structured or dictated such provision.

SECTION 9.14. WAIVER OF JURY TRIAL; CONSENT TO JURISDICTION. TO THE FULLEST EXTENT PERMITTED BY LAW, THE BORROWER (A) THE AGENT AND EACH OF THE BANKS IRREVOCABLY WAIVES ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF THIS AGREEMENT, ANY OF THE OTHER LOAN DOCUMENTS, OR ANY OF THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY, (B) SUBMITS TO THE NONEXCLUSIVE PERSONAL JURISDICTION IN THE STATE OF GEORGIA, THE COURTS THEREOF AND THE UNITED STATES DISTRICT COURTS SITTING THEREIN, FOR THE ENFORCEMENT OF THIS AGREEMENT, THE NOTES AND THE OTHER LOAN DOCUMENTS, (C) WAIVES ANY AND ALL PERSONAL RIGHTS UNDER THE LAW OF ANY JURISDICTION TO OBJECT ON ANY BASIS (INCLUDING, WITHOUT LIMITATION, INCONVENIENCE OF FORUM) TO JURISDICTION OR VENUE WITHIN THE STATE OF GEORGIA FOR THE PURPOSE OF LITIGATION TO ENFORCE THIS AGREEMENT, THE NOTES OR THE OTHER LOAN DOCUMENTS, AND (D) AGREES THAT SERVICE OF PROCESS MAY BE MADE UPON IT IN THE MANNER PRESCRIBED IN SECTION 9.01 FOR THE GIVING OF NOTICE TO THE BORROWER. NOTHING HEREIN CONTAINED, HOWEVER, SHALL PREVENT THE BANKS FROM BRINGING ANY ACTION OR EXERCISING ANY RIGHTS AGAINST ANY SECURITY AND AGAINST THE BORROWER PERSONALLY, AND AGAINST ANY ASSETS OF THE BORROWER WITHIN ANY OTHER STATE OR JURISDICTION.

SECTION 9.15. Counterparts. This Agreement may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

[signatures on the following pages]

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

MOHAWK INDUSTRIES, INC. (SEAL)

By: _____
Title:

160 South Industrial Boulevard
Calhoun, Georgia 30703-7002
Attention: Chief Financial Officer or Treasurer
Telecopier number: 706-624-2052
Confirmation number: 706-624-2103

COMMITMENTS:

\$100,000,000

WACHOVIA BANK, NATIONAL ASSOCIATION, as Administrative Agent
and as a Bank

By:

Title:

Lending Office

301 South College Street
Charlotte, North Carolina 28288

Attention: _____

Telecopier number: _____

Confirmation number: _____

\$100,000,000

SUNTRUST BANK

By:

Title:

Lending Office

SunTrust Bank,
303 Peachtree Street, 3rd Floor
Atlanta, Georgia 30308
Telecopier number: 404-575-2594
Confirmation number: 404-588-7033
Attention: Ken Bauchle, Vice President

TOTAL COMMITMENTS:
\$200,000,000

NOTE

Atlanta, Georgia

As of _____, 20__

For value received, MOHAWK INDUSTRIES, INC., a Delaware corporation (the "Borrower"), promises to pay to the order of _____, (the "Bank"), for the account of its Lending Office, the principal sum of _____ MILLION DOLLARS (\$_____), or such lesser amount as shall equal the unpaid principal amount of each Loan made by the Bank to the Borrower pursuant to the Credit Agreement referred to below, on the dates and in the amounts provided in the Credit Agreement. The Borrower promises to pay interest on the unpaid principal amount of this Note on the dates and at the rate or rates provided for in the Credit Agreement referred to below. Interest on any overdue principal of and, to the extent permitted by law, overdue interest on the principal amount hereof shall bear interest at the Default Rate, as provided for in the Credit Agreement. All such payments of principal and interest shall be made in lawful money of the United States in Federal or other immediately available funds at the office of the Bank located at _____, or such other address as may be specified from time to time pursuant to the Credit Agreement.

All Loans made by the Bank, the respective maturities thereof, the interest rates from time to time applicable thereto, and all repayments of the principal thereof shall be recorded by the Bank and, prior to any transfer hereof, endorsed by the Bank on the schedule attached hereto, or on a continuation of such schedule attached to and made a part hereof; provided that the failure of the Bank to make any such recordation or endorsement shall not affect the obligations of the Borrower hereunder or under the Credit Agreement.

This Note is one of the "Notes" referred to in the Credit Agreement dated as of September 30, 2003 among the Borrower, SunTrust Bank, Wachovia Bank, National Association, and the other Banks from time to time party thereto (as the same may be amended and modified from time to time, the "Credit Agreement"). Terms defined in the Credit Agreement are used herein with the same meanings. Reference is made to the Credit Agreement for provisions for the optional and mandatory prepayment and the repayment hereof and the acceleration of the maturity hereof.

IN WITNESS WHEREOF, the Borrower has caused this Note to be duly executed, under seal, by its duly authorized officer as of the day and year first above written.

MOHAWK INDUSTRIES, INC. (SEAL)

By: _____

Title:

Note (cont'd)

LOANS AND PAYMENTS OF PRINCIPAL					
Date	Base Rate or Euro- Dollar Loan	Amount of Loan	Amount of Principal Repaid	Maturity Date	Notation Made By

SWING LOAN NOTE

Atlanta, Georgia

September 30, 2003

For value received, MOHAWK INDUSTRIES, INC., a Delaware corporation (the "Borrower"), promises to pay to the order of Wachovia Bank, National Association (the "Bank"), for the account of its Lending Office, the principal sum of Fifty Million and No/100 Dollars (\$50,000,000), or such lesser amount as shall equal the unpaid principal amount of each Swing Loan made by the Bank to the Borrower pursuant to the Credit Agreement referred to below, on the dates and in the amounts provided in the Credit Agreement. The Borrower promises to pay interest on the unpaid principal amount of this Swing Loan Note at the rates and on the dates provided for in the Credit Agreement. Interest on any overdue principal of and, to the extent permitted by law, overdue interest on the principal amount hereof shall bear interest at the Default Rate, as provided for in the Credit Agreement. All such payments of principal and interest shall be made in lawful money of the United States in Federal or other immediately available funds at the office of Wachovia Bank, National Association, or such other address as may be specified from time to time pursuant to the Credit Agreement.

All Swing Loans made by the Bank, the respective maturities thereof, and all repayments of the principal thereof shall be recorded by the Bank and, prior to any transfer hereof, endorsed by the Bank on the schedule attached hereto, or on a continuation of such schedule attached to and made a part hereof; provided that the failure of the Bank to make any such recordation or endorsement shall not affect the obligations of the Borrower hereunder or under the Credit Agreement.

This Swing Loan Note is the Swing Loan Note referred to in the Credit Agreement dated as of even date herewith among the Borrower, SunTrust Bank, Wachovia Bank, National Association, and the other Banks from time to time party thereto (as the same may be amended and modified from time to time, the "Credit Agreement"). Terms defined in the Credit Agreement are used herein with the same meanings. Reference is made to the Credit Agreement for provisions for the optional and mandatory prepayment and the repayment hereof and the acceleration of the maturity hereof.

IN WITNESS WHEREOF, the Borrower has caused this Swing Loan Note to be duly executed, under seal, by its duly authorized officer as of the day and year first above written.

MOHAWK INDUSTRIES, INC.

-

By: _____

Title:

Swing Loan Note (continued)

LOANS AND PAYMENTS OF PRINCIPAL				
	Amount of	Amount of	Maturity	Notation
Date	Loan	Principal Repaid	Date	Made By

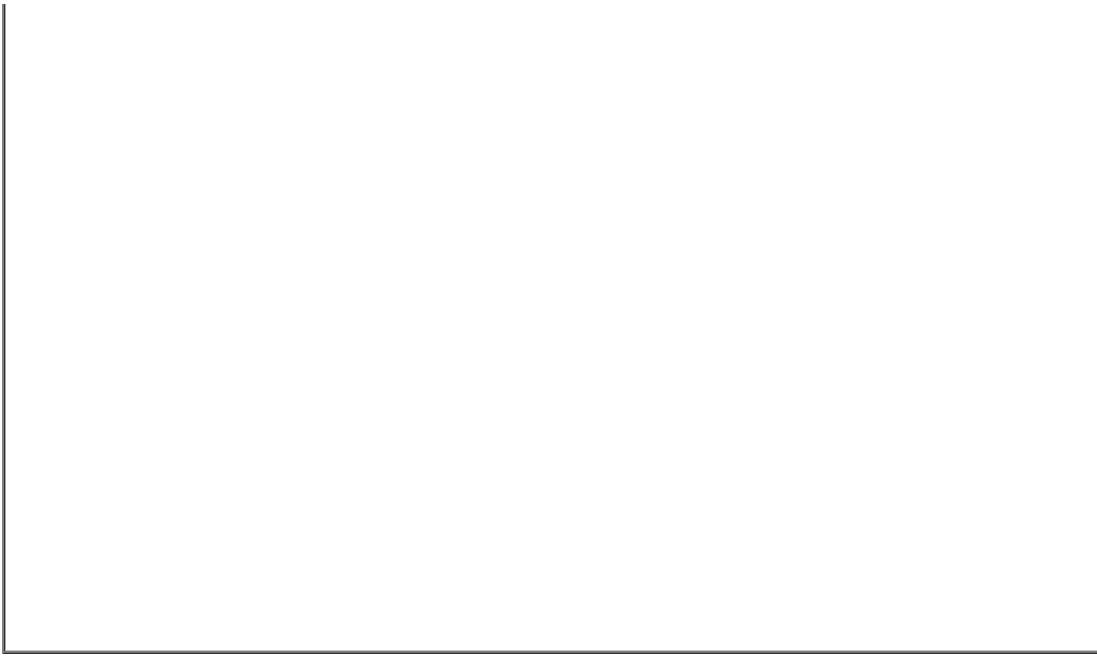


Exhibit B

OPINION OF
COUNSEL FOR THE BORROWER

To be dated as of the Effective Date and in the form attached hereto.

ASSIGNMENT AND ACCEPTANCE

Dated _____, _____

Reference is made to the Credit Agreement dated as of September 30, 2003 (together with all amendments and modifications thereto, the "Credit Agreement") among Mohawk Industries, Inc., a Delaware corporation (the "Borrower"), SunTrust Bank, Wachovia Bank, National Association, and the other banks from time to time party thereto (collectively, the "Banks"). Terms defined in the Credit Agreement are used herein with the same meaning.

_____ (the "Assignor") and _____ (the "Assignee") agree as follows:

1. The Assignor hereby sells and assigns to the Assignee, and the Assignee hereby purchases and assumes from the Assignor, a _____% interest in and to all of the Assignor's rights and obligations under the Credit Agreement as of the Effective Date (as defined below) (including, without limitation, a _____% interest (which on the Effective Date hereof is \$ _____) in the aggregate principal amount of the Assignor's Commitment) and a _____ interest (which on the Effective Date hereof is \$ _____) in the Loans owing to the Assignor and a _____ interest (which on the Effective Date hereof is \$ _____) in the Note held by the Assignor (which on the Effective Date hereof is \$ _____).
2. The Assignor (i) makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with the Credit Agreement or the execution, legality, validity, enforceability, genuineness, sufficiency or value of the Credit Agreement or any other Loan Documents furnished pursuant thereto, other than that it is the legal and beneficial owner of the interest being assigned by it hereunder, that such interest is free and clear of any adverse claim and that as of the date hereof the aggregate principal amount of the Assignor's Commitments (without giving effect to assignments thereof which have not yet become effective) is \$ _____ and the aggregate outstanding principal amount of all Loans owing to it (without giving effect to assignments thereof which have not yet become effective) is \$ _____; (ii) makes no representation or warranty and assumes no responsibility with respect to the financial condition of the Borrower or the performance or observance by the Borrower of any of its obligations under the Credit Agreement or any other instrument or document furnished pursuant thereto; and (iii) requests that the Borrower execute a new Note dated _____, _____ in the principal amount of \$ _____ payable to the order of the Assignee.
3. The Assignee (i) confirms that it has received a copy of the Credit Agreement, together with copies of the financial statements referred to in Section 4.04(a) thereof (or any more recent financial statements of the Borrower delivered pursuant to Section 5.01(a) or (b) thereof) and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this Assignment and Acceptance; (ii) agrees that it will, independently and without reliance upon the Assignor or any other Bank and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Credit Agreement; (iii) confirms that it is a bank or financial institution; (iv) agrees that it will perform in accordance with their terms all of the obligations which by the terms of the Credit Agreement are required to be performed by it as a Bank; (v) specifies as its Lending Office (and address for notices) the office set forth beneath its name on the signature pages hereof, (vi) represents and warrants that the execution, delivery and performance of this Assignment and Acceptance are within its corporate powers and have been duly authorized by all necessary corporate action[, and (vii) attaches the forms prescribed by the Internal Revenue Service of the United States certifying as to the Assignee's status for purposes of determining exemption from United States withholding taxes with respect to all payments to be made to the Assignee under the Credit Agreement and the Notes or such other documents as are necessary to indicate that all such payments are subject to such taxes at a rate reduced by an applicable tax treaty].

4. The Effective Date for this Assignment and Acceptance shall be _____ (the "Effective Date").

5. From and after the Effective Date, (i) the Assignee shall be a party to the Credit Agreement and, to the extent rights and obligations have been transferred to it by this Assignment and Acceptance, have the rights and obligations of a Bank thereunder and (ii) the Assignor shall, to the extent its rights and obligations have been transferred to the Assignee by this Assignment and Acceptance, relinquish its rights (other than under Section 9.04 of the Credit Agreement) and be released from its obligations under the Credit Agreement.

6. From and after the Effective Date, the Borrower shall make all payments in respect of the interest assigned hereby to the Assignee. The Assignor and Assignee shall make all appropriate adjustments in payments for periods prior to such acceptance by the Borrower directly between themselves.

7. This Assignment and Acceptance shall be governed by, and construed in accordance with, the laws of the State of Georgia.

[NAME OF ASSIGNOR]

By: _____
Title:

[NAME OF ASSIGNEE]

By: _____
Title:

Lending Office:
[Address]

CONSENTED AND AGREED TO:

MOHAWK INDUSTRIES, INC.

By: _____
Title:

NOTICE OF BORROWING

_____, _____

Wachovia Bank, National Association,

as Administrative Agent
301 South College Street

Charlotte, North Carolina 28288

Re: Credit Agreement (as amended and modified from time to time, the "Credit Agreement") dated as of September 30, 2003 by and among MOHAWK INDUSTRIES, INC., SUNTRUST BANK, WACHOVIA BANK, NATIONAL ASSOCIATION, and the other Banks from time to time party thereto.

Ladies and Gentlemen:

Unless otherwise defined herein, capitalized terms used herein shall have the meanings attributable thereto in the Credit Agreement.

This Notice of Borrowing is delivered to you pursuant to Section 2.02 of the Credit Agreement.

The Borrower hereby requests a [Euro-Dollar Borrowing][Base Rate Borrowing][Swing Loan] in the aggregate principal amount of \$_____ to be made on _____, 20____, and for interest to accrue thereon at the rate established by the Credit Agreement for [Euro-Dollar Loans] [Base Rate Loans][Swing Loans]. [The duration of the Interest Period with respect thereto shall be [1 month] [2 months] [3 months] [6 months]].

The Borrower has caused this Notice of Borrowing to be executed and delivered by its duly authorized officer this _____ day of _____, 20____.

MOHAWK INDUSTRIES, INC.

By: _____
Title:

NOTICE OF CONTINUATION OR CONVERSION

_____, 20____

Wachovia Bank, National Association,

as Administrative Agent
301 South College Street

Charlotte, North Carolina 28288

Re: Credit Agreement (as amended and modified from time to time, the "Credit Agreement") dated as of September 30, 2003 by and among MOHAWK INDUSTRIES, INC., SUNTRUST BANK, WACHOVIA BANK, NATIONAL ASSOCIATION, and the other Banks from time to time party thereto.

Gentlemen:

Unless otherwise defined herein, capitalized terms used herein shall have the meanings attributable thereto in the Credit Agreement.

This Notice of Continuation or Conversion is delivered to you pursuant to Section 2.03 of the Credit Agreement.

With respect to the [Base Rate Loans][Euro-Dollar Loans] in the aggregate amount of \$_____ each of which has an Interest Period ending on _____, the Borrower hereby requests that such Loans be [converted to] [Base Rate Loans][Euro-Dollar Loans] [continued as][Euro-Dollar Loans] in the aggregate principal amount of \$_____ to be made on such date, and for interest to accrue thereon at the rate established by the Credit Agreement for [Base Rate Loans] [Euro-Dollar Loans]. [The duration of the Interest Period with respect thereto shall be [1 month] [2 months] [3 months] [6 months]].

The Borrower has caused this Notice of Continuation or Conversion to be executed and delivered by its duly authorized officer this _____ day of _____, 20____.

MOHAWK INDUSTRIES, INC.

By: _____

Title: _____

Exhibit E

COMPLIANCE CERTIFICATE

Reference is made to the Credit Agreement dated as of September 30, 2003 (as modified and supplemented and in effect from time to time, the "Credit Agreement") among Mohawk Industries, Inc., SunTrust Bank, Wachovia Bank, National Association, and the other Banks from time to time party thereto. Capitalized terms used herein shall have the meanings ascribed thereto in the Credit Agreement.

Pursuant to Section 5.01(c) of the Credit Agreement, _____, the duly authorized _____ of Mohawk Industries, Inc. hereby certifies, on behalf of the Borrower, to the Banks that the information contained in the Compliance Check List attached hereto is true, accurate and complete as of _____, _____, and that no Defaults or Events of Default exist.

By: _____
Title:

COMPLIANCE CHECK LIST
(Mohawk Industries, Inc.)

_____, _____

(i) Debt to Capitalization Ratio (Section 5.03)

The Debt to Capitalization Ratio shall be less than 0.60 to 1.0 at the end of each Fiscal Quarter.

(a) Consolidated Debt \$ _____

(b) Consolidated Total Capital \$ _____

Actual Ratio of (a) to (b) _____

Maximum Ratio <0.60 to 1.0

Applicable Margin _____%

Facility Fee _____%

(ii) Debt to EBITDA Ratio (Section 5.04)

The ratio of the Borrower's (a) Consolidated Debt to (b) the sum of (i) Consolidated Net Income, (ii) Consolidated Interest Expense, (iii) taxes on the Borrower's consolidated pre-tax income, and (iv) Depreciation and Amortization shall not be greater than 3.5 to 1.0 at the end of each Fiscal Quarter. Clause (b) in this Section 5.04 shall be calculated on a trailing 4 quarter basis as at the end of each such Fiscal Quarter.

(a) Consolidated Debt \$ _____

(b) Consolidated Net Income \$ _____

(c) Consolidated Interest Expense \$ _____

(d) Taxes on the Borrower's consolidated pre-tax income \$ _____

(e) Depreciation \$ _____

(f) Amortization \$ _____

(g) (The sum of (b) plus (c) plus (d) plus (e) plus (f)) \$ _____

Actual Ratio of (a) to (g) _____

Maximum Ratio <3.5 to 1.0

(iii) Investments (Section 5.06)

Investments made in Foreign Subsidiaries after the Closing Date \$ _____

Limitation - 20% of Consolidated Total Assets \$ _____

(iv) Negative Pledge (Section 5.08)

Liens permitted under paragraphs (a) through (i) \$ _____

Limitation - greater of (x) \$90,000,000 or
(y) 15% of Consolidated Net Worth \$ _____

(v) Calculations with respect to Asset Securitizations:

Accounts receivable balance reported as of the last day of the Fiscal Quarter most recently ended in such Fiscal Quarter by the Borrower or a
Subsidiary with respect to an Asset Securitization \$ _____

FORM OF NOTICE

IN RESPECT OF ISSUANCE OF LETTERS OF CREDIT

TO: The Banks parties to the Credit Agreement, dated as of September 30, 2003 (the "Credit Agreement"), among Mohawk Industries, Inc., SunTrust Bank, and Wachovia Bank, National Association, and the other Banks party thereto from time to time (the "Banks").

Pursuant to Section 2.14 of the Credit Agreement, the Administrative Agent hereby certifies to the Banks that [it] [the Additional Issuer] has issued the following New Letters of Credit pursuant to Section 2.14(a) of the Credit Agreement:

<u>Number</u>	<u>Face Amount</u>	<u>Date of Issuance/ Expiration</u>	<u>Beneficiary</u>	<u>Purpose</u>

A copy of each of the New Letters of Credit listed above has been attached hereto.

Unless otherwise defined herein, terms defined in the Credit Agreement shall have the same meaning in this notice.

Date: _____, ____.

[WACHOVIA BANK, NATIONAL ASSOCIATION]

By: _____

Name:

Title:

Schedule 1.01
Existing Letters of Credit

Subsidiaries

Name of Subsidiary	Jurisdiction of Formation	Amount of Investment	 Holders of Equity Interest
Mohawk Carpet Corporation	Delaware		Borrower
World International, Inc.	Barbados	\$71,744,956	Mohawk Carpet Corporation
Mohawk Servicing, Inc.	Delaware		Mohawk Carpet Corporation
Mohawk Factoring, Inc.	Delaware		Mohawk Carpet Corporation (79.3%)
Aladdin Manufacturing Corporation	Delaware		World International, Inc. (20.7%)
Mohawk International FSC, Inc.	Barbados	\$0	Mohawk Carpet Corporation
Horizon Europe, Inc.	Georgia		Mohawk Carpet Corporation
Mohawk Mills, Inc.	Delaware		Aladdin Manufacturing Corporation
Mohawk Brands, Inc.	Delaware		Aladdin Manufacturing Corporation
Mohawk Brands USA, Inc.	Delaware		Mohawk Carpet Corporation
Mohawk Resources, Inc.	Delaware		Mohawk Carpet Corporation
Mohawk Canada Corporation	Nova Scotia	\$0	Mohawk Carpet Corporation
Aladdin of Texas Holdings, LLC	Delaware		Mohawk Mills, Inc.
Mohawk Carpet Distribution, L.P.	Delaware		Mohawk Mills, Inc. (99%)
Mohawk Carpet Transportation of Georgia, LLC	Delaware		Aladdin of Texas Holdings, LLC (1%)
Mohawk Holdings, LLC	Delaware		Mohawk Carpet Distribution, L.P.
Mohawk Carpet of Texas, L.P.	Delaware		Mohawk Carpet Corporation
			Mohawk Holdings, LLC (99%)
Dal-Tile International Inc.	Delaware		Mohawk Carpet Corporation (1%)
Dal-Tile Group Inc.	Delaware		Borrower
Dal-Tile Corporation	Pennsylvania		Dal-Tile International Inc.
DTM/CM Holdings Inc.	Delaware		Dal-Tile Group Inc.
Dal-Tile Canada Inc.	Ontario, Canada	\$3,138,513	Dal-Tile Group Inc.
Dal-Tile Mexico S.A. de C.V.	Mexico	\$70,472,915	Dal-Tile Group Inc. (99.985%)
			DTM/CM Holdings Inc. (0.004%)
Tileways, Inc.	Delaware		Dal-Tile Corporation (0.011%)
Dal-Tile Puerto Rico Inc.	Puerto Rico		Dal-Tile Corporation
DTG Tile Corp.	Delaware		Dal-Tile Corporation
DTL Tile Corp.	Delaware		Dal-Tile Corporation
Dal-Tile I LLC	Delaware		Dal-Tile Corporation
Dal-Elite L.P.	Texas		DTL Tile Corp. (99%)
Dal-Italia LLC (80%)	Delaware		DTG Tile Corp. (1%)
			Dal-Tile I LLC (80%)
			EMILAMERICA, Inc. (unrelated) (20%)

Subject to verification by the Banks.

364-DAY CREDIT AGREEMENT

dated as of

September 30, 2003

among

MOHAWK INDUSTRIES, INC.,

SUNTRUST BANK

and

WACHOVIA BANK, NATIONAL ASSOCIATION

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EXHIBIT C	Form of Assignment and Acceptance
EXHIBIT D-1	Form of Notice of Borrowing
EXHIBIT D-2	Form of Notice of Continuation or Conversion
EXHIBIT E	Form of Compliance Certificate
Schedule 4.05	Litigation
Schedule 4.08	Subsidiaries

CREDIT AGREEMENT

THIS CREDIT AGREEMENT dated as of September 30, 2003, among MOHAWK INDUSTRIES, INC., SUNTRUST BANK, as Co-Lead Arranger and Agent, WACHOVIA BANK, NATIONAL ASSOCIATION, as Co-Lead Arranger and Administrative Agent, and the other Banks from time to time party hereto.

ARTICLE I

DEFINITIONS

SECTION 1.01. Definitions. The terms as defined in this Section 1.01 shall, for all purposes of this Agreement and any amendment hereto (except as herein otherwise expressly provided or unless the context otherwise requires), have the meanings set forth herein:

"5 Year Revolving Credit Facility" means that certain Five Year Credit Agreement dated as of even date herewith among Mohawk Industries, Inc., SunTrust Bank, Wachovia Bank, National Association, and the other lenders party thereto from time to time.

"Adjusted London Interbank Offered Rate" has the meaning set forth in Section 2.06(c).

"Administrative Agent" means Wachovia Bank, National Association, a national banking association organized under the laws of the United States of America, in its capacity as agent for the Banks hereunder, and its successors and permitted assigns in such capacity.

"Affected Bank" has the meaning set forth in Section 8.06.

"Affiliate" means (i) any Person that directly, or indirectly through one or more intermediaries, controls the Borrower (a "Controlling Person"), (ii) any Person (other than the Borrower or a Subsidiary) which is controlled by or is under common control with a Controlling Person, or (iii) any Person (other than a Subsidiary) of which the Borrower owns, directly or indirectly, 20% or more of the common stock or equivalent equity interests. As used herein, the term "control" means possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ownership of voting securities, by contract or otherwise.

"Agreement" means this Credit Agreement, together with all amendments and modifications hereto.

"Aladdin" means Aladdin Manufacturing Corporation, a Delaware corporation.

"Amendment Events" has the meaning set forth in Section 2.14.

"Amortization" means for any period the sum of all amortization expenses of the Borrower and its Consolidated Subsidiaries for such period, as determined in accordance with GAAP.

"Applicable Margin" has the meaning set forth in Section 2.06(a).

"Approved Investment" means an Investment in compliance with the Investment Guidelines.

"Asset Securitization" means the sale of accounts receivable and related assets of a Person in connection with a bona fide asset securitization program.

"Assignee" has the meaning set forth in Section 9.08(c).

"Assignment and Acceptance" means an Assignment and Acceptance executed in accordance with Section 8.08(c) in the form of Exhibit C.

"Authority" has the meaning set forth in Section 8.02.

"Banks" collectively means SunTrust, Wachovia, and the other banks from time to time party hereto.

"Base Rate" means that interest rate as denominated and publicly announced by the Administrative Agent from time to time as its "prime rate". The Base Rate is but one of several interest rate bases used by the Administrative Agent. The Administrative Agent and each of the Banks lends at interest rates above and below the Base Rate.

"Base Rate Loan" means a Loan to be made as a Base Rate Loan pursuant to the applicable Notice of Borrowing, Section 2.02(f), or Article VIII, as applicable.

"Borrower" means Mohawk Industries, Inc., a Delaware corporation, and its successors and permitted assigns.

"Borrowing" means a borrowing hereunder consisting of Loans made to the Borrower at the same time by the Banks pursuant to Article II. A Borrowing is a "Base Rate Borrowing" if such Loans are Base Rate Loans or a "Euro-Dollar Borrowing" if such Loans are Euro-Dollar Loans.

"Business" has the meaning set forth in Section 2.14.

"Capital Stock" means any nonredeemable capital stock of the Borrower or any Consolidated Subsidiary (to the extent issued to a Person other than the Borrower), whether common or preferred.

"Catoosa Co. IRB" means that issuance of certain bonds by The Development Authority of Catoosa County, Georgia, pursuant to the terms and conditions set forth in that certain Indenture of Trust dated as of November 1, 1991.

"CERCLA" means the Comprehensive Environmental Response Compensation and Liability Act, 42 U.S.C. § 9601 et. seq. and its implementing regulations and amendments.

"CERCLIS" means the Comprehensive Environmental Response Compensation and Liability Inventory System established pursuant to CERCLA.

"Change of Law" shall have the meaning set forth in Section 8.02.

"Closing Date" means September 30, 2003.

"Code" means the Internal Revenue Code of 1986, as amended, or any successor Federal tax code.

"Commitment" means, with respect to each Bank, the amount set forth opposite the name of such Bank in the signature pages hereof as its Commitment, or in the Assignment and Acceptance by which such Bank became a party hereto, as such amount may be reduced from time to time pursuant to Sections 2.08 and 2.09.

"Compliance Certificate" has the meaning set forth in Section 5.01(c).

"Consolidated Debt" means at any date the Debt of the Borrower and its Consolidated Subsidiaries, determined on a consolidated basis as of such date.

"Consolidated Interest Expense" for any period means interest, whether expensed or capitalized, in respect of Debt of the Borrower or any of its Consolidated Subsidiaries outstanding during such period.

"Consolidated Net Income" means, for any period, the Net Income of the Borrower and its Consolidated Subsidiaries for such period as determined on a consolidated basis in accordance with GAAP, but excluding from the determination thereof (without duplication) (a) any non-cash extraordinary or non-recurring gains or losses, (b) non-cash losses or gains from the proposed or actual disposition of material assets not exceeding \$20,000,000 in any fiscal year (c) non-cash goodwill and intangible asset write-downs and restructuring charges (but deducting from the determination of Consolidated Net Income for any period, cash payments made during such period in respect of any goodwill and intangible asset write-downs or restructuring charges recorded after the Closing Date), (d) non-cash charges resulting from the vesting or exercise of stock options or stock appreciation rights granted to management of the Borrower, (e) non-cash gains or losses under the Statement of Financial Accounting Standards number 133 and its amendments and (f) any equity interests of the Borrower or any Subsidiary in the unremitted earnings of any Person that is not a Subsidiary.

"Consolidated Net Worth" means at any time Stockholder's Equity but excluding from the determination thereof (without duplication) the effect of (a) any foreign currency translation adjustments, (b) any extraordinary or non-recurring, non-cash losses or gains, (c) non-cash losses or gains under the Statement of Financial Accounting Standards number 133 and its amendments, (d) non-cash intangible and material write-downs of assets (but deducting from the determination of Consolidated Net Worth for any period, cash payments made during such period in respect of any write-downs recorded after the Closing Date) not exceeding \$20,000,000 in any Fiscal Year and (e) non-cash charges resulting from the vesting or exercise of stock options or stock appreciation rights granted to management of the Borrower.

"Consolidated Subsidiary" means at any date any Subsidiary or other entity the accounts of which, in accordance with GAAP, would be consolidated with those of the Borrower in its consolidated financial statements as of such date.

"Consolidated Total Assets" means, at any time, without duplication, (x) the total assets of the Borrower and its Consolidated Subsidiaries, determined on a consolidated basis, as set forth or reflected on the most recent consolidated balance sheet of the Borrower and its Consolidated Subsidiaries, prepared in accordance with GAAP, plus (y) the accounts receivable balance reported as of the last day of the Fiscal Quarter most recently ended by the Borrower or a Subsidiary with respect to an Asset Securitization.

"Consolidated Total Capital" means, at any time, the sum of the following as of such time (i) Consolidated Net Worth, and (ii) Consolidated Debt.

"Controlled Group" means all members of a controlled group of corporations and all trades or businesses (whether or not incorporated) under common control which, together with the Borrower, are treated as a single employer under Section 414 of the Code.

"Debt" of any Person means at any date, without duplication, all of the following as of such date (i) all obligations of such Person for borrowed money, (ii) all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments, (iii) all obligations of such Person to pay the deferred purchase price of property or services, except trade accounts payable arising in the ordinary course of business, (iv) all obligations of such Person as lessee under capital leases, (v) all obligations of such Person to reimburse any bank or other Person in respect of amounts payable under a banker's acceptance, (vi) all Redeemable Preferred Stock of such Person (in the event such Person is a corporation), (vii) all obligations of such Person to reimburse any bank or other Person in respect of amounts paid under a letter of credit or similar instrument (provided, however, solely with respect to commercial letters of credit, such amounts shall be included hereunder only to the extent that they exceed \$1,000,000 in the aggregate), (viii) all Debt of others secured by a Lien on any asset of such Person, whether or not such Debt is assumed by such Person, (ix) all obligations of such Person with respect to interest rate protection agreements, foreign currency exchange agreements or other hedging arrangements (valued as the termination value thereof computed in accordance with a method approved by the International Swap Dealers Association and agreed to by such Person in the applicable hedging agreement, if any) (provided, however, solely with respect to hedging arrangements entered into in the ordinary course of business for natural gas or any other fuels used for the same purposes, such obligations shall be included hereunder only to the extent that they exceed \$50,000,000 in the aggregate), (x) all Debt of others Guaranteed by such Person, and (xi) the total accounts receivable reported as sold during any Fiscal Quarter as of the last day of the Fiscal Quarter most recently ended by the Borrower or a Subsidiary with respect to an Asset Securitization. For all purposes of this Agreement, the amount of a Person's Debt under a loan or lease agreement between such Person and a governmental agency that has issued industrial development bonds or similar instruments, the repayment of which is secured by the payment obligations of such Person under such loan or lease agreement, shall be equal to the aggregate principal amount of such bonds or instruments outstanding at the time of determination less the amount of proceeds of such bonds or instruments which at such time are on deposit with a trustee or other fiduciary in a "construction" fund, or other similar fund which would be available to such trustee or other fiduciary to repay the bonds or other instruments if then due and payable.

"Debt to Capitalization Ratio" means the ratio of Consolidated Debt to Consolidated Total Capital.

"Default" means any condition or event which constitutes an Event of Default or which with the giving of notice or lapse of time or both would, unless cured or waived, become an Event of Default.

"Default Rate" means, with respect to any Loan, on any day, the sum of 2% plus the then highest interest rate (including the Applicable Margin) which may be applicable to any Loans hereunder, including, without limitation, under Section 8.06, (irrespective of whether any such class of Loans are actually outstanding hereunder).

"Depreciation" means for any period the sum of all depreciation expenses of the Borrower and its Consolidated Subsidiaries for such period, as determined in accordance with GAAP.

"Dividends" means for any period the sum of all dividends paid or declared during such period in respect of any Capital Stock and Redeemable Preferred Stock (other than dividends paid or payable in the form of additional Capital Stock).

"Dollars" or "\$" means dollars in lawful currency of the United States of America.

"Domestic Business Day" means any day except a Saturday, Sunday or other day on which commercial banks in Georgia are authorized by law to close.

"Effective Date" means September 30, 2003.

"Environmental Authority" means any foreign, federal, state, local or regional government that exercises any form of jurisdiction or authority under any Environmental Requirement.

"Environmental Judgments and Orders" means all judgments, decrees or orders arising from or in any way associated with any Environmental Requirements, whether or not entered upon consent or written agreements with an Environmental Authority or other entity arising from or in any way associated with any Environmental Requirement, whether or not incorporated in a judgment, decree or order.

"Environmental Liabilities" means any liabilities, whether pending or, to the knowledge of the Borrower or any Subsidiary threatened, arising from and in any way associated with any Environmental Requirements and which would have or create a reasonable possibility of causing a Material Adverse Effect.

"Environmental Notices" means notice from any Environmental Authority or by any other person or entity, of possible or alleged noncompliance with or liability under any Environmental Requirement, including without limitation any complaints, citations, demands or requests from any Environmental Authority or from any other person or entity for correction of any, violation of any Environmental Requirement or any investigations concerning any violation of any Environmental Requirement.

"Environmental Proceedings" means any judicial or administrative proceedings arising from or in any way associated with any Environmental Requirement.

"Environmental Releases" means releases as defined in CERCLA or under any applicable state or local environmental law or regulation.

"Environmental Requirements" means any legal requirement relating to health, safety or the environment and applicable to any of the Borrower, any Subsidiary, or the Properties, including but not limited to any such requirement under CERCLA or similar state legislation and all federal, state and local laws, ordinances, regulations, orders, writs, decrees and common law.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time, or any successor law. Any reference to any provision of ERISA shall also be deemed to be a reference to any successor provision or provisions thereof.

"Euro-Dollar Business Day" means any Domestic Business Day on which dealings in Dollar deposits are carried out in the London interbank market.

"Euro-Dollar Loan" means a Loan to be made as a Euro-Dollar Loan pursuant to the applicable Notice of Borrowing.

"Euro-Dollar Reserve Percentage" has the meaning set forth in Section 2.06(c).

"Event of Default" has the meaning set forth in Section 6.01.

"Federal Funds Rate" means, for any day, the rate per annum (rounded upward, if necessary, to the next higher 1/100th of 1%) equal to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers on such day, as published by the Federal Reserve Bank of New York on the Business Day next succeeding such day, provided that (i) if the day for which such rate is to be determined is not a Business Day, the Federal Funds Rate for such day shall be such rate on such transactions on the next preceding Business Day as so published on the next succeeding Business Day, and (ii) if such rate is not so published for any day, the Federal Funds Rate for such day shall be the average rate charged to the Administrative Agent on such day on such transactions, as determined by the Administrative Agent.

"Fiscal Quarter" means any fiscal quarter of the Borrower.

"Fiscal Year" means any fiscal year of the Borrower.

"Foreign Subsidiary" means any Subsidiary (i) which is organized and existing under the laws of any jurisdiction other than any state of the United States or (ii) which has all or substantially all of its operations in any jurisdiction outside of the United States.

"GAAP" means generally accepted accounting principles applied on a basis consistent with those which, in accordance with Section 1.02, are to be used in making the calculations for purposes of determining compliance with the terms of this Agreement.

"Galaxy" means Galaxy Carpet Mills, Inc., a Delaware corporation, which corporation was liquidated into the Borrower as successor thereto.

"Guarantee" by any Person means any obligation, contingent or otherwise, of such Person directly or indirectly guaranteeing any Debt or other obligation of any other Person and, without limiting the generality of the foregoing, any obligation, direct or indirect, contingent or otherwise, of such Person (i) to secure, purchase or pay (or advance or supply funds for the purchase or payment of) such Debt or other obligation (whether arising by virtue of partnership arrangements, by agreement to keep-well, to purchase assets, goods, securities or services, to provide collateral security, to take-or-pay, or to maintain financial statement conditions or otherwise) or (ii) entered into for the purpose of assuring in any other manner the obligee of such Debt or other obligation of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part), provided that the term Guarantee shall not include endorsements for collection or deposit in the ordinary course of business. The term "Guarantee" used as a verb has a corresponding meaning.

"Hazardous Materials" means (a) hazardous waste, as defined in the Resource Conservation and Recovery Act of 1980, 42 U.S.C. § 6901 et seq. and its implementing regulations and amendments, or in any applicable state or local law or regulation, (b) "hazardous substance", "pollutant", or "contaminant" as defined in CERCLA, or in any applicable state or local law or regulation, (c) gasoline, or any other petroleum product or by-product, including, crude oil or any fraction thereof (d) toxic substances, as defined in the Toxic Substances Control Act of 1976, or in any applicable state or local law or regulation or (e) insecticides, fungicides, or rodenticides, as defined in the Federal Insecticide, Fungicide, and Rodenticide Act of 1975, or in any applicable state or local law or regulation, as each such Act, statute or regulation may be amended from time to time.

"Interest Period" means: (1) with respect to each Euro-Dollar Borrowing, the period commencing on the date of such Borrowing and ending on the numerically corresponding day in the first, second, third or sixth month thereafter, as the Borrower may elect in the applicable Notice of Borrowing; provided that:

(a) any Interest Period (other than an Interest Period determined pursuant to paragraph (c) below) which would otherwise end on a day which is not a Euro-Dollar Business Day shall be extended to the next succeeding Euro-Dollar Business Day unless such Euro-Dollar Business Day falls in another calendar month, in which case such Interest Period shall end on the next preceding Euro-Dollar Business Day;

(b) any Interest Period which begins on the last Euro-Dollar Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the appropriate subsequent calendar month) shall, subject to paragraph (c) below, end on the last Euro-Dollar Business Day of the appropriate subsequent calendar month; and

(c) any Interest Period which begins before the Termination Date and would otherwise end after the Termination Date shall end on the Termination Date.

(2) with respect to each Base Rate Borrowing, the period commencing on the date of such Borrowing and ending 30 days thereafter; provided that:

(d) any Interest Period (other than an Interest Period determined pursuant to paragraph (b) below) which would otherwise end on a day which is not a Domestic Business Day shall be extended to the next succeeding Domestic Business Day; and

(e) any Interest Period which begins before the Termination Date and would otherwise end after the Termination Date shall end on the Termination Date.

"Investment" means any investment in any Person, whether by means of purchase or acquisition of obligations or securities of such Person, capital contribution to such Person, loan or advance to such Person, making of a time deposit with such Person, Guarantee or assumption of any obligation of such Person or otherwise.

"Investment Guidelines" means the guidelines for investment of funds of the Borrower and the Subsidiaries as approved by the Board of Directors of the Borrower or an authorized executive committee thereof and in effect on the Closing Date, as modified or supplemented from time to time with the approval of the Board of Directors of the Borrower or an authorized executive committee.

"Lending Office" means, as to each Bank, its office located at its address set forth on the signature pages hereof (or identified on the signature pages hereof as its Lending Office) or such other office as such Bank may hereafter designate as its Lending Office by notice to the Borrower.

"Lien" means, with respect to any asset, any mortgage, deed to secure debt, deed of trust, lien, pledge, charge, security interest, security title, preferential arrangement, which has the practical effect of constituting a security interest or encumbrance, or encumbrance or servitude of any kind in respect of such asset to secure or assure payment of a Debt or a Guarantee, whether by consensual agreement or by operation of statute or other law. For the purposes of this Agreement, the Borrower or any Subsidiary shall be deemed to own subject to a Lien any asset which it has acquired or holds subject to the interest of a vendor or lessor under any conditional sale agreement, capital lease or other title retention agreement relating to such asset.

"Loan" means a Base Rate Loan or a Euro-Dollar Loan and "Loans" means Base Rate Loans or Euro-Dollar Loans, or either or each of them, as the context shall require.

"Loan Documents" means this Agreement, the Notes, and any other document evidencing, relating to or securing the Loans, and any other document or instrument delivered in connection with this Agreement, the Notes or the Loans, as such documents and instruments may be amended or modified from time to time.

"London Interbank Offered Rate" has the meaning set forth in Section 2.06(c).

"Margin Stock" means "margin stock" as defined in Regulations T, U or X.

"Material Adverse Effect" means, with respect to any event, act, condition or occurrence of whatever nature (including any adverse determination in any litigation, arbitration, or governmental investigation or proceeding), whether singly or in conjunction with any other event or events, act or acts, condition or conditions, occurrence or occurrences, whether or not related, a material adverse change in, or a material adverse effect upon, any of (a) the financial condition, operations, business, properties or prospects of the Borrower and its Consolidated Subsidiaries taken as a whole, (b) the rights and remedies of the Banks under the Loan Documents, or the ability of the Borrower to perform its obligations under the Loan Documents to which it is a party, as applicable, or (c) the legality, validity or enforceability of any Loan Document.

"Material Subsidiary" means, as of the date of any determination thereof, any Subsidiary that either: (a) owns assets having a book value equal to or greater than 5.0% of Consolidated Total Assets, or (b) had Net Income for any prior period of four consecutive Fiscal Quarters equal to or greater than 5.0% of Consolidated Net Income for the same four Fiscal Quarter period.

"More Favorable Terms" has the meaning set forth in Section 2.14.

"Multiemployer Plan" shall have the meaning set forth in Section 4001(a)(3) of ERISA.

"Net Income" means, as applied to any Person for any period, the aggregate amount of net income of such Person, after taxes, for such period, as determined in accordance with GAAP.

"Notes" means the promissory notes of the Borrower, substantially in the form of Exhibit A, evidencing the obligation of the Borrower to repay the Loans, together with all amendments, consolidations, modifications, renewals, and supplements thereto.

"Notice of Borrowing" has the meaning set forth in Section 2.02.

"Notice of Continuation of Conversion" has the meaning set forth in Section 2.03.

"Participant" has the meaning set forth in Section 9.08(b).

"PBGC" means the Pension Benefit Guaranty Corporation or any entity succeeding to any or all of its functions under ERISA.

"Performance Pricing Determination Date" has the meaning set forth in Section 2.06(a).

"Permanent Facility" has the meaning set forth in Section 2.14.

"Permitted Acquisition" means a non-hostile acquisition, however structured, of all or substantially all of the assets of, or a majority of all the issued and outstanding capital stock of, a Person in a Permitted Line of Business.

"Permitted Line of Business" means the manufacturing, marketing and/or distribution of commercial or home furnishings and floor coverings and other reasonably related products and any "vertical integration" with respect thereto.

"Person" means an individual, a corporation, a partnership, an unincorporated association, joint venture, limited liability company, a trust or any other entity or organization, including, but not limited to, a government or political subdivision or an agency or instrumentality thereof.

"Plan" means at any time an employee pension benefit plan which is covered by Title IV of ERISA or subject to the minimum funding standards under Section 412 of the Code and is either (i) maintained by a member of the Controlled Group for employees of any member of the Controlled Group or (ii) maintained pursuant to a collective bargaining agreement or any other arrangement under which more than one employer makes contributions and to which a member of the Controlled Group is then making or accruing an obligation to make contributions or has within the preceding five plan years made contributions.

"Pricing Terms" has the meaning set forth in Section 2.14.

"Properties" means all real property owned, leased or otherwise used or occupied by the Borrower or any Subsidiary (including, without limitation, the Borrower), wherever located.

"Redeemable Preferred Stock" of any Person means any preferred stock issued by such Person which is at any time prior to the Termination Date either (i) mandatorily redeemable (by sinking fund or similar payments or otherwise) or (ii) redeemable at the option of the holder thereof.

"Regulation D" means Regulation D of the Board of Governors of the Federal Reserve System, as in effect from time to time, together with all official rulings and interpretations issued thereunder.

"Regulation T" means Regulation T of the Board of Governors of the Federal Reserve System, as in effect from time to time, together with all official rulings and interpretations issued thereunder.

"Regulation U" means Regulation U of the Board of Governors of the Federal Reserve System, as in effect from time to time, together with all official rulings and interpretations issued thereunder.

"Regulation X" means Regulation X of the Board of Governors of the Federal Reserve System, as in effect from time to time, together with all official rulings and interpretations issued thereunder.

"Related Fund" means, with respect to any Bank, a special purpose entity that purchases or participates in such Bank's loans and for which such Bank is agent, advisor or manager for such special purpose entity.

"Replacement Bank" has the meaning set forth in Section 8.06.

"Required Banks" means at any time Banks having at least 66 2/3% of the aggregate amount of the Commitments, or if the Commitments are no longer in effect, holding at least 66 2/3% of the aggregate outstanding principal amount of the Notes.

"Restricted Payment" means (i) any dividend or other distribution on any shares of the Borrower's capital stock (except dividends payable solely in shares of its capital stock) or (ii) any payment on account of the purchase, redemption, retirement or acquisition of (a) any shares of the Borrower's capital stock (except shares acquired upon the conversion thereof into other shares of its capital stock) or (b) any option, warrant or other right to acquire shares of the Borrower's capital stock.

"Revolving Credit Facilities" means this Agreement and the 5 Year Revolving Credit Facility.

"Stockholders' Equity" means, at any time, the stockholders' equity of the Borrower and its Consolidated Subsidiaries, as set forth or reflected on the most recent consolidated balance sheet of the Borrower and its Consolidated Subsidiaries prepared in accordance with GAAP, but excluding any Redeemable Preferred Stock of the Borrower or any of its Consolidated Subsidiaries. Shareholders' equity generally would include, but not be limited to, (i) the par or stated value of all outstanding Capital Stock, (ii) capital surplus, (iii) retained earnings, and (iv) various deductions such as (A) purchases of treasury stock, (B) valuation allowances, (C) receivables due from an employee stock ownership plan, (D) employee stock ownership plan debt guarantees, and (E) foreign currency translation adjustments.

"Subsidiary" means any corporation or other entity of which securities or other ownership interests having ordinary voting power to elect a majority of the board of directors or other persons performing similar functions are at the time directly or indirectly owned by the Borrower.

"Summerville City IRB" means that issuance of certain bonds by The Development Authority of the City of Summerville, Georgia, pursuant to the terms and conditions set forth in that certain Trust Indenture dated as of September 1, 1997.

"SunTrust" means SunTrust Bank, a Georgia state banking corporation, and its successors and, as the context requires, its permitted assigns.

"Syndicated Borrowing" means any Base Rate Loans or Euro-Dollar Loans made to the Borrower pursuant to the terms and conditions set forth in Section 2.01.

"Syndicated Loans" means Base Rate Loans or Euro-Dollar Loans made pursuant to the terms and conditions set forth in Section 2.01(a).

"Termination Date" means whichever is applicable of (i) September 29, 2004, (ii) the date the Commitments are terminated pursuant to Section 6.01 following the occurrence of an Event of Default, or (iii) the date the Borrower terminates the Commitments entirely pursuant to Section 2.09.

"Third Parties" means all lessees, sublessees, licensees and other users of the Properties, excluding those users of the Properties in the ordinary course of the Borrower's business and on a temporary basis.

"Transferee" has the meaning set forth in Section 9.08(d).

"Unused Commitments" means at any date an amount equal to the aggregate Commitments less the aggregate outstanding principal amount of the Syndicated Loans.

"Wachovia" means Wachovia Bank, National Association, a national banking association, and its successors and, as the context requires, its permitted assigns.

"Wholly Owned Subsidiary" means any Subsidiary all of the shares of capital stock or other ownership interests of which (except directors' qualifying shares) are at the time directly or indirectly owned by the Borrower or a Consolidated Subsidiary.

SECTION 1.02. Accounting Terms and Determinations. Unless otherwise specified herein, all terms of an accounting character used herein shall be interpreted, all accounting determinations hereunder shall be made, and all financial statements required to be delivered hereunder shall be prepared in accordance with GAAP, applied on a basis consistent (except for changes concurred in by the Borrower's independent public accountants or otherwise required by a change in GAAP) with the most recent audited consolidated financial statements of the Borrower delivered to the Banks unless with respect to any such change concurred in by the Borrower's independent public accountants or required by GAAP, in determining compliance with any of the provisions of any of the Loan Documents: (i) the Borrower shall have objected to determining such compliance on such basis at the time of delivery of such financial statements, or (ii) the Required Banks shall so object in writing within 30 days after the delivery of such financial statements, in either of which events the Banks and the Borrower shall negotiate in good faith to resolve any existing disagreements regarding such calculations, provided, that if such disagreements are not resolved within 30 days after receipt of a notice of objection, such calculations shall be made on a basis consistent with those used in the preparation of the latest financial statements as to which such objection shall not have been made (which, if objection is made in respect of the first financial statements delivered under Section 5.01 hereof, shall mean the financial statements referred to in Section 4.04).

SECTION 1.03. References. Unless otherwise indicated, references in this Agreement to "Articles", "Exhibits", "Schedules", "Sections" and other Subdivisions are references to articles, exhibits, schedules, sections and other subdivisions hereof.

SECTION 1.04. Use of Defined Terms. All terms defined in this Agreement shall have the same defined meanings when used in any of the other Loan Documents, unless otherwise defined therein or unless the context shall require otherwise.

SECTION 1.05. Terminology. All personal pronouns used in this Agreement, whether used in the masculine, feminine or neuter gender, shall include all other genders; the singular shall include the plural, and the plural shall include the singular. Titles of Articles and Sections in this Agreement are for convenience only, and neither limit nor amplify the provisions of this Agreement.

ARTICLE II

THE CREDITS

SECTION 2.01. Commitments to Lend.

Each Bank severally agrees, on the terms and conditions set forth herein, to make Syndicated Loans to the Borrower from time to time before the Termination Date; provided that,

- (i) immediately after each such Syndicated Loan is made, the aggregate outstanding principal amount of Syndicated Loans by such Bank shall not exceed the amount of its Commitment, and
- (ii) the aggregate outstanding principal amount of all Syndicated Loans shall not exceed the aggregate amount of the Commitments.

Each Syndicated Borrowing under this Section shall be in an aggregate principal amount of \$500,000 or any larger integral multiple of \$500,000 (except that any such Syndicated Borrowing may be in the aggregate amount of the Unused Commitments) and shall be made from the several Banks ratably in proportion to their respective Commitments. Within the foregoing limits, the Borrower may borrow under this Section, repay or, subject to the provisions of Section 2.10, prepay Syndicated Loans and reborrow under this Section at any time before the Termination Date.

SECTION 2.02. Method of Borrowing Syndicated Loans.

(a) The Borrower shall give the Administrative Agent notice (a "Notice of Borrowing"), which shall be substantially in the form of Exhibit D-1, prior to (i) 11:00 A.M. (Charlotte, North Carolina time) on the same Domestic Business Day of each Base Rate Borrowing, and (ii) 11:00 A.M. (Charlotte, North Carolina time) and at least 3 Euro-Dollar Business Days before each Euro-Dollar Borrowing, specifying:

- (i) the date of such Borrowing, which shall be a Domestic Business Day in the case of a Base Rate Borrowing or a Euro-Dollar Business Day in the case of a Euro-Dollar Borrowing,
- (ii) the aggregate amount of such Borrowing,

- (iii) whether the Syndicated Loans comprising such Borrowing are to be Base Rate Loans or Euro-Dollar Loans,
- (iv) in the case of a Euro-Dollar Borrowing, the duration of the Interest Period applicable thereto, subject to the provisions of the definition of Interest Period, and
- (v) how the proceeds of such Borrowing are to be made available to the Borrower.
- (b) Upon receipt of a Notice of Borrowing, the Administrative Agent shall promptly notify each Bank of the contents thereof and of such Bank's ratable share of such Syndicated Borrowing and such Notice of Borrowing, once received by the Administrative Agent, shall not thereafter be revocable by the Borrower (except as otherwise provided in Section 8.01).
- (c) Not later than 1:00 P.M. (Charlotte, North Carolina time) on the date of each Syndicated Borrowing, each Bank shall (except as provided in paragraph (d) of this Section) make available its ratable share of such Syndicated Borrowing, in Federal or other funds immediately available in Charlotte, North Carolina, to the Administrative Agent at its address determined pursuant to Section 9.01. Unless the Administrative Agent determines that any applicable condition specified in Article III has not been satisfied or waived in accordance with Section 9.06, the Administrative Agent will make the funds so received from the Banks available to the Borrower in the manner provided for in the applicable Notice of Borrowing no later than 2:00 P.M. Unless the Administrative Agent receives notice from a Bank, at the Administrative Agent's address referred to in or specified pursuant to Section 9.01, no later than 4:00 P.M. (local time at such address) on the Domestic Business Day before the date of a Syndicated Borrowing with respect to a Euro-Dollar Loan, or no later than 1:00 P.M. on the date of a Syndicated Borrowing with respect to a Base Rate Loan, stating that such Bank will not make a Syndicated Loan in connection with such Syndicated Borrowing, the Administrative Agent shall be entitled to assume that such Bank will make a Syndicated Loan in connection with such Syndicated Borrowing and, in reliance on such assumption, the Administrative Agent may (but shall not be obligated to) make available such Bank's ratable share of such Syndicated Borrowing to the Borrower for the account of such Bank. If the Administrative Agent makes such Bank's ratable share available to the Borrower and such Bank does not in fact make its ratable share of such Syndicated Borrowing available on such date, the Administrative Agent shall be entitled to recover such Bank's ratable share from such Bank or the Borrower (and for such purpose shall be entitled to charge such amount to any account of the Borrower maintained with the Administrative Agent), together with interest thereon for each day during the period from the date of such Syndicated Borrowing until such sum shall be paid in full at a rate per annum equal to the rate at which the Administrative Agent determines that it obtained (or could have obtained) overnight Federal funds to cover such amount for each such day during such period, provided that (i) any such payment by the Borrower of such Bank's ratable share and interest thereon shall be without prejudice to any rights that the Borrower may have against such Bank and (ii) until such Bank has paid its ratable share of such Syndicated Borrowing, together with interest pursuant to the foregoing, it will have no interest in or rights with respect to such Syndicated Borrowing for any purpose hereunder. If the Administrative Agent does not exercise its option to advance funds for the account of such Bank, it shall forthwith notify the Borrower of such decision.

(d) If any Bank makes a new Syndicated Loan hereunder on a day on which the Borrower is to repay all or any part of an outstanding Syndicated Loan from such Bank, such Bank shall apply the proceeds of its new Syndicated Loan to make such repayment and only an amount equal to the difference (if any) between the amount being borrowed and the amount being repaid shall be made available by such Bank to the Administrative Agent as provided in paragraph (c) of this Section.

(e) Notwithstanding anything to the contrary contained in this Agreement, no Euro-Dollar Borrowing may be made if there shall have occurred a Default or an Event of Default, which Default or Event of Default shall not have been cured or waived.

(f) In the event that a Notice of Borrowing fails to specify whether the Syndicated Loans comprising such Syndicated Borrowing are to be Base Rate Loans or Euro-Dollar Loans, such Syndicated Loans shall be made as Base Rate Loans. If the Borrower is otherwise entitled under this Agreement to repay any Syndicated Loans maturing at the end of an Interest Period applicable thereto with the proceeds of a new Borrowing, and the Borrower fails to repay such Syndicated Loans using its own moneys and fails to give a Notice of Borrowing in connection with such new Syndicated Borrowing, a new Syndicated Borrowing shall be deemed to be made on the date such Syndicated Loans mature in an amount equal to the principal amount of the Syndicated Loans so maturing, and the Syndicated Loans comprising such new Syndicated Borrowing shall be Base Rate Loans.

(g) Notwithstanding anything to the contrary contained herein, there shall not be more than 6 Interest Periods outstanding at any given time.

SECTION 2.03. Continuation and Conversion Elections. By delivering a notice (a "Notice of Continuation or Conversion"), which shall be substantially in the form of Exhibit D-2, to the Administrative Agent on or before 12:00 P.M., Charlotte, North Carolina time, on a Domestic Business Day (or Euro-Dollar Business Day, in the case of Euro-Dollar Loans outstanding), the Borrower may from time to time irrevocably elect, by notice on the same Domestic Business Day, in the case of Base Rate Loans, or 3 Euro-Dollar Business Days, in the case of Euro-Dollar Loans, that all, or any portion in an aggregate principal amount of \$500,000 or any larger integral multiple of \$500,000 be, (i) in the case of Base Rate Loans, converted into or Euro-Dollar Loans or, or (ii) in the case of Euro-Dollar Loans, converted into Base Rate Loans or continued as Euro-Dollar Loans (in the absence of delivery of a Notice of Continuation or Conversion with respect to any Euro-Dollar Loan at least 3 Euro-Dollar Business Days before the last day of the then current Interest Period with respect thereto, such Euro-Dollar Loan shall, on such last day, automatically convert to a Base Rate Loan); provided, however, that (x) each such conversion or continuation shall be pro rated among the Banks that have made such Loans, and (y) no portion of the outstanding principal amount of any Loans may be continued as, or be converted into, any Euro-Dollar Loan when any Event of Default has occurred and is continuing.

SECTION 2.04. Notes. (a) The Syndicated Loans of each Bank shall be evidenced by a single Note made by the Borrower payable to the order of such Bank for the account of its Lending Office in an amount equal to the original principal amount of such Bank's Commitment.

(b) Upon receipt of each Bank's Notes pursuant to Section 3.01, the Administrative Agent shall deliver such Notes to such Bank. Each Bank shall record, and prior to any transfer of its Note shall endorse on the schedule forming a part thereof appropriate notations to evidence the date, amount and maturity of each Loan made by it, the date and amount of each payment of principal made by the Borrower with respect thereto and whether such Loan is a Base Rate Loan or Euro-Dollar Loan, and such schedule shall constitute rebuttable presumptive evidence of the principal amount owing and unpaid on such Bank's Note; provided that the failure of any Bank to make any such recordation or endorsement shall not affect the obligation of the Borrower hereunder or under the Notes. Each Bank is hereby irrevocably authorized by the Borrower so to endorse its Note and to attach to and make a part of its Note a continuation of any such schedule as and when required.

SECTION 2.05. Maturity of Loans.

(a) Each Euro-Dollar Loan included in any Borrowing shall mature, and the principal amount thereof shall be due and payable, on the last day of the Interest Period applicable to such Borrowing.

(b) Notwithstanding the foregoing, the outstanding principal amount of the Loans, if any, together with all accrued but unpaid interest thereon, if any, shall be due and payable on September 29, 2004.

SECTION 2.06. Interest Rates. (a) "Applicable Margin" means at all times:

(i) for the period commencing on the Closing Date to and including the first Performance Pricing Determination Date, for each Base Rate Loan 0.0%, and for each Euro-Dollar Loan 0.5%; and

(ii) from and after the first Performance Pricing Determination Date, for each Base Rate Loan and for each Euro-Dollar Loan, the percentage determined on each Performance Pricing Determination Date by reference to the table set forth below as to such type of Loan and the Debt to Capitalization Ratio for the quarterly or annual period ending immediately prior to such Performance Pricing Determination Date.

<u>Debt to Capitalization Ratio</u>	<u>Base Rate Loan</u>	<u>Euro-Dollar Loan</u>
≥ 0.55 to 1.0	0.500%	1.400%
≥ 0.50 to 1.0 but < 0.55 to 1.0	0.250%	1.150%
≥ 0.40 to 1.0 but <0.50 to 1.0	0.000%	0.900%
≥0.30 to 1.0 but <0.40 to 1.0	0.000%	0.650%
≥0.20 to 1.0 but <0.30 to 1.0	0.000%	0.500%
≤ 0.20 to 1.0	0.000%	0.400%

In determining interest for purposes of this Section 2.06 and fees for purposes of Section 2.07, the Borrower and the Banks shall refer to the Borrower's most recent consolidated quarterly and annual (as the case may be) financial statements delivered pursuant to Section 5.01(a) or (b), as the case may be. The "Performance Pricing Determination Date" is the date which is the last date on which such financial statements are permitted to be delivered pursuant to Section 5.01(a) or (b), as applicable. Any such required change in interest and fees shall become effective on such Performance Pricing Determination Date, and shall be in effect until the next Performance Pricing Determination Date, provided that no fees or interest shall be decreased pursuant to this Section 2.06 or Section 2.07 if an Event of Default is in existence on the Performance Pricing Determination Date.

(b) Each Base Rate Loan shall bear interest on the outstanding principal amount thereof, for each day from the date such Loan is made until it becomes due, at a rate per annum equal to the Base Rate for such day plus (or minus) the Applicable Margin. Such interest shall be payable for each Interest Period on the last day thereof. Any overdue principal of and, to the extent permitted by applicable law, overdue interest on any Base Rate Loan shall bear interest, payable on demand, for each day until paid at a rate per annum equal to the Default Rate.

(c) Each Euro-Dollar Loan shall bear interest on the outstanding principal amount thereof, for the Interest Period applicable thereto, at a rate per annum equal to the sum of the Applicable Margin plus the applicable Adjusted London Interbank Offered Rate for such Interest Period; provided that if any Euro-Dollar Loan shall, as a result of paragraph (1)(c) of the definition of Interest Period, have an Interest Period of less than one month, such Euro-Dollar Loan shall bear interest during such Interest Period at the rate applicable to Base Rate Loans during such period. Such interest shall be payable for each Interest Period on the last day thereof and, if such Interest Period is longer than 3 months, at intervals of 3 months after the first day thereof. Any overdue principal of and, to the extent permitted by law, overdue interest on any Euro-Dollar Loan shall bear interest, payable on demand, for each day until paid at a rate per annum equal to the Default Rate.

The "Adjusted London Interbank Offered Rate" applicable to any Interest Period means a rate per annum equal to the quotient obtained (rounded upwards, if necessary, to the next higher 1/100th of 1%) by dividing (i) the applicable London Interbank Offered Rate for such Interest Period by (ii) 1.00 minus the Euro-Dollar Reserve Percentage.

The "London Interbank Offered Rate" applicable to any Euro-Dollar Loan means for the Interest Period of such Euro-Dollar Loan, the rate per annum determined on the basis of the offered rate for deposits in Dollars of amounts equal or comparable to the principal amount of such Euro-Dollar Loan offered for a term comparable to such Interest Period, which rates appear on Telerate Page 3750 effective as of 11:00 A.M., London time, 2 Euro-Dollar Business Days prior to the first day of such Interest Period, provided that (i) if more than one such offered rate appears on Telerate Page 3750, the "London Interbank Offered Rate" will be the arithmetic average (rounded upward, if necessary, to the next higher 1/100th of 1%) of such offered rates; (ii) if no such offered rates appear on such page, the "London Interbank Offered Rate" for such Interest Period will be the arithmetic average (rounded upward, if necessary, to the next higher 1/100th of 1%) of rates quoted by not less than two major banks in New York City, selected by the Administrative Agent, at approximately 10:00 A.M., New York City time, 2 Euro-Dollar Business Days prior to the first day of such Interest Period, for deposits in Dollars offered to leading European banks for a period comparable to such Interest Period in an amount comparable to the principal amount of such Euro-Dollar Loan.

"Euro-Dollar Reserve Percentage" means, with respect to a given Bank, for any day that percentage (expressed as a decimal) which is in effect on such day, as prescribed by the Board of Governors of the Federal Reserve System (or any successor) for determining the actual reserve requirement for such Bank in respect of "Eurocurrency liabilities" (or in respect of any other category of liabilities which includes deposits by reference to which the interest rate on Euro-Dollar Loans is determined or any category of extensions of credit or other assets which includes loans by a non-United States office of any Bank to United States residents). The Adjusted London Interbank Offered Rate shall be adjusted automatically on and as of the effective date of any change in the Euro-Dollar Reserve Percentage.

(d) The Administrative Agent shall determine the interest rates applicable to the Loans hereunder. The Administrative Agent shall give prompt notice to the Borrower and the other Banks (by telephone or facsimile transmission) of each rate of interest so determined, and its determination thereof shall be conclusive in the absence of manifest error.

SECTION 2.07. Fees. (a) The Borrower shall pay to the Administrative Agent, for the ratable account of each Bank, a facility fee, calculated in the manner provided in the last paragraph of Section 2.07(a)(iii), on the aggregate amount of such Bank's Commitment (without taking into account the amount of the outstanding Loans made by such Bank), at a rate per annum equal to: (i) for the period commencing on the Closing Date to and including the first Performance Pricing Determination Date, 0.15%; and (ii) from and after the first Performance Pricing Determination Date, the percentage determined on each Performance Pricing Determination Date by reference to the table set forth below and the Debt to Capitalization Ratio for the quarterly or annual period ending immediately prior to such Performance Pricing Determination Date:

<u>Debt to Capitalization Ratio</u>	<u>Facility Fee</u>
≥ 0.55 to 1.0	0.500%
≥ 0.50 to 1.0 but	0.250%
< 0.55 to 1.0	
≥ 0.40 to 1.0 but	0.150%
<0.50 to 1.0	
≥0.30 to 1.0 but	0.150%
<0.40 to 1.0	
≥0.20 to 1.0 but	0.150%
<0.30 to 1.0	
≤ 0.20 to 1.0	0.150%

Such facility fees shall accrue from and including the Closing Date to (but excluding the Termination Date) and shall be payable on December 31, March 31, June 30 and on the Termination Date.

(b) The Borrower shall pay to the Administrative Agent, for the account and sole benefit of the Administrative Agent, such fees and other amounts at such times as mutually agreed in writing as of the Closing Date.

SECTION 2.08. Optional Termination or Reduction of Commitments. The Borrower may, upon at least 3 Domestic Business Days' notice to the Administrative Agent, terminate at any time, or proportionately reduce the Unused Commitments from time to time by an aggregate amount of at least \$10,000,000. Upon a reduction of the Unused Commitments, each Bank's Commitments shall be permanently and ratably reduced.

SECTION 2.09. Mandatory Reduction and Termination of Commitments. The Commitments shall terminate on the Termination Date and any Loans then outstanding (together with accrued interest thereon) shall be due and payable by the Borrower on such date.

SECTION 2.10. Optional Prepayments. (a) The Borrower may, upon notice to the Administrative Agent on the same day, prepay any Base Rate Borrowing in whole at any time, or from time to time in part in amounts aggregating at least \$100,000 or any larger amount, by paying the principal amount to be prepaid together with accrued interest thereon to the date of prepayment.

(b) Subject to Section 8.05, the Borrower may, upon at least 2 Euro-Dollar Business Days' notice to the Administrative Agent, prepay any Euro-Dollar Loan in whole at any time, or from time to time in part, prior to the maturity thereof, in amounts aggregating at least \$1,000,000 or any larger multiple of \$100,000, by paying the principal amount to be prepaid together with accrued interest thereon to the date of the prepayment.

(c) Upon any Administrative Agent's receipt of a notice of prepayment pursuant to this Section, such notice shall not thereafter be revocable by the Borrower.

SECTION 2.11. Mandatory Prepayments. On each date on which the Commitments are reduced pursuant to Section 2.08 or Section 2.09, the Borrower shall repay or prepay such principal amount of the outstanding Loans, if any (together with interest accrued thereon), as may be necessary so that after such payment the aggregate unpaid principal amount of the Loans does not exceed the aggregate amount of the Commitments as then reduced.

SECTION 2.12. General Provisions as to Payments. (a) The Borrower shall make each payment of principal of, and interest on, each Bank's Loans and of each Bank's fees hereunder, not later than 11:00 A.M. (Charlotte, North Carolina time) on the date when due, in Federal or other funds immediately available at the place where payment is due, to such Bank at its address set forth on the signature pages hereof or at such other address as such Bank may notify the Borrower in writing from time to time.

(b) Whenever any payment of principal of, or interest on, the Base Rate Loans or of fees shall be due on a day which is not a Domestic Business Day, the date for payment thereof shall be extended to the next succeeding Domestic Business Day. Whenever any payment of principal of or interest on, the Euro-Dollar Loans shall be due on a day which is not a Euro-Dollar Business Day, the date for payment thereof shall be extended to the next succeeding Euro-Dollar Business Day unless such Euro-Dollar Business Day falls in another calendar month, in which case the date for payment thereof shall be the next preceding Euro-Dollar Business Day.

SECTION 2.13. Computation of Interest and Fees. Interest on Base Rate Loans shall be computed on the basis of a year of 360 days and paid for the actual number of days elapsed (including the first day but excluding the last day). Interest on Euro-Dollar Loans shall be computed on the basis of a year of 360 days and paid for the actual number of days elapsed, calculated as to each Interest Period from and including the first day thereof to but excluding the last day thereof. Any fees payable hereunder shall be computed on the basis of a year of 360 days and paid for the actual number of days elapsed (including the first day but excluding the last day).

SECTION 2.14. Amendments Required as a Result of Permanent Facility. In the event that:

(a) the Borrower obtains senior bank debt financing in addition to the Revolving Credit Facilities in an amount greater than \$300 million, including without limitation, in connection with any (i) acquisition (whether of assets or stock) of a business operation, unit, division or entity (each, a "Business"), or (ii) merger or other transaction having the effect of acquiring a Business;

(b) such senior bank debt financing (or any commitment with respect thereto) remains outstanding with the original lender (whether alone or as a part of syndicate of lenders) in whole or in part for a period greater than 180 days (each, a "Permanent Facility");

(c) the Permanent Facility contains any provisions more favorable to the lenders party thereto than the provisions of the Revolving Credit Facilities (the "More Favorable Terms"), including, without limitation, interest rates (including, without limitation, margins), fees or other pricing terms (collectively, the "Pricing Terms") in amounts greater than any comparable Pricing Terms with respect to this Agreement (as reasonably determined by the Banks); and

(d) after giving effect to a fully funded commitment under the Permanent Facility the Debt to Capitalization Ratio shall be greater than 0.40 to 1.00 at the end of any Fiscal Quarter;

then, upon the written request by the Banks after the occurrence of all such events described in the immediately preceding clauses (a), (b), (c) and (d) (the "Amendment Events"), the Borrower agrees to promptly amend the Revolving Credit Facilities effective for so long as the Debt to Capitalization Ratio is greater than 0.40 to 1.00 as follows:

1. to give the Banks the benefit of any such More Favorable Terms, and
2. to increase (but not decrease) any such Pricing Terms of the Revolving Credit Facilities as follows:

- (i) in amounts mutually agreed between the Borrower and the Banks, or
- (ii) in the event such an amendment by mutual agreement is not executed and delivered within 30 days after the Amendment Events, then the Revolving Credit Facilities will be amended such that the Pricing Terms of the Revolving Credit Facilities will be identical to the Pricing Terms of the Permanent Facility.

ARTICLE III

CONDITIONS TO BORROWINGS

SECTION 3.01. Conditions to Effective Date. The obligations of each Bank under this Agreement are subject to the satisfaction of the conditions set forth in Section 3.02 and receipt by the Administrative Agent of the following (in sufficient number of counterparts (except as to the Notes) for delivery of a counterpart to each Bank and retention of one counterpart by the Administrative Agent):

- (a) a written letter agreement evidencing the termination of the Fifth Amended and Restated Credit Agreement dated as of November 23, 1999 among Mohawk Industries, Inc., SunTrust Bank, and Wachovia Bank, National Association, and any other lenders party thereto;
- (b) from each of the parties hereto a duly executed counterpart of this Agreement;
- (c) a duly executed Note by the Borrower for the account of each Bank complying with the provisions of Section 2.04;
- (d) an opinion of Alston & Bird LLP, counsel for the Borrower, dated as of the Effective Date, substantially in the form of Exhibit B;
- (e) the Borrower's most recent audited consolidated financial statements, including, without limitation, a balance sheet and income statement and its most recent 10-K filed with the Securities and Exchange Commission, in such form and substance satisfactory to the Banks in their sole discretion;
- (f) a certificate, dated as of the Effective Date, signed by a principal financial officer of the Borrower, certifying (i) that no Default has occurred and is continuing on the Effective Date, (ii) that the representations and warranties of the Borrower contained in Article IV are true on and as of the Effective Date, and (iii) in detail satisfactory to the Administrative Agent, the amount of all outstanding Debt as of the Effective Date;
- (g) all documents which the Administrative Agent or any Bank may reasonably request relating to the existence of the Borrower, the corporate authority for and the validity of the Loan Documents to which the Borrower is a party, and any other matters relevant thereto, all in form and substance satisfactory to the Administrative Agent, including, without limitation, a certificate of incumbency of the Borrower, signed by the Secretary or an Assistant Secretary of the Borrower, certifying as to the names, true signatures and incumbency of the officer or officers of the Borrower, authorized to execute and deliver the Loan Documents, and certified copies of the following items as to the Borrower: (i) its Certificate of Incorporation, (ii) its Bylaws, (iii) a certificate of the Secretary of State of the State of Delaware as to the good standing of the Borrower as a Delaware corporation, and (iv) the action taken by its Board of Directors (or a duly authorized committee thereof) authorizing its execution, delivery and performance of the Loan Documents to which it is a party; and

(h) a Notice of Borrowing, if necessary.

SECTION 3.02. Conditions to All Borrowings. The obligation of each Bank to make a Loan on the occasion of each Borrowing is subject to the satisfaction of the following conditions:

- (a) receipt by the Administrative Agent of a Notice of Borrowing;
- (b) the fact that, immediately after such Borrowing, no Default shall have occurred and be continuing;
- (c) the fact that the representations and warranties contained in Article IV of this Agreement shall be true on and as of the date of such Borrowing except for changes permitted by this Agreement and except to the extent they relate solely to an earlier date; and
- (d) the fact that, immediately after such Borrowing, the aggregate outstanding principal amount of the Loans will not exceed the amount of the aggregate Commitments.

Each Borrowing hereunder shall be deemed to be a representation and warranty by the Borrower on the date thereof as to the facts specified in paragraphs (b), (c) and (d) of this Section.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES

The Borrower represents and warrants that:

SECTION 4.01. Corporate Existence and Power. The Borrower is a corporation duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation, is duly qualified to transact business in every jurisdiction where, by the nature of its business, such qualification is necessary and where failure to be so qualified could have or create a reasonable possibility of causing a Material Adverse Effect, and has all corporate powers and all material governmental licenses, authorizations, consents and approvals required to carry on its business as now conducted.

SECTION 4.02. Corporate and Governmental Authorization; No Contravention. The execution, delivery and performance by the Borrower of this Agreement, the Notes and the other Loan Documents to which it is a party (i) are within its corporate powers, (ii) have been duly authorized by all necessary corporate action, (iii) require no action by or in respect of or filing with, any governmental body, agency or official (other than routine filings with the Securities and Exchange Commission), (iv) do not contravene, or constitute a default under, any provision of applicable law or regulation or of the certificate of incorporation or by-laws of the Borrower or of any agreement, judgment, injunction, order, decree or other instrument binding upon the Borrower or any of its Subsidiaries, and (v) do not result in the creation or imposition of any Lien on any asset of the Borrower or any of its Subsidiaries.

SECTION 4.03. Binding Effect. This Agreement constitutes a valid and binding agreement of the Borrower enforceable in accordance with its terms, and the Notes and the other Loan Documents, when executed and delivered in accordance with this Agreement, will constitute valid and binding obligations of the Borrower (provided that the Borrower is a party to any such Loan Document) enforceable in accordance with their respective terms, provided that the enforceability hereof and thereof is subject in each case to general principles of equity and to bankruptcy, insolvency and similar laws affecting the enforcement of creditors' rights generally.

SECTION 4.04. Financial Information. (a) The consolidated balance sheet of the Borrower and its Consolidated Subsidiaries as of December 31, 2002, and the related consolidated statements of income, shareholders' equity and cash flows for the Fiscal Year then ended, reported on by KPMG LLP, copies of which have been delivered to each of the Banks, and the unaudited consolidated financial statements of the Borrower for the interim period ended June 30, 2003, copies of which have been delivered to each of the Banks, fairly present in all material respects, in conformity with GAAP, the consolidated financial position of the Borrower and its Consolidated Subsidiaries as of such dates and their consolidated results of operations and cash flows for such periods stated.

(b) Since December 31, 2002, there has been no event, act, condition or occurrence having, or which could reasonably be expected to have a Material Adverse Effect.

SECTION 4.05. No Litigation. Except as set forth on Schedule 4.05, as of the date hereof, there is no action, suit or proceeding pending, or to the knowledge of the Borrower threatened in writing, against or affecting the Borrower or any of its Subsidiaries before any court or arbitrator or any governmental body, agency or official which could reasonably be expected to have a Material Adverse Effect.

SECTION 4.06. Compliance with ERISA. (a) The Borrower and each member of the Controlled Group have fulfilled their obligations under the minimum funding standards of ERISA and the Code with respect to each Plan and are in compliance with the presently applicable provisions of ERISA and the Code (except where such noncompliance could not reasonably be expected to have a Material Adverse Effect), and have not incurred any liability to the PBGC under Title IV of ERISA.

(b) Neither the Borrower nor any member of the Controlled Group is or ever has been obligated to contribute to any Multiemployer Plan.

SECTION 4.07. Taxes. There have been filed on behalf of the Borrower and its Subsidiaries all Federal, state and local income, excise, property and other tax returns which are required to be filed by them and all taxes due pursuant to such returns or pursuant to any assessment received by or on behalf of the Borrower or any Subsidiary have been paid or valid and effective extensions therefor have been obtained. The charges, accruals and reserves on the books of the Borrower and its Subsidiaries in respect of taxes or other governmental charges are, in the opinion of the Borrower, adequate. United States income tax returns of the Borrower and its Subsidiaries' have been examined and closed through the Fiscal Year ended 1994.

SECTION 4.08. Subsidiaries. Each of the Borrower's Subsidiaries is duly organized or formed, validly existing and in good standing under the laws of the jurisdiction of its creation and organization, and has all powers (by virtue of its creation and organization) and all material governmental licenses, authorizations, consents and approvals required to carry on its business as now conducted. As of the date hereof, the Borrower has no Subsidiaries except for those Subsidiaries listed on Schedule 4.08, which accurately sets forth each such Subsidiary's complete name and jurisdiction of creation and organization. Schedule 4.08 also sets forth the amount of the Borrower's and each of its Subsidiaries' Investments in the Foreign Subsidiaries as of the Closing Date.

SECTION 4.09. Not an Investment Company. The Borrower is not an "investment company" within the meaning of the Investment Company Act of 1940, as amended.

SECTION 4.10. Ownership of Property; Liens. Each of the Borrower and its Consolidated Subsidiaries has title to its properties sufficient for the conduct of its business, and none of such property is subject to any Lien except as permitted in Section 5.07.

SECTION 4.11. No Default. Neither the Borrower nor any of its Consolidated Subsidiaries is in default under or with respect to any agreement, instrument or undertaking to which it is a party or by which it or any of its property is bound which could reasonably be expected to have or cause a Material Adverse Effect. No Default or Event of Default has occurred and is continuing.

SECTION 4.12. Full Disclosure. All information heretofore furnished by the Borrower to any Bank for purposes of or in connection with this Agreement or any transaction contemplated hereby is, and all such information hereafter furnished by the Borrower to any Bank will be, true, accurate and complete in every material respect or based on reasonable estimates on the date as of which such information is stated or certified. The Borrower has disclosed to the Banks in writing any and all facts which would have or create a reasonable possibility of causing a Material Adverse Effect.

SECTION 4.13. Environmental Matters. (a) To the best knowledge of the Borrower, after due inquiry (which does not necessarily mean the performance of a phase I environmental audit), (a) neither the Borrower nor any Subsidiary is subject to any Environmental Liability and (b) neither the Borrower nor any Subsidiary has been designated as a potentially responsible party under CERCLA or under any state statute similar to CERCLA in respect of any matters that could reasonably be expected to have a Material Adverse Effect. To the best knowledge of the Borrower, after due inquiry (which does not necessarily mean the performance of a phase I environmental audit), none of the Properties has been identified on any current or proposed (i) National Priorities List under 40 C.F.R. Section 300, (ii) CERCLIS list or (iii) any list arising from a state statute similar to CERCLA, in each case, in respect of any matters that could reasonably be expected to have a Material Adverse Effect.

(b) To the best knowledge of the Borrower, after due inquiry (which does not necessarily mean the performance of a phase I environmental audit), no Hazardous Materials have been or are being used, produced, manufactured, processed, treated, recycled, generated, stored, disposed of, managed or otherwise handled at, or shipped or transported to or from the Properties or are otherwise present at, on, in or under the Properties, or, to the best of the knowledge of the Borrower, at or from any adjacent site or facility, except for (i) Hazardous Materials, such as cleaning solvents, combustion enhancers, pesticides and other materials used, produced, manufactured, processed, treated, recycled, generated, stored, disposed of, managed, or otherwise handled in the ordinary course of business in compliance with all applicable Environmental Requirements, and (ii) Hazardous Materials with respect to which the presence thereof, any required remediation with respect thereto, or the expenses, fines, penalties and other costs relating thereto could not reasonably be expected to have a Material Adverse Effect.

(c) Except for non-compliance which could not reasonably be expected to have a Material Adverse Effect, the Borrower, and each of its Subsidiaries is in compliance with all Environmental Requirements in connection with the operation of the Properties and each of the Borrower's and its Subsidiary's respective businesses.

SECTION 4.14. Capital Stock. All Capital Stock, debentures, bonds, notes and all other securities of the Borrower and its Subsidiaries presently issued and outstanding are validly and properly issued in accordance with all applicable laws, including but not limited to, the "Blue Sky" laws of all applicable states and the federal securities laws. At least a majority of the issued shares of capital stock of each of the Borrower's other Subsidiaries, if any, (other than Wholly Owned Subsidiaries) is owned by the Borrower free and clear of any Lien or adverse claim.

SECTION 4.15. Margin Stock. Neither the Borrower nor any of its Subsidiaries is engaged principally, or as one of its important activities, in the business of purchasing or carrying any Margin Stock, and no part of the proceeds of any Loan will be used, except as permitted by Section 5.11, (a) to purchase or carry any Margin Stock or (b) to extend credit to others for the purpose of purchasing or carrying any Margin Stock.

SECTION 4.16. Insolvency. After giving effect to the execution and delivery of the Loan Documents and the making of the Loans under this Agreement, the Borrower will not be "insolvent," within the meaning of such term as used in O.C.G.A. § 18-2-22 or as defined in § 101 of Title 11 of the United States Code, as amended from time to time, or be unable to pay its debts generally as such debts become due, or have an unreasonably small capital to engage in any business or transaction, whether current or contemplated.

ARTICLE V

COVENANTS

The Borrower agrees that, so long as any Commitment shall remain in effect or any amount payable hereunder or under any Note remains unpaid:

SECTION 5.01. Information. The Borrower will deliver to each of the Banks:

- (a) as soon as available and in any event within 90 days after the end of each Fiscal Year, a consolidated balance sheet of the Borrower and its Consolidated Subsidiaries as of the end of such Fiscal Year and the related consolidated statements of earnings, stockholders' equity and cash flows for such Fiscal Year, setting forth in each case in comparative form the figures for the previous Fiscal Year, including the related unqualified audit opinion issued by KPMG LLP or other independent public accountants of nationally recognized standing, with such certification to be free of exceptions and qualifications not acceptable to the Required Banks;
- (b) as soon as available and in any event within 45 days after the end of each Fiscal Quarter (other than the fourth Fiscal Quarter), a consolidated balance sheet of the Borrower and its Consolidated Subsidiaries as of the end of such Fiscal Quarter and the related consolidated statements of earnings and statements of cash flows for such quarter and for the portion of the Fiscal Year ended at the end of such quarter, setting forth in each case in comparative form the figures for the corresponding quarter and the corresponding portion of the previous Fiscal Year, all certified (subject to normal year-end adjustments) as to fairness of presentation, GAAP (except for the failure to provide footnotes thereto) and consistency by the chief financial officer or the corporate controller of the Borrower;
- (c) simultaneously with the delivery of each set of financial statements referred to in paragraphs (a) and (b) above, a certificate, substantially in the form of Exhibit E (a "Compliance Certificate"), of the chief financial officer, treasurer or the corporate controller of the Borrower (i) setting forth in reasonable detail the calculations required to establish whether the Borrower was in compliance with the requirements of Sections 5.03, 5.04, and Section 5.07, on the date of such financial statements and (ii) stating whether any Default exists on the date of such certificate and, if any Default then exists, setting forth the details thereof and the action which the Borrower is taking or proposes to take with respect thereto;
- (d) simultaneously with the delivery of each set of annual financial statements referred to in paragraph (a) above, operations and cash flow projections (indicating projected earnings and significant cash sources and uses) prepared by the Borrower for the Fiscal Year following the Fiscal Year reported on in such statements referred to in paragraph (a), in such form and substance as is acceptable to the Required Banks, in their sole discretion;

(e) within 1 Domestic Business Day after the Borrower becomes aware of the occurrence of any Default, telephonic notice to each of the Banks of the occurrence of a Default (which telephonic notice shall set forth the details thereof), followed, within 10 Domestic Business Days after the date of such telephonic notice, with a certificate of the chief financial officer or the treasurer of the Borrower setting forth the details thereof and the action which the Borrower is taking or proposes to take with respect thereto;

(f) promptly upon the mailing thereof to the shareholders of the Borrower generally, copies of all financial statements, reports and proxy statements so mailed;

(g) promptly upon the filing thereof, copies of all registration statements (other than the exhibits thereto and any registration statements on Form S-8 or its equivalent) and annual, quarterly or monthly reports which the Borrower shall have filed with the Securities and Exchange Commission;

(h) if and when any member of the Controlled Group (i) gives or is required to give notice to the PBGC of any "reportable event" (as defined in Section 4043 of ERISA) with respect to any Plan which might constitute grounds for a termination of such Plan under Title IV of ERISA, or knows that the plan administrator of any Plan has given or is required to give notice of any such reportable event, a copy of the notice of such reportable event given or required to be given to the PBGC; (ii) receives notice of complete or partial withdrawal liability under Title IV of ERISA, a copy of such notice; or (iii) receives notice from the PBGC under Title IV of ERISA of an intent to terminate or appoint a trustee to administer any Plan, a copy of such notice; and

(i) from time to time such additional information regarding the financial position or business of the Borrower and its Subsidiaries as any Bank may reasonably request, including, without limitation, consolidating balance sheets and statements of earnings of the Borrower and the Borrower's Subsidiaries, in existence at such time, as at the end of any fiscal period.

SECTION 5.02. Inspection of Property, Books and Records. The Borrower will (i) keep, and cause each Subsidiary to keep, proper books of record and account in which full, true and correct entries in conformity with GAAP shall be made of all dealings and transactions in relation to its business and activities; and (ii) permit, and cause each Subsidiary to permit, representatives of any Bank at such Bank's expense prior to the occurrence of a Default and at the Borrower's expense after the occurrence of a Default to visit and inspect any of their respective properties, to examine and make abstracts from any of their respective books and records and to discuss their respective affairs, finances and accounts with their respective officers, employees and independent public accountants. The Borrower agrees to cooperate and assist in such visits and inspections, in each case upon reasonable notice, at such reasonable times and as often as may reasonably be desired.

SECTION 5.03. Debt to Capitalization Ratio. The Debt to Capitalization Ratio shall be less than 0.60 to 1.0 at the end of each Fiscal Quarter.

SECTION 5.04. Debt to EBITDA Ratio. The ratio of the Borrower's (a) Consolidated Debt to (b) the sum of (i) Consolidated Net Income, (ii) Consolidated Interest Expense, (iii) taxes on the Borrower's consolidated pre-tax income, and (iv) Depreciation and Amortization shall not be greater than 3.5 to 1.0 at the end of each Fiscal Quarter. Clause (b) in this Section 5.04 shall be calculated on a trailing 4 quarter basis as at the end of each such Fiscal Quarter.

SECTION 5.05. Restricted Payments. The Borrower shall not declare or make any Restricted Payment unless, after giving effect thereto, no Default shall exist.

SECTION 5.06. Investments. The Borrower will not, and will not permit any of its Subsidiaries to, make or maintain any Investments except (a) Investments in the Borrower or any Subsidiary, including without limitation, advances or loans between or among the Borrower or any Subsidiary and loans and advances to officers and employees of the Borrower or any Subsidiary in the ordinary course of business, provided, however, in no event will Investments made by the Borrower or any Subsidiary in Foreign Subsidiaries after the Closing Date exceed, in the aggregate, 20% of Consolidated Total Assets calculated immediately after giving effect thereto; (b) Investments in Persons engaged in a Permitted Line of Business (whether or not such Person is, or after giving effect to any such Investment becomes, a Subsidiary); (c) Investments in Persons in connection with Permitted Acquisitions; and (d) Investments in Approved Investments; provided, however, during the existence of an Event of Default, neither the Borrower nor any of its Subsidiaries may make any new Investments without the prior written consent of the Required Banks.

SECTION 5.07. Negative Pledge. Neither the Borrower nor any of its Subsidiaries will create, assume or suffer to exist any Lien on any asset now owned or hereafter acquired by it, except:

- (a) Liens existing on the date of this Agreement securing Debt outstanding on the date of this Agreement in an aggregate principal amount not exceeding \$5,000,000;
- (b) any Lien existing on any asset of any Person at the time such Person becomes a Consolidated Subsidiary and not created in contemplation of such event;
- (c) any Lien on any asset securing Debt incurred or assumed for the purpose of financing all or any part of the cost of acquiring or constructing such asset, provided that such Lien attaches to such asset concurrently with or within 18 months after the acquisition or completion of construction thereof;
- (d) any Lien on any asset of any Person existing at the time such Person is merged or consolidated with or into the Borrower or a Consolidated Subsidiary and not created in contemplation of such event;
- (e) any Lien existing on any asset prior to the acquisition thereof by the Borrower or a Consolidated Subsidiary and not created in contemplation of such acquisition;
- (f) Liens securing Debt owing by any Subsidiary to the Borrower;

(g) any Lien arising out of the refinancing, extension, renewal or refunding of any Debt secured by any Lien permitted by any of the foregoing paragraphs of this Section, provided that (i) such Debt is not secured by any additional assets, and (ii) the amount of such Debt secured by any such Lien is not increased;

(h) Liens incidental to the conduct of its business or the ownership of its assets which (i) do not secure Debt and (ii) do not in the aggregate materially detract from the value of its assets or materially impair the use thereof in the operation of its business;

(i) any Lien on Margin Stock;

(j) Liens in connection with an Asset Securitization permitted under Section 5.10;

(k) Liens involuntarily imposed and being contested in good faith, subject to the Borrower or such Subsidiary having established reasonable reserves therefor to the extent required under GAAP;

(l) Liens against the assets of Aladdin (formerly owned by Galaxy) under the Catoosa Co. IRB solely to the extent existing as of the date hereof; and

(m) Liens against the assets of Aladdin (formerly owned by Image Industries, Inc.) under the Summerville City IRB solely to the extent existing as of the date of the Image Acquisition.

provided that Liens permitted by the foregoing paragraphs (a) through (i) shall at no time secure Debt in an aggregate amount exceeding the greater of (x) \$90,000,000 or (y) 15% of Consolidated Net Worth.

SECTION 5.08. Maintenance of Existence. Other than as permitted by Section 5.09 or 5.10, the Borrower shall, and shall cause each Subsidiary to, maintain its corporate existence and carry on its business in a Permitted Line of Business.

SECTION 5.09. Dissolution. Neither the Borrower nor any of its Subsidiaries shall suffer or permit dissolution or liquidation either in whole or in part or redeem or retire any shares of its own stock or that of any Subsidiary, except through corporate reorganization to the extent permitted by Section 5.10 or in connection with a Restricted Payment which is permitted pursuant to Section 5.05.

SECTION 5.10. Consolidations, Mergers and Sales of Assets. The Borrower will not, nor will the Borrower permit any Subsidiary to, consolidate or merge with or into, or sell, lease or otherwise transfer all or any substantial part of its assets to, any other Person, provided that (a) the Borrower may merge with another Person if (i) such Person was organized under the laws of the United States of America or one of its states, (ii) the Borrower is the corporation surviving such merger and (iii) immediately after giving effect to such merger, no Default shall have occurred and be continuing, (b) Subsidiaries of the Borrower may merge with and into the Borrower, any other Subsidiary, or any other Person if after giving effect thereto such other Person would be a Subsidiary, (c) assets may be transferred from a Subsidiary to the Borrower or another Subsidiary, (d) any Wholly-Owned Subsidiary may dissolve or liquidate so long as the assets of such Subsidiary at the time of such dissolution or liquidation are transferred to such Subsidiary's shareholder and such shareholder assumes all of the liabilities of such Subsidiary at the time of such dissolution or liquidation, (e) the Borrower and its Subsidiaries may factor receivables, (f) the Borrower and its Subsidiaries may effect Asset Securitizations, and (g) the foregoing limitation on the sale, lease or other transfer of assets shall not prohibit, during any Fiscal Quarter, a transfer of assets by the Borrower or any Subsidiary (in a single transaction or in a series of related transactions) unless (x) the proceeds thereof are not reinvested within 180 days thereafter in a Permitted Line of Business owned by the Borrower or such Subsidiary or (y) the aggregate assets to be so transferred or utilized in a business line or segment to be so discontinued, when combined with all other assets transferred, and all other assets utilized in all other business lines or segments discontinued, during such Fiscal Quarter and the immediately preceding three Fiscal Quarters, constituted more than 20% of Consolidated Total Assets at the end of the fourth Fiscal Quarter immediately preceding such Fiscal Quarter.

SECTION 5.11. Use of Proceeds. The proceeds of the Loans shall be used by the Borrower to provide for working capital, to finance capital expenditures, to finance Investments permitted under Section 5.06, and for the other general corporate purposes of the Borrower and its Subsidiaries. In no event shall any portion of the proceeds of the Loans be used by the Borrower (i) except for Permitted Acquisitions, in connection with any tender offer for, or other acquisition of, stock of any corporation with a view towards obtaining control of such other corporation, (ii) directly or indirectly, for the purpose, whether immediate, incidental or ultimate, of purchasing or carrying any Margin Stock other than the common stock or other capital stock of the Borrower, or (iii) for any purpose in violation of any applicable law or regulation.

SECTION 5.12. Compliance with Laws; Payment of Taxes. The Borrower will, and will cause each of its Subsidiaries to, comply in all material respects with applicable laws (including but not limited to ERISA), regulations and similar requirements of governmental authorities (including but not limited to PBGC), except where the necessity of such compliance is being contested in good faith through appropriate proceedings or where noncompliance would not have or create a reasonable possibility of causing a Material Adverse Effect. The Borrower will, and will cause each of its Subsidiaries to, pay promptly when due, giving regard for any extensions obtained, all taxes, assessments, governmental charges, claims for labor, supplies, rent and other obligations which, if unpaid, might become a lien against the property of either the Borrower or any Subsidiary, except liabilities being contested in good faith and against which, if requested by the Banks, either the Borrower or such Subsidiary will set up reserves in accordance with GAAP.

SECTION 5.13. Insurance. The Borrower will maintain, and will cause each of its Subsidiaries to maintain (either in the name of the Borrower or in such Subsidiary's own name), with financially sound and reputable insurance companies, insurance on all its property in at least such amounts and against at least such risks as are usually insured against in the same general area by companies of established repute engaged in the same or similar business, subject to the Borrower's right to self-insure with respect to loss or damage to property in an amount reasonably acceptable to the Banks.

SECTION 5.14. Change in Fiscal Year. The Borrower shall give the Banks at least 30 day's prior written notice of any change in the determination of its Fiscal Year.

SECTION 5.15. Maintenance of Property. Subject to the rights of the Borrower or any Subsidiary to discontinue certain operations under Section 5.09 or 5.10, the Borrower shall, and shall cause each Subsidiary to, maintain all of its properties and assets in good working order, ordinary wear and tear and obsolescence excepted (excluding losses due to fully insured, subject to commercially reasonable deductibles, casualties).

SECTION 5.16. Environmental Notices. The Borrower shall furnish to the Banks prompt written notice of all Environmental Liabilities, pending, threatened or anticipated Environmental Proceedings, Environmental Notices, Environmental Judgments and Orders, and Environmental Releases at, on, in, under or in any way affecting the Properties or any adjacent property which would have a Material Adverse Effect, and all relevant facts, events, or conditions relating thereto.

SECTION 5.17. Environmental Matters. The Borrower will not, nor will it permit any Third Party to, use, produce, manufacture, process, treat, recycle, generate, store, dispose of, manage at, or otherwise handle, or ship or transport to or from the Properties any Hazardous Materials except for Hazardous Materials such as cleaning solvents, combustion enhancers, pesticides and other materials used, produced, manufactured, processed, treated, recycled, generated, stored, disposed, managed, or otherwise handled in the ordinary course of business in compliance with all applicable Environmental Requirements.

SECTION 5.18. Environmental Release. The Borrower agrees that upon the occurrence of an Environmental Release which would have a Material Adverse Effect and which violates any Environmental Requirement it will promptly investigate the extent of, and take appropriate action to remediate such Environmental Release, whether or not ordered or otherwise directed to do so by any Environmental Authority.

SECTION 5.19. Debt of Subsidiaries. The Borrower shall not permit any Subsidiary to incur any Debt except for (i) Debt owed by a Subsidiary to the Borrower or another Subsidiary, (ii) Debt deemed incurred in connection with an Asset Securitization permitted under Section 5.10; (iii) (A) Debt of Subsidiaries arising in connection with the Summerville City IRB and the Catoosa Co. IRB and incurrence of reimbursement obligations with respect to the letters of credit relating thereto and (B) other Debt of Subsidiaries arising in connection with the issuance of bonds by governmental authorities so long as such Debt is supported by a letter of credit issued by a financial institution for the benefit of the Borrower and the Borrower is obligated to such financial institution under a reimbursement agreement for the reimbursement of amounts drawn under such letter of credit; and (iv) in addition to Debt incurred under clauses (i) through (iii) of this Section, other Debt of Subsidiaries not exceeding in the aggregate amount outstanding at any time 15% of Consolidated Net Worth.

ARTICLE VI

DEFAULTS

SECTION 6.01. Events of Default. If one or more of the following events ("Events of Default") shall have occurred and be continuing:

- (a) the Borrower shall fail to pay when due any principal or any interest on any Loan or any fee or other amount payable hereunder within 5 Domestic Business Days after such principal, interest, fee or other amount shall become due (except at maturity on the applicable Termination Date); or
- (b) the Borrower shall fail to observe or perform any covenant contained in Sections 5.02(ii), 5.03 through 5.11, inclusive, or 5.19; or
- (c) the Borrower shall fail to observe or perform any covenant or agreement contained or incorporated by reference in this Agreement (other than those covered by paragraph (a) or (b) above) and such failure shall not have been cured within 30 days after the earlier to occur of (i) written notice thereof has been given to the Borrower by the Administrative Agent at the request of any Bank or (ii) the Borrower otherwise becomes aware of any such failure; or
- (d) any representation, warranty, certification or statement made by the Borrower in Article IV of this Agreement or in any certificate, financial statement or other document delivered pursuant to this Agreement or any of the other Loan Documents shall prove to have been incorrect or misleading in any material respect when made (or deemed made); or
- (e) the Borrower or any Subsidiary shall fail to make any payment in respect of Debt in excess of \$25,000,000 in the aggregate outstanding (other than the Notes or pursuant to any of the other Loan Documents) when due, and such failure shall continue following any applicable grace period; or
- (f) any event or condition shall occur which results in the acceleration of the maturity of Debt in excess of \$25,000,000 in the aggregate outstanding of the Borrower or any Subsidiary (including, without limitation, any "put" of such Debt to the Borrower or any Subsidiary) or enables or, with the giving of notice or lapse of time or both, would enable, the holders of such Debt or any Person acting on such holders' behalf to accelerate the maturity thereof (including, without limitation, any "put" of such Debt to the Borrower or any Subsidiary); or
- (g) the Borrower or any Material Subsidiary shall commence a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to itself or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property, or shall consent to any such relief or to the appointment of or taking possession by any such official in an involuntary case or other proceeding commenced against it, or shall make a general assignment for the benefit of creditors, or shall fail generally to pay its debts as they become due, or shall take any corporate action to authorize any of the foregoing; or

(h) an involuntary case or other proceeding shall be commenced against the Borrower or any Material Subsidiary seeking liquidation, reorganization or other relief with respect to it or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property, and such involuntary case or other proceeding shall remain undismissed and unstayed for a period of 60 days; or an order for relief shall be entered against the Borrower or any Material Subsidiary under the federal bankruptcy laws as now or hereafter in effect; or

(i) the Borrower or any member of the Controlled Group shall fail to pay when due any material amount which it shall have become liable to pay to the PBGC or to a Plan under Title IV of ERISA; or notice of intent to terminate a Plan or Plans (other than pursuant to a standard termination) shall be filed under Title IV of ERISA by the Borrower, any member of the Controlled Group, any plan administrator or any combination of the foregoing; or the PBGC shall institute proceedings under Title IV of ERISA to terminate or to cause a trustee to be appointed to administer any such Plan or Plans or a proceeding shall be instituted by a fiduciary of any such Plan or Plans to enforce Section 515 or 4219(c)(5) of ERISA and such proceeding shall not have been dismissed within 30 days thereafter; or a condition shall exist by reason of which the PBGC would be entitled to obtain a decree adjudicating that any such Plan or Plans must be terminated; or

(j) one or more judgments or orders for the payment of money in an aggregate amount in excess of \$25,000,000 (exclusive of insurance coverage if any insurer shall have acknowledged such coverage in writing) shall be rendered against the Borrower or any Material Subsidiary and such judgment or order shall continue unsatisfied and unstayed for a period of 30 days; or

(k) one or more federal tax liens securing an aggregate amount in excess of \$5,000,000 shall be filed against the Borrower or any Material Subsidiary under Section 6323 of the Code or a lien of the PBGC shall be filed against the Borrower or any Material Subsidiary under Section 4068 of ERISA and in either case such lien shall remain undischarged for a period of 25 days after the date of filing; or

(l) (i) any Person or two or more Persons acting in concert shall have acquired, after the Closing Date, beneficial ownership (within the meaning of Rule 13d-3 of the Securities and Exchange Commission under the Securities Exchange Act of 1934) of 30% or more of the outstanding shares of the voting stock of the Borrower; or (ii) as of any date following the Closing Date a majority of the Board of Directors of the Borrower consists of individuals who were not either (A) directors of the Borrower, as appropriate, as of the corresponding date of the previous year, (B) selected or nominated to become directors by the Board of Directors of the Borrower of which a majority consisted of individuals described in clause (A), or (C) selected or nominated to become directors by the Board of Directors of the Borrower of which a majority consisted of individuals described in clause (A) and individuals described in clause (B); or

(m) an "Event of Default" shall occur under any of the other Loan Documents; or

(n) (i) any of the Loan Documents shall cease to be enforceable, or (ii) the Borrower shall assert that any Loan Document shall cease to be enforceable.

then, and in every such event, (i) the Administrative Agent shall, if requested by the Required Banks by notice to the Borrower terminate the Commitments and they shall thereupon terminate, and (ii) the Administrative Agent shall, if requested by the Required Banks by notice to the Borrower declare the Notes (together with accrued interest thereon) to be, and the Notes shall thereupon become, immediately due and payable without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Borrower together with interest at the Default Rate accruing on the principal amount thereof from and after the date of such Event of Default; provided that if any Event of Default specified in paragraph (g) or (h) above occurs with respect to the Borrower, without any notice to the Borrower or any other act by the Administrative Agent or the Banks, the Commitments shall thereupon terminate and the Notes (together with accrued interest thereon) shall become immediately due and payable without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Borrower together with interest thereon at the Default Rate accruing on the principal amount thereof from and after the date of such Event of Default. Notwithstanding the foregoing, each of the Banks shall have available to it all other remedies at law or equity.

SECTION 6.02. Notice of Default.

The Administrative Agent shall give notice to the Borrower of any Default under Section 6.01(c) promptly upon being requested to do so by any Bank and shall thereupon notify all Banks thereof.

ARTICLE VII THE AGENT

SECTION 7.01. Appointment; Powers and Immunities.

Each Bank hereby irrevocably appoints and authorizes the Administrative Agent to act as its agent hereunder and under the other Loan Documents with such powers as are specifically delegated to the Administrative Agent by the terms hereof and thereof, together with such other powers as are reasonably incidental thereto. The Administrative Agent: (a) shall have no duties or responsibilities except as expressly set forth in this Agreement and the other Loan Documents, and shall not by reason of this Agreement or any other Loan Document be a trustee for any Bank; (b) shall not be responsible to the Banks for any recitals, statements, representations or warranties contained in this Agreement or any other Loan Document, or in any certificate or other document referred to or provided for in, or received by any Bank under, this Agreement or any other Loan Document, or for the validity, effectiveness, genuineness, enforceability or sufficiency of this Agreement or any other Loan Document or any other document referred to or provided for herein or therein or for any failure by the Borrower to perform any of its obligations hereunder or thereunder; (c) shall not be required to initiate or conduct any litigation or collection proceedings hereunder or under any other Loan Document except to the extent requested by the Required Banks, and then only on terms and conditions satisfactory to the Administrative Agent, and (d) shall not be responsible for any action taken or omitted to be taken by it hereunder or under any other Loan Document or any other document or instrument referred to or provided for herein or therein or in connection herewith or therewith, except for its own gross negligence or willful misconduct. The Administrative Agent may employ agents and attorneys-in-fact and shall not be responsible for the negligence or misconduct of any such agents or attorneys-in-fact selected by it with reasonable care. The provisions of this Article VII are solely for the benefit of the Administrative Agent and the Banks, and the Borrower shall not have any rights as a third party beneficiary of any of the provisions hereof (other than Section 7.10). In performing its functions and duties under this Agreement and under the other Loan Documents, the Administrative Agent shall act solely as agent of the Banks and does not assume and shall not be deemed to have assumed any obligation towards or relationship of agency or trust with or for the Borrower. The duties of the Administrative Agent shall be ministerial and administrative in nature, and the Administrative Agent shall not have by reason of this Agreement or any other Loan Document a fiduciary relationship in respect of any Bank.

SECTION 7.02. Reliance by Administrative Agent.

The Administrative Agent shall be entitled to rely upon any certification, notice or other communication (including any thereof by telephone, telecopier, telegram or cable) believed by it to be genuine and correct and to have been signed or sent by or on behalf of the proper Person or Persons, and upon advice and statements of legal counsel, independent accountants or other experts selected by the Administrative Agent. As to any matters not expressly provided for by this Agreement or any other Loan Document, the Administrative Agent shall in all cases be fully protected in acting, or in refraining from acting, hereunder and thereunder in accordance with instructions signed by the Required Banks, and such instructions of the Required Banks in any action taken or failure to act pursuant thereto shall be binding on all of the Banks.

SECTION 7.03. Defaults.

The Administrative Agent shall not be deemed to have knowledge of the occurrence of a Default or an Event of Default (other than the nonpayment of principal of or interest on the Loans) unless the Administrative Agent has received notice from a Bank or the Borrower specifying such Default or Event of Default and stating that such notice is a "Notice of Default". In the event that the Administrative Agent receives such a notice of the occurrence of a Default or an Event of Default, the Administrative Agent shall give prompt notice thereof to the Banks. The Administrative Agent shall (subject to Section 9.06) take such action hereunder with respect to such Default or Event of Default as shall be directed by the Required Banks, provided that, unless and until the Administrative Agent shall have received such directions, the Administrative Agent may (but shall not be obligated to) take such action, or refrain from taking such action, with respect to such Default or Event of Default as it shall deem advisable in the best interests of the Banks.

SECTION 7.04. Rights of Administrative Agent and its Affiliates as a Bank.

With respect to the Loans made by the Administrative Agent and any Affiliate of the Administrative Agent, Wachovia in its capacity as a Bank hereunder and any Affiliate of the Administrative Agent or such Affiliate in its capacity as a Bank hereunder shall have the same rights and powers hereunder as any other Bank and may exercise the same as though Wachovia were not acting as the Administrative Agent, and the term "Bank" or "Banks" shall, unless the context otherwise indicates, include Wachovia in its individual capacity and any Affiliate of the Administrative Agent in its individual capacity. The Administrative Agent and any Affiliate of the Administrative Agent may (without having to account therefor to any Bank) accept deposits from, lend money to and generally engage in any kind of banking, trust or other business with the Borrower (and any of the Borrower's Affiliates) as if Wachovia were not acting as the Administrative Agent, and the Administrative Agent and any Affiliate of the Administrative Agent may accept fees and other consideration from the Borrower (and any of the Borrower's Affiliates) (in addition to any agency fees and arrangement fees heretofore agreed to between the Borrower and the Administrative Agent) for services in connection with this Agreement or any other Loan Document or otherwise without having to account for the same to the Banks.

SECTION 7.05. Indemnification.

Each Bank severally agrees to indemnify the Administrative Agent, to the extent the Administrative Agent shall not have been reimbursed by the Borrower, ratably in accordance with its Commitment, for any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses (including, without limitation, counsel fees and disbursements) or disbursements of any kind and nature whatsoever which may be imposed on, incurred by or asserted against the Administrative Agent in any way relating to or arising out of this Agreement or any other Loan Document or any other documents contemplated by or referred to herein or therein or the transactions contemplated hereby or thereby (excluding, unless an Event of Default has occurred and is continuing, the normal administrative costs and expenses incident to the performance of its agency duties hereunder) or the enforcement of any of the terms hereof or thereof or any such other documents; provided that no Bank shall be liable for any of the foregoing to the extent they arise from the gross negligence or willful misconduct of the Administrative Agent. If any indemnity furnished to the Administrative Agent for any purpose shall, in the opinion of the Administrative Agent, be insufficient or become impaired, the Administrative Agent may call for additional indemnity and cease, or not commence, to do the acts indemnified against until such additional indemnity is furnished.

SECTION 7.06. Consequential Damages.

THE AGENT SHALL NOT BE RESPONSIBLE OR LIABLE TO ANY BANK, THE BORROWER OR ANY OTHER PERSON OR ENTITY FOR ANY PUNITIVE, EXEMPLARY OR CONSEQUENTIAL DAMAGES WHICH MAY BE ALLEGED AS A RESULT OF THIS AGREEMENT, THE OTHER LOAN DOCUMENTS OR ANY OF THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY.

SECTION 7.07. Payee of Note Treated as Owner.

The Administrative Agent may deem and treat each Person in whose name a Loan is registered as the owner thereof for all purposes hereof unless and until a written notice of the assignment or transfer thereof shall have been filed with the Administrative Agent and the provisions of Section 9.08(c) have been satisfied. Any requests, authority or consent of any Person who at the time of making such request or giving such authority or consent is the holder of any Note shall be conclusive and binding on any subsequent holder, transferee or assignee of that Note or of any Note or Notes issued in exchange therefor or replacement thereof.

SECTION 7.08. Nonreliance on Administrative Agent and Other Banks.

Each Bank agrees that it has, independently and without reliance on the Administrative Agent or any other Bank, and based on such documents and information as it has deemed appropriate, made its own credit analysis of the Borrower and decision to enter into this Agreement and that it will, independently and without reliance upon the Administrative Agent or any other Bank, and based on such documents and information as it shall deem appropriate at the time, continue to make its own analysis and decisions in taking or not taking action under this Agreement or any of the other Loan Documents. The Administrative Agent shall not be required to keep itself (or any Bank) informed as to the performance or observance by the Borrower of this Agreement or any of the other Loan Documents or any other document referred to or provided for herein or therein or to inspect the properties or books of the Borrower or any other Person. Except for notices, reports and other documents and information expressly required to be furnished to the Banks by the Administrative Agent hereunder or under the other Loan Documents, the Administrative Agent shall not have any duty or responsibility to provide any Bank with any credit or other information concerning the affairs, financial condition or business of the Borrower or any other Person (or any of their Affiliates) which may come into the possession of the Administrative Agent.

SECTION 7.09. Failure to Act.

Except for action expressly required of the Administrative Agent hereunder or under the other Loan Documents, the Administrative Agent shall in all cases be fully justified in failing or refusing to act hereunder and thereunder unless it shall receive further assurances to its satisfaction by the Banks of their indemnification obligations under Section 7.05 against any and all liability and expense which may be incurred by the Administrative Agent by reason of taking, continuing to take, or failing to take any such action.

SECTION 7.10. Resignation or Removal of Administrative Agent.

Subject to the appointment and acceptance of a successor Administrative Agent as provided below, the Administrative Agent may resign at any time by giving notice thereof to the Banks and the Borrower and the Administrative Agent may be removed at any time with or without cause by the Required Banks. Upon any such resignation or removal, the Required Banks shall have the right to appoint a successor Administrative Agent. If no successor Administrative Agent shall have been so appointed by the Required Banks and shall have accepted such appointment within 30 days after the retiring Administrative Agent's notice of resignation or the Required Banks' removal of the retiring Administrative Agent, then the retiring Administrative Agent may, on behalf of the Banks, appoint a successor Administrative Agent. Any successor Administrative Agent shall be a lender which has a combined capital and surplus of at least \$500,000,000. Upon the acceptance of any appointment as Administrative Agent hereunder by a successor Administrative Agent, such successor Administrative Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the retiring Administrative Agent, and the retiring Administrative Agent shall be discharged from its duties and obligations hereunder. After any retiring Administrative Agent's resignation or removal hereunder as Administrative Agent, the provisions of this Article VII shall continue in effect for its benefit in respect of any actions taken or omitted to be taken by it while it was acting as the Administrative Agent hereunder. The appointment of any successor Administrative Agent shall, provided no Default of Event of Default exists, be subject to the Borrower's prior written approval.

ARTICLE VIII

CHANGE IN CIRCUMSTANCES; COMPENSATION

SECTION 8.01. Basis for Determining Interest Rate Inadequate or Unfair. If on or prior to the first day of any Interest Period:

(a) the Administrative Agent determines that deposits in Dollars (in the applicable amounts) are not being offered in the relevant market for such Interest Period, or

(b) the Required Banks advise the Administrative Agent that the London Interbank Offered Rate as determined by the Administrative Agent will not adequately and fairly reflect the cost to such Banks of funding the relevant Euro-Dollar Loans for such Interest Period,

the Administrative Agent shall forthwith give notice thereof to the Borrower and the Banks, whereupon until the Administrative Agent notifies the Borrower that the circumstances giving rise to such suspension no longer exist (which the Administrative Agent agrees to do promptly upon such circumstances ceasing to exist), the obligations of the Banks to make any Euro-Dollar Loan specified in such notice shall be suspended. Unless the Borrower notifies the Administrative Agent at least 2 Domestic Business Days before the date of any Borrowing of such Euro-Dollar Loan for which a Notice of Borrowing has previously been given that it elects not to borrow on such date, such Borrowing shall instead be made as a Base Rate Borrowing.

SECTION 8.02. Illegality. If, after the date hereof, the adoption of any applicable law, rule or regulation, or any change therein, or any change in the interpretation or administration thereof by any governmental authority, central bank or comparable agency charged with the interpretation or administration thereof (any such agency being referred to as an "Authority" and any such event being referred to as a "Change of Law"), or compliance by any Bank (or its Lending Office) with any request or directive (whether or not having the force of law) of any Authority shall make it unlawful or impossible for any Bank (or its Lending Office) to make, maintain or fund its Euro-Dollar Loans, and such Bank shall so notify the Administrative Agent, the Administrative Agent shall forthwith give notice thereof to the other Banks and the Borrower, whereupon until such Bank notifies the Borrower and the Administrative Agent that the circumstances giving rise to such suspension no longer exist (which the Administrative Agent agrees to do promptly upon such circumstances ceasing to exist), the obligation of such Bank to make Euro-Dollar Loans, shall be suspended. Before giving any notice to the Administrative Agent pursuant to this Section, such Bank shall designate a different Lending Office if such designation will avoid the need for giving such notice and will not, in the judgment of such Bank, be otherwise materially disadvantageous to such Bank. If such Bank shall determine that it may not lawfully continue to maintain and fund any of its outstanding Euro-Dollar Loans to maturity and shall so specify in such notice, the Borrower shall immediately prepay in full the then outstanding principal amount of each Euro-Dollar Loan of such Bank, together with accrued interest thereon and any amount due such Bank pursuant to Section 8.05(a). Concurrently with prepaying each such Euro-Dollar Loan, the Borrower shall borrow a Base Rate Loan in an equal principal amount from such Bank (on which interest and principal shall be payable contemporaneously with the related Euro-Dollar Loans of the other Banks), and such Bank shall make such a Base Rate Loan.

SECTION 8.03. Increased Cost and Reduced Return. (a) If after the date hereof, a Change of Law or compliance by any Bank (or its Lending Office) with any request or directive (whether or not having the force of law) of any Authority:

(i) shall subject any Bank (or its Lending Office) to any tax, duty or other charge with respect to its Euro-Dollar Loans, its Note or its obligation to make Euro-Dollar Loans, or shall change the basis of taxation of payments to any Bank (or its Lending Office) of the principal of or interest on its Euro-Dollar Loans or any other amounts due under this Agreement in respect of its Euro-Dollar Loans or its obligation to make Euro-Dollar Loans (except for changes in the rate of tax on the overall net income of such Bank or its Lending Office imposed by the jurisdiction in which such Bank's principal executive office or Lending Office is located); or

(ii) shall impose, modify or deem applicable any reserve, special deposit or similar requirement (including, without limitation, any such requirement imposed by the Board of Governors of the Federal Reserve System, but excluding with respect to any Euro-Dollar Loan any such requirement included in an applicable Euro-Dollar Reserve Percentage) against assets of, deposits with or for the account of, or credit extended by, any Bank (or its Lending Office); or

(iii) shall impose on any Bank (or its Lending Office) or on the United States market for certificates of deposit or the London interbank market any other condition affecting its Euro-Dollar Loans, its Note or its obligation to make Euro-Dollar Loans;

and the result of any of the foregoing is to increase the cost to such Bank (or its Lending Office) of making or maintaining any Euro-Dollar Rate Loan, or to reduce the amount of any sum received or receivable by such Bank (or its Lending Office) under this Agreement or under its Notes with respect thereto, by an amount deemed by such Bank to be material, then, within 15 days after demand by such Bank (with a copy to the Administrative Agent), the Borrower shall pay to such Bank such additional amount or amounts as will compensate such Bank for such increased cost or reduction.

(b) If any Bank shall have determined that after the date hereof the adoption of any applicable law, rule or regulation regarding capital adequacy, or any change therein, or any change in the interpretation or administration thereof, or compliance by any Bank (or its Lending Office) with any request or directive regarding capital adequacy (whether or not having the force of law) of any Authority, has or would have the effect of reducing the rate of return on such Bank's capital as a consequence of its obligations hereunder to a level below that which such Bank could have achieved but for such adoption, change or compliance (taking into consideration such Bank's policies with respect to capital adequacy) by an amount deemed by such Bank to be material, then from time to time, within 15 days after demand by such Bank, the Borrower shall pay to such Bank such additional amount or amounts as will compensate such Bank for such reduction.

(c) Each Bank will promptly notify the Borrower and the Administrative Agent of any event of which it has knowledge, occurring after the date hereof, which will entitle such Bank to compensation pursuant to this Section and will designate a different Lending Office if such designation will avoid the need for, or reduce the amount of, such compensation and will not, in the judgment of such Bank, be otherwise materially disadvantageous to such Bank. A certificate of any Bank claiming compensation under this Section and setting forth the additional amount or amounts to be paid to it hereunder shall be conclusive in the absence of manifest error. In determining such amount, such Bank may use any reasonable averaging and attribution methods.

(d) The provisions of this Section 8.03 shall be applicable with respect to any Participant, Assignee or other Transferee (unless the date of any such assignment or transfer, a condition listed under Section 8.02 or 8.03 existed with respect to any such Participant, Assignee or other Transferee), and any calculations required by such provisions shall be made based upon the circumstances of such Participant, Assignee or other Transferee.

SECTION 8.04. Base Rate Loans Substituted for Euro-Dollar Loans. If (i) the obligation of any Bank to make or maintain Euro-Dollar Loans has been suspended pursuant to Section 8.02 or (ii) any Bank has demanded compensation under Section 8.03, and the Borrower shall, by at least 5 Euro-Dollar Business Days' prior notice to such Bank through the Administrative Agent, have elected that the provisions of this Section shall apply to such Bank, then, unless and until such Bank notifies the Borrower that the circumstances giving rise to such suspension or demand for compensation no longer apply:

(a) all Loans which would otherwise be made by such Bank as Euro-Dollar Loans, as the case may be, shall be made instead as Base Rate Loans; provided, that interest and principal on such Loans shall be payable contemporaneously with the related Euro-Dollar Loans of the other Bank), and

(b) after each of its Euro-Dollar Loan, has been repaid, all payments of principal which would otherwise be applied to repay such Euro-Dollar Loans shall be applied to repay its Base Rate Loans instead.

SECTION 8.05. Compensation. Upon the request of any Bank, delivered to the Borrower and the Administrative Agent, the Borrower shall pay to such Bank such amount or amounts as shall compensate such Bank for any loss, cost or expense actually incurred by such Bank and not compensated pursuant to Section 8.03 as a result of:

(a) any payment or prepayment (pursuant to Section 2.09(b), Section 8.02 or otherwise) of a Euro-Dollar Loan on a date other than the last day of an Interest Period for such Euro-Dollar Loan; or

(b) any failure by the Borrower to prepay a Euro-Dollar Loan on the date for such prepayment specified in the relevant notice of prepayment hereunder; or

(c) any failure by the Borrower to borrow a Euro-Dollar Loan on the date for the Euro-Dollar Borrowing of which such Euro-Dollar Loan is a part specified in the applicable Notice of Borrowing delivered pursuant to Section 2.02;

such compensation to include, without limitation, an amount equal to the excess, if any, of (x) the amount of interest which would have accrued on the amount so paid or prepaid or not prepaid or borrowed for the period from the date of such payment, prepayment or failure to prepay or borrow to the last day of the then current Interest Period for such Euro-Dollar Loan (or, in the case of a failure to prepay or borrow, the Interest Period for such Euro-Dollar Loan which would have commenced on the date of such failure to prepay or borrow) at the applicable rate of interest for such Euro-Dollar Loan provided for herein over (y) the amount of interest (as reasonably determined by such Bank) such Bank would have paid on deposits in Dollars of comparable amounts having terms comparable to such period placed with it by leading banks in the London interbank market.

SECTION 8.06. Replacement of Banks. If any Bank (an "Affected Bank") makes demand for amounts owed under Section 8.03 (other than due to any change in the Eurodollar Reserve Percentage), or gives notice under Section 8.01 or 8.02 that it can no longer participate in Euro-Dollar Loans, then in each case the Borrower shall have the right, if no Default or Event of Default exists, and subject to the terms and conditions set forth in Section 9.08(c) with respect to assignments of Loans, to designate an Assignee (a "Replacement Bank") to purchase the Affected Bank's share of outstanding Loans and all other obligations hereunder and to assume the Affected Bank's obligations to the Borrower under this Agreement; provided, that, any Replacement Bank (and, in any event, may not be an Affiliate of the Borrower). Subject to the foregoing, the Affected Bank agrees to assign without recourse to the Replacement Bank its share of outstanding Loans and its Commitment, and to delegate to the Replacement Bank its obligations to the Borrower under this Agreement. Upon such sale and delegation by the Affected Bank and the purchase and assumption by the Replacement Bank, and compliance with the provisions of Section 9.08(c), the Affected Bank shall cease to be a "Bank" hereunder and the Replacement Bank shall become a "Bank" under this Agreement; provided, however, that any Affected Bank shall continue to be entitled to the indemnification provisions contained elsewhere herein.

ARTICLE IX

MISCELLANEOUS

SECTION 9.01. Notices. All notices, requests and other communications to any party hereunder shall be in writing (including bank wire, telecopier or similar writing) and shall be given to such party at its address or telecopier number set forth on the signature pages hereof or such other address or telecopier number as such party may hereafter specify for the purpose by notice to each other party. Each such notice, request or other communication shall be effective (i) if given by telecopier, when such telecopy is transmitted to the telecopier number specified in this Section and the appropriate confirmation is received, (ii) if given by mail, 72 hours after such communication is deposited in the mails, certified or registered mail, with first class postage prepaid, addressed as aforesaid or (iii) if given by any other means, when delivered at the address specified in this Section; provided, that notices to the Administrative Agent under Article II or Article VIII shall not be effective until received.

SECTION 9.02. No Waivers. No failure or delay by the Administrative Agent or any Bank in exercising any right, power or privilege hereunder or under any Note or other Loan Document shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies herein provided shall be cumulative and not exclusive of any rights or remedies provided by law.

SECTION 9.03. Expenses; Documentary Taxes. The Borrower shall pay (i) all out-of-pocket expenses of the Administrative Agent, including reasonable fees and disbursements actually incurred of special counsel for the Administrative Agent, in connection with the preparation of this Agreement and the other Loan Documents, any waiver or consent hereunder or thereunder or any amendment hereof or thereof and (ii) if a Default or an Event of Default occurs, all out-of-pocket expenses incurred by the Administrative Agent and the Banks, including reasonable fees and disbursements of counsel, actually incurred in connection with such Default and collection and other enforcement proceedings resulting therefrom, including out-of-pocket expenses incurred in enforcing this Agreement and the other Loan Documents. The Borrower shall indemnify the Administrative Agent and each Bank against any transfer taxes, documentary taxes, assessments or charges made by any Authority by reason of the execution and delivery of this Agreement or the other Loan Documents but not by reason of any participation or assignment by the Banks, their successors or assigns.

SECTION 9.04. Indemnification. The Borrower shall indemnify the Administrative Agent, the Banks and each Affiliate thereof and their respective directors, officers, employees and agents (each, an "Indemnified Party") from, and hold each of them harmless against, any and all losses, liabilities, claims or damages to which any of them may become subject, insofar as such losses, liabilities, claims or damages arise out of or result from any actual or proposed use by the Borrower of the proceeds of any extension of credit by any Bank hereunder or breach by the Borrower of this Agreement or any other Loan Document or from any investigation, litigation (including, without limitation, any actions taken by the Administrative Agent or any of the Banks to enforce this Agreement or any of the other Loan Documents) or other proceeding (including, without limitation, any threatened investigation or proceeding) relating to the foregoing, and the Borrower shall reimburse the Administrative Agent and each Bank, and each Affiliate thereof and their respective directors, officers, employees and agents, upon demand for any expenses (including, without limitation, legal fees) incurred in connection with any such investigation or proceeding; but excluding any such losses, liabilities, claims, damages or expenses (i) incurred by reason of the gross negligence or willful misconduct of the Person to be indemnified or (ii) to the extent arising directly out of or resulting directly from claims of one or more Indemnified Parties against another Indemnified Party.

SECTION 9.05. Sharing of Setoffs. Each Bank agrees that if it shall, by exercising any right of setoff or counterclaim or otherwise, receive payment of a proportion of the aggregate amount of principal and interest owing with respect to the Note held by it which is greater than the proportion received by any other Bank in respect of the aggregate amount of all principal and interest owing with respect to the Note held by such other Bank, the Bank receiving such proportionately greater payment shall purchase such participations in the Notes held by the other Banks owing to such other Banks, and such other adjustments shall be made, as may be required so that all such payments of principal and interest with respect to the Note held by the Bank owing to such other Banks shall be shared by the Banks pro rata; provided that (i) nothing in this Section shall impair the right of any Bank to exercise any right of setoff or counterclaim it may have and to apply the amount subject to such exercise to the payment of indebtedness of the Borrower other than its indebtedness under the Notes, and (ii) if all or any portion of such payment received by the purchasing Bank is thereafter recovered from such purchasing Bank, such purchase from such other Banks shall be rescinded and such other Bank shall repay to the purchasing Bank the purchase price of such participation to the extent of such recovery together with an amount equal to such other Banks' ratable share (according to the proportion of (x) the amount of such other Banks' required repayment to (y) the total amount so recovered from the purchasing Bank) of any interest or other amount paid or payable by the purchasing Bank in respect of the total amount so recovered. The Borrower agrees, to the fullest extent it may effectively do so under applicable law, that any holder of a participation in a Note, whether or not acquired pursuant to the foregoing arrangements, may exercise rights of setoff or counterclaim and other rights with respect to such participation as fully as if such holder of a participation were a direct creditor of the Borrower in the amount of such participation.

SECTION 9.06. Amendments and Waivers. (a) Any provision of this Agreement, the Notes or any other Loan Documents may be amended or waived if, but only if, such amendment or waiver is in writing and is signed by the Borrower and the Required Banks (and, if the rights or duties of the Administrative Agent are affected thereby, by the Administrative Agent); provided that, no such amendment or waiver shall, unless signed by all Banks, (i) change the Commitments of any Bank or subject any Bank to any additional obligation, (ii) change the principal of or decrease the rate of interest on any Loan or decrease any fees (other than fees payable to the Administrative Agent) hereunder, (iii) extend the date fixed for any payment of principal of or interest on any Loan or any fees hereunder, (iv) change the amount of principal, interest or fees due on any date fixed for the payment thereof, (v) change the percentage of the Commitments or of the aggregate unpaid principal amount of the Notes, or the number of Banks, which shall be required for the Banks or any of them to take any action under this Section or any other provision of this Agreement, (vi) change the manner of application of any payments made under this Agreement or the Notes, (vii) release or substitute all or any substantial part of the collateral (if any) held as security for the Loans, or (viii) release any Guarantee (if any) given to support payment of the Loans.

(b) The Borrower will not solicit, request or negotiate for or with respect to any proposed waiver or amendment of any of the provisions of this Agreement unless each Bank shall be informed thereof by the Borrower and shall be afforded an opportunity of considering the same and shall be supplied by the Borrower with sufficient information to enable it to make an informed decision with respect thereto. Executed or true and correct copies of any waiver or consent effected pursuant to the provisions of this Agreement shall be delivered by the Borrower to each Bank forthwith following the date on which the same shall have been executed and delivered by the requisite percentage of Banks. The Borrower will not, directly or indirectly, pay or cause to be paid any remuneration, whether by way of supplemental or additional interest, fee or otherwise, to any Bank (in its capacity as such) as consideration for or as an inducement to the entering into by such Bank of any waiver or amendment of any of the terms and provisions of this Agreement unless such remuneration is concurrently paid, on the same terms, ratably to each of the Banks.

SECTION 9.07. No Margin Stock Collateral. Each of the Banks represents to the Administrative Agent and each of the other Banks that it in good faith is not, directly or indirectly (by negative pledge or otherwise), relying upon any Margin Stock as collateral in the extension or maintenance of the credit provided for in this Agreement.

SECTION 9.08. Successors and Assigns. (a) The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns; provided that the Borrower may not assign or otherwise transfer any of its rights under this Agreement.

(b) Any Bank may at any time sell to one or more Persons (each a "Participant") participating interests in any Loan owing to such Bank, its Note, its Commitment hereunder or any other interest of such Bank hereunder. In the event of any such sale by a Bank of a participating interest to a Participant, such Bank's obligations under this Agreement shall remain unchanged, such Bank shall remain solely responsible for the performance thereof, such Bank shall remain the holder of any such Note for all purposes under this Agreement, and the Borrower and the Administrative Agent shall continue to deal solely and directly with such Bank in connection with such Bank's rights and obligations under this Agreement. In no event shall a Bank that sells a participation be obligated to the Participant to take or refrain from taking any action hereunder except that such Bank may agree that it will not (except as provided below), without the consent of the Participant, agree to (i) extend any date fixed for the payment of principal of or interest on the related loan or loans, (ii) the change of the amount of any principal, interest or fees due on any date fixed for the payment thereof with respect to the related loan or loans, (iii) the change of the principal of the related loan or loans, (iv) any decrease in the rate at which either interest is payable thereon or (if the Participant is entitled to any part thereof) commitment fee is payable hereunder from the rate at which the Participant is entitled to receive interest or commitment fee (as the case may be) in respect of such participation, (v) the release or substitution of all or any substantial part of the collateral (if any) held as security for the Loans, or (vi) the release of any Guarantee (if any) given to support payment of the Loans. Unless such Participant is a Related Fund with respect to such Bank, each Bank selling a participating interest in any Loan, Note, Commitment or other interest under this Agreement shall, within 10 Domestic Business Days of such sale, provide the Borrower and the Administrative Agent with written notification stating that such sale has occurred and identifying the Participant and the interest purchased by such Participant. The Borrower agrees that each Participant shall be entitled to the benefits of Article VIII with respect to its participation in Loans outstanding from time to time.

(c) Any Bank may at any time assign to one or more banks or financial institutions (each an "Assignee") all, or a proportionate part of all, of its rights and obligations under this Agreement and the Notes, and such Assignee shall assume all such rights and obligations, pursuant to an Assignment and Acceptance in the form attached hereto as Exhibit C, executed by such Assignee and such transferor Bank and the Administrative Agent; provided that (i) no interest may be sold by a Bank pursuant to this paragraph (c) unless the Assignee shall agree to assume ratably equivalent portions of the transferor Bank's Commitment, (ii) the amount of the Commitment of the assigning Bank subject to such assignment (determined as of the effective date of the assignment) shall be equal to \$10,000,000 (or any larger multiple of \$1,000,000), and (iii) no interest may be sold by a Bank pursuant to this paragraph (c) to any Assignee that is not then a Bank without the consent of the Borrower and the Administrative Agent, which consent shall not be unreasonably withheld or delayed, and (iv) a Bank may not have more than 2 Assignees that are not then Banks at any one time. Each Bank agrees to notify the Agent who will notify the other Banks of any assignment hereunder. Upon (A) execution of the Assignment and Acceptance by such transferor Bank, such Assignee, the Administrative Agent (if applicable) and the Borrower, (B) delivery of an executed copy of the Assignment and Acceptance to the Borrower, and the Administrative Agent, and (C) payment by such Assignee to such transferor Bank of an amount equal to the purchase price agreed between such transferor Bank and such Assignee, such Assignee shall for all purposes be a Bank party to this Agreement and shall have all the rights and obligations of a Bank under this Agreement to the same extent as if it were an original party hereto with a Commitment as set forth in such instrument of assumption, and the transferor Bank shall be released from its obligations hereunder to a corresponding extent, and no further consent or action by the Borrower, the Banks or the Administrative Agent shall be required. Upon the consummation of any transfer to an Assignee pursuant to this paragraph (c), the transferor Bank, the Administrative Agent and the Borrower shall make appropriate arrangements so that, if required, a new Note is issued to each of such Assignee and such transferor Bank.

(d) Subject to the provisions of Section 9.09, the Borrower authorizes each Bank to disclose to any Participant, Assignee or other transferee (each a "Transferee") and any prospective Transferee any and all financial information in such Bank's possession concerning the Borrower which has been delivered to such Bank by the Borrower pursuant to this Agreement or which has been delivered to such Bank by the Borrower in connection with such Bank's credit evaluation prior to entering into this Agreement.

(e) No Transferee shall be entitled to receive any greater payment under Section 8.03 than the transferor Bank would have been entitled to receive with respect to the rights transferred, unless such transfer is made with the Borrower's prior written consent or by reason of the provisions of Section 8.02 or 8.03 requiring such Bank to designate a different Lending Office under certain circumstances or at a time when the circumstances giving rise to such greater payment did not exist.

SECTION 9.09. Confidentiality. Each Bank agrees to exercise its best efforts to keep any information delivered or made available by the Borrower to it which is clearly indicated to be confidential information, confidential from any one other than persons employed or retained by such Bank who are or are expected to become engaged in evaluating, approving, structuring or administering the Loans; provided, however that nothing herein shall prevent any Bank from disclosing such information (i) to any other Bank, (ii) upon the order of any court or administrative agency, (iii) upon the request or demand of any regulatory agency or authority having jurisdiction over such Bank, (iv) which has been publicly disclosed, (v) to the extent reasonably required in connection with any litigation to which the Administrative Agent, any Bank or their respective Affiliates may be a party, (vi) to the extent reasonably required in connection with the exercise of any remedy hereunder, (vii) to such Bank's legal counsel and independent auditors and (viii) to any actual or proposed Participant, Assignee or other Transferee of all or part of its rights hereunder which has agreed in writing to be bound by the provisions of this Section 9.09. Notwithstanding anything herein to the contrary, "Information" shall not include, and each Bank may disclose to any and all persons, without limitation of any kind, any information with respect to the U.S. federal income tax treatment and U.S. federal income tax structure of the transactions contemplated hereby and all materials of any kind (including opinions or other tax analysis) that are provided to such Bank relating to such tax treatment and tax structure.

SECTION 9.10. Representation by Banks. Each Bank hereby represents that it is a commercial lender or financial institution which makes loans in the ordinary course of its business and that it will make its Loans hereunder for its own account in the ordinary course of such business; provided, however that, subject to Section 9.08, the disposition of the Note or Notes held by that Bank shall at all times be within its exclusive control.

SECTION 9.11. Obligations Several. The obligations of each Bank hereunder are several, and no Bank shall be responsible for the obligations or commitment of any other Bank hereunder. Nothing contained in this Agreement and no action taken by Banks pursuant hereto shall be deemed to constitute the Banks to be a partnership, an association, a joint venture or any other kind of entity. The amounts payable at any time hereunder to each Bank shall be a separate and independent debt, and each Bank shall be entitled to protect and enforce its rights arising out of this Agreement or any other Loan Document, subject to any restrictions requiring actions to be taken upon the consent of the Required Banks, and it shall not be necessary for any other Bank to be joined as an additional party in any proceeding for such purpose.

SECTION 9.12. Georgia Law. This Agreement and each Note shall be construed in accordance with and governed by the law of the State of Georgia.

SECTION 9.13. Interpretation. No provision of this Agreement or any of the other Loan Documents shall be construed against or interpreted to the disadvantage of any party hereto by any court or other governmental or judicial authority by reason of such party having or being deemed to have structured or dictated such provision.

SECTION 9.14. WAIVER OF JURY TRIAL; CONSENT TO JURISDICTION. TO THE FULLEST EXTENT PERMITTED BY LAW, THE BORROWER (A) THE AGENT AND EACH OF THE BANKS IRREVOCABLY WAIVES ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF THIS AGREEMENT, ANY OF THE OTHER LOAN DOCUMENTS, OR ANY OF THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY, (B) SUBMITS TO THE NONEXCLUSIVE PERSONAL JURISDICTION IN THE STATE OF GEORGIA, THE COURTS THEREOF AND THE UNITED STATES DISTRICT COURTS SITTING THEREIN, FOR THE ENFORCEMENT OF THIS AGREEMENT, THE NOTES AND THE OTHER LOAN DOCUMENTS, (C) WAIVES ANY AND ALL PERSONAL RIGHTS UNDER THE LAW OF ANY JURISDICTION TO OBJECT ON ANY BASIS (INCLUDING, WITHOUT LIMITATION, INCONVENIENCE OF FORUM) TO JURISDICTION OR VENUE WITHIN THE STATE OF GEORGIA FOR THE PURPOSE OF LITIGATION TO ENFORCE THIS AGREEMENT, THE NOTES OR THE OTHER LOAN DOCUMENTS, AND (D) AGREES THAT SERVICE OF PROCESS MAY BE MADE UPON IT IN THE MANNER PRESCRIBED IN SECTION 9.01 FOR THE GIVING OF NOTICE TO THE BORROWER. NOTHING HEREIN CONTAINED, HOWEVER, SHALL PREVENT THE BANKS FROM BRINGING ANY ACTION OR EXERCISING ANY RIGHTS AGAINST ANY SECURITY AND AGAINST THE BORROWER PERSONALLY, AND AGAINST ANY ASSETS OF THE BORROWER WITHIN ANY OTHER STATE OR JURISDICTION.

[signatures on the following pages]

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

MOHAWK INDUSTRIES, INC. (SEAL)

By: _____
Title:

160 South Industrial Boulevard
Calhoun, Georgia 30703-7002
Attention: Chief Financial Officer or Treasurer
Telecopier number: 706-624-2052
Confirmation number: 706-624-2103

COMMITMENTS:

\$50,000,000

WACHOVIA BANK, NATIONAL ASSOCIATION, as
Administrative Agent and as a
Bank

By:

Title:

Lending Office

301 South College Street
Charlotte, North Carolina 28288

Attention: _____

Telecopier number: _____

Confirmation number: _____

\$50,000,000

SUNTRUST BANK

By:

Title:

Lending Office

SunTrust Bank,
303 Peachtree Street, 3rd Floor
Atlanta, Georgia 30308
Telecopier number: 404-575-2594
Confirmation number: 404-588-7033
Attention: Ken Bauchle, Vice President

TOTAL COMMITMENTS:
\$100,000,000

Exhibit A

NOTE

Atlanta, Georgia

As of _____, 20__

For value received, MOHAWK INDUSTRIES, INC., a Delaware corporation (the "Borrower"), promises to pay to the order of _____, (the "Bank"), for the account of its Lending Office, the principal sum of _____ MILLION DOLLARS (\$ _____), or such lesser amount as shall equal the unpaid principal amount of each Loan made by the Bank to the Borrower pursuant to the Credit Agreement referred to below, on the dates and in the amounts provided in the Credit Agreement. The Borrower promises to pay interest on the unpaid principal amount of this Note on the dates and at the rate or rates provided for in the Credit Agreement referred to below. Interest on any overdue principal of and, to the extent permitted by law, overdue interest on the principal amount hereof shall bear interest at the Default Rate, as provided for in the Credit Agreement. All such payments of principal and interest shall be made in lawful money of the United States in Federal or other immediately available funds at the office of the Bank located at _____, or such other address as may be specified from time to time pursuant to the Credit Agreement.

All Loans made by the Bank, the respective maturities thereof, the interest rates from time to time applicable thereto, and all repayments of the principal thereof shall be recorded by the Bank and, prior to any transfer hereof, endorsed by the Bank on the schedule attached hereto, or on a continuation of such schedule attached to and made a part hereof; provided that the failure of the Bank to make any such recordation or endorsement shall not affect the obligations of the Borrower hereunder or under the Credit Agreement.

This Note is one of the "Notes" referred to in the Credit Agreement dated as of September 30, 2003 among the Borrower, SunTrust Bank, Wachovia Bank, National Association, and the other Banks from time to time party thereto (as the same may be amended and modified from time to time, the "Credit Agreement"). Terms defined in the Credit Agreement are used herein with the same meanings. Reference is made to the Credit Agreement for provisions for the optional and mandatory prepayment and the repayment hereof and the acceleration of the maturity hereof.

IN WITNESS WHEREOF, the Borrower has caused this Note to be duly executed, under seal, by its duly authorized officer as of the day and year first above written.

MOHAWK INDUSTRIES, INC. (SEAL)

By: _____
Title:

Note (cont'd)

LOANS AND PAYMENTS OF PRINCIPAL					
Date	Base Rate or Euro- Dollar Loan	Amount of Loan	Amount of Principal Repaid	Maturity Date	Notation Made By

Exhibit B

OPINION OF
COUNSEL FOR THE BORROWER

To be dated as of the Effective Date and in the form attached hereto.

ASSIGNMENT AND ACCEPTANCE

Dated _____, _____

Reference is made to the Credit Agreement dated as of September 30, 2003 (together with all amendments and modifications thereto, the "Credit Agreement") among Mohawk Industries, Inc., a Delaware corporation (the "Borrower"), SunTrust Bank, Wachovia Bank, National Association, and the other banks from time to time party thereto (collectively, the "Banks"). Terms defined in the Credit Agreement are used herein with the same meaning.

_____ (the "Assignor") and _____ (the "Assignee") agree as follows:

1. The Assignor hereby sells and assigns to the Assignee, and the Assignee hereby purchases and assumes from the Assignor, a _____% interest in and to all of the Assignor's rights and obligations under the Credit Agreement as of the Effective Date (as defined below) (including, without limitation, a _____% interest (which on the Effective Date hereof is \$ _____) in the aggregate principal amount of the Assignor's Commitment) and a _____ interest (which on the Effective Date hereof is \$ _____) in the Loans owing to the Assignor and a _____ interest (which on the Effective Date hereof is \$ _____) in the Note held by the Assignor (which on the Effective Date hereof is \$ _____).
2. The Assignor (i) makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with the Credit Agreement or the execution, legality, validity, enforceability, genuineness, sufficiency or value of the Credit Agreement or any other Loan Documents furnished pursuant thereto, other than that it is the legal and beneficial owner of the interest being assigned by it hereunder, that such interest is free and clear of any adverse claim and that as of the date hereof the aggregate principal amount of the Assignor's Commitments (without giving effect to assignments thereof which have not yet become effective) is \$ _____ and the aggregate outstanding principal amount of all Loans owing to it (without giving effect to assignments thereof which have not yet become effective) is \$ _____; (ii) makes no representation or warranty and assumes no responsibility with respect to the financial condition of the Borrower or the performance or observance by the Borrower of any of its obligations under the Credit Agreement or any other instrument or document furnished pursuant thereto; and (iii) requests that the Borrower execute a new Note dated _____, _____ in the principal amount of \$ _____ payable to the order of the Assignee.
3. The Assignee (i) confirms that it has received a copy of the Credit Agreement, together with copies of the financial statements referred to in Section 4.04(a) thereof (or any more recent financial statements of the Borrower delivered pursuant to Section 5.01(a) or (b) thereof) and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this Assignment and Acceptance; (ii) agrees that it will, independently and without reliance upon the Assignor or any other Bank and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Credit Agreement; (iii) confirms that it is a bank or financial institution; (iv) agrees that it will perform in accordance with their terms all of the obligations which by the terms of the Credit Agreement are required to be performed by it as a Bank; (v) specifies as its Lending Office (and address for notices) the office set forth beneath its name on the signature pages hereof, (vi) represents and warrants that the execution, delivery and performance of this Assignment and Acceptance are within its corporate powers and have been duly authorized by all necessary corporate action[, and (vii) attaches the forms prescribed by the Internal Revenue Service of the United States certifying as to the Assignee's status for purposes of determining exemption from United States withholding taxes with respect to all payments to be made to the Assignee under the Credit Agreement and the Notes or such other documents as are necessary to indicate that all such payments are subject to such taxes at a rate reduced by an applicable tax treaty].

4. The Effective Date for this Assignment and Acceptance shall be _____ (the "Effective Date").

5. From and after the Effective Date, (i) the Assignee shall be a party to the Credit Agreement and, to the extent rights and obligations have been transferred to it by this Assignment and Acceptance, have the rights and obligations of a Bank thereunder and (ii) the Assignor shall, to the extent its rights and obligations have been transferred to the Assignee by this Assignment and Acceptance, relinquish its rights (other than under Section 9.04 of the Credit Agreement) and be released from its obligations under the Credit Agreement.

6. From and after the Effective Date, the Borrower shall make all payments in respect of the interest assigned hereby to the Assignee. The Assignor and Assignee shall make all appropriate adjustments in payments for periods prior to such acceptance by the Borrower directly between themselves.

7. This Assignment and Acceptance shall be governed by, and construed in accordance with, the laws of the State of Georgia.

[NAME OF ASSIGNOR]

By: _____
Title:

[NAME OF ASSIGNEE]

By: _____
Title:

Lending Office:
[Address]

CONSENTED AND AGREED TO:

MOHAWK INDUSTRIES, INC.

By: _____
Title:

NOTICE OF BORROWING

_____, _____

Wachovia Bank, National Association,

as Administrative Agent
301 South College Street

Charlotte, North Carolina 28288

Re: Credit Agreement (as amended and modified from time to time, the "Credit Agreement") dated as of September 30, 2003 by and among MOHAWK INDUSTRIES, INC., SUNTRUST BANK, WACHOVIA BANK, NATIONAL ASSOCIATION, and the other Banks from time to time party thereto.

Ladies and Gentlemen:

Unless otherwise defined herein, capitalized terms used herein shall have the meanings attributable thereto in the Credit Agreement.

This Notice of Borrowing is delivered to you pursuant to Section 2.02 of the Credit Agreement.

The Borrower hereby requests a [Euro-Dollar Borrowing][Base Rate Borrowing] in the aggregate principal amount of \$_____ to be made on _____, 20____, and for interest to accrue thereon at the rate established by the Credit Agreement for [Euro-Dollar Loans][Base Rate Loans]. [The duration of the Interest Period with respect thereto shall be [1 month] [2 months] [3 months] [6 months]].

The Borrower has caused this Notice of Borrowing to be executed and delivered by its duly authorized officer this _____ day of _____, 20____.

MOHAWK INDUSTRIES, INC.

By: _____
Title:

NOTICE OF CONTINUATION OR CONVERSION

_____, 20____

Wachovia Bank, National Association,

as Administrative Agent
301 South College Street

Charlotte, North Carolina 28288

Re: Credit Agreement (as amended and modified from time to time, the "Credit Agreement") dated as of September 30, 2003 by and among MOHAWK INDUSTRIES, INC., SUNTRUST BANK, WACHOVIA BANK, NATIONAL ASSOCIATION, and the other Banks from time to time party thereto.

Gentlemen:

Unless otherwise defined herein, capitalized terms used herein shall have the meanings attributable thereto in the Credit Agreement.

This Notice of Continuation or Conversion is delivered to you pursuant to Section 2.03 of the Credit Agreement.

With respect to the [Base Rate Loans][Euro-Dollar Loans] in the aggregate amount of \$_____ each of which has an Interest Period ending on _____, the Borrower hereby requests that such Loans be [converted to] [Base Rate Loans][Euro-Dollar Loans] [continued as][Euro-Dollar Loans] in the aggregate principal amount of \$_____ to be made on such date, and for interest to accrue thereon at the rate established by the Credit Agreement for [Base Rate Loans] [Euro-Dollar Loans]. [The duration of the Interest Period with respect thereto shall be [1 month] [2 months] [3 months] [6 months]].

The Borrower has caused this Notice of Continuation or Conversion to be executed and delivered by its duly authorized officer this _____ day of _____, 20____.

MOHAWK INDUSTRIES, INC.

By: _____

Title: _____

Exhibit E

COMPLIANCE CERTIFICATE

Reference is made to the Credit Agreement dated as of September 30, 2003 (as modified and supplemented and in effect from time to time, the "Credit Agreement") among Mohawk Industries, Inc., SunTrust Bank, Wachovia Bank, National Association, and the other Banks from time to time party thereto. Capitalized terms used herein shall have the meanings ascribed thereto in the Credit Agreement.

Pursuant to Section 5.01(c) of the Credit Agreement, _____, the duly authorized _____ of Mohawk Industries, Inc. hereby certifies, on behalf of the Borrower, to the Banks that the information contained in the Compliance Check List attached hereto is true, accurate and complete as of _____, _____, and that no Defaults or Events of Default exist.

By: _____
Title:

COMPLIANCE CHECK LIST
(Mohawk Industries, Inc.)

_____, _____

(i) Debt to Capitalization Ratio (Section 5.03)

The Debt to Capitalization Ratio shall be less than 0.60 to 1.0 at the end of each Fiscal Quarter.

- (a) Consolidated Debt \$ _____
- (b) Consolidated Total Capital \$ _____

Actual Ratio of (a) to (b) _____

Maximum Ratio <0.60 to 1.0

Applicable Margin _____

Facility Fee _____%

(ii) Debt to EBITDA Ratio (Section 5.04)

The ratio of the Borrower's (a) Consolidated Debt to (b) the sum of (i) Consolidated Net Income, (ii) Consolidated Interest Expense, (iii) taxes on the Borrower's consolidated pre-tax income, and (iv) Depreciation and Amortization shall not be greater than 3.5 to 1.0 at the end of each Fiscal Quarter. Clause (b) in this Section 5.04 shall be calculated on a trailing 4 quarter basis as at the end of each such Fiscal Quarter.

- (a) Consolidated Debt \$ _____
- (b) Consolidated Net Income \$ _____
- (c) Consolidated Interest Expense \$ _____
- (d) Taxes on the Borrower's consolidated pre-tax income \$ _____
- (e) Depreciation \$ _____
- (f) Amortization \$ _____

(g) (The sum of (b) plus (c) plus (d) plus (e) plus (f)) \$ _____

Actual Ratio of (a) to (g) _____

Maximum Ratio <3.5 to 1.0

(iii) Investments (Section 5.06)

Investments made in Foreign Subsidiaries after the Closing Date \$ _____

Limitation - 20% of Consolidated Total Assets \$ _____

(iv) Negative Pledge (Section 5.08)

Liens permitted under paragraphs (a) through (i) \$ _____

Limitation - greater of (x) \$90,000,000 or

(y) 15% of Consolidated Net Worth \$ _____

(v) Calculations with respect to Asset Securitizations:

Accounts receivable balance reported as of the last day of the Fiscal Quarter most recently ended in such Fiscal Quarter by the Borrower or a Subsidiary with respect to an Asset Securitization \$ _____

Subsidiaries

Name of Subsidiary	Jurisdiction of Formation	Amount of Investment	 Holders of Equity Interest
Mohawk Carpet Corporation	Delaware		Borrower
World International, Inc.	Barbados	\$71,744,956	Mohawk Carpet Corporation
Mohawk Servicing, Inc.	Delaware		Mohawk Carpet Corporation
Mohawk Factoring, Inc.	Delaware		Mohawk Carpet Corporation (79.3%)
Aladdin Manufacturing Corporation	Delaware		World International, Inc. (20.7%)
Mohawk International FSC, Inc.	Barbados	\$0	Mohawk Carpet Corporation
Horizon Europe, Inc.	Georgia		Mohawk Carpet Corporation
Mohawk Mills, Inc.	Delaware		Aladdin Manufacturing Corporation
Mohawk Brands, Inc.	Delaware		Aladdin Manufacturing Corporation
Mohawk Brands USA, Inc.	Delaware		Aladdin Manufacturing Corporation
Mohawk Resources, Inc.	Delaware		Mohawk Carpet Corporation
Mohawk Canada Corporation	Nova Scotia	\$0	Mohawk Carpet Corporation
Aladdin of Texas Holdings, LLC	Delaware		Mohawk Carpet Corporation
Mohawk Carpet Distribution, L.P.	Delaware		Mohawk Mills, Inc.
			Mohawk Mills, Inc. (99%)
Mohawk Carpet Transportation of Georgia, LLC	Delaware		Aladdin of Texas Holdings, LLC (1%)
Mohawk Holdings, LLC	Delaware		Mohawk Carpet Distribution, L.P.
Mohawk Carpet of Texas, L.P.	Delaware		Mohawk Carpet Corporation
			Mohawk Holdings, LLC (99%)
Dal-Tile International Inc.	Delaware		Mohawk Carpet Corporation (1%)
Dal-Tile Group Inc.	Delaware		Borrower
Dal-Tile Corporation	Pennsylvania		Dal-Tile International Inc.
DTM/CM Holdings Inc.	Delaware		Dal-Tile Group Inc.
Dal-Tile Canada Inc.	Ontario, Canada	\$3,138,513	Dal-Tile Group Inc.
Dal-Tile Mexico S.A. de C.V.	Mexico	\$70,472,915	Dal-Tile Group Inc.
			Dal-Tile Group Inc. (99.985%)
			DTM/CM Holdings Inc. (0.004%)
Tileways, Inc.	Delaware		Dal-Tile Corporation (0.011%)
Dal-Tile Puerto Rico Inc.	Puerto Rico		Dal-Tile Corporation
DTG Tile Corp.	Delaware		Dal-Tile Corporation
DTL Tile Corp.	Delaware		Dal-Tile Corporation
Dal-Tile I LLC	Delaware		Dal-Tile Corporation
Dal-Elite L.P.	Texas		Dal-Tile Corporation
			DTL Tile Corp. (99%)
Dal-Italia LLC (80%)	Delaware		DTG Tile Corp. (1%)
			Dal-Tile I LLC (80%)
			EMILAMERICA, Inc. (unrelated) (20%)

CERTIFICATIONS

I, Jeffrey S. Lorberbaum, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Mohawk Industries, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 31, 2003

/s/ Jeffrey S. Lorberbaum

Jeffrey S. Lorberbaum

President and Chief Executive Officer

CERTIFICATIONS

I, John D. Swift, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Mohawk Industries, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 31, 2003

/s/ John D. Swift

John D. Swift

Chief Financial Officer

Statement of Chief Executive Officer of
MOHAWK INDUSTRIES, INC.
Pursuant to 18 U.S.C. Section 1350,
As Adopted Pursuant to
§ 906 of the Sarbanes-Oxley Act of 2002

In connection with the quarterly report of Mohawk Industries, Inc. (the "Company") on Form 10-Q for the period ended September 27, 2003 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Jeffrey S. Lorberbaum, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, based on my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Jeffrey S. Lorberbaum
Jeffrey S. Lorberbaum
President and Chief Executive Officer
October 31, 2003

Statement of Chief Financial Officer of
MOHAWK INDUSTRIES, INC.
Pursuant to 18 U.S.C. Section 1350,
As Adopted Pursuant to
§ 906 of the Sarbanes-Oxley Act of 2002

In connection with the quarterly report of Mohawk Industries, Inc. (the "Company") on Form 10-Q for the period ended September 27, 2003 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, John D. Swift, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, based on my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ John D. Swift
John D. Swift
Chief Financial Officer
October 31, 2003