

MUTUAL NON-DISCLOSURE AGREEMENT

This non-disclosure Agreement (the "Agreement") is made and entered into as of the Effective Date of the Licensing Agreement entered into between HI-TEX, INC., a Michigan corporation (the "Licensor") and QUAKER FABRIC CORPORATION OF FALL RIVER, a Massachusetts company (the "Licensee").

Recitals

The parties above have entered into a License Agreement (the "Business Relationship") which may involve the disclosure by each party (the "Discloser") to the other party (the "Recipient") of confidential and proprietary information which is owned by the Discloser, its affiliates or third parties.

Agreement

NOW THEREFORE, in consideration of the mutual promises contained herein, the parties agree by their signature on the License Agreement as follows:

The Confidential Information heretofore and hereafter to be exchanged between the parties is proprietary and confidential to each of the parties, respectively, and is of significant importance and value to the parties and their respective businesses. Accordingly, in order for the parties to facilitate their Business Relationship and to provide the basis for them to furnish additional Confidential Information to each other, and in consideration thereof, the parties hereto have agreed as follows:

1. During the course of disclosures hereunder and in perpetuity thereafter, each of the parties shall not, with respect to Confidential Information received by the Recipient the Discloser:

a. publish or disclose any Confidential Information heretofore or hereafter so received to anyone other than to only those directors, officers, and employees of the Recipient who have a need to know such Confidential Information in order to carry out the purpose of the disclosures contemplated by the parties; or

b. directly or indirectly use any Confidential Information for the Recipient's own benefit (except to carry out the purposes of the disclosures described above) or for the benefit of any third-party.

2. Each Recipient shall apply to Confidential Information such security procedures as it applies to like information of its own, provided that each Recipient shall in any event, at its own expense, provide a secure place for its retention and use of Confidential Information and observe and comply with Paragraph 3 hereof.

3. Each party has represented and warranted to and agreed with the other of them that each of its directors, officers and employees to whom Confidential Information is disclosed will be advised in advance of the terms of this Agreement.

4. Each party understands, acknowledges and agrees that Confidential Information is of great competitive as well as monetary value to the other and that, therefore, each party has the right to bring an action to enjoin the improper use or disclosure of Confidential Information, it being agreed that a suit for monetary damages alone would be an inadequate remedy.

5. The parties agree to maintain any written record made of the other's Confidential Information as "Confidential."

6. Upon termination of the License Agreement, the Recipient shall promptly return to the Discloser all documents or records and all copies thereof containing such Discloser's Confidential Information. All documents, memoranda, notes and other writings prepared by the Recipient on the basis of such Discloser's Confidential Information shall also be returned to the Discloser promptly after such request or, in the alternative and promptly after such request, the Recipient shall destroy all of the foregoing and shall certify to the Discloser as to such destruction. The foregoing shall include, without limitation, all such records and other information in written, graphic, computer media or other form.

7. Nothing contained herein shall be construed to grant either party a license or right to use any Confidential Information of the other, or a license under any patent, trademark, copyright, know-how or trade secret of either party, except as specifically provided in the course of the Business Relationship.

8. "Confidential Information" is defined for purposes of this Agreement to include, but not to be limited to, any one or more of the following, which is designated as confidential by a party: trade secrets; customer lists; business plans, methods and practices; marketing plans; non-public financial data; product specifications and designs; the existence, nature, substance, progress and results of research and development projects; inventions; discoveries; formulae; processes; drawings; documents; records; and/or any other information, whether similar to the specified information or not. Confidential Information includes, without limitation, such of the foregoing as are developed by either party, alone or jointly with the other of them or others, whether or not in the course of the Business Relationship, as well as such of the foregoing as either party may furnish to the other from time to time.

9. Each of the parties acknowledges that Confidential Information will be furnished, or otherwise made available to the other party incident to a relationship of trust and confidence.

10. Anything herein to the contrary notwithstanding, neither of the parties, as Recipient, shall have any obligation of confidentiality with respect to any Confidential Information which:

- a. was already known to the Recipient prior to acquisition from, or disclosure by the Discloser; or
- b. is or becomes publicly known through no fault or act of the Recipient; or
- c. is rightfully received by the Recipient from a third-party not known by the Recipient to have an obligation of confidentiality to the other party with respect thereto; or
- d. is approved to release by written authorization of the Discloser; or
- e. is developed by the Recipient, independently or jointly with others and, in either case, without use of or reference to Confidential Information of the other party hereto; or
- f. the Recipient is ordered by a court of competent jurisdiction to disclose, pursuant to an order from which no further right of appeal exists or cannot be stayed pending any such appeal; provided such disclosure is strictly in accordance with such order, and provided further that the Recipient shall have given the Discloser prompt prior notice of such order and of any request therefore and a reasonable opportunity, at the Discloser's expense, to object to or appeal from, or to require the Recipient to object to or appeal from, any such order or request therefore and/or to obtain a protective order with respect thereto.

11. The dispute resolution provisions of the License Agreement shall apply to this schedule.
