

MORTGAGE OF REAL ESTATE

SHALL be subject to the lien of this mortgage as fully as though described herein, Nothing herein contained shall prevent the Company, however, for the purpose of making replacements, from purchasing machinery subject to a vendor's lien or purchase money mortgage, provided such liens or purchase money mortgages shall not exceed in the aggregate, at any time outstanding, ten (10%) per cent of the face amount of this mortgage, Upon request by the Company, and upon being furnished with satisfactory evidence that the foregoing provisions have been complied with, the Trustee shall execute any necessary release or releases of the machinery and/or equipment so removed. It is understood, however, that any machinery already replaced by the Company but undisposed of prior to the date hereof is not subject to the lien of this mortgage, and the Company shall have the right to sell such old machinery without securing a release from the Trustee.

ARTICLE VI.
DEFEASANCE.

On the payment in full of all the notes issued hereunder and of all the interest thereon from time to time accruing according to the tenor and effect of said notes and of this Indenture, all the property hereby mortgaged shall be surrendered and delivered to the said company which shall hold and possess the same as if this Indenture had not been made; and thereupon the Trustee shall at the cost of the said company duly execute, acknowledge and deliver such instrument or instruments of satisfaction or release as may be necessary and proper to discharge of record or otherwise all the property hereby mortgaged from the lien hereof; provided, however, that the said company or its successors or assigns shall have the right, and the same is hereby expressly reserved on the maturity of said notes or on the call thereof for prior payment, to deposit with the Trustee to the credit of the holder or holders of all of said notes which shall not have been presented for payment in accordance with the terms hereof, the amount due thereon for principal and interest and thereupon the Trustee shall forthwith satisfy and release this indenture as hereinbefore provided and the Trustee shall hold such deposit without interest to the credit of the said holder or holders of any such notes which shall not have been presented for payment in accordance with the terms of these presents; and in case the holder or holders of such outstanding and unpaid notes secured hereby, shall not within five years after such deposit is made by the company claim the amount so deposited for payment thereof, then the Trustee shall upon the written demand of the President of the Company or its successors or assigns pay over such amount so deposited to the said Company or to its successors or assigns; provided, further, the Trustee shall annually during said five year period notify said noteholders to send in their notes for payment, by mailing such notice to their last address appearing on the note register of the Trustee.

ARTICLE VII.
SUCCESSOR TO TRUSTEE.

Section 1. The Trustee, or any Trustee hereafter appointed, may resign, and may be discharged of the trust created by this agreement by giving notice thereof to the Company and to the holders of said notes, by publication at least once a week for four successive weeks in some newspaper published in the City of Greenville, South Carolina, and a new Trustee may be selected and appointed by an instrument in writing under the hands of the holders of not less than twenty (20) in amount of the said Notes then outstanding, and any such new Trustee appointed hereunder shall execute and acknowledge and shall deliver to the Trustee last in office, and also to the Company an instrument accepting such appointment, hereunder, and thereupon such new Trustee, without any further act, deed or instrument, shall become vested with all the rights, powers, trusts duties and obligations of its predecessor in the trust hereunder with like effect as if originally named as Trustee herein, and his predecessor in the Trust shall thereupon at once be discharged of any and all liability arising hereunder.

The South Carolina National Bank of Charleston, Trustee, Party of the Second Part, hereby accepts the trust in this Agreement declared and provided, and agrees to perform the same upon the terms and conditions herein set forth.

Section 2. Any corporation, to which the Trustee under this mortgage, original or successor, may be merged or any corporation resulting from any consolidation to which such Trustee shall be a party or any banking corporation acquiring the business and substantially all of the assets and assuming the liabilities of the Trustee, shall be the successor of the Trustee under this mortgage with all the powers and duties hereinabove conferred upon the Trustee without the execution or filing of any paper or the doing of any further act on the part of the parties hereto, provided such successor is incorporated under the laws of the United States of America or of the State of South Carolina and has a place of business in the City of Greenville, South Carolina,

IN WITNESS WHEREOF Southern Worsted Corporation has caused this instrument to be signed in its corporate name by its President and Treasurer and attested by its Assistant Secretary and to be sealed with its corporate seal, and The South Carolina National Bank of Charleston has caused the same to be signed in its corporate name by a Vice-President and as Assistant Trust Officer and to be sealed with its corporate seal as of the day and year first above written.