

ARTICLE II

THE BONDS

SECTION 201 Restriction on Issuance of Bonds. No Bonds may be issued under provisions of this Indenture except in accordance with this Article.

The total principal amount of Bonds that may be issued is hereby expressly limited to \$2,250,000.

SECTION 202 Issuance of Bonds. The Bonds in the aggregate principal amount of \$2,250,000 dated as of March 1, 1977, shall be designated "Industrial Revenue Bonds, Series 1977 (House of Fabrics of South Carolina, Inc. - Lessee)." They shall bear interest from March 1, 1977, at the respective rates per annum as set forth in the following schedule, payable September 1, 1977, and semiannually thereafter on March 1 and September 1 of each year. They shall be in the denomination of \$5,000 each and shall be numbered consecutively from 1 upwards and shall mature in numerical order on March 1 in each of the years set forth in, and in the principal amount set opposite each year in, the following schedule:

<u>March 1</u> <u>in the year</u>	<u>Principal</u> <u>Amount Maturing</u>	<u>Interest</u> <u>Rate</u>
1978	\$100,000	4.50%
1979	100,000	4.75%
1980	100,000	5.00%
1981	100,000	5.25%
1982	100,000	5.50%
1983	100,000	5.60%
1984	100,000	5.70%
1985	100,000	5.80%
1986	100,000	5.90%
1987	100,000	6.00%
1988	125,000	6.20%
1989	125,000	6.40%
1990	125,000	6.60%
1991	125,000	6.80%
1992	125,000	7.00%
1993	125,000	7.00%
1994	125,000	7.00%
1995	125,000	7.00%
1996	125,000	7.00%
1997	125,000	7.00%