

**TESTIMONY OF FRANCESCO PILENGA,
CHIEF OPERATING OFFICER
PETTENATI CENTRO AMERICA, S.A. de C.V.
BEFORE
THE COMMITTEE FOR THE IMPLEMENTATION OF TEXTILE AGREEMENTS
IN
161.2011.11.29.FABRIC.SS&AFORHANSOLLTEXTILELTD
162.2011.11.29.FABRIC.SS&AFORHANSOLLTEXTILELTD
JANUARY 9, 2012**

The purpose of my testimony today is to provide further factual support for Pettenati Centro America, S.A. de C.V.'s December 13, 2011, Responses with an Offer to Supply (the "Responses") to Sorini Samet & Associates LLC's ("SS&A") November 28, 2011, Commercial Availability Requests filed on behalf of Hansoll Textile, Ltd. ("Hansoll") (the "Requests") and also to correct the mistaken factual assertions made by SS&A, on behalf of Hansoll, in its December 19, 2011, Rebuttal Responses with an Offer to Supply (the "Rebuttals"). Please note that, unless I indicate differently, my comments today apply equally to both the Request for solid fleece fabric (162.2011.11.29.FABRIC.SS&AFORHANSOLLTEXTILELTD) and the Request for heather fleece fabric (161.2011.11.29.FABRIC.SS&AFORHANSOLLTEXTILELTD).

The first factual issue I would like to explain and address today is SS&A's argument that Pettenati's confusion over being provided denier measurements in a unit of measurement not traditionally used in the fabric industry is an "*ex-post facto* justification of [Pettenati's] complete failure to respond to the four business-to-business contacts from Hansoll." Rebuttals at 2. I have more than 20 years experience in the textile industry, I started in my family textile company in Italy at the age of 14 working part time because I was still at college, and officially I joined the company at the age of 18 , I worked my entire life in textile , in knitting, dyeing , finishing circular knit , woven , raschel and terry fabrics and PETTENATI SA as company was founded and started in textile in 1964. I worked and I have working experiences in Italy, Mexico,

Pakistan, India, Iran, Egypt, France, Spain, Thailand, Singapore, Brazil, and in El Salvador, and have never seen denier measured in any unit other than grams per 9000 meters. In my world , or in the textile world that me and the people I know, worked with, a denier is a denier and it is indicated as Den, a metric is a metric and is indicated as Nm ,an English is a English and indicated as Ne and tex is a tex and uses Dtex as symbol, I never seen using 3 of them together , I could not make business with anyone of my customer or my suppliers if I expressed myself in the same way SSA made in the due diligence. For SS&A, who represents an international textile manufacturer like Hansoll, to provide denier in any unit of measurement other than the unit denier is universally measured in made no sense to us. In its Responses, Pettenati included what it thought SS&A/Hansoll was referring to in the event CITA was similarly confused, I could identify the fabric only because I worked "backward," I converted those number using any conversion chart I had available until finally, one conversion chart made those numbers matching one kind fabric we have developed two years before and we were in the process of remaking. Regardless, the discussion of deniers is not Pettenati's main point, but demonstrates either SS&A/Hansoll's lack of attention to detail and, thus, respect for the process, or SS&A/Hansoll's deliberate attempt to confuse Pettenati or to make very challenging understanding the kind of yarn used to make this fabric

The second thing I would like to address is SS&A/Hansoll's claim that

there is no basis in the Response[s] to conclude that Pettenati can actually provide the fabric in commercial quantities in a timely manner consistent with normal business practice. Pettenati's claim is entirely contradictory, in that it states it has made the exact fabric in 2011 and also has not made the fabric in the last 24 months.

Rebuttals at 2.

With regard to the fabrics that are the subject of both Requests, page 3 and chart #1 in Exhibit 8 of the Responses show that Pettenati developed and manufactured a sample run of the exact solid-color fabric that is the subject of Request 162.2011.11.29.FABRIC.SS&AFORHANSOLLTEXTILELTD.

We made 300 yds of fabric K292 and several thousand of yds. of other trials during the last 3 years, using the same kind of yarns , I have here physical samples of our fabrics K32 ,K55,K77,K105,K280 . We also made several other similar fabric showed in exhibit 8 as 50194, K257, 50198.

I am sorry if it is not clear but I thought that it was obvious that we make sample runs before getting into any kind of production and if the fabric does not get any sales good result than it may not even step from sample to production.

The procedure it is basically the same for any customer we work with (Nike, The North Face, Mountain Hard Wear, Gear for Sport, Under Armour , Adidas, Columbia, Asics etc etc). Please, be sure it is not a Pettenati procedure, but it is a worldwide recognized way of working adopted by the huge majority of the brands or at least by all the brands I mentioned above

1. First we make a sample run of couple of hundreds of yard.
2. Then , we internally test the sample and we send it to the our customer material or sourcing manager , from him/her for an aesthetical approval after he/she meets the design/stylist , usually couple of trials are made to adjust fabric physical characteristics or any kind of observation.
3. Once we get the aesthetical approval we need to send the fabric for an external certified lab to test all the specs requested by the customer.

4. In the same time there is the negotiation for the price, quantities and seasonality of the product, commitments, liabilities etc etc.
5. Once the lab test results come and only if everything it is ok, then there is a negotiation about the other specs as color fastness ratings, washings results, croakings, etc etc.
6. Once all these negotiations are over ,we have an aesthetic approval , all the specs signed and certified and accepted by both parts and, more than ever, an agreement about price and deliveries , finally we can say that the fabric it is "BUY READY."
7. In a "buy ready" condition we step into the color approval procedures that start with lab dips approval (color lab trials to be approved by the final customer/brand before entering in production).
8. Only after all these points we can officially enter in production once we get an order.

As you can see, the last submit it is called k292, it means that only for "brushed back fleeces" we made 291 samples runs before this one. It means we made a brushed fleece sample run every 3/4 days in almost 3and half years of operation in Central America. In our internal system each alphabet letter means a kind of fabric, we make at least 3/5 sample run per day in every fabric, it means at least 1200 per year, then maybe only 30 get in production. This is the strength of our company and a big cost that we bear providing to our customers an amazing source of new fabrics. Pettenati has not commercially manufactured this solid-color fabric in the last 24 months (or ever), but this does not mean that we can't do it, we made lot of trials and sampling and most of the cases only for a matter of price we did not enter in production. I would like to explain

that brushed back 3 end fleeces are considered a pretty basic textile with pretty basic prices and in our first 3 years we have been focused on very high end products with a much higher added value. Then in the last 2 years we grew a lot and we could increase our efficiency and finally we are able to compete also in basic products like 3 end brushed fleeces. The fact that in late 2011 and 2012 we are starting to produce similar fabrics for The North Face and Perry Ellis demonstrates what I am saying.

Thus, despite SS&A/Hansoll's attempt to confuse CITA, Pettenati's response was correct on both counts. First, it has made the exact fabric that is subject to the Request, albeit in sample form. Second, it has not made the exact fabric that is subject to the request in commercial quantities. [PROVIDE SAMPLE]. As stated on page 2 of Pettenati's Response to Request

162.2011.11.29.FABRIC.SS&AFORHANSOLLTEXTILELTD, manufacturing solid-color fleece is traditionally a precursor to manufacturing heather-color fleece, and making the change from solid color to heather color yarn is technically very easy.

With regard to SS&A/Hansoll's assertion that four-to-six months is an extraordinary lead time to make the fabrics, I have several reasons to explain this completely normal lead time.

1. In the textile market business it is made by "seasons," it means 2-3 or 4 per year depending by the customer. Every textile mill that works with brands in the USA and that is having success it has already booked big part of its capacity for the following 3 to 6 months. Pettenati is currently running at 100% capacity and it is running in production the season spring 2013 for most of its customers. To

immediately terminate existing contracts to accommodate SS&A/Hansoll's requests is commercially unreasonable.

2. The only particularity of these fabrics it is the yarn, as Pettenati is full, so its yarn suppliers are and Pettenati's Responses are intended to provide an honest estimate of the time it would take to obtain the yarn and free the capacity to produce the requested fabric, and this lead time is still a commercially acceptable lead time for fabric manufacturers.
3. Pettenati offered to SS&A/Hansoll more than 10% of its total capacity without any price negotiation, with no financial due diligence made, with not payment terms negotiation, and also with the doubt that SS&A/Hansoll could be a competitor instead than a customer. I believe it is more than a sign of "good will". Then, if we will be able to negotiate a fair price with a good production flow, I will be able and happy to even double our offer to supply.
4. It makes no sense for SS&A/Hansoll to question either Pettenati's capacity or its existing customer base. I really don't know of any textile company, particularly one located in the CAFTA-DR region, that is shuttered and waiting around to respond to the perfect Commercial Availability Request. No textile company would be able to stay in business, if that were the case. It is also my understanding that another company offered to supply this fabric, together Pettenati and Polartec can make more fabric than what SS&A/Hansoll needs.

The third issue I would like to address is SS&A/Hansoll's Rebuttals to Pettenati's Responses to Section 3(i)-(iii). *See* Rebuttals at page 3-4 in which SS&A/Hansoll questions Pettenati's statements that it has produced the exact fabric or a substitutable

product in the preceding 24 month period and that Pettenati produced the exact fabric. I believe I already answered and if my previous testimony was unclear on these issues when I address them in association with the second issue, I would be more than happy to respond to your questions, show you and leave you fabric samples.

Thank you.