

ARTICLE III
CONSTRUCTION FUND

SECTION 3.01. Creation of Construction Fund. There is hereby created and established with the Depository a special and separate trust fund of the Issuer to be known and designated as the "Greenville County, South Carolina, Industrial Development Construction Fund (Coats & Clark Inc. Project)." The Issuer shall pay to the Depository the proceeds from the Note, and the Depository shall deposit the same in the Construction Fund.

SECTION 3.02. Application of Moneys in Construction Fund. The moneys in the Construction Fund, until applied in payment of any item of the Cost of the Project, shall be held in trust by the Depository and, pending such application, shall be subject to a lien and charge in favor of the Holder of the Note and for the further security of such Note until paid out as herein provided.

SECTION 3.03. Requisitions. So long as no Event of Default (as defined in the Agreement) has occurred and is continuing the Depository shall make payments from the Construction Fund to pay the Cost of the Project upon receipt by the Depository of requisitions (upon which both the Depository and the Issuer shall rely and shall be protected in relying) signed by an Authorized Corporation Representative, stating with respect to each payment to be made: (i) the requisition number; (ii) the name and address of the Person to whom payment is due or has been made; (iii) the amount to be paid; (iv) no obligation, item of cost or expense mentioned therein has been the basis of any previous withdrawal; (v) the payment of such amount is a proper charge against the Construction Fund and specifying the purpose and circumstances of such obligation in reasonable detail, accompanied by a bill or statement of account for such obligation; (vi) at least 90% of the amount, exclusive of amounts requisitioned for the payment of Neutral Costs, requisitioned from the Construction Fund, including the amount being requisitioned, has been or, when applied as stated in the requisition, will have been expended for Qualifying Costs; (vii) the requisition contains no request for payment of any obligation which when added to all previous requisitions and all anticipated future requisitions will result in less than substantially all of the proceeds of the Note spent as of the date of such certificate being used to provide for land or property of a character subject to the allowance for depreciation under Section 167 of the Code; (viii) the person signing such requisition has no notice of any vendor's, mechanic's or other liens, or rights to liens or conditional sales

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