

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

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In re: : Chapter 11
: Case No. 02-40667-brl
GUILFORD MILLS, INC., *et al.*, :
: (Jointly Administered)
Debtors. :
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**FIRST AND FINAL APPLICATION OF ARTHUR ANDERSEN LLP
FOR APPROVAL OF PROFESSIONAL FEES FOR THE PERIOD
FROM MARCH 13, 2002 THROUGH JUNE 4, 2002**

TO THE HONORABLE BURTON R. LIFLAND,
UNITED STATES BANKRUPTCY JUDGE:

Arthur Andersen LLP (“Arthur Andersen”) respectfully files this First and Final Application (the “Application”) for approval of professional fees of Arthur Andersen as auditors, accounting and tax advisors for Guilford Mills, Inc. (“Guilford”) and certain of its subsidiaries (collectively, the “Debtors”) for the period from March 13, 2002 through June 4, 2002 (the “Application Period”). This Application is filed pursuant to §§ 330 and 331 of Title 11 of the United States Code (the “Bankruptcy Code”) and Rule 2016(a) of the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”). In support of the Application, Arthur Andersen states:

INTRODUCTION

1. This Application is made for the first and final allowance of compensation for services rendered as auditors, accounting and tax advisors to the Debtors during the Application Period in the total amount of \$152,211 for 1,068.3 hours of services rendered by professionals. Attached as Exhibit A is a Fee Application Summary Sheet (the “Fee Summary”)

as required by the Executive Office of the U.S. Trustee's Guidelines (the "Guidelines") dated March 22, 1995, as amended January 30, 1996.

2. On March 13, 2002 (the "Petition Date"), each of the Debtors filed with this Court a voluntary petition for relief under chapter 11 of the Bankruptcy Code. The Court has entered an order directing the joint administration of these cases pursuant to Rule 1015(b) of the Bankruptcy Rules.

3. Guilford, a publicly held company, is a leading worldwide producer and seller of warp knit, circular knit, flat-woven and woven valor fabrics. Through its domestic and foreign subsidiaries, Guilford operates manufacturing, processing, finishing and retail facilities in nine states, Mexico, Brazil, Portugal, and the United Kingdom.

4. On March 26, 2002, the United States Trustee appointed an official committee of unsecured creditors (the "Committee"), which has retained Thelen Reid & Priest LLP as its counsel and Deloitte & Touche LLP as its financial advisors.

5. On May 22, 2002, the Debtors filed an application for authority to employ Arthur Andersen LLP as auditors, accounting and tax advisors for the debtors, *nunc pro tunc* to the Petition Date (the "Retention Application"). The Retention Application states the terms and conditions of Arthur Andersen's employment and are incorporated herein by reference.

6. On June 11, 2002, this Court entered an order approving the Retention Application (the "Retention Order"), a copy of which is attached hereto as Exhibit B.

7. On or about August 15, 2002, the Debtors filed their Amended Joint Plan of Reorganization (as subsequently amended, modified or supplemented, the "Plan"). On September 20, 2002, this Court entered an order confirming the Plan.

FEES INCURRED AND PAID DURING THE APPLICATION PERIOD

8. All services for which compensation is sought herein were rendered by Arthur Andersen to the Debtors and not on behalf of the creditors, individual equity holders or any other persons.

9. This Application is submitted in accordance with the applicable provisions of the Bankruptcy Code, the Bankruptcy Rules and the Local Rules and Orders of this Court and the amended Guidelines for compensation and reimbursement of expenses to professionals (“Guidelines”).

10. The Amended Order Pursuant to §§ 331 and 105(a) of the Bankruptcy Code Establishing Procedures for Monthly Compensation and Reimbursement of Expenses of Professionals signed by the Honorable Burton R. Lifland, Bankruptcy Judge on April 3, 2002, (the “Monthly Procedures Order”) established the procedures for monthly compensation and reimbursement of expenses of professionals serving the Debtors. Pursuant to the Monthly Procedures Order, Arthur Andersen has billed the Debtors for payment of the amounts sought herein. Because of an inadvertent oversight, copies of these bills were not initially provided to the other parties specified by the Monthly Procedures Order. Copies of these bills have been subsequently sent to those parties. As of the date of this Application, Arthur Andersen is not aware of any objections to these bills and the Debtors have paid \$121,769 to Arthur Andersen. This amount represents 80% of the amount sought by this Application.

11. Arthur Andersen submits this Application pursuant to §§ 330 and 331 of the Bankruptcy Code and Federal Bankruptcy Procedures 2016. Arthur Andersen is requesting approval and allowance of compensation for professional services provided during the

Application Period in the amount of \$152,211 which represents 100% of Arthur Andersen's fees for the Application Period.

12. In rendering the services described herein, Arthur Andersen expended a total of 1,068.3 hours during the Application Period.

13. The rates sought for approval herein are Arthur Andersen's usual and customary billing rates for the types of services performed and are in accordance with the application (the "Retention Application") dated May 22, 2002 of the Debtors for entry of an order, pursuant to §§ 327(a) and 328(a) of the Bankruptcy Code, authorizing the Debtors to retain and employ the firm of Arthur Andersen, attached hereto as Exhibit C, the affidavit of Jeffrey L. Burgess in support of the Retention Application, which is attached to the Retention Application as Exhibit 1, and as described herein.

14. The Fee Summary attached hereto as Exhibit A is a summary of the hours charged for the services rendered by Arthur Andersen, including the following for each professional who worked on the case during the Application Period: (a) his or her position at the time of application; (b) hours worked; (c) hourly rate; and (d) total fees.

15. As auditors, accounting and tax advisors for the Debtors, Arthur Andersen has performed auditing, accounting and tax services. The major project categories to which Arthur Andersen has devoted substantial attention during the Application Period are categorized as follows:

A. Audit Services. Arthur Andersen performed auditing services in connection with the audit of the Debtors' consolidated balance sheet as of September 29, 2002, and the related consolidated statements of operations, stockholders equity, and cash flows for the year then ending, and schedules supporting each financial statement. Also, as provided in the

engagement for audit services, Arthur Andersen provided certain other assistance with the preparation and compiling of certain documents, schedules and information related to the Debtors' bankruptcy filings.

B. Review Services. Arthur Andersen performed the review services in connection with the Debtors' financial statements for the period ended March 31, 2002.

C. Tax Services. Arthur Andersen prepared various federal, state and local tax returns, as well as assisted with a wide range of other tax matters.

All of these services are described in greater detail in the various exhibits attached hereto and in the Retention Application.

16. Attached hereto as Exhibit D is a summary of professional services rendered by Arthur Andersen during the Application Period by each major project category, by the individual rendering such services, including the hours expended by these individuals and their related fees. Attached hereto as Exhibit E are the detailed descriptions of professional services rendered by Arthur Andersen during the Application Period by major project category, including the dates the services were performed, the identities of the individuals rendering such services, the hours expended by these individuals, and a description of the services rendered, to the extent available and not otherwise provided by the other exhibits hereto.

17. The fees applied for herein are based on hourly rates that reflect usual and customary fees for services of a similar nature performed for other clients of Arthur Andersen, including those clients not involved in the chapter 11 proceeding.

18. Arthur Andersen's rates vary by individual based on the nature of the services provided as well as the geographic location of the professionals.

19. The services described herein were reasonable and necessary for Arthur Andersen to discharge its duties and obligations to the Debtors and this Court. In rendering these services, Arthur Andersen made every effort to maximize the benefit to the Debtors and to judiciously allocate responsibilities among Arthur Andersen professionals and work with other professionals employed in the case to avoid duplication of effort.

20. Arthur Andersen has performed its responsibilities in a cost effective manner commensurate with providing the high quality professional advice and service required by the debtors. Arthur Andersen professionals have met with the management of the Debtors and believe that the Debtors are pleased with the quality, nature and results achieved from Arthur Andersen's assistance.

21. No agreement or understanding exists between Arthur Andersen and any other persons, save amongst the Arthur Andersen's partners and principals, for the sharing or division of the compensation received by Arthur Andersen for services rendered in, or in connection with, this case.

22. The grant of the requested relief will not prejudice any party in interest in any way. The services rendered by Arthur Andersen in these cases have advanced the interests and concerns of all parties in interest.

23. In accordance with the factors enumerated in § 330 of the Bankruptcy Code, the amounts requested by Arthur Andersen are fair and reasonable given (a) the nature and extent of services rendered; (b) the actual time expended; and (c) the costs of comparable services other than in a case under the Bankruptcy Code.

24. Attached hereto as Exhibit F is a Certification in accordance with the Guidelines.

WHEREFORE, Arthur Andersen respectfully requests that this court enter an order (a) approving the professional services rendered during the Application Period in the amount of \$152,211, (b) directing the Debtors to disburse to Arthur Andersen 100% of its professional services fees in the amount of \$152,211 to the extent not previously disbursed, and (c) granting such other and further relief as the court deems just and proper.

DATED: November __, 2002

ARTHUR ANDERSEN LLP

By: Mary S. Parker
Mary S. Parker

EXHIBIT A

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

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In re: : Chapter 11
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GUILFORD MILLS, INC., *et al.*, :
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Debtors. :
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**FEE SUMMARY FOR ARTHUR ANDERSEN LLP
IN SUPPORT OF FIRST AND FINAL APPLICATION FOR APPROVAL OF
PROFESSIONAL FEES FOR THE PERIOD
FROM MARCH 13, 2002 THROUGH JUNE 4, 2002**

REVIEW SERVICES

<u>Name</u>	<u>Position</u>	<u>Hours Engaged</u>	<u>Hourly Rate</u>	<u>Total</u>
Jeff Burgess	Partner	14.5	402	\$ 5,829
Jason Yaudes	Manager	72.5	275	19,938
Tripp Miller	Senior	91.0	187	17,017
Will Rike	Associate	120.0	101	12,120
Totals:		298.0		\$54,904
Computed Blended Hourly Rate:		\$184.24		

LOAN STAFF

<u>Name</u>	<u>Position</u>	<u>Hours Engaged</u>	<u>Hourly Rate</u>	<u>Total</u>
Jason Yaudes	Manager	83.3	311	\$ 25,906
Sarah Blevins	Senior	78	145	11,310
Will Rike	Associate	49.0	114	5,586
Totals:		210.3		\$ 42,802
Computed Blended Hourly Rate:		\$203.53		

**TAX
SERVICES**

60%

Forms 5471

		<u>Billing Rate</u>	<u>Fees</u> 3/13 - 4/30	<u>Bill</u>	<u>Hours</u>
Kevin Johnston	Manager	285	143	143	0.5
Justin Lefevre	Senior Associate	192	1,920	1,920	10.0
Sequoia Borgman	Senior Associate	171	-	-	-
T. Scott Kummer	Associate	117	936	936	8.0
Walter Burney	Associate	90	450	450	5.0
Total			3,449	3,449	23.5

60%

FSC Tax Return

		<u>Billing Rate</u>	<u>Fees</u> 3/13 - 4/30	<u>Bill</u>	<u>Hours</u>
Sequoia Borgman	Senior Associate	171	-	-	-
Joseph May	Associate	102	214	214	2.1
Total			214	214	2.1

60%

AA Mini-Storage

		<u>Billing Rate</u>	<u>Fees</u> 3/13 - 4/30	<u>Bill</u>	<u>Hours</u>
Sequoia Borgman	Senior Associate	171	171	171	1.0
Tiffany Cross	Associate	90	396	396	4.4
Total			567	567	5.4

60%

Estimated Tax

		<u>Billing Rate</u>	<u>Fees</u> 3/13 - 4/30	<u>Bill</u>	<u>Hours</u>
Sequoia Borgman	Senior Associate	171	257	257	1.5
Joseph May	Associate	102	-	-	-
Total			257	257	1.5

60%

Unger Fabrik

		<u>Billing Rate</u>	<u>Fees</u> 3/13 - 4/30	<u>Bill</u>	<u>Hours</u>
Sequoia Borgman	Senior Associate	171	-	-	-
Joseph May	Associate	102	102	102	1.0
Total			102	102	1.0

85%

Chapter 11 Bankruptcy

		<u>Billing Rate</u>	<u>Fees</u> 3/13 - 4/30	<u>Bill</u>	<u>Hours</u>
John Keener	Partner	489	244	244	0.5
David Youngdahl	Principle	383	12,546	12,546	32.8
Sequoia Borgman	Senior Associate	242	242	242	1.0
T. Scott Kummer	Associate	166	116	116	0.7
Joseph May	Associate	145	-	-	-
Walter Burney	Associate	128	26	26	0.2
Total			13,174	13,174	35.2

85%

Compentent Authority

		<u>Billing Rate</u>	<u>Fees</u> 3/13 - 4/30	<u>Bill</u>	<u>Hours</u>
Richard Mcalonan	Partner	425	553	553	1.3
Patrick Messick	Manager	323	-	-	-
Sequoia Borgman	Senior Associate	242	121	121	0.5
Total			674	674	1.8

85%

5 Year NOL Carryback Claim

		<u>Billing Rate</u>	<u>Fees</u> 3/13 - 4/30	<u>Bill</u>	<u>Hours</u>
John Keenan	Partner	415	415	415	1.0
David Youngdahl	Principle	383	918	918	2.4
Sequoia Borgman	Senior Associate	242	1,575	1,575	6.5
Jeffrey Witajewski	Senior Associate	196	98	98	0.5
Joseph May	Associate	145	1,864	1,864	12.9
Total			4,870	4,870	23.3

60%			Fees		
Twin Rivers Tax Return		<u>Billing Rate</u>	<u>3/13 - 4/30</u>	<u>Bill</u>	<u>Hours</u>
Sequoya Borgman	Senior Associate	171	-	-	-
Total			-	-	-

60%			Fees		
Federal Tax Return		<u>Billing Rate</u>	<u>3/13 - 4/30</u>	<u>Bill</u>	<u>Hours</u>
David Youngdahl	Principle	270	6,021	6,021	22.3
Patrick Messick	Manager	228	-	-	-
Sequoya Borgman	Senior Associate	171	4,788	4,788	28.0
Joseph May	Associate	102	2,438	2,438	23.9
Walter Burney	Associate	90	144	144	1.6
Total			13,391	13,391	75.8

85%			Fees		
FICA Refund Analysis		<u>Billing Rate</u>	<u>3/13 - 4/30</u>	<u>Bill</u>	<u>Hours</u>
David Youngdahl	Principle	383	459	459	1.2
Sequoya Borgman	Senior Associate	242	1,575	1,575	6.5
Walter Burney	Associate	128	26	26	0.2
Total			2,060	2,060	7.9

85%			Fees		
PBGC Audit		<u>Billing Rate</u>	<u>3/13 - 4/30</u>	<u>Bill</u>	<u>Hours</u>
Sequoya Borgman	Senior Associate	242	121	121	0.5
Total			121	121	0.5

60%			Fees		
SALT Property Tax Compliance		<u>Billing Rate</u>	<u>3/13 - 4/30</u>	<u>Bill</u>	<u>Hours</u>
Tom Funderburk	Manager	235	9,173	9,173	39.0
Rhonda Gehle	Senior Associate	176	1,940	1,940	11.0
Total			11,113	11,113	50.0

60%			Fees		
SALT State Compliance		<u>Billing Rate</u>	<u>3/13 - 4/30</u>	<u>Bill</u>	<u>Hours</u>
Scott King	Partner	287	287	287	1.0
Kelli Knoble	Manager	240	720	720	3.0
Rhonda Gehle	Senior Associate	176	1,058	1,058	6.0
Conoley Coonley	Associate	102	2,448	2,448	24.0
Total			4,513	4,513	34.0

TOTAL FOR TAX SERVICES: \$54,505 262.0

COMPUTED BLENDED HOURLY RATE: \$208.03

Total Amount Sought for All Services:

\$152,211.00

EXHIBIT B

TOGUT, SEGAL & SEGAL LLP
 Bankruptcy Counsel for the
 Debtors and Debtors in Possession
 One Penn Plaza - Suite 3335
 New York, New York 10119
 (212) 594-5000
 Albert Togut (AT-9759)
 Frank A. Oswald (FAO-1223)
 Howard P. Magaliff (HPM-2189)

UNITED STATES BANKRUPTCY COURT
 SOUTHERN DISTRICT OF NEW YORK

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In re:	: Chapter 11
	: :
GUILFORD MILLS, INC., <i>et al.</i> ,	: Case No. 02-40667 (BRL)
	: :
	: (Jointly Administered)
Debtors.	: :
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**ORDER AUTHORIZING EMPLOYMENT AND
 RETENTION OF ARTHUR ANDERSEN LLP AS
 AUDITORS, ACCOUNTING AND TAX ADVISORS FOR
 THE DEBTORS, NUNC PRO TUNC TO THE PETITION DATE**

Upon the application dated May 22, 2002 (the "Application") of Guilford Mills, Inc. and certain of its subsidiaries (collectively, the "Debtors"), debtors and debtors in possession, for entry of an order, pursuant to §§ 327(a) and 328(a) of title 11 of the United States Code (the "Bankruptcy Code"), authorizing the Debtors to retain and employ the firm of Arthur Andersen LLP ("Arthur Andersen") as their auditors, accounting and tax advisors, *nunc pro tunc* to March 13, 2002 (the "Petition Date"); and upon the affidavit of Jeffrey L. Burgess sworn to on April 22, 2002, which is annexed to the Application as Exhibit "1"; and it appearing that Arthur Andersen does not represent any interest adverse to the Debtors' estates for the matters upon which it is to be engaged; and this Court having determined that the continued retention of Arthur Andersen is in the best interests of the Debtors, their creditors and

equity security holders; and due notice of the Application having been given to (i) the United States Trustee for the Southern District of New York; (ii) the attorneys for the Debtors' prepetition and postpetition secured lenders; (iii) counsel to the statutory creditors committee; and (iv) all parties who filed a notice of appearance; and it appearing that no other or further notice is required; and after due deliberation and sufficient cause appearing therefor, it is

ORDERED that, pursuant to 11 U.S.C. §§ 327(a) and 328(a), the Debtors are hereby authorized to retain Arthur Andersen as their accountants to perform the services described in the Application, *nunc pro tunc* to the Petition Date; and it is further

ORDERED, that Arthur Andersen shall be compensated in accordance with the procedures set forth in sections 330 and 331 of the Bankruptcy Code, applicable Federal Rules of Bankruptcy Procedure, local rules and orders of the Court, guidelines established by the Office of the United States Trustee, and such other procedures as may be fixed by order of this Court.

Dated: New York, New York
June 11, 2002

/s/Burton R. Lifland
Burton R. Lifland
United States Bankruptcy Judge

NO OBJECTION:

By: Richard C. Morrissey 6/5/2002
Richard C. Morrissey (RM-1970)
Office of the United States Trustee

EXHIBIT C

TOGUT, SEGAL & SEGAL LLP
Bankruptcy Counsel for the
Debtors and Debtors in Possession
One Penn Plaza - Suite 3335
New York, New York 10119
(212) 594-5000
Albert Togut (AT-9759)
Frank A. Oswald (FAO-1223)
Howard P. Magaliff (HPM-2189)

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

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In re: :
 :
 GUILFORD MILLS, INC., *et al.*, :
 :
 :
 Debtors. :
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Presentment Date: 6/3/02
Presentment Time: 12:00 noon
If objections are filed:
Hearing Date: 6/4/02
Hearing Time: 10:00 a.m.

Chapter 11
Case No. 02-40667 (BRL)
(Jointly Administered)

**APPLICATION FOR ORDER AUTHORIZING
EMPLOYMENT AND RETENTION OF
ARTHUR ANDERSEN LLP AS AUDITORS,
ACCOUNTING AND TAX ADVISORS FOR THE
DEBTORS, NUNC PRO TUNC TO PETITION DATE**

TO THE HONORABLE BURTON R. LIFLAND,
UNITED STATES BANKRUPTCY JUDGE:

Guilford Mills, Inc. ("Guilford") and certain of its subsidiaries (collectively the "Debtors"), as debtors and debtors in possession, respectfully submit this application (the "Application"), for an order, pursuant to §§ 327(a) and 328(a) of title 11 of the United States Code (the "Bankruptcy Code"), authorizing the Debtors to retain and employ Arthur Andersen LLP ("Andersen") as their auditors, accounting and tax advisors. In support of this request the Debtors state:

INTRODUCTION

1. On March 13, 2002 (the "Filing Date"), each of the Debtors filed with this Court a voluntary petition for relief under chapter 11 of the Bankruptcy Code. The Court has entered an order directing the joint administration of these cases pursuant to Rule 1015(b) of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules"). On March 26, 2002 the United States Trustee appointed an official committee of unsecured creditors (the "Committee"), which has retained Thelen Reid & Priest LLP as its counsel and Deloitte & Touche LLP as its financial advisors.

2. This Court has jurisdiction over this Application pursuant to 28 U.S.C. § 1334 and the "Standing Order of Referral of Cases to Bankruptcy Judges" for the Southern District of New York, dated July 10, 1984 (Ward, acting C.J.). This is a core proceeding pursuant to 28 U.S.C. § 157(b). Venue of these proceedings and this Application is proper in this district pursuant to 28 U.S.C. §§ 1408 and 1409. The statutory predicates for the relief the Debtors seek are §§ 327(a) and 328(a) of the Bankruptcy Code.

BACKGROUND

3. Guilford, a publicly held company, is a leading worldwide producer and seller of warp knit, circular knit, flat-woven and woven velour fabrics. Through its domestic and foreign subsidiaries, Guilford operates manufacturing, processing, finishing and retail facilities in nine states, Mexico, Brazil, Portugal and the United Kingdom.

4. In addition to trade debt incurred in the ordinary course of their business operations, the Debtors' consolidated prepetition capital structure principally

consists of: (i) a revolving credit facility financed by a \$130 million credit agreement (the "Credit Agreement") by and among Guilford Mills, Inc., as borrower, and Wachovia Bank, NA, as Administrative Agent, along with other bank parties ("Wachovia" and together with the other party banks the "Banks"), (ii) a series of senior notes in the amount of \$145 million held by five noteholders (the "Noteholders"), and (iii) a single class of common stock. Postpetition, the Debtors are party to a \$30 million debtor in possession revolving credit facility with Wachovia National Association f/k/a First Union National Bank and certain lenders (the "DIP Lenders"). The Debtors have pledged substantially all of their assets as security to the DIP Lenders, Banks and Noteholders.

5. The Debtors have commenced these Chapter 11 cases to, among other things, efficiently and expeditiously complete their corporate restructuring efforts based upon a restructuring plan agreed to in principle with the prepetition secured lenders.

RELIEF REQUESTED

6. By this Application, the Debtors seek to employ and retain Andersen as the Debtors' auditors, accountants and tax advisors in these cases, to perform the work described in the Engagement Letters (defined below), subject to the terms and conditions thereof. Accordingly, the Debtors respectfully request the entry of an order, substantially in the form of the pre-fixed order, authorizing the requested employment and retention of Andersen.

BASIS FOR RELIEF REQUESTED

7. Prior to the Filing Date, the Debtors engaged Andersen as their accountants and tax advisors. In this capacity, Andersen assisted the Debtors with the preparation of their tax returns (on a consolidated basis), SEC compliance work and other financial statements and reconciliations. As a result, Andersen's professionals have become intimately familiar with the Debtors' operations and financial affairs. Specifically, Andersen was retained to (i) the review of the quarterly financial information to be included in the Debtors' reports filed with the Securities and Exchange Commission (the "SEC") for the year ending September 29, 2002 (the "Quarterly Review Services") and (ii) the preparation of various federal, state and local tax returns, as well as assistance with a wide range of other tax matters (the "Tax Services"). The Quarterly Review Services are described with greater particularity in the engagement letter attached as Exhibit A (the "Quarterly Review Engagement Letter") to the Affidavit of Jeffrey L. Burgess in support of this application (the "Burgess Affidavit"). The Burgess Affidavit is annexed to this Application as exhibit "1". The Tax Services are described with greater particularity in the engagement letter attached to the Burgess Affidavit as Exhibit B (the "Tax Engagement Letter").

8. The Debtors require Andersen to complete the foregoing services. In addition, the Debtors require an audit of their consolidated balance sheet as of September 29, 2002, and the related consolidated statements of operations and cash flows for the year then ending (the "Audit Services"). The Audit Services are described with greater particularity in the engagement letter attached to the Burgess Affidavit as Exhibit C (the "Audit Engagement Letter" and, together with the

Quarterly Review Engagement Letter and the Tax Engagement Letter, the “Engagement Letters”).

9. The Debtors seek to retain Andersen, *nunc pro tunc*, to March 13, 2002. As described herein, Andersen has been the long-time accountants for the Debtors and has continued to provide certain services postpetition. All of these services have been satisfactory to the Debtors. At the hearing on March 14, 2002 to consider the Debtors’ “first day” applications, the Debtors advised the Court that no decision had been made regarding Andersen’s postpetition retention, in part because Andersen had not yet signaled its willingness to be retained. Subsequently, Andersen informed the Debtors that it would accept the engagement, but that it would take an extended period of time for Andersen to review the list of interested parties in the case and perform a conflicts check.

10. The Debtors submit that it is appropriate to retain Andersen for the time it has devoted and the services it has been asked and required to perform. Andersen’s work papers are valuable to the estate because they contain information relating to the Debtors’ property and financial affairs. They reflect Andersen’s longstanding association with the Debtors and Andersen’s knowledge about the Debtors and their affairs. If the Court grants this Application, on a *nunc pro tunc* basis, the Court will have the statutory authority to review Andersen’s fee application for reasonableness in light of the services rendered. In addition, the United States Trustee, the Committee and any other party in interest can object to any fees requested. Andersen has advised the Debtors that it has incurred postpetition fees of \$125,930 through May 14, 2002.

11. If for any reason the Application is denied, in order to retrieve Andersen's work papers, the Debtors would be required to file an adversary proceeding seeking turnover under section 542(e) of the Bankruptcy Code, which provides that, subject to any applicable privilege, after notice and a hearing, the court may order an accountant that holds recorded information relating to the debtor's property or financial affairs to turn that information over to a trustee or a debtor in possession. If the Debtors compel turnover, Andersen has the right to seek payment of its fees or have its fee claim preserved. Thus, whether retained or not, Andersen's administrative fee claim would have to be protected, but if Andersen is retained, it will have to subject its fee request to Committee and Court review, a much better approach.

12. The Debtors believe that Arthur Andersen is well qualified to perform the audit, accounting and tax services required by the Debtors. In light of the foregoing, the Debtors submit that granting the retention Application provides for continuity of Andersen's services in an uninterrupted fashion and is justified under the circumstances.

13. The Debtors further submit that the equities favor granting approval of Andersen's retention, *nunc pro tunc* to the March 13 Filing Date. This Application and supporting material has been filed as soon as feasible for Andersen, and Andersen has worked diligently on the Debtors' behalf in the interim. Under these circumstances, Andersen should be able to seek compensation as a retained professional for these valuable services.

14. The professional services to be performed by Andersen, as described in the Burgess Affidavit, are necessary, and the rates to be charged by

Andersen for those services are reasonable and a necessary administrative expense of these estates. The Debtors submit that the retention of Andersen would be in the best interest of the Debtors from both an operational and financial point of view. Moreover, Andersen would be retained only for purposes consistent with § 327(a) of the Bankruptcy Code.

15. Based upon the Burgess Affidavit, the Debtors believe that Andersen does not hold or represent any interest adverse to the Debtors in matters upon which the Debtors have requested that Andersen be employed. Further, except as set forth in the Burgess Affidavit, the Debtors believe that Andersen has no connection with the Debtors, the Debtors' foreign subsidiaries, any creditors of the Debtors, the United States Trustee for this District or any person employed in the United States Trustee's office, or any other party in interest. Andersen has agreed to waive a prepetition claim of \$1,250 for services rendered. Accordingly, the Debtors submit that Andersen is a "disinterested person" within the meaning of §§ 101(14) and 327 of the Bankruptcy Code, as modified by § 1107(b) of the Bankruptcy Code.

16. It is contemplated that Andersen will seek compensation for services to be performed during the case based upon the normal hourly billing rates in effect for the period in which services are performed and will seek reimbursement of necessary and reasonable out-of-pocket expenses in accordance with, *inter alia*, the United States Trustee's *Guidelines for Reviewing Motions for Compensation and Reimbursement of Expenses Filed Under 11 U.S.C. § 330*, dated January 30, 1996. Andersen's current hourly rates (after application of the discounts described in the Engagement Letters) are set forth in the Burgess Affidavit. All compensation for services rendered by Andersen and reimbursement of expenses incurred in these cases

shall be subject to Court approval, and Andersen shall seek Court approval for payment of such compensation pursuant to the applicable provisions of the Bankruptcy Code, the Bankruptcy Rules, the Local Bankruptcy Rules and/or order[s] of the Court, including but not limited to the interim compensation and reimbursement procedures promulgated by the Court in these cases.

NOTICE

18. Notice of this application has been given to (i) the United States Trustee, (ii) counsel for the Debtors' prepetition and postpetition secured lenders, (iii) counsel for the Committee, and (iv) all persons who filed a notice of appearance. In light of the nature of the relief requested, the Debtors respectfully submit that no further or other notice need be provided.

WAIVER OF MEMORANDUM OF LAW

19. The Debtors request that the Court dispense with the requirement of Local Bankruptcy Rule 9013-1(b) for a memorandum of law. This Application does not present a novel issue of law, which would require consideration of any authorities other than those set forth herein.

20. No previous application for the relief sought herein has been made to this or any other court.

WHEREFORE, the Debtors respectfully request entry of the pre-fixed order authorizing the retention of Andersen as auditors, accounting and tax advisors for the Debtors, *nunc pro tunc* to the Filing Date, and granting such other and further relief as is just and proper.

Dated: New York, New York
May 22, 2002

GUILFORD MILLS, INC.
(for itself and on behalf of its Debtor
affiliates)

By: /s/ David Taylor
Name: DAVID TAYLOR
Title: Chief Financial Officer

TOGUT, SEGAL & SEGAL LLP,
Bankruptcy Counsel
for the Debtors and Debtors-in-Possession
By:

/s/ Frank A. Oswald
FRANK A. OSWALD (FAO-1223)
Members of the Firm
One Penn Plaza, Suite 3335
New York, New York 10119
(212) 594-5000

TOGUT, SEGAL & SEGAL LLP
 Bankruptcy Counsel
 for the Debtors and Debtors-in-Possession
 One Penn Plaza - Suite 3335
 New York, New York 10119
 (212) 594-5000
 Albert Togut (AT-9759)
 Frank A. Oswald (FAO-1223)
 Howard P. Magaliff (HPM-2189)

UNITED STATES BANKRUPTCY COURT
 SOUTHERN DISTRICT OF NEW YORK

-----X
 :
 In re: : Chapter 11
 : Case No. 02-40667-brl
 GUILFORD MILLS, INC., *et al.*, :
 :
 : (Jointly Administered)
 Debtors. :
 -----X

**AFFIDAVIT OF JEFFREY L. BURGESS IN SUPPORT OF
 APPLICATION FOR ORDER AUTHORIZING EMPLOYMENT
 AND RETENTION OF ARTHUR ANDERSEN LLP
 AS AUDITORS, ACCOUNTING AND TAX ADVISORS
FOR THE DEBTORS, NUNC PRO TUNC TO PETITION DATE**

STATE OF NORTH CAROLINA)
) ss.:
 COUNTY OF GUILFORD)

JEFFREY L. BURGESS, being duly sworn, deposes and says:

1. I am a partner in Arthur Andersen LLP ("Andersen"), a national accounting firm organized in the United States and maintaining numerous offices, including an office located at 628 Green Valley Road, Suite 300, Greensboro, North Carolina 27408, and am authorized to execute this affidavit on behalf of Andersen.

I submit this Affidavit in support of the Application for Order Authorizing Employment and Retention of Arthur Andersen LLP as Auditors, Accounting and Tax Advisors for the Debtors, *Nunc Pro Tunc* to Petition Date (the "Application")¹ filed concurrently herewith by Guilford Mills, Inc. and certain of its subsidiaries (individually or collectively, the "Debtors"). Except as otherwise indicated, I have personal knowledge of the matters set forth herein and, if called as a witness, would testify competently thereto.²

SCOPE OF ENGAGEMENTS

2. Prior to the commencement of these Chapter 11 cases on March 13, 2002, the Debtors engaged Andersen to perform various accounting and tax services, including but not limited to (i) the review of the quarterly financial information to be included in the Debtors' reports filed with the Securities and Exchange Commission (the "SEC") for the year ending September 29, 2002 (the "Quarterly Review Services") and (ii) the preparation of various federal, state and local tax returns, as well as assistance with a wide range of other tax matters (the "Tax Services"). The Quarterly Review Services are described with greater particularity in the engagement letter attached hereto as Exhibit A (the "Quarterly Review Engagement Letter").

¹ Unless otherwise defined, capitalized terms used herein shall have the meanings ascribed to them in the Application.

² Certain of the disclosures herein relate to matters within the knowledge of other professionals at Andersen and are based on information provided by them.

The Tax Services are described with greater particularity in the engagement letter attached hereto as Exhibit B (the "Tax Engagement Letter").

3. Prior to the commencement of the Debtors' Chapter 11 cases, Andersen has worked diligently to perform the Quarterly Review Services and the Tax Services. However, as of the date these cases were filed, these services had not yet been completed.

4. The Debtors have further advised that they wish to engage Andersen to conduct an audit of the Debtors' consolidated balance sheet as of September 29, 2002, and the related consolidated statements of operations and cash flows for the year then ending (the "Audit Services"). The Audit Services are described with greater particularity in the engagement letter attached hereto as Exhibit C (the "Audit Engagement Letter" and, together with the Quarterly Review Engagement Letter and the Tax Engagement Letter, the "Engagement Letters").

6. Subject to Court approval, and as described with greater specificity in the Application, Andersen has been retained by the Debtors, *nunc pro tunc* to March 13, 2002 (the "Petition Date"), to complete the Quarterly Review Services and the Tax Services, and to perform the Audit Services.

7. The Quarterly Review Services, the Tax Services and the Audit Services are subject to the terms, conditions and limitations set forth in the Engagement Letters, which letters are incorporated herein by reference as though set

forth in full.

QUALIFICATION OF PROFESSIONALS

8. Andersen is a firm of certified public accountants, operating throughout the United States since 1913. Andersen is one of the five largest accounting, auditing and tax firms in the United States, with a national practice, and has significant experience as an auditor and in various other accounting roles for troubled and restructuring companies.

9. During its prior work on the Quarterly Review Services and the Tax Services, Andersen has gained substantial knowledge about many of the Debtors' accounting and reporting practices. As a result, I believe that Andersen is particularly well suited to efficiently and cost-effectively perform the remainder of these services, as well as the Audit Services.

DISINTERESTEDNESS OF PROFESSIONALS

10. Prior to executing this Affidavit, I directed and reviewed a search of Andersen's United States client and law firm databases over the past 24 months to determine whether Andersen has any existing client relationships with any of the significant creditors, equity holders, law firms or parties in interest identified for us by the Debtors, and set forth on Exhibit D hereto. In conducting this search, we relied upon the information furnished to us by the Debtors. I also directed e-mails to Andersen professionals working for the clients listed on Exhibit D hereto, in order to

confirm that none of the engagements for these clients are related to the Debtors or its operating subsidiaries. To the extent any such relationship is discovered, this affidavit will be amended accordingly. As of the present date, I am unaware of any such relationship.

11. Based and relying upon the foregoing due diligence efforts, and to the best of my knowledge, information, and belief, neither I nor any other partner, participating principal, principal, director or manager of Andersen has any connection with or holds any interest adverse to the Debtors, its estate, creditors, shareholders or any other party-in-interest herein or their respective attorneys in the matters for which Andersen is proposed to be retained, except to the extent set forth herein.

12. In addition, Andersen and its many partners, participating principals, principals, directors and managers may have business associations with certain of the Debtors' creditors, shareholders, other parties-in-interest in these cases, and the attorneys for the foregoing, or interests adverse to such creditors, shareholders, parties-in-interest or attorneys, which associations have no connection with the Debtors or these Chapter 11 cases. To the best of my knowledge, information and belief, Andersen either has recently provided, is currently providing, and/or likely will continue providing services, unrelated to the Debtors' cases, to the entities listed on Exhibit E hereto, some of which may be creditors, shareholders or parties-in-

interest in these cases. Also, on matters unrelated to these Chapter 11 cases, Andersen has recently retained or is currently retaining the services of the law firms listed on Exhibit E hereto, which law firms may be representing parties-in-interest in this proceeding.

13. The services rendered by Andersen to these parties have been primarily related to accounting, auditing, tax, and/or other consulting matters. To the best of my knowledge, information, and belief, no services have been provided to any of these entities which could impact their rights in the Debtors' cases, nor does Andersen's involvement in these cases compromise its ability to continue providing accounting, auditing, tax and/or consulting services to such entities.³

14. To the best of my knowledge, and based on the due diligence described herein, Andersen has not been retained to assist any entity or person other than the Debtors on matters relating to, or in connection with, these Chapter 11 cases. If this Court approves the Debtors' employment of Andersen, Andersen will not accept any additional engagements or perform any services directly related to this proceeding for any entity or person other than the Debtors. Andersen may, however, continue to provide professional services to, and engage in commercial or professional relationships with, entities or persons that may be creditors of the Debtors or parties-in-interest in these Chapter 11 cases or attorneys of the foregoing

parties; provided, however, that such services do and will not relate to, or have any direct connection with, the Debtors or these Chapter 11 cases.

15. To the best of my knowledge, information and belief, Andersen does not have or represent any interest materially adverse to the interests of the Debtors, or of any class of creditors or equity security holders of the Debtors, by reason of any direct or indirect relationship to, connection with, or interest in the Debtors or any investment banker for any securities of the Debtors, or for any reason except as noted herein.

16. Andersen may continue to be involved as a party or witness in court and administrative proceedings and other matters requiring the retention of legal counsel. Such counsel retained by Andersen (in connection with matters unrelated to these bankruptcy cases) may now or in the future represent parties-in-interest in the Debtors' bankruptcy cases. Except for those firms disclosed on Exhibit E hereto, Andersen has not recently and/or is not presently retaining any of the law firms reflected on Exhibit D hereto.

17. To the extent that any information disclosed herein requires amendment or modification upon Andersen's completion of further analysis or as additional information becomes available to it, a supplemental affidavit will be submitted to the Court.

³ None of these entities represent more than 1% of Andersen's projected U.S.

COMPENSATION OF PROFESSIONALS

18. As more fully set forth in the Engagement Letters, Andersen is entitled to be compensated for the Quarterly Review Services, the Tax Services and the Audit Services (collectively, the "Andersen Services") based upon the level of personnel and related effort required to complete the assignment, plus all reasonable and necessary related out-of-pocket expenses. For the remainder of the Andersen Services, Andersen proposes to calculate its fees for professional services based upon its standard hourly rates for these services (as such rates are subject to normal adjustment each year for inflation and other factors). The standard hourly rates are as follows, subject to the discounts specified in the arrangement letters:

	Base Audit Services	Tax Compliance Services	Audit and Tax Consulting Services
Partners/Principals	\$402	\$270-355	\$383-503
Senior Managers	\$348	\$246-294	\$349-417
Experienced Managers	\$293	\$228-294	\$323-417
Managers	\$275	\$228-294	\$311-417
Seniors	\$182-197	\$171-198	\$206-281
Experienced Staff	\$139	\$102-121	\$145-171
Staff	\$101	\$90-121	\$114-171

annual revenue during the current fiscal year.

In the normal course of business, Andersen revises its hourly rates during the year. Andersen understands that, as these engagements progress, the aforementioned rates will be revised to the regular hourly rates which will be in effect at such time.

19. In addition to compensation for professional services rendered, Andersen will seek reimbursement for reasonable and necessary expenses incurred in connection with its engagement by the Debtors, including, but not limited to, travel (including lodging and meals), report preparation, delivery services, and other necessary costs incurred in providing services to the Debtors.

20. The foregoing compensation arrangement is consistent with and typical of arrangements entered into by Andersen and other preeminent accounting firms with respect to the rendition of similar services for clients such as the Debtors.

21. Andersen will maintain detailed records of the time spent and costs and expenses incurred in connection with the Audit Services, and will file all appropriate applications for allowance of compensation and reimbursement of expenses with the Court in accordance with applicable provisions of the Bankruptcy Code, Bankruptcy Rules, Local Rules and orders of the Court. The applications will set forth in reasonable detail the services performed, the professional persons providing such services, and the time spent.

22. Prior to the commencement of these cases, Andersen has been paid \$590,231.00 within 90 days of the filing of these cases. These payments were made

in the ordinary course of business between Andersen and the Debtors.

23. Andersen is presently owed \$1,250.00 for unpaid, pre-petition billings to the Debtors (the "Pre-Petition Arrearage"). Effective upon approval of Andersen's retention by the bankruptcy court, Andersen waives the Pre-Petition Arrearage.

24. Andersen has not shared or agreed to share any of its compensation from the Debtors with any other person, other than a principal, professional or employee of Andersen, as permitted by section 504 of the Bankruptcy Code.

25. The proposed engagement of Andersen is not prohibited by Bankruptcy Rule 5002.

26. For all of the foregoing reasons, and subject to the conditions and qualifications contained herein, I believe that Andersen is a "disinterested person," as that term is defined in section 101(14) of the Bankruptcy Code, as modified by section 1107(b) of the Bankruptcy Code.

/s/ Jeffrey L. Burgess
JEFFREY L. BURGESS

Sworn to and subscribed
before me this 22nd day
of April, 2002.

/s/ Ginger S. Shaver
Notary Public

Commission Expires: March 22, 2005

CIF

ANDERSEN

Board of Directors
Guilford Mills, Inc.
Post Office Box 26969
Greensboro, North Carolina 27419-6969

Arthur Andersen LLP
Suite 300
628 Green Valley Road
Greensboro NC 27408
Tel 336 834 3000
Fax 336 834 3500
www.andersen.com

January 23, 2002

Lady and Gentlemen:

This will confirm the arrangements between Guilford Mills, Inc. and subsidiaries (the Company) and Arthur Andersen LLP (AA) for the reviews of the quarterly financial information to be included in the Company's reports filed with the Securities and Exchange Commission (SEC) for the year ending September 29, 2002.

Review Responsibilities and Limitations

We will conduct our reviews in accordance with professional standards; however, unless requested by the Company, we will not issue a report. Our reviews will consist principally of applying analytical procedures to financial data. At the completion of each review, we will discuss the results with management. When, during our review, we have identified matters relating to the interim information that are required to be communicated under professional standards (including the impact of significant events on financial reporting quality), we will attempt to make these communications prior to the Company's filing of its quarterly reports. The interim review procedures are substantially less in scope than an audit made in accordance with generally accepted auditing standards and, accordingly, they do not provide any assurance that we will become aware of errors, fraud, illegal acts or all matters affecting our judgments about financial reporting quality that would be identified during an audit.

The working papers prepared in conjunction with our work are the property of our Firm, constitute confidential and proprietary information, and will be retained by us in accordance with our Firm's policies and procedures.

Management's Responsibilities

The Company's management is responsible for the quarterly financial information. Management is also responsible for (1) maintaining effective internal control over financial reporting, (2) identifying and ensuring the Company complies with the laws and regulations applicable to its activities and (3) making available to us all financial records and related information and personnel with information of relevance to our reviews. For the Company to comply with SEC regulations, the reviews are to be completed prior to the filing of each of the Company's quarterly reports. To enable us to complete our reviews on a timely basis, it is necessary that management fulfill those responsibilities.

We will obtain from management a representation letter which, among other things, will affirm that the effects of any uncorrected misstatements are, both individually and in the aggregate, immaterial to the financial presentation taken as a whole. The results of our analytical procedures, the responses to our inquiries and management's written representations constitute the evidential matter we intend to rely on in performing our review.



Board of Directors
Page 2
January 23, 2002

Fees and Other Arrangements

Our fees for the services referred to above will be based upon the level of staff and the time required to complete the assignment, plus reimbursement of actual out-of-pocket expenditures. Interim billings will be submitted as the work progresses, and a final bill will be submitted following the completion of our work. Billings are payable upon receipt.

Neither party to this arrangement letter will directly or indirectly agree to assign or transfer any claim against AA arising out of this engagement letter to anyone.

This arrangement letter reflects the entire agreement between the Company and AA relating to the services covered by this letter. It replaces and supersedes any previous proposals, correspondence and understandings, whether written or oral. The agreements of the Company and AA contained in this arrangement letter shall survive the completion or termination of this arrangement letter.

Acknowledgment

Please confirm your agreement with the above by signing a copy of this letter and returning it in the enclosed self-addressed envelope.

We are pleased to have this opportunity to serve you and assure you that this engagement will be given our close attention.

Very truly yours,

Arthur Andersen LLP

Agreed and Acknowledged:

Guilford Mills, Inc.

By *Kim A. Thompson*

Date *1/23/02*

Title *CEO*

CMG
j:\audit\gui023\guilford\2002\lra\2002QtrReviewJAL

Enclosures

ANDERSEN

STRICTLY CONFIDENTIAL

Ms. Kim A. Thompson
Guilford Mills, Inc.
Post Office Box 26969
Greensboro, North Carolina 27419-6969

Arthur Andersen LLP
Suite 800
628 Green Valley Road
Greensboro NC 27408
Tel 336 834 3000
Fax 336 834 3500
www.andersen.com

December 4, 2001

Dear Kim:

Arthur Andersen LLP ("Andersen") is pleased to confirm its arrangements to assist Guilford Mills, Inc., its subsidiaries and affiliates (collectively, "Client") by providing the tax services outlined in this letter agreement and its Addendum (collectively, this "Agreement").

Our employees, partners and agents will provide the following services to you (collectively, the "Services") as detailed in the attached Scope Addendum. Andersen is acting as an independent contractor in providing any and all services hereunder.

You may desire that we perform additional services that are different from, or in addition to, the Services and Discretionary Services ("Additional Services"). We will provide you such Additional Services as you may reasonably request, upon such terms and conditions (including compensation terms) as are mutually agreed between us. Such terms must be documented in writing signed by both parties. In no event shall we be obligated to perform any Discretionary Services or Additional Services that would cause us to be in conflict with any law, rule or regulation, or any internal Andersen policy.

STANDARD BUSINESS PRACTICES

1. Obligations Of Client.

Andersen's performance is dependent upon Client's timely and effective performance of its responsibilities under this Agreement and Client's timely decisions and approvals. The responsibilities and obligations of Client under and pursuant to this Agreement include, but are not limited to, the following:

- (a) Providing all requested information to Andersen on a timely basis;
- (b) Ensuring that all information provided by Client to Andersen is accurate and complete, contains no material omissions, and is updated on a prompt and continuous basis;
- (c) Making available, promptly after requested by Andersen, management decisions, approvals, acceptances and such other information and assistance desired or required by Andersen to perform its obligations hereunder;



Ms. Kim A. Thompson
Page 2
December 4, 2001

- (d) Making available to Andersen, at Client's expense, all services, assets and licensed products of third parties required by Andersen to perform the Services, Discretionary Services and Additional Services (the "Third Party Services"). Client shall also, at its sole cost and expense, obtain any and all third-party consents required to permit such access and use by Andersen. Notwithstanding anything contained herein to the contrary, Client shall remain responsible for any and all obligations with respect to agreements for Third Party Services;
- (e) Inspecting and reviewing all reports and returns prepared by Andersen within five (5) business days after receipt thereof or such other time frames as may be mutually agreed;
- (f) Maintaining and being solely responsible for maintaining an effective internal control system for Client and its subsidiaries and affiliates;
- (g) Reviewing, agreeing to, signing, and filing all tax returns and other filings prepared by Andersen;
- (h) Paying all taxes, interest and penalties;
- (i) Performing and controlling all accounting entries relating to taxes; and Retaining ultimate responsibility for tax policy decisions and judgement decisions.

2. Scope of Services.

In no event shall (a) it be the responsibility of Andersen to actually file any tax returns or reports, although Andersen will deliver all such returns and reports to Client in time to allow Client to file them in a timely fashion, provided Client has provided all information requested by Andersen on a timely basis, or (b) Andersen be responsible for the payment of any taxes, penalties or interest imposed upon Client. Andersen's sole responsibility with respect to its services under this agreement shall be as a preparer as that term is defined in the Internal Revenue Code, as amended, unless specifically provided otherwise in this agreement.

Client acknowledges that Andersen will not perform any recordkeeping functions on behalf of Client, including, without limitation, making original entries in Client's accounting system.

Client shall maintain and be solely responsible for establishing and maintaining an effective internal control system. Clients' personnel who are ultimately responsible for supervising the services under this agreement shall meet in private with Andersen's personnel at such times as Andersen or the Client may reasonably request. Andersen shall report to Clients' designated supervisor with respect to the performance of its obligations under this agreement.

Andersen will not perform management functions in connection with these services. To the extent this engagement requires independence, Andersen shall not be required to undertake any task or function which Andersen determines would impair its independence under the Code of Professional Ethics of the AICPA, any pronouncements of the U.S. Securities Exchange Commission ("SEC"), the membership requirements of the SEC Practice Section of the AICPA Division for Certified Public Accounting Firms, the AICPA, any state accountancy laws or boards, state CPA societies, other relevant rules, or as set forth

Ms. Kim A. Thompson
Page 3
December 4, 2001

in Andersen's internal Ethical Standards/Independence binder, as applicable. The parties hereby acknowledge that in performing the Services, Andersen cannot act in the role of management or as an employee of Client, or be identified as such.

3. Confidentiality.

Andersen acknowledges that information communicated to it by Client in connection with Andersen's performance under this Agreement is confidential, and Andersen shall maintain the confidentiality of such information in accordance with applicable professional standards. Andersen may retain, subject to the terms of this Agreement, copies of Client's confidential information required for internal recordkeeping purposes and for compliance with applicable professional standards. If Andersen receives a subpoena or other validly issued administrative or judicial demand requiring it to disclose Client's confidential information, Andersen shall provide prompt notice to Client of such demand. Andersen shall thereafter be entitled to comply with such demand to the extent permitted by law.

4. Payments To Andersen.

Client shall pay Andersen the following amounts for providing Services hereunder:

Compliance Services: 60% of Normal Per Diems

Consulting Services 85% of Normal Per Diems

The occurrence of (i) any event or transaction which significantly increases or decreases the size or nature of the operations of Client that affects the scope, manner, nature or quantity of the Services or Discretionary Services, or (ii) any change in any laws, rules or regulations that affects the scope, manner, nature or quantity of the Services or Discretionary Services shall be considered a change in the scope of Services, and Andersen and Client shall promptly meet to negotiate an equitable adjustment in the fees payable to Andersen. Andersen shall have no obligation to commence work in connection with any change of the type described in either clause (i) or (ii) above until the fee impact of the change is agreed upon by the parties in writing. Each such change shall be documented in a writing signed by both parties.

Client shall reimburse Andersen for reasonable out-of-pocket expenses (e.g., travel, lodging, etc.) incurred by Andersen in connection with rendering services under this Agreement. Andersen shall send Client a monthly invoice for the aggregate amount of the Andersen expenses during the preceding month, which invoice will describe and document such expenses in reasonable detail. Payment shall be due within thirty (30) days following the date of Andersen's invoice to Client. Should a dispute arise over an invoice, Client will immediately pay the undisputed portion of the invoice and promptly pay the disputed portion (or applicable part thereof) if and when the dispute is resolved in Andersen's favor.

In addition to the other charges payable under this Agreement, Client shall be solely responsible for the payment of any taxes and duties based upon facilities, assets and the Services, Discretionary Services, Additional Services and/or products provided by Andersen, exclusive of any taxes based upon Andersen's income.

Ms. Kim A. Thompson
Page 4
December 4, 2001

5. Term.

The term of this Agreement shall cover work performed during the fiscal years ending September 29, 2002 and September 28, 2003.

6. Termination.

If either party breaches any material obligation under this Agreement and such breach is not cured within fifteen (15) days after such party's receipt of written notice of the breach, the party not in default may immediately terminate this Agreement.

7. Representations.

Client warrants that all information (whether written or oral) and materials given or made available by it to Andersen will be current, complete and accurate, shall not omit to state any material fact and shall be updated on a prompt and continuous basis. Andersen's ability to perform acceptably under this Agreement is expressly conditioned and contingent upon the foregoing warranty.

Client further warrants that it has obtained all third-party consents and security clearances needed to enable Andersen to access all third-party products and assets to be utilized by Andersen in providing the Services, including, without limitation, all consents needed for Andersen to use any applicable Client systems, hardware and software.

8. Indemnification.

Client shall indemnify and hold harmless Andersen and its personnel from and against any payment, loss, cost or expense (including reasonable attorneys' fees) paid or incurred by Andersen at any time and in any way (i) relating to claims by any of Client's employees or former employees; (ii) attributable to knowing misrepresentations of management; (iii) arising out of or relating to Andersen's services under this Agreement or the use by Client of any deliverable item except to the extent finally determined to have resulted from the gross negligence or willful misconduct of Andersen personnel. This provision shall survive the termination of this Agreement.

9. Remedies.

Neither party may assert against the other party any claim in connection with this Agreement unless the asserting party has given the other party written notice of the claim within one (1) year after the asserting party first knew or should have known of the facts giving rise to such claim.

Because of the importance of management's representations to Andersen with respect to Andersen's ability to perform its Services, Discretionary Services and Additional Services, Client agrees to release Andersen and its personnel from any liability and costs relating to the Services, Discretionary Services and Additional Services hereunder which liability and costs are attributable to any misrepresentation made by Client management.

Ms. Kim A. Thompson
Page 5
December 4, 2001

Notwithstanding anything to the contrary, Andersen's maximum aggregate liability relating to services under this Agreement (regardless of form of action, whether in contract, negligence or otherwise) shall be limited to the charges paid to Andersen for the month during the term of this Agreement in which the latest event, act or omission occurs which gives rise to such liability. In no event shall Andersen be liable for consequential, incidental, special or punitive loss, damage or expense (including, without limitation, lost profits, opportunity costs, etc.), even if it has been advised of their possible existence. This provision shall survive the termination of this Agreement.

10. Miscellaneous.

~~Neither party may assign any of its rights or obligations under this Agreement without the prior written consent of the other.~~

Neither party shall be liable for any delays or failures in performance due to causes beyond its control, including but not limited to downtime or delays in computers and computer-related equipment.

Notwithstanding any contrary provision of this Agreement, Andersen, including its employees who perform services pursuant to this Agreement, may perform similar or comparable services and functions for third parties, and may use ideas, expressions, skill and experience acquired by it before and while rendering the Services, Discretionary Services or Additional Services to perform such other third-party engagements.

If the parties agree that Andersen should resell or sublicense third-party products to Client, Andersen reserves the right to do so through a separate entity within Andersen Worldwide.

No delay or omission by either party to exercise any right or power under this Agreement or pursuant to applicable law shall impair such right or power or be construed as a waiver thereof. A waiver by any party of any covenant or breach shall not be construed to be a waiver of any other covenant or succeeding breach.

All media releases, public announcements and public disclosures by either party relating to this Agreement shall be approved by the parties prior to such release. Client shall not use the name Arthur Andersen LLP, in part or whole, or any trademarks or trade names of such party without Andersen's prior written approval.

This Agreement constitutes the entire agreement between the parties regarding the Services and supersedes all prior agreements and understandings. No amendment, modification, waiver or discharge of this Agreement shall be valid unless in writing and signed by authorized representatives of both parties.

This Agreement shall be governed by and construed in accordance with the laws of the State of Illinois, excluding conflict of law principles.

This Agreement may be executed in a number of identical counterparts, each of which shall be deemed an original for all purposes and all of which constitute, collectively, one Agreement.

Ms. Kim A. Thompson
Page 6
December 4, 2001

This Agreement has been entered into for the sole benefit of Client and Andersen, and in no event shall any third-party beneficiaries be created hereby.

We appreciate the opportunity to be of service to you and look forward to working with you on this challenging project. You can be assured that it will receive our close attention.

Very truly yours,

ARTHUR ANDERSEN LLP




By:
David A. Youngdahl

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Acknowledged and Accepted:

Guilford Mills, Inc.

By: 
Title: VP/CFO
Date: 12/11/01

SCOPE ADDENDUM DESCRIPTION OF SERVICES

Federal Taxes:

- Preparation of federal income tax return(s) for your review, approval and signature
- Preparation of quarterly income tax payments for your review, approval and signature
- Preparation of responses to tax notices from the Internal Revenue Service for your review, approval and signature

State and Local Taxes:

- Preparation of state and local income tax returns for your review, approval and signature
- Preparation of quarterly income tax payments for your review, approval and signature
- Preparation of state and local ad valorem tax returns for your review, approval and signature
- Preparation of state franchise tax and annual reports for your review, approval and signature
- Preparation of responses to tax notices from state and local tax authorities for your review, approval and signature

Foreign Taxes:

- Preparation of dividend filing requirements for your review, approval and signature
- Preparation of U.S. Information reporting requirements for your review, approval and signature

Tax Audits (potentially of any return listed above):

- Preparation of responses to information requests for your review, approval and signature
- Assistance in and participation with management in meetings with tax authorities
- Preparation of carryback or carryforward returns for your review, approval and signature
- Preparation of amended returns for your review, approval and signature

Tax Accounting Matters:

- Assistance with determination of quarterly and annual tax provision (all taxes)
- Assistance with determination of E & P accounting and tracking for your review and approval
- Assistance with documentation of tax cushion analysis for your review and approval
- Assistance with calculation of amounts to be included in the tax footnote in the financials for your review and approval

Tax Planning and Consulting:

- Preparation of recurring short and long term tax projection work for your review and approval
- Preparation of transaction specific tax projection and planning for your review and approval
- Preparation of foreign repatriation analysis for your review and approval
- Preparation of amended return requirements or opportunities for your review and approval
- Tax research and consultations with respect to nonrecurring items and other matters of tax significance that may arise during the engagement



ANDERSEN

Management and the Audit Committee of Guilford Mills, Inc.
Guilford Mills, Inc.
Post Office Box 26969
Greensboro, North Carolina 27419-6969

Arthur Andersen LLP
Suite 300
628 Green Valley Road
Greensboro NC 27408
Tel 336 834 3000
www.andersen.com

April 5, 2002

Ladies and Gentlemen:

This letter (the Agreement) will confirm the arrangements between Guilford Mills, Inc. (the Company) and Arthur Andersen LLP (AA) for the audit of the Company's consolidated balance sheet as of September 29, 2002, and the related consolidated statements of operations and cash flows for the year then ending.

Audit Responsibilities and Limitations

The objective of our audit is to provide you with our auditors' report expressing an opinion on the financial statements referred to above. We will conduct our audit in accordance with U.S. generally accepted auditing standards. Accordingly, we will examine, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assess the accounting principles used and significant estimates made by management and evaluate the overall financial statement presentation.

U.S. generally accepted auditing standards require that we obtain reasonable, rather than absolute, assurance that the financial statements are free of material misstatement, whether caused by error or fraud. Accordingly, a material misstatement may remain undetected. Also, an audit is not designed to detect error or fraud that is immaterial to the financial statements. However, we will bring to your attention immaterial misstatements and any fraudulent or illegal acts of which we become aware during our audit. Pursuant to professional standards, in the unusual event that we are unable to complete the audit or are unable to form or have not formed an opinion, we may decline to express an opinion or decline to issue a report.

While an audit includes obtaining an understanding of internal control sufficient to plan the audit and to determine the nature, timing and extent of audit procedures to be performed, it is not designed to provide assurance on internal control or to identify significant deficiencies in internal control. However, we are responsible for ensuring that the audit committee is aware of any such deficiencies that come to our attention.

As required by U.S. professional standards, we will meet with the audit committee to discuss (1) any relationships that may reasonably be thought to bear on our independence and (2) the quality of the Company's financial reporting. The discussion of financial reporting will cover, but will not be limited to: significant accounting policies; accounting estimates, judgments and uncertainties; accounting adjustments; and unusual transactions. The professional requirement for this discussion is new, and there is neither an agreed-upon definition of high quality financial reporting nor established criteria against which to evaluate reporting quality. The purpose of our audit is not to, and we will not, express an overall



opinion or give assurance about reporting quality. We welcome suggestions from management and the audit committee regarding matters to be discussed.

The working papers prepared in conjunction with our work are the property of AA, constitute confidential and proprietary information and will be retained by us in accordance with our policies and procedures.

Management's Responsibilities and Representations

The Company's management is responsible for the financial statements and for adjusting those statements to correct material misstatements. Management is also responsible for maintaining effective internal control over financial reporting, identifying and ensuring the Company complies with the laws and regulations applicable to its activities and making available to us all financial records and related information and personnel with information of relevance to our work.

As required by U.S. generally accepted auditing standards, we will make specific inquiries of management and others about the representations embodied in the financial statements and the effectiveness of internal control. Those standards also require that we obtain from certain members of management a representation letter which covers the financial statements and which affirms that the effects of any uncorrected misstatements are, both individually and in the aggregate, immaterial to the financial statements taken as a whole. The results of our audit tests, the responses to our inquiries and the written representations constitute the evidential matter we intend to rely upon in forming an opinion on the financial statements.

If you intend to publish or otherwise reproduce the financial statements together with our report (or otherwise make reference to AA) in a document that contains other information, you agree to provide us with a draft of the document to read and comment on before it is printed and distributed.

Other Services

We will assist in the Company's filing with the SEC of the annual report on Form 10K.

We will also provide other assistance and consultations as requested by management from time to time related to accounting, internal control or financial reporting matters.

Any additional services that you may request will be covered by separate arrangements.

Fees and Other Arrangements

Our fees for the services referred to above will be based upon the level of staff and the time required to complete the assignment, plus reimbursement of actual out-of-pocket expenses. Fees will be determined based on 75% of normal Per Diem Rates for the audit services under this arrangement and on 85% of normal Per Diem Rates for other services under this arrangement. Our fee arrangements assume we will receive appropriate assistance from your staff in the preparation of schedules and other matters. Interim billings will be submitted as the work progresses, and a final bill will be submitted following delivery of our report. Billings are payable upon receipt.

Except as instructed otherwise in writing, each party may assume that the other approves of properly addressed fax, email (including email exchanged via Internet media) and voicemail communication of both sensitive and non-sensitive documents, including third party confirmations, and other communications concerning this Agreement, as well as other means of communication used or accepted by the other party.

Neither party to this Agreement will directly or indirectly agree to assign, transfer or sell to anyone any claim against the other party arising out of this Agreement, except that the Company may assign its rights to any such claim to: (1) its insurer or (2) a third party who acquires all or substantially all of the voting securities or assets of the Company.

This Agreement reflects the entire agreement between the Company and AA relating to the services referred to herein and supersedes any previous proposals, correspondence and understandings, whether written or oral. The agreements of the Company and AA contained herein shall survive the completion or termination of this Agreement.


Acknowledgment

Please confirm your agreement with the above terms by signing a copy of this Agreement and returning it in the enclosed self-addressed envelope.

We are pleased to have this opportunity to be of service to you and assure you that this engagement will be given our close attention.

Very truly yours,

ARTHUR ANDERSEN LLP

By 
Jeffrey L. Burgess

CMG
\\audit\gui023\guilford\2002\lra\JAL9-29-02

Agreed and Acknowledged:

Guilford Mills, Inc.

By _____ Date _____

Title _____

By _____ Date _____

Chair of the Audit Committee

DEBTORS AND AFFILIATES

1. Guilford Mills, Inc.
2. GFD Services, Inc.
3. GFD Fabrics, Inc.
4. Advisory Research Services, Inc.
5. Twin Rivers Textile Printing & Finishing
6. Guilford Airmont, Inc.
7. GMI Computer Sales, Inc.
8. Hofmann Laces, Ltd.
9. Raschel fashion Interknitting, Ltd.
10. Curtains and Fabrics, Inc.
11. Mexican Industries of North Carolina, Inc.
12. Gold Mills, Inc.
13. Gold Mills Farms, Inc.
14. Gold Mills Farms Europe Limited
15. Guilford Europe Limited
16. Rouquinet Deroy Limited
17. Guilford Deutschland GmbH
18. Guilford Europe Pension Trustees Limited
19. Guilford Wovens Limited
20. Guilford Automocion Iberica S.L.
21. Guilford Texteis Iberica Limitada
22. Guilford Mills Automotive Limited (Portugal)
23. Guilford Mills Automotive Limited (Czech Republic)
24. Guilford Mills do Brasil Ltda.
25. Industrias Globales de Mexica, S.A. de C.V.
26. Industrias Mexicanas de Morelos, S.A. de C.V.
27. Grupo Ambar, S.A. de C.V.
28. American Textil, S.A. de C.V.
29. Servicios Corporativos Ambar, S.A. de C.V.
30. Guilford de Tamaulipas, S.A. de C.V.
31. Guilford de Altamira, S.A. de C.V.
32. Nustart, S.A. de C.V.
33. Guilford Mills Limited (France)
34. Guilford Czech Republic S.C.O.

OFFICERS, DIRECTORS, SHAREHOLDERS, COMMITTEE MEMBERS

35. Charles A. Hayes
36. David Taylor
37. David B. Schweibold
38. Don A. Alexander
39. John A. Emrich
40. Richard E. Novak
41. Robert A. Emken, Jr.
42. Tomokazu Adachi
43. Paul G. Gillease



EXHIBIT D

Guilford Mills, Inc.
Post Office Box 26969
Greensboro, North Carolina 27419-6969

Attention: David Taylor

July 31, 2002

Billing for professional services rendered in connection with the quarterly review of Guilford Mills, Inc. for the period ended March 31, 2002:

	<u>Hours</u>	<u>Rate</u>	<u>Fees</u>
Burgess	14.5	402	\$ 5,829
Yaudes	72.5	275	19,938
Miller III	91.0	187	17,017
Rike	<u>120.0</u>	101	<u>12,120</u>
	<u>298</u>		<u>54,904</u>

Billing for professional services rendered in connection with assistance with preparation of Guilford Mills, Inc documents to be submitted to the Bankruptcy Court:

	<u>Hours</u>	<u>Rate</u>	
Yaudes	83.3	311	25,906
Blevins	78.0	145	11,310
Rike	<u>49.0</u>	114	<u>5,586</u>
	<u>210.3</u>		<u>42,802</u>
Total Amount Due	<u>508.3</u>		<u>\$97,706</u>

CMG\z\guilford\audit\2002\bills\AssistanceWithBankruptcyCourt

REFERENCE INVOICE #S00266

Due and Payable Upon Receipt

Federal Tax Identification Number 36-0732690

Guilford Mills, Inc.
Post Office Box 26969
Greensboro, North Carolina 27419-6969

Attention: Mr. David Taylor

July 31, 2002

For professional tax services rendered for the period March 13, 2002 through May 31, 2002 as follows:

Consultations, research and discussions related to Mexican debt restructuring and research and US debt restructuring, including calculating the tax basis of a various group of assets that are under consideration for transfer into a liquidating trust, review of preliminary term sheet, tax implications of a liquidating trust with a guarantee, and related discussions with David Taylor (Guilford, Stuart Goldring (Weill), Howard Goldberg (Morgan Lewis), Ken Kail (Morgan Lewis), and Jackie Levinson (King & Spaulding)

\$13,174

	<u>Hours</u>	<u>Rate (Tax Consulting)</u>
Partner	0.5	489
Principle	32.8	383
Senior Associate	1.0	242
Associate	0.9	158

Progress billing for preparation of Guilford Mills, Inc. and Subsidiaries federal income tax returns for the year ended September 30, 2001

13,391

	<u>Hours</u>	<u>Rate (Tax Compliance)</u>
Principle	22.3	270
Senior Associate	28.0	171
Associate	25.5	101

Progress billing for preparation of Property tax compliance

11,113

	<u>Hours</u>	<u>Rate (Tax Compliance)</u>
Manager	39.0	235
Senior Associate	11.0	176

Preparation of amended Form 1139, Corporation Application for Tentative Refund,
 to take advantage of new 5 year federal net operating loss period 4,870

	<u>Hours</u>	<u>Rate (Tax Consulting)</u>
Partner	1.0	415
Principle	2.4	383
Senior Associate	7.0	239
Associate	12.9	145

Progress billing for preparation of Guilford Mills, Inc. and Subsidiaries state income
 tax return for the year ending September 30, 2001 4,513

	<u>Hours</u>	<u>Rate (Tax Compliance)</u>
Partner	1.0	287
Manager	3.0	240
Senior Associate	6.0	176
Associate	24.0	102

Progress billing for preparation of Guilford Mills, Inc. and Subsidiaries forms 5471
 for the year ended September 30, 2001 3,449

	<u>Hours</u>	<u>Rate (Tax Compliance)</u>
Manager	0.5	285
Senior Associate	10.0	192
Associate	13.0	107

Research and analysis concerning the refund of FICA taxes paid to employees as
 severance payments 2,060

	<u>Hours</u>	<u>Rate (Tax Consulting)</u>
Principle	1.2	383
Senior Associate	6.5	242
Associate	0.2	128

Research, consultation and correspondence with the IRS related to their analysis of
 the UK position paper on the competent authority royalty/management fee issue 674

	<u>Hours</u>	<u>Rate (Tax Consulting)</u>
Partner	1.3	425
Senior Associate	0.5	242

Guilford Mills, Inc.
 July 31, 2002
 Page 3 of 3

Progress billing for preparation of AA Advanced Mini Storage federal and state income tax return for the year ending December 31, 2001 567

	<u>Hours</u>	<u>Rate (Tax Compliance)</u>
Senior Associate	1.0	171
Associate	4.4	90

Progress billing for preparation of Guilford Mills, Inc. and Subsidiaries Second Quarter Estimated Tax 257

	<u>Hours</u>	<u>Rate (Tax Compliance)</u>
Senior Associate	1.5	171

Progress billing for preparation of Guilford International, Inc. federal income tax return for the year ending September 30, 2001 214

	<u>Hours</u>	<u>Rate (Tax Compliance)</u>
Associate	2.1	102

PBGC Audit Consultation 121

	<u>Hours</u>	<u>Rate (Tax Consulting)</u>
Senior Associate	0.5	242

Preparation of Federal and California extensions for Unger Fabrik 102

	<u>Hours</u>	<u>Rate (Tax Compliance)</u>
Associate	1.0	102

Amount due \$54,505

REFERENCE INVOICE #RR0308
 Due and Payable Upon Receipt

John Keener	Partner	575
Richard Mcalonan	Partner	500
John Keenan	Partner	488
Scott King	Partner	479
Kevin Johnston	Manager	475
David Youngdahl	Principle	450
Kelli Knoble	Manager	400
Tom Funderburk	Manager	392
Patrick Messick	Manager	380
Justin Lefevre	Senior Associate	320
Rhonda Gehle	Senior Associate	294
Sequoya Borgman	Senior Associate	285
Jeffrey Witajewski	Senior Associate	230
T. Scott Kummer	Associate	195
Conoley Coonley	Associate	170
Joseph May	Associate	170
Tiffany Cross	Associate	150
Walter Burney	Associate	150

60%				Fees		
Forms 5471		Billing Rate	3/13 - 4/30	Bill	Hours	
Kevin Johnston	Manager	285	143	143	0.5	
Justin Lefevre	Senior Associate	192	1,920	1,920	10.0	
Sequoya Borgman	Senior Associate	171	-	-	-	
T. Scott Kummer	Associate	117	936	936	8.0	
Walter Burney	Associate	90	450	450	5.0	
Total			<u>3,449</u>	<u>3,449</u>	<u>23.5</u>	

60%				Fees		
FSC Tax Return		Billing Rate	3/13 - 4/30	Bill	Hours	
Sequoya Borgman	Senior Associate	171	-	-	-	
Joseph May	Associate	102	214	214	2.1	
Total			<u>214</u>	<u>214</u>	<u>2.1</u>	

60%				Fees		
AA Mini-Storage		Billing Rate	3/13 - 4/30	Bill	Hours	
Sequoya Borgman	Senior Associate	171	171	171	1.0	
Tiffany Cross	Associate	90	396	396	4.4	
Total			<u>567</u>	<u>567</u>	<u>5.4</u>	

60%				Fees		
Estimated Tax		Billing Rate	3/13 - 4/30	Bill	Hours	
Sequoya Borgman	Senior Associate	171	257	257	1.5	
Joseph May	Associate	102	-	-	-	
Total			<u>257</u>	<u>257</u>	<u>1.5</u>	

John Keener	Partner	575
Richard Mcalonan	Partner	500
John Keenan	Partner	488
Scott King	Partner	479
Kevin Johnston	Manager	475
David Youngdahl	Principle	450
Kelli Knoble	Manager	400
Tom Funderburk	Manager	392
Patrick Messick	Manager	380
Justin Lefevre	Senior Associate	320
Rhonda Gehle	Senior Associate	294
Sequoya Borgman	Senior Associate	285
Jeffrey Witajewski	Senior Associate	230
T. Scott Kummer	Associate	195
Conoley Coonley	Associate	170
Joseph May	Associate	170
Tiffany Cross	Associate	150
Walter Burney	Associate	150

60%			Fees		
Unger Fabrik		Billing Rate	3/13 - 4/30	Bill	Hours
Sequoya Borgman	Senior Associate	171	-	-	-
Joseph May	Associate	102	102	102	1.0
Total			<u>102</u>	<u>102</u>	<u>1.0</u>

85%			Fees		
Chapter 11 Bankruptcy		Billing Rate	3/13 - 4/30	Bill	Hours
John Keener	Partner	489	244	244	0.5
David Youngdahl	Principle	383	12,546	12,546	32.8
Sequoya Borgman	Senior Associate	242	242	242	1.0
T. Scott Kummer	Associate	166	116	116	0.7
Joseph May	Associate	145	-	-	-
Walter Burney	Associate	128	26	26	0.2
Total			<u>13,174</u>	<u>13,174</u>	<u>35.2</u>

85%			Fees		
Compentent Authority		Billing Rate	3/13 - 4/30	Bill	Hours
Richard Mcalonan	Partner	425	553	553	1.3
Patrick Messick	Manager	323	-	-	-
Sequoya Borgman	Senior Associate	242	121	121	0.5
Total			<u>674</u>	<u>674</u>	<u>1.8</u>

85%			Fees		
5 Year NOL Carryback Claim		Billing Rate	3/13 - 4/30	Bill	Hours
John Keenan	Partner	415	415	415	1.0
David Youngdahl	Principle	383	918	918	2.4
Sequoya Borgman	Senior Associate	242	1,575	1,575	6.5
Jeffrey Witajewski	Senior Associate	196	98	98	0.5
Joseph May	Associate	145	1,864	1,864	12.9
Total			<u>4,870</u>	<u>4,870</u>	<u>23.3</u>

John Keener	Partner	575
Richard Mcalonan	Partner	500
John Keenan	Partner	488
Scott King	Partner	479
Kevin Johnston	Manager	475
David Youngdahl	Principle	450
Kelli Knoble	Manager	400
Tom Funderburk	Manager	392
Patrick Messick	Manager	380
Justin Lefevre	Senior Associate	320
Rhonda Gehle	Senior Associate	294
Sequoya Borgman	Senior Associate	285
Jeffrey Witajewski	Senior Associate	230
T. Scott Kummer	Associate	195
Conoley Coonley	Associate	170
Joseph May	Associate	170
Tiffany Cross	Associate	150
Walter Burney	Associate	150

60%			Fees		
Twin Rivers Tax Return			<u>3/13 - 4/30</u>	<u>Bill</u>	<u>Hours</u>
		<u>Billing Rate</u>			
	Sequoya Borgman	Senior Associate	-	-	-
		171			
Total			-	-	-

60%			Fees		
Federal Tax Return			<u>3/13 - 4/30</u>	<u>Bill</u>	<u>Hours</u>
		<u>Billing Rate</u>			
	David Youngdahl	Principle	6,021	6,021	22.3
	Patrick Messick	Manager	-	-	-
	Sequoya Borgman	Senior Associate	4,788	4,788	28.0
	Joseph May	Associate	2,438	2,438	23.9
	Walter Burney	Associate	144	144	1.6
		90			
Total			13,391	13,391	75.8

85%			Fees		
FICA Refund Analysis			<u>3/13 - 4/30</u>	<u>Bill</u>	<u>Hours</u>
		<u>Billing Rate</u>			
	David Youngdahl	Principle	459	459	1.2
	Sequoya Borgman	Senior Associate	1,575	1,575	6.5
	Walter Burney	Associate	26	26	0.2
		128			
Total			2,060	2,060	7.9

85%			Fees		
PBGC Audit			<u>3/13 - 4/30</u>	<u>Bill</u>	<u>Hours</u>
		<u>Billing Rate</u>			
	Sequoya Borgman	Senior Associate	121	121	0.5
		242			
Total			121	121	0.5

John Keener	Partner	575
Richard Mcalonan	Partner	500
John Keenan	Partner	488
Scott King	Partner	479
Kevin Johnston	Manager	475
David Youngdahl	Principle	450
Kelli Knoble	Manager	400
Tom Funderburk	Manager	392
Patrick Messick	Manager	380
Justin Lefevre	Senior Associate	320
Rhonda Gehle	Senior Associate	294
Sequoya Borgman	Senior Associate	285
Jeffrey Witajewski	Senior Associate	230
T. Scott Kummer	Associate	195
Conoley Coonley	Associate	170
Joseph May	Associate	170
Tiffany Cross	Associate	150
Walter Burney	Associate	150

60%			Fees		
SALT Property Tax Compliance		<u>Billing Rate</u>	<u>3/13 - 4/30</u>	<u>Bill</u>	<u>Hours</u>
Tom Funderburk	Manager	235	9,173	9,173	39.0
Rhonda Gehle	Senior Associate	176	1,940	1,940	11.0
Total			<u>11,113</u>	<u>11,113</u>	<u>50.0</u>

60%			Fees		
SALT State Compliance		<u>Billing Rate</u>	<u>3/13 - 4/30</u>	<u>Bill</u>	<u>Hours</u>
Scott King	Partner	287	287	287	1.0
Kelli Knoble	Manager	240	720	720	3.0
Rhonda Gehle	Senior Associate	176	1,058	1,058	6.0
Conoley Coonley	Associate	102	2,448	2,448	24.0
Total			<u>4,513</u>	<u>4,513</u>	<u>34.0</u>

		TOTAL	<u>Fees</u>		
			<u>3/13 - 4/30</u>	<u>Bill</u>	<u>Hours</u>
			<u>54,505</u>	<u>54,505</u>	<u>262.0</u>

EXHIBIT E

Guilford Mills, Inc.
 Time Reporting for Bankruptcy Court Purposes
Second Quarter Daily Time Report for Jeff Burgess

Date	Time	Total Daily	Activity
25-Apr	1.0	1.0	Review SOP 90-7 and various other research regarding second quarter reporting issues related to the bankruptcy.
26-Apr	1.0	1.0	Research regarding second quarter reporting issues related to restructurings and asset impairments.
10-May	1.3	1.3	Review quarterly review workpapers and discuss results with engagement team
13-May	2.0	2.0	Review quarterly review workpapers and discuss results with engagement team
14-May	0.9 1.0 2.1	4.0	Review quarterly review workpapers and discuss results with engagement team Review draft agenda for quarterly wrap-up meeting with management Meeting with management for quarterly wrap-up
15-May	1.0	1.0	Review draft of Guilford 10-Q and provide comments to management
16-May	1.9	1.9	Finalize agenda and conduct quarterly closing meeting with management.
17-May	0.5	0.5	Final preparation and review of agenda for May 20 audit committee meeting.
20-May	0.6 1.2	1.8	Phone call with David Taylor in final preparation for audit committee call Audit committee call for quarterly wrap-up with S. Hassenteit, G. Wilson, S. Jacobs, David Taylor, John Emrich, Jim Hopeck and Bobby Emken
Cumulative AALLP Time			14.5

Guilford Mills, Inc.
Time Reporting for Bankruptcy Court Purposes Yaudes
JTY__Arthur Andersen LLP Time for GMI

<u>Date</u>	<u>Time</u>	<u>Total Daily</u>	<u>Activity</u>
11-Apr	2.5 <u>2</u>	4.5	Review SOP 90-7 for financial reporting purposes and accounting implications to GMI Preliminary meeting with Jim Hopeck and Charles Skara to discuss accounting issues relating to the Company during the second quarter of fiscal 2002
12-Apr	3.5 1 <u>4</u>	8.5	Compile information for the Company's second quarter LIFO calculation Evaluation manufacturing variances that resulted during the quarter and evaluated inclusion within LIFO calculation Assist Will Rike with accumulation of GMI and Gold Mills LIFO calculation including the evaluation of LIFO extension reports, LIFO indexes, and resulting decrements
15-Apr	2.5 <u>2</u>	4.5	Review preliminary GMI LIFO calculation Review preliminary Gold Mills LIFO calculation
	3		Meet with Jim Hopeck and Charles Skara to continue to address and understand issues facing the Company for the second quarter; these include potential discontinued operations assessment for the Company's apparel and home fashion divisions, evaluation of debt conversion for Mexican entity, presentation of financial statements in accordance with SOP 90-7, and discussion of reorganization costs under 90-7
	<u>1.5</u>	<u>4.5</u>	Meet with Jim Hopeck and conference call with Mark Pescolido regarding Homestead transaction and accounting implications for inventory and receivables based on this transaction.
		9	
17-Apr	3 1.8 <u>1.5</u>	6.3	Review of SOP 90-7 for financial reporting presentation, treatment of interest expense under SOP 90-7, evaluation of reorganization costs under SOP 90-7, evaluation of professional fees under 90-7 Gathering of examples of financial presentation under 90-7 including Burlington Industries, Galey & Lord, and Safety Kleen Meet with Charles Skara to discuss financial presentation examples and items that are of issue with Guilford
18-Apr	3.6 2.3 <u>2.6</u>	8.5	Review of SOP 90-7 for presentation and definition of liabilities subject to compromise; gathering and discussion with Safety Kleen personnel including Thomas Duncan and Bill Lively for liabilities subject to compromise; review of Safety Kleen documentation for liabilities subject to compromise Preliminary evaluation of the Company's liabilities subject to compromise including review of complete balance sheet listing of liabilities Meeting with Charles Skara and Jim Hopeck for discussion of liabilities subject to compromise, discussion of the Company's internal assessment of liabilities subject to compromise, further discussion regarding discontinued operations of specific business units, and assessment of Company break-out regarding core and non-core businesses.
19-Apr	2.3 3.6 1.3 <u>1.3</u>	8.5	Review of APB No. 30 for criteria requirements for purposes of achieving discontinued operations treatment; review of other client (Glen Raven) assessment and PSG discussions regarding criteria of APB No. 30; review of examples and interpretations of APB No. 30 Documentation of client situation regarding discontinued operations within the apparel and home fashions business units and preliminary assessment of discontinued operations for these two segments; gathering of segment/product line information for support of documentation within discontinued operations evaluation - information gathered from Charles Skara, Mark Pescolido, Mike Smith, Don Horton, and Jim Hopeck Meeting with Jim Hopeck to discuss Mexican debt infusion and accounting treatment as a step acquisition Meeting with Charles Skara to discuss preliminary assessment of discontinued operations

Guilford Mills, Inc.
Time Reporting for Bankruptcy Court Purposes Yaudes
JTY__Arthur Andersen LLP Time for GMI

<u>Date</u>	<u>Time</u>	<u>Total Daily</u>	<u>Activity</u>
22-Apr	2.1		Evaluation with Will Rike of GMI LIFO calculation including complete tie-in of all LIFO extension reports, liquidation of LIFO layers based on decrement, evaluation of impact on income from decrement, evaluation of LIFO index change, and evaluation of cap variances
	2.6		Evaluation with Will Rike of Gold LIFO calculation including complete tie-in of all LIFO extension reports, liquidation of LIFO layers based on decrement, evaluation of impact on income from decrement, evaluation of LIFO index change, and evaluation of cap variances; discuss for follow-up of unusual price change in Gold calculation
	1.3		Evaluation of FIFO contra accounts resulting at the end of second quarter as compared to prior quarters
	0.9		Conference call with Elaine Scott and Jim Hopeck regarding the recording of FIFO contra accounts and adjustment to these accounts each month
	<u>1.4</u>		Conference call with Jim Dagenhart and Jim Hopeck regarding the use of FIFO contra accounts, the classification of FIFO contra accounts and the presentation within the applicable business units for the Company's FIFO contra accounts
		8.3	
26-Apr	1.5		Follow-up with Don Horton regarding pricing change with LIFO calculation for Gold Mills; evaluation of pricing change with Don from year-end to Q1 to Q2
	1.6		Changes to Gold Mills LIFO calculation as a result of corrected pricing structure within Gold Mills LIFO calculation; re-evaluation of LIFO decrement and liquidation of LIFO layers within calculation based on pricing change; re-evaluation of cap variances based on re-set of standard cost during the first part of Q2
	0.6		Evaluation of cap variances within GMI LIFO calculation as a result of re-set of standard cost during the first part of Q2
	0.9		Creation of LIFO entry based on finalized GMI and Gold Mills LIFO calculations
	2.2		Evaluation of contra FIFO accounts on a legal entity and business unit basis as recorded and determination of true-up entry to reflect contra FIFO accounts based on finalized LIFO calculation; evaluation of spread for LIFO adjustment and contra FIFO allocation within legal entities and business units
	<u>1.6</u>		Meet with Jim Hopeck regarding finalized LIFO calculation and required entry for LIFO and true-up of contra FIFO accounts.
		8.4	
29-Apr	1.6		Meeting with Jim Hopeck and Charles Skara regarding conclusion for discontinued operations treatment within home fashions and apparel divisions; discussion with Jim and Charles regarding the presentation of various charges for these divisions being reflected as restructuring and impaired asset charges
	2.1		Meeting with Jim Hopeck and Don Kenisivic regarding impairment charges for numerous location of the Company including Herkimer, Lumberton, Altamira, Cobleskill, Pine Grove, and ASICA joint venture
	3.3		Gathering and evaluation of appraisal reports from Don Kenisivic regarding property assessments within Altamira, ASICA, Herkimer, and Cobleskill; preliminary assessment of impairment charges based on these appraisal reports
	<u>1.3</u>		Meeting with Jim Hopeck and Charles Skara regarding standing offers for other locations of the Company including Twin Rivers and resulting impairment charges based on these offers
		8.3	

Guilford Mills, Inc.
Time Reporting for Bankruptcy Court Purposes Yaudes
JTY__Arthur Andersen LLP Time for GMI

<u>Date</u>	<u>Time</u>	<u>Total Daily</u>	<u>Activity</u>
30-Apr	6.2		Review and supervision of second quarter review procedures; documentation of follow-up procedures/requirements based on procedures performed to-date.
	<u>2.3</u>	8.5	Documentation of assessment of carrying value of deferred financing costs and resulting impairment/write-off of these costs as a result of the Company's bankruptcy filing
1-May	1.8		Meet with Charles Skara and Jim Hopeck to communicate assessment of deferred financing costs and resulting impairment; communicate guidelines of SOP 90-7 and impairment to costs based on the third party not being fully secured
	3.3		Evaluation of operating performance through op statements and follow-up conversation with BU controllers; including Mark Pescolido, Elaine Scott, and Neil French
	<u>3.2</u>	8.3	Evaluation/review of second quarter results documented within second quarter file specifically inventory, receivables, deferred financing costs, restructuring activities, and implications of SOP 90-7 specifically liabilities subject to compromise
2-May	2.3		Assistance with point clearance of second quarter review file
	1.8		Meet with Charles Skara to discuss elimination procedures enacted based on core versus non-core business segments
	<u>4.4</u>	8.5	Review and documentation of standalone balance sheets for various entities within GMI including Co. 100, 102, 130, 131, 400, and 402
3-May	2.1		Meet with Jim Hopeck to re-address questions regarding LIFO calculations, LIFO entry, treatment of contra FIFO accounts; communication with David Taylor regarding LIFO income generated based on liquidation
	0.4		Hand-off to Jim Hopeck copies of LIFO calculations and LIFO documentation
	3.2		Creation of preliminary closing agenda and audit committee agenda
	<u>2.3</u>	8	Continued review and documentation of standalone balance sheet review for various entities
7-May	1.8		Discussion with Charles Skara and Jim Hopeck required bankruptcy filing requirements
	1.5		Review of example reports from bankruptcy counsel regarding required filings
	1.5		Meeting with Howard Magaliff, Jim Hopeck, Jeff Burgess, David Taylor to discuss monthly operational reports that are required for the bankruptcy court
	2.1		Meeting with Howard Magaliff, Jim Hopeck, Jeff Burgess, David Taylor, Lee Fox, Mike Yeager, Bobby Emken to discuss bankruptcy schedules that are required as of the Co filing date
	<u>1.4</u>	8.3	Initial review of schedule requirements and portion AA will assist with

Guilford Mills, Inc.
 Time Reporting for Bankruptcy Court Purposes Yaudes
 JTY__Arthur Andersen LLP Time for GMI

<u>Date</u>	<u>Time</u>	<u>Total Daily</u>	<u>Activity</u>
8-May	2		Meet with Sarah Blevins, Jeff Burgess, Jim Hopeck and Charles Skara regarding creation of schedule B's
	<u>3.6</u>	5.6	Gathering of information and documentation regarding creation of schedule B's including gathering of general ledger activities for the 14 legal entities in bankruptcy
10-May	8.1	8.1	Creation/review of schedule B's for the 14 legal entities included within the Company's bankruptcy filing including gathering of all asset valuations as of March 13th and break-out within appropriate section of schedule B.
13-May	2.2		Discussions with Senior/Staff regarding preparation of bankruptcy schedules and required communications under bankruptcy laws
	<u>2.5</u>	4.7	Gather information and support for Schedule B's
16-May	5	5	Gather information and support for Schedule B's; evaluate fair market value for various accounts particularly PP&E valuations based on appraised valuations
21-May	3	3	Evaluate inventory valuation requirements and communicate with BU controllers what is required for Schedule B's
24-May	3	3	Review Schedule B's and make recommendations for changes; evaluate collectibility of amounts
30-May	1.5	1.5	Meet with Jeff Burgess, Jim Hopeck, and Sarah Blevins regarding Schedule B's and additional information requirements to complete
3-Jun	2.5	2.5	Evaluate intercompany schedule and investment schedules of 14 entities; communicate with bankruptcy counsel regarding inclusion of intercompany balances for debtor companies
4-Jun	1.5	<u>1.5</u>	Have follow-up discussions with GMI personnel regarding investment realizability and true-up of investment balances based on recording of 18 month P&L activity.
Cumulative Time		155.8	

GMI Time Tracking
Tripp Miller
2nd Quarter Review and Preparation of Bankruptcy Schedules

17-Apr-2002

Review of First Quarter File	3.4
Analytical Review of Consolidated Balance Sheet	2.3
Review of Inventory Reconciliation for Apparel Division	2.3
	<u>8</u>

18-Apr-2002

Review of inventory reserve schedule for GTT Division	2.3
Review of inventory reconciliation for Automotive Division	1.6
Review of inventory reserve calculation for Auto Division	2.3
Analytical review of divisional balance sheets	1.8
	<u>8</u>

19-Apr-2002

Review of accounting guidance for entities in bankruptcy	2.7
Review of translation rates/calculations for foreign subsidiaries	1.1
Review of payroll accruals and supporting documentation	1.2
Review of support for severance accruals	3
	<u>8</u>

22-Apr-2002

Documentation of changes in equity accounts	1.6
Review of balance sheet for Cobleskill facility	1.1
Review of balance sheet for Herkimer facility	2.1
Review of disclosure requirements for entities in bankruptcy	3.2
	<u>8</u>

23-Apr-2002

Review of balance sheet for Mexican facilities	2.9
Documentation of reasons for inventory discrepancies	1.5
Review of LIFO calculation for second quarter	3.2
Discussions / Documentation of analytical review for GMI Europe	0.4
	<u>8</u>

29-Apr-2002

Review of preliminary restructuring detail for Altamira facility	2.1
Performance / documentation of general accrual review	1.7
Review of self-insured medical reserve	1.6
Review of accounts receivable work	2.3
Analytical review of accounts receivable	1.3
	<u>9</u>

30-Apr-2002

Documentation of inventory review	1.2
Review of revised balance sheet	2.1
Preparation of Audit Committee Agenda	2.2
Review of property rollforward	1.3
Review of Homestead Agreement	1.2
	<u>8</u>

GMI Time Tracking
Tripp Miller
2nd Quarter Review and Preparation of Bankruptcy Schedules

1-May-2002

Reviewed LIFO Calculation	2.7
Audit Committee Meeting Agenda	2.4
Review procedures on Other Current Assets	1.5
Analytical Review Procedures	1.4
	<hr/>
	8

2-May-2002

Summarization of Homestead Agreement	2.3
Determination of Reorganization Costs	3.5
Research of Bankruptcy 10-Q Filings	2.2
	<hr/>
	8

6-May-2002

Analytical Review Procedures	4.6
Review of Statement of Cash Flows	3.3
Review of Balance Sheet and P&L	2.1
	<hr/>
	10

7-May-2002

Prove out of Contra-FIFO Calculation	2.2
Evaluation of Consolidated Inventory Reserves	2.4
Review of other income/(loss)	2.1
Review of revised liability schedules	1.3
	<hr/>
	8

Total 91

Will Rike
Guilford Mills
2002 - Q2 Review and Preparation of Bankruptcy Schedules

<u>Date</u>	<u>Time</u>	<u>Description</u>
4/11/2002	4.3	Retrieve, format and print LIFO reports for individual locations and inventory types
	2.7	Identify and label reports for input into LIFO calculation spreadsheet
	1.0	Input Co. 100 inventory reports into spreadsheets
	<u>8.0</u>	
4/12/2002	2.3	Input Co. 100 inventory reports into spreadsheets
	2.5	Input Co. 102 inventory reports into spreadsheets
	1.7	Input Co. 100 GL Information
	1.5	Input Co. 102 GL Information
<u>8.0</u>		
4/15/2002	1.1	Input Co. 100 Cap. Variance Info
	1.1	Input Co. 102 Cap. Variance Info
	3.3	Update LIFO calculation and reserve information identifying layers affected by current decrement for both companies
	2.5	Revise schedule based on Manager points and recommendations
<u>8.0</u>		
4/16/2002	2.3	Prepare comparative analysis of reserves for true-up entries
	1.0	Setup of LIFO file
	2.1	Testing fixed asset rollforward
	2.6	Analytical review of FA roll including discussions with Charles Skara and Pat Greene
<u>8.0</u>		
4/17/2002	2.3	Tie out Auto Inv. To GL
	1.0	Setup of Quarter File
	1.1	Analytical discussions with John Scarano
	3.6	Sales Analysis for Herkimer
<u>8.0</u>		
4/18/2002	3.3	Inventory Reserve Analysis
	4.7	Testing of Bad Debt Reserve Schedules
<u>8.0</u>		
4/19/2002	3.7	Analytical review of Bad Debt Reserves including d/w Ron Schwertner
	1.5	Comparative analysis of Quarter reserve amounts
	2.8	Testing of trade A/R reconciliation, including d/w Tonya May
<u>8.0</u>		
4/22/2002	2.3	Testing of HSBC A/R reconciliation
	3.5	Testing of CIT A/R reconciliation
	2.2	Testing of CIT - Fibers A/R reconciliation
<u>8.0</u>		
4/23/2002	1.7	Analysis of check registers for subsequent disbursements testing
	4.5	Review of AP checks and related invoices for expense periods
	1.8	Preparation and Input into control spreadsheet
<u>8.0</u>		
4/24/2002	3.5	Subsequent Disb. Testing (incl. d/w Karen)
	1.4	Accounting research related to treatment of expenses subject to compromise
	3.1	Clear Manager Points related to A/R
<u>8.0</u>		
4/25/2002	1.8	Update Agenda with information p/b manager
	1.4	Review of appraisal reports for property valuation
	4.8	Prepare property valuation memo for Cobleskill, Altamira, Herkimer and Twin Rivers
<u>8.0</u>		

Will Rike
Guilford Mills
2002 - Q2 Review and Preparation of Bankruptcy Schedules

<u>Date</u>	<u>Time</u>	<u>Description</u>	
4/26/2002	2.3	Discussions with Jim Hopek and Pat Greene to determine book value of PP&E and M&E to assess impairment charges	
	1.5	Prepare impairment schedules for memo	
	1.2	Discussions with Frieda Lyons	
	3.0	Review and testing of Herkimer AP, AR Recs	
	<u>8.0</u>		
4/29/2002	1.7	Discussions with secretary, pick up appraisal reports from Don Knesovic at Fishman location	
	2.4	Discussions with Bobby Emken and secretary and pick up deliver/pick-up/revise documents	
	3.9	Review of AP checks and related invoices for expense periods including d/w various individuals	
	<u>8.0</u>		
4/30/2002	3.4	Assess/Clear Mgr Points and questions	
	1.7	Accounting research of SOP 90-7	
	2.9	Documentation for work performed	
	<u>8.0</u>		
5/1/2002	4.3	Testing of Master Cash Master Account Reconciliation	
	2.7	Testing of Company Lockbox Reconciliation	
	1.0	Review of new AP checks and related invoices for expense periods	
	<u>8.0</u>		
5/2/2002	2.4	Review of new AP checks and related invoices for expense periods	
	2.7	Testing of Updated Fixed Asset rollforward from Pat Greene	
	2.9	Testing of Updated Bad Debt reserve schedules including discussions with Ron Schwertner	
	<u>8.0</u>		
5/3/2002	1.7	Discussion with Karen Moore regarding cutoff issues and procedures	
	3.3	Documentation of work performed within the files	
	<u>5.0</u>		
5/13/2002	2.2	Discussions with management/Senior regarding preparation of bankruptcy schedules	
	1.8	Review of Cash Accounts by company to determine type/location of specific accounts	
	<u>4.0</u>		
5/14/2002	3.6	Review of Cash Accounts by company to determine type/location of specific accounts including discussions with Mike McLaren, Mike Scott, Karen Moore, etc.	
	2.4	Review of PP&E rollforward to identify specific items for bankruptcy reporting	
	2.0		
	<u>8.0</u>		
5/15/2002	2.7	Accumulating property schedules including disposal reports and CIP detail for classification of items	
	1.5	Discussions with Pat Greene pertaining to PP&E classifications by entity	
	1.8	Compiling property numbers for bankruptcy reports	
	2.0	Research and clear manager points relating to A/R and property	
	<u>8.0</u>		
5/16/2002	2.7	Research and clear partner points	
	1.3	Referencing of papers and documentation	
	4.0	Classification of PP&E numbers by entity including discussions with Jim Hopek, Charles Skara and Pat Greene	
	<u>8.0</u>		
	1.1	Discussions with entity and corporate level accounting personnel to follow-up on cash accounts for reporting	
	2.9	Testing of P5 cash reconciliations for significant accounts	
	1.3	Review of subsequent disbursements after bankruptcy filing date	
	2.7	Research and clear partner points relating to A/R, Cash and Property	
	<u>8.0</u>		
	Total	169.0	

Sarah C. Blevins
 Guilford Mills Bankruptcy
 Daily Time Reports

<u>Date</u>	<u>Time</u>	<u>Total Daily</u>	<u>Activity</u>
8-May-2002	2		Meet with Jason Yaudes and Jeff Burgess from Arthur Andersen and Jim Hopeck and Charles Skara regarding the creation of schedule B's.
	2.5		Review bankruptcy schedule templates to determine the amount and type of work to be performed.
	3.3		Prepare bankruptcy schedule B template in excel.
	0.2		Collect and prepare binder for collection of supporting schedule B data.
		8	
9-May-2002	2.3		Print trial balance for several of the entities filing bankruptcy to evaluate the types and amounts of assets on the entities books.
	2.5		Gather information and support for the schedule B's, including collecting reports for accounts from numerous Guilford personnel and inquiring of Guilford personnel of the nature of accounts and their estimated true balance at 3/13/02.
	1.2		Input information gathered into the schedule B templates.
		6	
10-May-2002	6.5		Gather information and support for the schedule B's, including collecting reports for accounts from numerous Guilford personnel and inquiring of Guilford personnel of the nature of accounts and their estimated true balance at 3/13/02.
	1.5		Input information gathered into the schedule B templates.
		8	
13-May-2002	5.2		Gather information and support for the schedule B's, including collecting reports for accounts from numerous Guilford personnel and inquiring of Guilford personnel of the nature of accounts and their estimated true balance at 3/13/02.
	2.3		Input information gathered into the schedule B templates.
		7.5	
14-May-2002	5.5		Gather information and support for the schedule B's, including collecting reports for accounts from numerous Guilford personnel and inquiring of Guilford personnel of the nature of accounts and their estimated true balance at 3/13/02.
	2.5		Input information gathered into the schedule B templates.
		8	
15-May-2002	6.3		Gather information and support for the schedule B's, including collecting reports for accounts from numerous Guilford personnel and inquiring of Guilford personnel of the nature of accounts and their estimated true balance at 3/13/02.
	0.7		Input information gathered into the schedule B templates.
		7	
16-May-2002	5		Gather information and support for the schedule B's, including collecting reports for accounts from numerous Guilford personnel and inquiring of Guilford personnel of the nature of accounts and their estimated true balance at 3/13/02.

Sarah C. Blevins
 Guilford Mills Bankruptcy
 Daily Time Reports

<u>Date</u>	<u>Time</u>	<u>Total Daily</u>	<u>Activity</u>
	1	6	Input information gathered into the schedule B templates.
20-May-2002	3	3	Gather information and support for the schedule B's, including collecting reports for accounts from numerous Guilford personnel and inquiring of Guilford personnel of the nature of accounts and their estimated true balance at 3/13/02.
21-May-2002	2.9	7.5	Gather information and support for the schedule B's, including collecting reports for accounts from numerous Guilford personnel and inquiring of Guilford personnel of the nature of accounts and their estimated true balance at 3/13/02. Input information gathered into the schedule B templates. Meet with Jim Hopeck from Guilford and Jason Yaudes from AA to coordinate the gathering of inventory schedules from the different Guilford locations.
22-May-2002	2.3 2.7	5	Review work prepared by the staff assisting in the preparation of the schedule B's. Place all supporting schedules and documentation into a binder and tick and tie all numbers reported in the schedule B's to the supporting schedules and documentation.
23-May-2002	6.3 1.7	8	Place all supporting schedules and documentation into a binder and tick and tie all numbers reported in the schedule B's to the supporting schedules and documentation. Perform final review of binder to ensure that formatting is proper and that numbers reported agreed to support in binder.
28-May-2002	2	2	Make changes proposed by JTY and follow up on several issues regarding collectibility
30-May-2002	1.7 0.3	2	Meeting from 10:20 - 12 with JTY, JLB, Charles and Jim about schedules Discuss changes made by Manager with JTY
Total Hours		<u>78</u>	

John Keener	Partner	575
Richard Mcalonan	Partner	500
John Keenan	Partner	488
Scott King	Partner	479
Kevin Johnston	Manager	475
David Youngdahl	Principle	450
Kelli Knoble	Manager	400
Tom Funderburk	Manager	392
Patrick Messick	Manager	380
Justin Lefevre	Senior Associate	320
Rhonda Gehle	Senior Associate	294
Sequoya Borgman	Senior Associate	285
Jeffrey Witajewski	Senior Associate	230
T. Scott Kummer	Associate	195
Conoley Coonley	Associate	170
Joseph May	Associate	170
Tiffany Cross	Associate	150
Walter Burney	Associate	150

60%				Fees		
Forms 5471		<u>Billing Rate</u>		<u>3/13 - 4/30</u>	<u>Bill</u>	<u>Hours</u>
Kevin Johnston	Manager	285		143	143	0.5
Justin Lefevre	Senior Associate	192		1,920	1,920	10.0
Sequoya Borgman	Senior Associate	171		-	-	-
T. Scott Kummer	Associate	117		936	936	8.0
Walter Burney	Associate	90		450	450	5.0
Total				<u>3,449</u>	<u>3,449</u>	<u>23.5</u>

60%				Fees		
FSC Tax Return		<u>Billing Rate</u>		<u>3/13 - 4/30</u>	<u>Bill</u>	<u>Hours</u>
Sequoya Borgman	Senior Associate	171		-	-	-
Joseph May	Associate	102		214	214	2.1
Total				<u>214</u>	<u>214</u>	<u>2.1</u>

60%				Fees		
AA Mini-Storage		<u>Billing Rate</u>		<u>3/13 - 4/30</u>	<u>Bill</u>	<u>Hours</u>
Sequoya Borgman	Senior Associate	171		171	171	1.0
Tiffany Cross	Associate	90		396	396	4.4
Total				<u>567</u>	<u>567</u>	<u>5.4</u>

60%				Fees		
Estimated Tax		<u>Billing Rate</u>		<u>3/13 - 4/30</u>	<u>Bill</u>	<u>Hours</u>
Sequoya Borgman	Senior Associate	171		257	257	1.5
Joseph May	Associate	102		-	-	-
Total				<u>257</u>	<u>257</u>	<u>1.5</u>

John Keener	Partner	575
Richard Mcalonan	Partner	500
John Keenan	Partner	488
Scott King	Partner	479
Kevin Johnston	Manager	475
David Youngdahl	Principle	450
Kelli Knoble	Manager	400
Tom Funderburk	Manager	392
Patrick Messick	Manager	380
Justin Lefevre	Senior Associate	320
Rhonda Gehle	Senior Associate	294
Sequoya Borgman	Senior Associate	285
Jeffrey Witajewski	Senior Associate	230
T. Scott Kummer	Associate	195
Conoley Coonley	Associate	170
Joseph May	Associate	170
Tiffany Cross	Associate	150
Walter Burney	Associate	150

60%			Fees		
Unger Fabrik		Billing Rate	3/13 - 4/30	Bill	Hours
Sequoya Borgman	Senior Associate	171	-	-	-
Joseph May	Associate	102	102	102	1.0
Total			102	102	1.0

85%			Fees		
Chapter 11 Bankruptcy		Billing Rate	3/13 - 4/30	Bill	Hours
John Keener	Partner	489	244	244	0.5
David Youngdahl	Principle	383	12,546	12,546	32.8
Sequoya Borgman	Senior Associate	242	242	242	1.0
T. Scott Kummer	Associate	166	116	116	0.7
Joseph May	Associate	145	-	-	-
Walter Burney	Associate	128	26	26	0.2
Total			13,174	13,174	35.2

85%			Fees		
Compentent Authority		Billing Rate	3/13 - 4/30	Bill	Hours
Richard Mcalonan	Partner	425	553	553	1.3
Patrick Messick	Manager	323	-	-	-
Sequoya Borgman	Senior Associate	242	121	121	0.5
Total			674	674	1.8

85%			Fees		
5 Year NOL Carryback Claim		Billing Rate	3/13 - 4/30	Bill	Hours
John Keenan	Partner	415	415	415	1.0
David Youngdahl	Principle	383	918	918	2.4
Sequoya Borgman	Senior Associate	242	1,575	1,575	6.5
Jeffrey Witajewski	Senior Associate	196	98	98	0.5
Joseph May	Associate	145	1,864	1,864	12.9
Total			4,870	4,870	23.3

John Keener	Partner	575
Richard Mcalonan	Partner	500
John Keenan	Partner	488
Scott King	Partner	479
Kevin Johnston	Manager	475
David Youngdahl	Principle	450
Kelli Knoble	Manager	400
Tom Funderburk	Manager	392
Patrick Messick	Manager	380
Justin Lefevre	Senior Associate	320
Rhonda Gehle	Senior Associate	294
Sequoya Borgman	Senior Associate	285
Jeffrey Witajewski	Senior Associate	230
T. Scott Kummer	Associate	195
Conoley Coonley	Associate	170
Joseph May	Associate	170
Tiffany Cross	Associate	150
Walter Burney	Associate	150

60%			Fees		
Twin Rivers Tax Return		Billing Rate	3/13 - 4/30	Bill	Hours
Sequoya Borgman	Senior Associate	171	-	-	-
Total			-	-	-

60%			Fees		
Federal Tax Return		Billing Rate	3/13 - 4/30	Bill	Hours
David Youngdahl	Principle	270	6,021	6,021	22.3
Patrick Messick	Manager	228	-	-	-
Sequoya Borgman	Senior Associate	171	4,788	4,788	28.0
Joseph May	Associate	102	2,438	2,438	23.9
Walter Burney	Associate	90	144	144	1.6
Total			13,391	13,391	75.8

85%			Fees		
FICA Refund Analysis		Billing Rate	3/13 - 4/30	Bill	Hours
David Youngdahl	Principle	383	459	459	1.2
Sequoya Borgman	Senior Associate	242	1,575	1,575	6.5
Walter Burney	Associate	128	26	26	0.2
Total			2,060	2,060	7.9

85%			Fees		
PBGC Audit		Billing Rate	3/13 - 4/30	Bill	Hours
Sequoya Borgman	Senior Associate	242	121	121	0.5
Total			121	121	0.5

John Keener	Partner	575
Richard Mcalonan	Partner	500
John Keenan	Partner	488
Scott King	Partner	479
Kevin Johnston	Manager	475
David Youngdahl	Principle	450
Kelli Knoble	Manager	400
Tom Funderburk	Manager	392
Patrick Messick	Manager	380
Justin Lefevre	Senior Associate	320
Rhonda Gehle	Senior Associate	294
Sequoya Borgman	Senior Associate	285
Jeffrey Witajewski	Senior Associate	230
T. Scott Kummer	Associate	195
Conoley Coonley	Associate	170
Joseph May	Associate	170
Tiffany Cross	Associate	150
Walter Burney	Associate	150

60%			Fees		
SALT Property Tax Compliance		<u>Billing Rate</u>	<u>3/13 - 4/30</u>	<u>Bill</u>	<u>Hours</u>
Tom Funderburk	Manager	235	9,173	9,173	39.0
Rhonda Gehle	Senior Associate	176	1,940	1,940	11.0
Total			<u>11,113</u>	<u>11,113</u>	<u>50.0</u>

60%			Fees		
SALT State Compliance		<u>Billing Rate</u>	<u>3/13 - 4/30</u>	<u>Bill</u>	<u>Hours</u>
Scott King	Partner	287	287	287	1.0
Kelli Knoble	Manager	240	720	720	3.0
Rhonda Gehle	Senior Associate	176	1,058	1,058	6.0
Conoley Coonley	Associate	102	2,448	2,448	24.0
Total			<u>4,513</u>	<u>4,513</u>	<u>34.0</u>

		Fees			
	TOTAL		<u>3/13 - 4/30</u>	<u>Bill</u>	<u>Hours</u>
			<u>54,505</u>	<u>54,505</u>	<u>262.0</u>

EXHIBIT F

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

-----X
:
In re: : Chapter 11
: Case No. 02-40667-brl
:
GUILFORD MILLS, INC., *et al.*, :
:
: (Jointly Administered)
:
Debtors. :
-----X

**CERTIFICATE OF FIRST AND FINAL APPLICATION OF ARTHUR ANDERSEN
LLP FOR APPROVAL OF PROFESSIONAL FEES
FOR THE PERIOD FROM MARCH 13, 2002 THROUGH JUNE 4, 2002**

TO THE HONORABLE BURTON R. LIFLAND,
UNITED STATES BANKRUPTCY JUDGE:

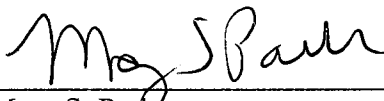
Mary S. Parker, on behalf of Arthur Andersen LLP (“Arthur Andersen”), the duly appointed auditors, accounting and tax advisors for the above-captioned debtors and debtors-in-possession (collectively, the “Debtors”), hereby certifies, pursuant to this Court’s Administrative Orders (“Administrative Orders”) setting forth guidelines for fees and disbursements for professionals practicing before this Court (the “Guidelines”), that:

- a. I have read the First and Final Application (the “Application”) of Arthur Andersen for approval of professional fees for the period from March 13, 2002 through June 4, 2002.
- b. To the best of my knowledge, information and belief formed after reasonable inquiry, the fees sought fall within the Guidelines and the guidelines promulgated by the Executive Office for the United States Trustees pursuant to the Bankruptcy Reform Act of 1994 (the “UST Guidelines”), except as described in the Application and its exhibits.

- c. The fees sought are billed at rates and in accordance with practices customarily employed by Arthur Andersen and generally accepted by Arthur Andersen's clients for services of a similar nature.
- d. In providing a reimbursable service, Arthur Andersen does not make a profit on that service, whether this service is performed by Arthur Andersen in-house or through a third party.
- e. Arthur Andersen is not seeking the reimbursement of any expenses or disbursements in the Application.
- f. Copies of the Application have been served upon the parties designated in the April 3, 2002 Order of the Court establishing procedures for interim compensation and reimbursement of expenses of professionals.

DATED: November __, 2002

ARTHUR ANDERSEN LLP

By: 

Mary S. Parker