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January 28, 1988

1 5487
REGISTRATION NO. 15487-1A
FEB 14 1988

JAN 28 1988 - 9 45 AM

8-028A060

INTERSTATE COMMERCE COMMISSION

Secretary
Interstate Commerce Commission
12th and Constitution
Washington, D.C.

REGISTRATION NO. 15487-1A
FEB 14 1988

ICC Washington, D. C.

Dear Secretary:

JAN 28 1988 - 9 45 AM

I have enclosed an original and one counterpart of the documents described below, to be recorded pursuant to Section 11303 of Title 49 of the U.S. Code.

The first document is a Security Agreement dated January 28, 1988 by and between Fiber Industries, Inc. ("Assignor") and The Chase Manhattan (National Association) ("Assignee"). This document is a primary document.

The second document is a Bill of Sale dated January 28, 1988 by and between Celtran, Inc. ("Seller") and Fiber Industries, Inc. ("Purchaser"). This is a secondary document.

The names and addresses of the parties to the documents are as follows:

Seller: Celtran, Inc.
1250 West Mockingbird Lane
Dallas, Texas 75247

Purchaser/Assignor: Fiber Industries, Inc.
P. O. Box 31331
Charlotte, North Carolina 28231

Assignee: The Chase Manhattan Bank (National Association)
1 Chase Manhattan Plaza
New York, New York 10081

A description of the equipment covered by the documents is as follows:

1. Association of American Railroads covered hopper cars LO type, registered by Celtran under the AAR reporting marks CELX 776, CELX 811 and CELX 845, now owned by Fiber Industries, Inc. under the AAR reporting marks FILX 776, FILX 811 and FILX 845.

Counterpart - Seeley B. Wadsworth

JAN 28 9 39 PM '88
MORNING
100-41114-08

Secretary, Interstate Commerce
Commission
January 28, 1988
Page 2

ANDREWS & KURTH

A fee of \$20.00 is enclosed. Please return the originals and extra copies of the Security Agreement and the Bill of Sale not needed by the Commission for recordation to:

Robin Russell, Esq.
c/o Andrews & Kurth
4200 Texas Commerce Tower
Houston, Texas 77002

A short summary of the documents to appear in the index follows:

Bill of Sale between Celtran, Inc. and Fiber Industries, Inc. dated January 28, 1988 and covering three (3) LO type Covered Hoppers numbers CELX 776, CELX 811 and CELX 845.

Security Agreement between Fiber Industries, Inc. and The Chase Manhattan Bank dated January 28, 1988 and covering three (3) LO type Covered Hoppers numbers FILX 776, FILX 811 and FILX 845.

Please date stamp the enclosed copy of this letter and return it to our messenger. Thank you for your assistance in this matter.

Very truly yours,



Robin Russell

321:cam
Enclosures

Interstate Commerce Commission
Washington, D.C. 20423

OFFICE OF THE SECRETARY

Robin Russell, Esq
C/o Andrew & Kurth
4200 Texas Commerce Tower
Houston, TX 77002

Dear

The enclosed document(s) was recorded pursuant to the provisions of Section 11303 of the Interstate Commerce Act, 49 U.S.C. 11303, on _____ at _____, and assigned recordation number(s). ^{1/28/88} 9:45AM
15487 & 15487-A

Sincerely yours,

Narita L. McLee

Secretary

Enclosure(s)

REGISTRATION No. 5487

JAN 28 1988 - 9

INTERSTATE COMMERCE COMMISSION

SECURITY AGREEMENT

100 OFFICE OF THE SECRETARY OF TRANSPORTATION JAN 28 4 40 PM '88

AGREEMENT dated as of January 28, 1988 between FIBER INDUSTRIES, INC., a Delaware corporation (with its successors, the "Borrower"), and THE CHASE MANHATTAN BANK (NATIONAL ASSOCIATION), as agent (the "Agent").

W I T N E S S E T H :

WHEREAS, the Borrower, certain banks (the "Banks") and the Agent are parties to a Credit Agreement dated as of January 28, 1988 (as the same may be amended and in effect from time to time; the "Credit Agreement"), providing, subject to the terms and conditions thereof, for extensions of credit (by making loans and issuing letters of credit) to be made by the Banks to the Borrower;

WHEREAS, the Borrower may, after the date hereof, become obligated to one or more Banks under one or more Interest Rate Agreements as contemplated by Section 9.23 of the Credit Agreement;

WHEREAS, the Borrower and The Chase Manhattan Bank (National Association) ("Chase") are parties to a Contingent Purchase Agreement, dated as of January 28, 1988 (as the same may be amended and in effect from time to time, the "ESOP Guarantee") pursuant to which the Borrower guarantees the obligations of the Fiber Industries, Inc. Employee Stock Ownership Plan (and the trust forming a part thereof) under a Loan Agreement, dated as of January 28, 1988 between said plan (and said trust) and Chase (as the same may be amended and in effect from time to time, the "ESOP Loan Agreement"); and

WHEREAS, in order to induce the Banks and the Agent to enter into the Credit Agreement, in order to induce the Banks to enter into any Interest Rate Agreements and in order to induce Chase to enter into the ESOP Loan Agreement, the Borrower has agreed to grant a continuing security interest in and to the Collateral (as hereafter defined) to secure its obligations under the Credit Agreement, including, without

limitation, its obligations under the notes issued pursuant to the Credit Agreement and its reimbursement obligations with respect to letters of credit issued pursuant thereto, its obligations in respect of Secured Interest Rate Indebtedness (as defined below) and its obligations under the ESOP Guarantee;

NOW, THEREFORE, in consideration of the premises and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

SECTION 1. Definitions

Terms defined in the Credit Agreement and not otherwise defined herein have, as used herein, the respective meanings provided for therein. The following additional terms, as used herein, have the following respective meanings:

"Accounts" means all "accounts" (as defined in the UCC) now owned or hereafter acquired by the Borrower and shall also mean and include all accounts receivable, contract rights, book debts, notes, drafts and other obligations or indebtedness owing to the Borrower arising from the sale, lease or exchange of goods or other property by it and/or the performance of services by it (including, without limitation, any such obligation which might be characterized as an account, contract right or general intangible under the Uniform Commercial Code in effect in any jurisdiction) and all of the Borrower's rights in, to and under all purchase orders for goods, services or other property, and all of the Borrower's rights to any goods, services or other property represented by any of the foregoing (including returned or repossessed goods and unpaid sellers' rights of rescission, replevin, reclamation and rights to stoppage in transit) and all monies due to or to become due to the Borrower under all contracts for the sale, lease or exchange of goods or other property and/or the performance of services by it (whether or not yet earned by performance on the part of the Borrower), in each case whether now in existence or hereafter arising or acquired including, without limitation, the right to receive the proceeds of said purchase orders and contracts and all collateral security and guarantees of any kind given by any Person with respect to any of the foregoing.

"Collateral" has the meaning set forth in Section 3.

"Collateral Account" has the meaning set forth in Section 5.

"Documents" means all "documents" (as defined in the UCC) or other receipts covering, evidencing or representing goods, now owned or hereafter acquired, by the Borrower.

"Equipment" means all "equipment" (as defined in the UCC) now owned or hereafter acquired by the Borrower, including, without limitation, all motor vehicles, trucks, trailers and Rolling Stock.

"Event of Default" has the meaning set forth in the Credit Agreement; provided that at any time after payment in full of all Loans and Letter of Credit Liabilities outstanding under the Credit Agreement and termination of the Commitments and Letters of Credit thereunder in their entirety, "Event of Default" shall mean any Purchase Event under the ESOP Guarantee.

"General Intangibles" means all "general intangibles" (as defined in the UCC) now owned or hereafter acquired by the Borrower, including, without limitation, all right, title and interest of the Borrower under the Assigned Agreements, all obligations or indebtedness owing to the Borrower (other than Accounts) from whatever source arising and all Patent Licenses, Patents, Trademark Licenses, Trademarks, rights in intellectual property, goodwill, trade names, service marks, trade secrets, copyrights, permits and licenses.

"Instruments" means all "instruments", "chattel paper" or "letters of credit" (each as defined in the UCC) evidencing, representing, arising from or existing in respect of, relating to, securing or otherwise supporting the payment of, any of the Accounts, including (but not limited to) promissory notes, drafts, bills of exchange and trade acceptances, now owned or hereafter acquired by the Borrower.

"Inventory" means all "inventory" (as defined in the UCC), now owned or hereafter acquired by the Borrower, wherever located, and shall also mean and include, without limitation, all raw materials and other materials and supplies, work-in-process and finished goods and any products

made or processed therefrom and all substances, if any, commingled therewith or added thereto.

"Leased Rolling Stock" has the meaning set forth in Section 3(A).

"Majority Banks" means, at any time, Secured Parties holding at least 66 2/3% of the outstanding aggregate principal amount of (i) the Loans (other than Swing Loans) and Letter of Credit Liabilities (other than in respect of Swing Letters of Credit but including, without limitation, participation in the Participation Letters of Credit) under the Credit Agreement (or, if no such Loans or Letter of Credit Liabilities are outstanding at such time, the aggregate amount of the Commitments of the Banks under the Credit Agreement) and (ii) the loans under the ESOP Loan Agreement (or, if no such loans are outstanding at such time, the amount of Chase's commitment under the ESOP Loan Agreement).

"Patent License" means any written agreement now or hereafter in existence granting to the Borrower any right to practice any invention on which a Patent is in existence.

"Patents" means all the following: (i) all letters patent of the United States or any other country, all registrations and recordings thereof, and all applications for letters patent of the United States or any other country, including, without limitation, registrations, recordings and applications in the United States Patent and Trademark Office or in any similar office or agency of the United States, any State thereof or any other country or any political subdivision thereof, and (ii) all reissues, continuations, continuations-in-part or extensions thereof.

"Patent Security Agreement" means the Patent Security Agreement executed and delivered by the Borrower in favor of the Agent, for the benefit of the Secured Parties, substantially in the form of Exhibit B hereto, as the same may be amended from time to time.

"Perfection Certificate" means a certificate substantially in the form of Exhibit A hereto, completed and supplemented with the schedules and attachments contemplated thereby to the satisfaction of the Agent, and duly executed by the chief executive officer and the chief legal officer of the Borrower.

"Permitted Liens" means the Security Interests and the Liens on the Collateral permitted to be created, assumed or exist pursuant to Section 9.14 of the Credit Agreement.

"Proceeds" means all proceeds of, and all other profits, rentals or receipts, in whatever form, arising from the collection, sale, lease, exchange, assignment, licensing or other disposition of, or realization upon, collateral, including, without limitation, all claims of the Borrower against third parties for loss of, damage to or destruction of, or for proceeds payable under, or unearned premiums with respect to, policies of insurance in respect of, any collateral, and any condemnation or requisition payments with respect to any collateral, in each case whether now existing or hereafter arising.

"Rolling Stock" means all railcars, barges and other water carrier equipment and all accessions, appurtenances and parts installed on and additions thereto, and replacements thereof, now owned or hereafter acquired by the Borrower.

"Rolling Stock Leases" has the meaning set forth in Section 3(A).

"Rolling Stock Revenues" means any monies, revenues, payments or credits now owned or hereafter acquired by the Borrower which are generated by or attributable to the Rolling Stock or Leased Rolling Stock, including, without limitation, railcar hire payments, mileage allowances, per diem mileage payments, empty mileage allowances, mileage credits and excess mileage credits, in each case whether now existing or hereafter arising.

"Secured Interest Rate Indebtedness" means the obligations of the Borrower to the Banks in respect of the Interest Rate Agreements contemplated by Section 9.23 of the Credit Agreement.

"Secured Obligations" means the obligations secured under this Agreement including (a) all principal of and interest (including, without limitation, any interest which accrues after the commencement of any case, proceeding or other action relating to the bankruptcy, insolvency or reorganization of the Borrower) on any Loan to the Borrower under, or any Note issued by the Borrower pursuant to, or any Reimbursement Obligation of the Borrower under, the Credit Agreement; (b) all other amounts payable by the Borrower under the Credit Agreement; (c) all obligations of the Bor-

power to the Secured Parties constituting Secured Interest Rate Indebtedness; (d) all obligations of the Borrower under the ESOP Guarantee; (e) all other amounts payable by the Borrower hereunder; and (f) any renewals or extensions of any of the foregoing.

"Secured Parties" means (i) the Banks, (ii) the Agent, (iii) the Banks holding Secured Interest Rate Indebtedness and (iv) Chase, as beneficiary of the ESOP Guarantee.

"Security Interests" means the security interests granted pursuant to Section 3, as well as all other security interests created or assigned as additional security for the Secured Obligations pursuant to the provisions of this Agreement.

"Trademark License" means any written agreement now or hereafter in existence granting to the Borrower any right to use any Trademark, including, without limitation, the agreements described in Schedule 1 to Exhibit C hereto.

"Trademarks" means all of the following: (i) all trademarks, trade names, corporate names, company names, business names, fictitious business names, trade styles, service marks, logos, other source or business identifiers, prints and labels on which any of the foregoing have appeared or appear, designs and general intangibles of like nature, now existing or hereafter adopted or acquired, all registrations and recordings thereof, and all applications in connection therewith, including, without limitation, registrations, recordings and applications in the United States Patent and Trademark Office or in any similar office or agency of the United States, any State thereof or any other country or any political subdivision thereof, including, without limitation, those described in Schedule 1 to Exhibit C hereto, and (ii) all reissues, extensions or renewals thereof.

"Trademark Security Agreement" means the Trademark Security Agreement executed and delivered by the Borrower in favor of the Agent, for the benefit of the Secured Parties, substantially in the form of Exhibit C hereto, as the same may be amended from time to time.

"UCC" means the Uniform Commercial Code as in effect on the date hereof in the State of New York; provided that if by reason of mandatory provisions of law, the perfection or the effect of perfection or non-perfection of the Security Interest in any Collateral is governed by the Uniform Commercial Code as in effect in a jurisdiction other

than New York, "UCC" means the Uniform Commercial Code as in effect in such other jurisdiction for purposes of the provisions hereof relating to such perfection or effect of perfection or non-perfection.

SECTION 2. Representations and Warranties

The Borrower represents and warrants as follows:

(A) The Borrower has good title to all of the Collateral now owned or purported to be owned by it, free and clear of any Liens other than the Permitted Liens. The Borrower has taken all actions necessary under the UCC to perfect its interest in any Accounts purchased or in which it otherwise has an interest, as against its assignors and creditors of its assignors.

(B) The Borrower has not performed any acts which might prevent the Agent from enforcing any of the terms of this Agreement or which would limit the Agent in any such enforcement. Other than financing statements or other similar or equivalent documents or instruments with respect to the Security Interests and Permitted Liens, no financing statement, mortgage, security agreement or similar or equivalent document or instrument covering all or any part of the Collateral is on file or of record in any jurisdiction in which such filing or recording would be effective to perfect a Lien on such Collateral. No Collateral is in the possession of any Person (other than the Borrower) asserting any claim thereto or security interest therein, except that the Agent or its designee may have possession of Collateral as contemplated hereby.

(C) Not later than the date of the first borrowing under the Credit Agreement, the Borrower shall deliver the Perfection Certificate to the Agent. The information set forth therein shall be correct and complete. Not later than 60 days following the date of the first borrowing, the Borrower shall furnish to the Agent file search reports from each filing office set forth in Schedule 7 to the Perfection Certificate or other evidence satisfactory to the Majority Banks confirming the filing information set forth in such Schedule.

(D) When UCC financing statements in appropriate form have been filed in the offices specified in the Perfection Certificate, and this Agreement and any amendments hereto in appropriate form have been filed in the office of

the Secretary of the Interstate Commerce Commission, with respect to any Rolling Stock, Leased Rolling Stock or Rolling Stock Leases, the Security Interests shall constitute valid and perfected security interests in the Collateral (except Inventory in transit) to the extent that a security interest therein may be perfected by filing pursuant to the UCC and the Interstate Commerce Act, prior to all other Liens and rights of others therein except for the Permitted Liens. When the Trademark Security Agreement has been filed with the United States Patent and Trademark Office, the Security Interests shall constitute valid and perfected security interests in all right, title and interest of the Borrower in Trademarks and Patents, prior to all other Liens and rights of others therein except for the Permitted Liens.

(E) The Inventory and Equipment are insured in accordance with the requirements of the Credit Agreement.

(F) All Inventory has or will have been produced in compliance with the applicable requirements of the Fair Labor Standards Act, as amended.

SECTION 3. The Security Interests

(A) In order to secure the full and punctual payment of the Secured Obligations in accordance with the terms thereof, and to secure the performance of all of the obligations of the Borrower hereunder, under the Credit Agreement, under the Secured Interest Rate Indebtedness and under the ESOP Guarantee, the Borrower hereby hypothecates and grants to the Agent for the ratable benefit of the Secured Parties a continuing security interest in and to all right, title and interest of the Borrower in the following property, whether now owned or existing or hereafter acquired or arising and regardless of where located (all being collectively referred to as the "Collateral"):

- (1) Accounts;
- (2) Inventory;
- (3) General Intangibles;
- (4) Documents;
- (5) Instruments;
- (6) Equipment;

(7) The Collateral Account, all cash deposited therein from time to time, the Liquid Investments made pursuant to Section 5(D) and other monies and property of any kind of the Borrower in the possession or under the control of the Agent;

(8) All books and records (including, without limitation, customer lists, marketing information, credit files, price lists, operating records, vendor and supplier price lists, sales literature, computer programs, printouts and other computer materials and records) of the Borrower pertaining to any of the Collateral;

(9) All right, title, claims and benefits now owned or hereafter acquired by the Borrower in and to any railcar leases, subleases, rental agreements and car hire contracts in which the Borrower shall at any time have any interest, and any right, title, claim and benefits of the Borrower now owned or hereafter acquired in and to any management agreement concerning all such leases and agreements (collectively, "Rolling Stock Leases"); and all right, title and interest of the Borrower in the railcars and equipment provided pursuant to any Rolling Stock Leases ("Leased Rolling Stock"); in each case, including, without limitation, all rights of the Borrower to receive and apply any Rolling Stock Revenues attributable to any Leased Rolling Stock or pursuant to any Rolling Stock Leases;

(10) All rights now owned or hereafter acquired by the Borrower to receive and collect any Rolling Stock Revenues;

(11) All Proceeds of, attachments or accessions to, or substitutions for all or any of the Collateral described in Clauses 1 through 10 hereof.

(B) The Security Interests are granted as security only and shall not subject the Agent or any other Secured Party to, or transfer or in any way affect or modify, any obligation or liability of the Borrower with respect to any of the Collateral or any transaction in connection therewith.

SECTION 4. Further Assurances; Covenants

(A) (I) The Borrower will maintain (i) the location of its places of business and its chief executive office and (ii) the locations where it keeps or holds any Collateral (other than Inventory and Rolling Stock) or records relating thereto at (x) the applicable location described in the Perfection Certificate, (y) other locations within the States of North Carolina and South Carolina described in the Perfection Certificate or (z) at locations within the United States other than those specified in clauses (x) and (y) if, prior to such relocation, the Borrower shall have given the Agent notice thereof and an opinion of counsel with respect thereto in accordance with Section 4(N); provided that, if such opinion of counsel is delivered solely with respect to the relocation of Collateral, such opinion shall be limited to the perfection and priority of the Security Interests in the Collateral so relocated. The Borrower shall not in any event change the location of any Collateral if such change would cause the Security Interests in such Collateral to lapse or cease to be perfected.

(II) The Borrower will not change its name, identity or corporate structure in any manner unless it shall have given the Agent prior notice thereof and delivered an opinion of counsel with respect thereto in accordance with Section 4(N).

(B) The Borrower will, from time to time, at its expense, execute, deliver, file and record any statement, assignment, instrument, document, agreement or other paper and take any other action (including, without limitation, any filings with the United States Patent and Trademark Office, any filings with the Interstate Commerce Commission and any filings of financing or continuation statements under the UCC) that from time to time may be necessary or desirable, or that the Agent may request, in order to create, preserve, upgrade in rank (to the extent required hereby), perfect, confirm or validate the Security Interests or to enable the Agent and the other Secured Parties to obtain the full benefits of this Agreement, or to enable the Agent to exercise and enforce any of its rights, powers and remedies hereunder with respect to any of the Collateral. To the extent permitted by law, the Borrower hereby authorizes the Agent to execute and file financing statements or continuation statements without the Borrower's signature appearing thereon. The Borrower agrees that a carbon, photographic or other reproduction of this Agreement or of a financing

statement is sufficient as a financing statement. The Borrower shall pay the costs of, or incidental to, any recording or filing of any financing or continuation statements concerning the Collateral.

(C) If any Collateral is at any time in the possession or control of any warehouseman, bailee or any of the Borrower's agents or processors, the Borrower shall, upon the request of the Agent acting on the instructions of the Majority Banks, notify such warehouseman, bailee, agent or processor of the Security Interests created hereby and to hold all such Collateral for the Agent's account subject to the Agent's instructions.

(D) The Borrower shall keep full and accurate books and records relating to the Collateral, and stamp or otherwise mark such books and records in such manner as the Majority Banks may reasonably request in order to reflect the Security Interests.

(E) The Borrower will immediately deliver and pledge each Instrument to the Agent, appropriately endorsed to the Agent, provided that so long as no Event of Default shall have occurred and be continuing, the Borrower may retain for collection in the ordinary course any Instruments (other than checks and drafts constituting payments in respect of Accounts, as to which the provisions of Section 5(B) shall apply) received by it in the ordinary course of business and the Agent shall, promptly upon request of the Borrower, make appropriate arrangements for making any other Instrument pledged by the Borrower available to it for purposes of presentation, collection or renewal (any such arrangement to be effected, to the extent deemed appropriate to the Agent, against trust receipt or like document).

(F) The Borrower shall use its best efforts to cause to be collected from its account debtors, as and when due, any and all amounts owing under or on account of each Account (including, without limitation, Accounts which are delinquent, such Accounts to be collected in accordance with lawful collection procedures) and apply forthwith upon receipt thereof all such amounts as are so collected to the outstanding balance of such Account, except that, unless an Event of Default has occurred and is continuing and the Agent is exercising its rights hereunder to collect Accounts, the Borrower may allow in the ordinary course of business as adjustments to amounts owing under its Accounts (i) an extension or renewal of the time or times of payment, or settlement for less than the total unpaid balance, which the Bor-

rower finds appropriate in accordance with sound business judgment and (ii) a refund or credit due as a result of returned or damaged merchandise, all in accordance with the Borrower's ordinary course of business consistent with its historical collection practices. The costs and expenses (including, without limitation, reasonable attorney's fees) of collection, whether incurred by the Borrower or the Agent, shall be borne by the Borrower.

(G) Upon the occurrence and during the continuance of any Event of Default, upon the request of the Majority Banks acting through the Agent, the Borrower will promptly notify (and the Borrower hereby authorizes the Agent so to notify) each account debtor in respect of any Account or Instrument that such Collateral has been assigned to the Agent hereunder, and that any payments due or to become due in respect of such Collateral are to be made directly to the Agent or its designee.

(H) The Borrower shall, (i) as soon as practicable after the date hereof, in the case of Equipment now owned constituting goods in which a security interest is perfected by a notation on the certificate of title or similar evidence of the ownership of such goods, and (ii) within 10 days of acquiring any other similar Equipment (a) having a value in excess of \$200,000 or (b) having a value in excess of \$100,000, if the aggregate of all such items owned by the Borrower at any time is greater than \$1,000,000, deliver to the Agent any and all certificates of title, applications for title or similar evidence of ownership of such Equipment and shall cause the Agent to be named as lienholder on any such certificate of title or other evidence of ownership. The Borrower shall promptly inform the Agent of any additions to or deletions from the Equipment and shall not permit any such items to become a fixture to real estate other than real estate described in the Mortgage.

(I) The Borrower shall as soon as practicable after the date hereof, at its own cost and expense, cause to be plainly, distinctly, permanently and conspicuously placed, fastened or painted upon each side of each item of Rolling Stock a legend bearing such words as the Agent may request indicating the Lien over and security interest in such Rolling Stock created hereby in letters not less than one inch in height. The Borrower may permit the Rolling Stock to be operated within the United States, but shall not permit the Rolling Stock to be operated outside the boundaries of the continental United States.

(J) Without the prior written consent of the Majority Banks, the Borrower will not (a) sell, lease, exchange, assign or otherwise dispose of, or grant any option with respect to, any Collateral except as permitted under Section 9.13 or 9.17 of the Credit Agreement and, in the case of any such sale or exchange, the Security Interests created hereby in such item (but not in any Proceeds arising from such sale or exchange) shall cease immediately without any further action on the part of the Agent; or (b) create, incur or suffer to exist any Lien with respect to any Collateral, except for the Permitted Liens.

(K) The Borrower will maintain insurance in accordance with Section 9.03 of the Credit Agreement.

(L) The Borrower will, promptly upon request, provide to the Agent all information and evidence it may reasonably request concerning the Collateral, and in particular the Accounts, to enable the Agent to enforce the provisions of this Agreement.

(M) The Borrower shall notify the Agent immediately if it knows, or has reason to know, that any application or registration relating to any Patent or Trademark may become abandoned or dedicated, or of any adverse determination or development (including, without limitation, the institution of, or any such determination or development in, any proceeding in the United States Patent and Trademark Office or any court) regarding the Borrower's ownership of any Patent or Trademark, its right to register the same, or to keep and maintain the same. In the event that any Patent, Patent License, Trademark or Trademark License is infringed, misappropriated or diluted by a third party, the Borrower shall notify the Agent promptly after it learns thereof and shall, unless the Borrower shall reasonably determine that any such action would be of negligible economic value, promptly sue for infringement, misappropriation or dilution and to recover any and all damages for such infringement, misappropriation or dilution, and take such other actions as the Borrower shall reasonably deem appropriate under the circumstances to protect such Patent, Patent License, Trademark or Trademark License. In no event shall the Borrower, either itself or through any agent, employee or licensee, file an application for the registration of any Patent or Trademark with the United States Patent and Trademark Office or any similar office or agency in any other country or any political subdivision thereof, unless not less than 30 days prior thereto it informs the Agent, and, upon request of the Agent, executes

and delivers any and all agreements, instruments, documents and papers the Agent may request to evidence the Security Interests in such Patent, or Trademark and the goodwill and general intangibles of the Borrower relating thereto or represented thereby (including but not limited to, if the Borrower acquires any right, title or interest in a Patent, a Patent Security Agreement), and the Borrower hereby constitutes the Agent its attorney-in-fact to execute and file all such writings for the foregoing purposes, all acts of such attorney being hereby ratified and confirmed; such power, being coupled with an interest, shall be irrevocable until the Secured Obligations are paid in full.

(N) Not more than six months nor less than 10 days prior to each date on which the Borrower proposes to take any action contemplated by Section 4(A)(I) or (II), the Borrower shall, at its cost and expense, cause to be delivered to the Secured Parties an opinion of counsel satisfactory to the Agent (the Borrower's general counsel being deemed to be satisfactory unless the Agent notifies the Borrower otherwise), substantially in the form of Exhibit D, to the effect that all financing statements and amendments or supplements thereto, continuation statements and other documents required to be recorded or filed in order to perfect and protect the Security Interests for a period, specified in such opinion, continuing until a date not earlier than eighteen months from the date of such opinion, against all creditors of and purchasers from the Borrower have been filed in each filing office necessary for such purpose and that all filing fees and taxes, if any, payable in connection with such filings have been paid in full.

(O) Within five (5) Business Days of entering into any Rolling Stock Lease, the Borrower will deliver such Rolling Stock Lease to the Agent and the Borrower shall not thereafter without the consent of the Agent permit to occur any material amendment, other material modification or termination of such Rolling Stock Lease.

(P) From time to time upon request by the Agent, the Borrower shall, at its cost and expense, cause to be delivered to the Secured Parties an opinion of counsel satisfactory to the Agent as to such matters relating to the Collateral and the Security Interests contemplated hereby as the Majority Banks may reasonably request.

SECTION 5. Collateral Account

(A) There is hereby established with the Agent a cash collateral account (the "Collateral Account") in the name and under the control of the Agent into which there shall be deposited from time to time the cash proceeds of the Collateral required to be delivered to the Agent pursuant to subsection (B) of this Section 5 or any other provision of this Agreement. Any income received by the Agent with respect to the balance from time to time standing to the credit of the Collateral Account, including any interest or capital gains on Liquid Investments, shall remain, or be deposited, in the Collateral Account. All right, title and interest in and to the cash amounts on deposit from time to time in the Collateral Account together with any Liquid Investments from time to time made pursuant to subsection (D) of this Section shall vest in the Agent, shall constitute part of the Collateral hereunder and shall not constitute payment of the Secured Obligations until applied thereto as hereinafter provided.

(B) The Borrower shall instruct all account debtors and other Persons obligated in respect of all Accounts or in respect of any Rolling Stock Revenues to make all payments in respect of such Accounts or Rolling Stock Revenues either (i) directly to the Agent (by instructing that such payments be remitted to a post office box which shall be in the name and under the control of the Agent) or (ii) to one or more other banks in any state (other than Louisiana) in the United States (by instructing that such payments be remitted to a post office box which shall be in the name and under the control of such bank) under a Lockbox Letter substantially in the form of Exhibit E hereto duly executed by the Borrower and such bank or under other arrangements, in form and substance satisfactory to the Agent, pursuant to which the Borrower shall have irrevocably instructed such other bank (and such other bank shall have agreed) to remit all proceeds of such payments directly to the Agent for deposit into the Collateral Account or as the Agent may otherwise instruct such bank. All such payments made to the Agent shall be deposited in the Collateral Account. In addition to the foregoing, the Borrower agrees that if the proceeds of any Collateral hereunder (including the payments made in respect of Accounts or Rolling Stock Revenues) shall be received by it, the Borrower shall as promptly as possible deposit such proceeds into the Collateral Account. Until so deposited, all such proceeds shall be held in trust by the Borrower for and as the property of the Agent and the Secured Parties and

shall not be commingled with any other funds or property of the Borrower.

(C) The balance from time to time standing to the credit of the Collateral Account shall, except upon the occurrence and continuation of an Event of Default, be distributed to the Borrower upon the order of the Borrower. If immediately available cash on deposit in the Collateral Account is not sufficient to make any distribution to the Borrower referred to in the previous sentence of this Section 5(C), the Agent shall liquidate as promptly as practicable Liquid Investments as required to obtain sufficient cash to make such distribution and, notwithstanding any other provision of this Section 5, such distribution shall not be made until such liquidation has taken place. Upon the occurrence and continuation of an Event of Default, the Agent shall, if so instructed by the Majority Banks, apply or cause to be applied (subject to collection) any or all of the balance from time to time standing to the credit of the Collateral Account in the manner specified in Section 9.

(D) Amounts on deposit in the Collateral Account shall be invested and re-invested from time to time in such Liquid Investments as the Borrower shall determine, which Liquid Investments shall be held in the name and be under the control of the Agent, provided that, if an Event of Default has occurred and is continuing, the Agent shall, if instructed by the Majority Banks, liquidate any such Liquid Investments and apply or cause to be applied the proceeds thereof to the payment of the Secured Obligations in the manner specified in Section 9. For this purpose, (i) each Liquid Investment shall mature within 30 days after it is acquired by the Agent and (ii) in order to provide the Agent, for the benefit of the Secured Parties, with a perfected security interest therein, each Liquid Investment shall be either:

(i) evidenced by negotiable certificates or instruments, or if non-negotiable then issued in the name of the Agent, which (together with any appropriate instruments of transfer) are delivered to, and held by, the Agent or an agent thereof (which shall not be the Borrower or any of its Affiliates) in the State of New York; or

(ii) in book-entry form and issued by the United States and subject to pledge under applicable state law and Treasury regulations and as to which (in the opinion of counsel to the

Agent) appropriate measures shall have been taken for perfection of the Security Interests.

SECTION 6. General Authority

The Borrower hereby irrevocably appoints the Agent its true and lawful attorney, with full power of substitution, in the name of the Borrower, the Agent, the Secured Parties or otherwise, for the sole use and benefit of the Agent and the other Secured Parties, but at the Borrower's expense, to the extent permitted by law to exercise, at any time and from time to time while an Event of Default has occurred and is continuing, all or any of the following powers with respect to all or any of the Collateral:

(i) to demand, sue for, collect, receive and give acquittance for any and all monies due or to become due thereon or by virtue thereof,

(ii) to settle, compromise, compound, prosecute or defend any action or proceeding with respect thereto,

(iii) to sell, transfer, assign or otherwise deal in or with the same or the proceeds or avails thereof, as fully and effectually as if the Agent were the absolute owner thereof, and

(iv) to extend the time of payment of any or all thereof and to make any allowance and other adjustments with reference thereto;

provided that the Agent shall give the Borrower not less than ten days' prior written notice of the time and place of any sale or other intended disposition of any of the Collateral, except any Collateral which is perishable or threatens to decline speedily in value or is of a type customarily sold on a recognized market. The Borrower agrees that such notice constitutes "reasonable notification" within the meaning of Section 9-504(3) of the UCC.

SECTION 7. Remedies upon Event of Default

(A) If any Event of Default has occurred and is continuing, the Agent may exercise on behalf of the Secured Parties all rights of a secured party under the UCC (whether or not in effect in the jurisdiction where such rights are

exercised) and, in addition, the Agent may, without being required to give any notice, except as herein provided or as may be required by mandatory provisions of law, (i) withdraw all cash and Liquid Investments in the Collateral Account and apply such monies, Liquid Investments and other cash, if any, then held by it as Collateral as specified in Section 9 and (ii) if there shall be no such monies, Liquid Investments or cash or if such monies, Liquid Investments or cash shall be insufficient to pay all the Secured Obligations in full, sell the Collateral or any part thereof at public or private sale, for cash, upon credit or for future delivery, and at such price or prices as the Agent may deem satisfactory. The Agent or any other Secured Party may be the purchaser of any or all of the Collateral so sold at any public sale (or, if the Collateral is of a type customarily sold in a recognized market or is of a type which is the subject of widely distributed standard price quotations, at any private sale) and thereafter hold the same, absolutely, free from any right or claim of whatsoever kind. The Borrower will execute and deliver such documents and take such other action as the Agent deems necessary or advisable in order that any such sale may be made in compliance with law. Upon any such sale the Agent shall have the right to deliver, assign and transfer to the purchaser thereof the Collateral so sold. Each purchaser at any such sale shall hold the Collateral so sold to it absolutely, free from any claim or right of whatsoever kind, including any equity or right of redemption of the Borrower which, to the extent permitted by law, hereby specifically waives all rights of redemption, stay or appraisal which it has or may have under any law now existing or hereafter adopted. The notice (if any) of such sale required by Section 6 shall (1) in case of a public sale, state the time and place fixed for such sale, and (2) in the case of a private sale, state the day after which such sale may be consummated. Any such public sale shall be held at such time or times within ordinary business hours and at such place or places as the Agent may fix in the notice of such sale. At any such sale the Collateral may be sold in one lot as an entirety or in separate parcels, as the Agent may determine. The Agent shall not be obligated to make any such sale pursuant to any such notice. The Agent may, without notice or publication, adjourn any public or private sale or cause the same to be adjourned from time to time by announcement at the time and place fixed for the sale, and such sale may be made at any time or place to which the same may be so adjourned. In case of any sale of all or any part of the Collateral on credit or for future delivery, the Collateral so sold may be retained by the Agent until the selling price is paid by the purchaser thereof, but the Agent

shall not incur any liability in case of the failure of such purchaser to take up and pay for the Collateral so sold and, in case of any such failure, such Collateral may again be sold upon like notice. The Agent, instead of exercising the power of sale herein conferred upon it, may proceed by a suit or suits at law or in equity to foreclose the Security Interests and sell the Collateral, or any portion thereof, under a judgment or decree of a court or courts of competent jurisdiction.

(B) For the purpose of enforcing any and all rights and remedies under this Agreement the Agent may (i) require the Borrower to, and the Borrower agrees that it will, at its expense and upon the request of the Agent, forthwith assemble all or any part of the Collateral as directed by the Agent and make it available at a place designated by the Agent which is, in its opinion, reasonably convenient to the Agent and the Borrower, whether at the premises of the Borrower or otherwise, (ii) to the extent permitted by applicable law, enter, with or without process of law and without breach of the peace, any premise where any of the Collateral is or may be located, and without charge or liability to it seize and remove such Collateral from such premises, (iii) have access to and use the Borrower's books and records relating to the Collateral and (iv) prior to the disposition of the Collateral, store or transfer it without charge in or by means of any storage or transportation facility owned or leased by the Borrower, process, repair or recondition it or otherwise prepare it for disposition in any manner and to the extent the Agent deems appropriate and, in connection with such preparation and disposition, use without charge any trademark, trade name, copyright, patent or technical process used by the Borrower.

(C) Without limiting the generality of the foregoing, if any Event of Default has occurred and is continuing,

(i) the Agent may license, or sublicense, whether general, special or otherwise, and whether on an exclusive or non-exclusive basis, any Patents or Trademarks included in the Collateral throughout the world for such term or terms, on such conditions and in such manner as the Agent shall in its sole discretion determine;

(ii) the Agent may (without assuming any obligations or liability thereunder), at any time and from time to time, enforce (and shall have the exclusive right to enforce) against any licensee or

sublicensee all rights and remedies of the Borrower in, to and under any Patent Licenses or Trademark Licenses and take or refrain from taking any action under any thereof, and the Borrower hereby releases the Agent and each of the other Secured Parties from, and agrees to hold the Agent and each of the other Secured Parties free and harmless from and against any claims arising out of, any lawful action so taken or omitted to be taken with respect thereto; and

(iii) upon request by the Agent, the Borrower will execute and deliver to the Agent a power of attorney, in form and substance satisfactory to the Agent, for the implementation of any lease, assignment, license, sublicense, grant of option, sale or other disposition of a Patent or Trademark. In the event of any such disposition pursuant to this Section, the Borrower shall supply its know-how and expertise relating to the manufacture and sale of the products bearing Trademarks or the products or services made or rendered in connection with Patents, and its customer lists and other records relating to such Patents or Trademarks and to the distribution of said products, to the Agent.

(D) Notwithstanding the foregoing,

(i) so long as no Event of Default has occurred and is continuing, the Borrower shall have the exclusive, non-transferable right and license to make, have made, use and sell the inventions disclosed and claimed in any Patent Licenses and Patents and the exclusive right to grant licenses and sublicenses to others under such Patents and Patent Licenses; and

(ii) to the extent that any of the Assigned Agreements or any other contract assigned hereunder relates exclusively to either or both of the Plants, no such Assigned Agreement or other contract shall be sold or otherwise disposed of to any Person other than a person who is the owner of the Plant or Plants to which such Assigned Agreement or other contract relates.

SECTION 8. Limitation on Duty of Agent
in Respect of Collateral.

Beyond the safe custody thereof, the Agent shall have no duty as to any Collateral in its possession or control or in the possession or control of any agent or bailee or any income thereon or as to the preservation of rights against prior parties or any other rights pertaining thereto. The Agent shall be deemed to have exercised reasonable care in the custody and preservation of the Collateral in its possession if the Collateral is accorded treatment substantially equal to that which it accords its own property, and shall not be liable or responsible for any loss or damage to any of the Collateral, or for any diminution in the value thereof, by reason of the act or omission of any warehouseman, carrier, forwarding agency, consignee or other agent or bailee selected by the Agent in good faith.

SECTION 9. Application of Proceeds

Upon the occurrence and during the continuance of an Event of Default, the proceeds of any sale of, or other realization upon, all or any part of the Collateral and any cash held in the Collateral Account shall be applied by the Agent in the following order of priorities:

first, to payment of the expenses of such sale or other realization, including reasonable compensation to the Agent and its agents and counsel, and all expenses, liabilities and advances incurred or made by the Agent in connection therewith, and any other unreimbursed expenses for which the Agent or any other Secured Party is to be reimbursed pursuant to Section 12.03 of the Credit Agreement, Section 7.03 of the ESOP Guarantee or Section 13 hereof and unpaid fees owing to the Agent under the Credit Agreement;

second, to the ratable payment of accrued but unpaid interest on the Secured Obligations and amounts owing to the Secured Parties in respect of Secured Interest Rate Indebtedness; provided that any payments made or to be made to the Borrower pursuant to any Interest Rate Agreements shall be applied first to the payment in full of the accrued

but unpaid interest on the Term Loans of the Borrower and the Term Loan Notes issued by the Borrower and then ratably amongst such other Secured Obligations;

third, to the ratable payment of unpaid principal of the Secured Obligations;

fourth, to the ratable payment of all other amounts payable by the Borrower under the Credit Agreement;

fifth, to the ratable payment of all other Secured Obligations, until all Secured Obligations shall have been paid in full; and

finally, to payment to the Borrower or its successors or assigns, or as a court of competent jurisdiction may direct, of any surplus then remaining from such proceeds.

The Agent may make distributions hereunder in cash or in kind or, on a ratable basis, in any combination thereof.

SECTION 10. Assigned Agreements

The Borrower hereby irrevocably authorizes and empowers the Agent for and on behalf of the Secured Parties, in the Agent's sole discretion, if an Event of Default has occurred and is continuing, to assert, either directly or on behalf of the Borrower any claims the Borrower may have, from time to time, against any other party to the Assigned Agreements or to otherwise exercise any right or remedy of the Borrower under the Assigned Agreements (including, without limitation, the right to enforce directly against any party to an Assigned Agreement all of the Borrower's rights thereunder, to make all demands and give all notices and make all requests required or permitted to be made by the Borrower under the Assigned Agreements) as the Agent may deem proper. The Borrower hereby irrevocably makes, constitutes and appoints the Agent (and all officers, employees or agents designated by the Agent) as the Borrower's true and lawful attorney-in-fact for the purpose of enabling the Agent, if an Event of Default has occurred and is continuing, to assert and collect such claims and to exercise such rights and remedies. The Borrower shall keep the Agent informed of all material circumstances bearing upon the right, title and interest of the Borrower under the Assigned Agreements.

SECTION 11. Concerning the Agent

The provisions of Section 11 of the Credit Agreement shall inure to the benefit of the Agent in respect of this Agreement and shall be binding upon the parties to the Credit Agreement in such respect. In furtherance and not in derogation of the rights, privileges and immunities of the Agent therein set forth:

(A) The Agent is authorized to take all such action as is provided to be taken by it as Agent hereunder and all other action reasonably incidental thereto. As to any matters not expressly provided for herein (including, without limitation, the timing and methods of realization upon the Collateral) the Agent shall act or refrain from acting in accordance with written instructions from the Majority Banks or, in the absence of such instructions, in accordance with its discretion.

(B) The Agent shall not be responsible for the existence, genuineness or value of any of the Collateral or for the validity, perfection, priority or enforceability of the Security Interests in any of the Collateral, whether impaired by operation of law or by reason of any action or omission to act on its part hereunder. The Agent shall have no duty to ascertain or inquire as to the performance or observance of any of the terms of this Agreement by the Borrower.

SECTION 12. Appointment of Co-Agents

At any time or times, in order to comply with any legal requirement in any jurisdiction, the Agent may appoint another bank or trust company or one or more other persons, either to act as co-agent or co-agents, jointly with the Agent, or to act as separate agent or agents on behalf of the Secured Parties with such power and authority as may be necessary for the effectual operation of the provisions hereof and may be specified in the instrument of appointment (which may, in the discretion of the Agent, include provisions for the protection of such co-agent or separate agent similar to the provisions of Section 11).

SECTION 13. Expenses

In the event that the Borrower fails to comply with the provisions of the Credit Agreement or this Agreement,

such that the value of any Collateral or the validity, perfection, rank or value of any Security Interest is thereby diminished or potentially diminished or put at risk, the Agent if requested by the Majority Banks may, but shall not be required to, effect such compliance on behalf of the Borrower, and the Borrower shall reimburse the Agent for the costs thereof on demand. All insurance expenses and all expenses of protecting, storing, warehousing, appraising, insuring, handling, maintaining, and shipping the Collateral, any and all excise, property, sales, and use taxes imposed by any state, federal, or local authority on any of the Collateral, or in respect of periodic appraisals and inspections of the Collateral to the extent the same may be requested by the Majority Banks from time to time, or in respect of the sale or other disposition thereof shall be borne and paid by the Borrower; and if the Borrower fails to promptly pay any portion thereof when due, the Agent or any other Secured Party may, at its option, but shall not be required to, pay the same and charge the Borrower's account therefor, and the Borrower agrees to reimburse the Agent or such Secured Party therefor on demand. All sums so paid or incurred by the Agent (or, while an Event of Default is continuing, any other Secured Party) for any of the foregoing and any and all other sums for which the Borrower may become liable hereunder and all costs and expenses (including attorneys' fees, legal expenses and court costs) reasonably incurred by the Agent or any other Secured Party in enforcing or protecting the Security Interests or any of their rights or remedies under this Agreement, shall, together with interest thereon until paid at the rate applicable to Prime Rate Loans made under the Credit Agreement, be additional Secured Obligations hereunder.

SECTION 14. Termination of Security Interests; Release of Collateral

Upon the repayment in full of all Secured Obligations and the termination of the Commitments and Letters of Credit under the Credit Agreement, the expiration or termination of the commitments of the Banks to make payments under any Interest Rate Agreements and the termination of the commitment of Chase under the ESOP Loan Agreement, the Security Interests shall terminate and all rights to the Collateral shall revert to the Borrower. At any time and from time to time prior to such termination of the Security Interests, the Agent may release any of the Collateral with the prior written consent of the Banks. Upon any such termination of the Security Interests or release of Collateral,

the Agent will, at the expense of the Borrower, execute and deliver to the Borrower such documents as the Borrower shall reasonably request to evidence the termination of the Security Interests or the release of such Collateral, as the case may be.

SECTION 15. Notices

All notices, approvals, requests, demands and other communications hereunder shall be given in accordance with Section 12.02 of the Credit Agreement.

SECTION 16. Waivers, Non-Exclusive Remedies

No failure on the part of the Agent to exercise, and no delay in exercising and no course of dealing with respect to, any right under the Credit Agreement or this Agreement shall operate as a waiver thereof; nor shall any single or partial exercise by the Agent of any right under the Credit Agreement or this Agreement preclude any other or further exercise thereof or the exercise of any other right. The rights in this Agreement and the Credit Agreement are cumulative and are not exclusive of any other remedies provided by law.

SECTION 17. Successors and Assigns

This Agreement is for the benefit of the Agent and the other Secured Parties and their successors and assigns, and in the event of an assignment of all or any of the Secured Obligations, the rights hereunder, to the extent applicable to the indebtedness so assigned, may be transferred with such indebtedness. This Agreement shall be binding on the Borrower and its successors and assigns.

SECTION 18. Changes in Writing

Neither this Agreement nor any provision hereof may be changed, waived, discharged or terminated orally, but only in writing signed by the Borrower and the Agent with the consent of the Majority Banks.

SECTION 19. New York Law

This Agreement shall be construed in accordance with and governed by the laws of the State of New York, except as otherwise required by mandatory provisions of law and except to the extent that remedies provided by the laws of any jurisdiction other than New York are governed by the laws of such jurisdiction.

SECTION 20. Limitation of Laws

All rights, remedies and powers provided in this Agreement may be exercised only to the extent that the exercise thereof does not violate any applicable provision of law, and all the provisions of this Agreement are intended to be subject to all applicable mandatory provisions of law which may be controlling and which may not be effectively waived by the Borrower and to be limited to the extent necessary so that they will not render this Agreement invalid, unenforceable, in whole or in part, or not entitled to be recorded, registered or filed under the provisions of any applicable law.

SECTION 21. Severability

If any provision hereof is invalid and unenforceable in any jurisdiction, then, to the fullest extent permitted by law, (i) the other provisions hereof shall remain in full force and effect in such jurisdiction and shall be liberally construed in favor of the Agent and the other Secured Parties in order to carry out the intentions of the parties hereto as nearly as may be possible; and (ii) the invalidity or unenforceability of any provision hereof in any jurisdiction shall not affect the validity or enforceability of such provision in any other jurisdiction.

SECTION 22. Counterparts

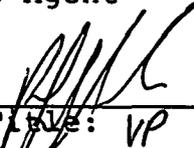
This Agreement may be executed in any number of counterparts, all of which taken together shall constitute one and the same instrument and any of the parties hereto may execute this Agreement by signing any such counterpart.

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

FIBER INDUSTRIES, INC.

By 
Title:

THE CHASE MANHATTAN BANK
(NATIONAL ASSOCIATION),
as Agent

By 
Title: VP

STATE OF NEW YORK)
) ss.:
COUNTY OF NEW YORK)

On the 25th day of January, 1988 before me personally came Paul Beckwith, to me known, who, being by me duly sworn, did depose and says that he resides at 14 E. 17th Street, Apt 8, New York, NY 10003; that he is a Vice President of THE CHASE MANHATTAN BANK (NATIONAL ASSOCIATION), the association described in and which executed the above instrument; and that he signed his name thereto by order of the board of directors of said association.

Francine Weiner
Notary Public

FRANCINE WEINER
Notary Public, State of New York
No. 4873547
Qualified in Westchester County
Certificate Filed in New York County
Commission Expires Oct. 14, 1988

PERFECTION CERTIFICATE

The undersigned, the chief executive officer and chief legal officer of FIBER INDUSTRIES, INC., a Delaware corporation (the "Borrower"), hereby certify with reference to the Security Agreement dated as of January 28, 1988 between the Borrower and The Chase Manhattan Bank (National Association), as Agent (terms defined therein being used herein as therein defined), to the Agent and each Secured Party as follows:

1. Names. (a) The exact corporate name of the Borrower as it appears in its certificate of incorporation is as follows:

Fiber Industries, Inc.

(b) Set forth below is each other corporate name the Borrower has had since its organization, together with the date of the relevant change:

(c) The Borrower has not changed its identity or corporate structure in any way within the past five years.

(d) The following is a list of all other names (including trade names or similar appellations) used by the Borrower or any of its divisions or other business units at any time during the past five years:

2. Current Locations. (a) The chief executive office of the Borrower is located at the following address:

Mailing Address

County

State

(b) The following are all the locations where the Borrower maintains any books or records relating to any Accounts:

<u>Name</u>	<u>Mailing Address</u>	<u>County</u>	<u>State</u>
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(c) The following are all the places of business of the Borrower not identified above:

<u>Name</u>	<u>Mailing Address</u>	<u>County</u>	<u>State</u>
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(d) The following are all the locations where the Borrower maintains any Inventory not identified above:

<u>Name</u>	<u>Mailing Address</u>	<u>County</u>	<u>State</u>
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(e) The following are the names and addresses of all Persons other than the Borrower which have possession of any of the Borrower's Inventory:

<u>Name</u>	<u>Mailing Address</u>	<u>County</u>	<u>State</u>
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3. Prior Locations. (a) Set forth below is the information required by subparagraphs (a), (b) and (c) of paragraph 2 with respect to each location or place of business maintained by the Borrower at any time during the past five years:

(b) Set forth below is the information required by subparagraphs (d) and (e) of paragraph 2 with respect to each location or bailee where or with whom Inventory has been lodged at any time during the past four months:

4. Unusual Transactions. Except as set forth in Schedule 4, all Accounts have been originated by the Borrower and all Inventory and Equipment have been acquired by the Borrower in the ordinary course of its business.

5. File Search Reports. Attached hereto as Schedule 5(A) is a true copy of a file search report from the Uniform Commercial Code filing officer in each jurisdiction identified in paragraph 2 or 3 above with respect to each name set forth in paragraph 1 above. Attached hereto as Schedule 5(B) is a true copy of each financing statement or other filing identified in such file search reports. A file search has been performed with respect to each name set forth in paragraph 1 above (i) in the records of the Interstate Commerce Commission with respect to all Rolling Stock and Leased Rolling Stock and (ii) in the records of the United States Patent and Trademark Office with respect to all Patents and Trademarks, and no filings other than those referred to in paragraph 6 below related to such Patents, Trademarks, Rolling Stock and Leased Rolling Stock were discovered in such searches.

6. Filings. A duly signed financing statement on Form UCC-1 in substantially the form of Schedule 6(A) hereto has been duly filed in the Uniform Commercial Code filing office in each jurisdiction identified in paragraph 2 hereof, a duly signed copy of the Security Agreement has been duly filed with the Secretary of the Interstate Commerce Commission, and a duly signed copy of the Trademark Security Agreement has been duly filed with the United States Patent and Trademark Office. A true copy of each such filing duly acknowledged by the filing officer has been delivered to the Agent. Attached hereto as Schedule 6(B) is a true copy of each such filing duly acknowledged by the filing officer.

7. Schedule of Filings. Attached hereto as Schedule 7 is a schedule setting forth filing information with respect to the filings described in paragraph 6 above.

8. Filing Fees. All filing fees and taxes payable in connection with the filings described in paragraph 6 above have been paid.

IN WITNESS WHEREOF, we have hereunto set our hands this 28th day of Janaury, 1988.

Title:

Title:

Description of Collateral

All accounts, contract rights, general intangibles, inventory, equipment, chattel paper and documents, now owned or hereafter acquired, wherever located and all proceeds thereof.

SCHEDULE OF FILINGS

<u>Debtor</u>	<u>Filing Officer</u>	<u>File Number</u>	<u>Date of Filing*</u>
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* Indicate lapse date, if other than fifth anniversary.

PATENT SECURITY AGREEMENT

(PATENTS, PATENT APPLICATIONS AND PATENT LICENSES)

WHEREAS, Fiber Industries, Inc., a Delaware corporation (herein referred to as "Grantor") owns the Patents listed on Schedule 1 annexed hereto, and is a party to the Patent Licenses listed on Schedule 1 annexed hereto;

WHEREAS, the Grantor, certain banks and The Chase Manhattan Bank (National Association), as agent for such banks, are parties to a Credit Agreement of even date herewith (as the same may be amended and in effect from time to time among said parties and such subsidiaries of the Grantor and such banks (the "Banks") as may from time to time be parties thereto, the "Credit Agreement");

WHEREAS, the Grantor and The Chase Manhattan Bank (National Association) ("Chase") are parties to a Contingent Purchase Agreement of even date herewith (as the same may be amended and in effect from time to time, the "ESOP Guarantee"), pursuant to which the Grantor guarantees the obligations of the Fiber Industries, Inc. Employee Stock Ownership Plan (and the trust forming a part thereof) under that certain Loan Agreement of even date herewith between said plan (and said trust) and Chase;

WHEREAS, the Company may, after the date hereof, become obligated to the Banks in respect of indebtedness under one or more Interest Rate Agreements (as defined in the Credit Agreement) as contemplated by Section 9.23 of the Credit Agreement;

WHEREAS, pursuant to the terms of the Security Agreement dated as of January 28, 1988 (as said Agreement may be amended and in effect from time to time, the "Security Agreement"), between Grantor and The Chase Manhattan Bank (National Association), as agent for the secured parties referred to therein (in such capacity, together with its successors in such capacity, the "Grantee"), Grantor has granted to Grantee for the ratable benefit of such secured parties a security interest in substantially all the assets of the Grantor including all right, title and interest of Grantor in, to and under all Grantor's Patents (as defined in the Security Agreement), together with any reissue, continuation, continuation-in-part or extension thereof, all Grantor's Patent applications and all Grantor's Patent Licen-

ses (as defined in the Security Agreement), whether presently existing or hereafter arising or acquired, and all products and proceeds thereof, including, without limitation, any and all causes of action which may exist by reason of infringement thereof for the full term of the Patents, to secure the payment of all amounts owing by the Grantor under the Credit Agreement and under the ESOP Guarantee and obligations of the Grantor constituting Secured Interest Rate Indebtedness (as defined in the Security Agreement);

NOW, THEREFORE, for good and valuable consideration receipt and sufficiency of which are hereby acknowledged, Grantor does hereby grant to Grantee a continuing security interest in all of Grantor's right, title and interest in, to and under the following (all of the following items or types of property being herein collectively referred to as the "Patent Collateral"), whether presently existing or hereafter arising or acquired:

(i) each Patent and Patent application, including, without limitation, each Patent [and Patent application] referred to in Schedule 1 annexed hereto;

(ii) each Patent License, including, without limitation, each Patent License listed on Schedule 1 annexed hereto; and

(iii) all products and proceeds of the foregoing, including, without limitation, any claim by Grantor against third parties for past, present or future infringement of any Patent, including, without limitation, any Patent referred to in Schedule 1 annexed hereto, and any Patent licensed under any Patent License listed, including, without limitation, any Patent License listed on Schedule 1 annexed hereto.

Grantor represents and warrants to the Grantee that as of the date hereof it has no right, title or interest in any Patent application. This security interest is granted in conjunction with the security interests granted to the Grantee pursuant to the Security Agreement. Grantor does hereby further acknowledge and affirm that the rights and remedies of Grantee with respect to the security interest in the Patent Collateral made and granted hereby are more fully set forth in the Security Agreement, the terms and provisions of which are incorporated by reference herein as if fully set forth herein.

IN WITNESS WHEREOF, Grantor has caused this Patent Security Agreement to be duly executed by its officer thereunto duly authorized as of the ___ day of _____, 19__.

FIBER INDUSTRIES, INC.

By: _____
Title:

Acknowledged:

THE CHASE MANHATTAN BANK
(NATIONAL ASSOCIATION),
as Agent

By: _____
Title:

PATENT LICENSES

Name of Agreement

Parties

Date of Agreement

Patent License
Agreement re:
U.S. Patent No.

_____,
a _____
corporation,
and
Grantor

_____, 19__

[others]