



**AGREEMENT OF MERGER**

AGREEMENT OF MERGER dated this 29th day of March, 2000, to be effective as of March 31, 2000, pursuant to the New Jersey Statutes, as Amended and the Alabama Business Corporation Act, between Coats American, Inc., a New Jersey corporation ("Coats American" or the "Surviving Corporation"), and Barbour Threads, Inc., an Alabama corporation ("Barbour" or the "Merged Corporation").

WITNESSETH that:

WHEREAS, Coats American and Barbour are indirect subsidiaries of Coats Viyella Plc, a United Kingdom corporation ("CV"); and

WHEREAS, Barbour is an indirect subsidiary of CV as a result of CV's acquisition of Hicking Pentecost Plc, a United Kingdom corporation ("HP"); and

WHEREAS, CV has determined it to be in the best interests of CV and its direct and indirect subsidiaries to implement a business reorganization of the CV and HP subsidiaries operating in the United States (the "U.S. Business Reorganization"), whereby the United States thread manufacturing and sales operations would be combined to facilitate efficiencies in operations; and

WHEREAS, Coats American and Barbour desire to merge into a single corporation, as hereinafter specified (the "Merger") and Coats American and Barbour desire that Coats American shall be the Surviving Corporation of the Merger; and

WHEREAS, the Merger is in furtherance of the U.S. Business Reorganization;

NOW, THEREFORE, the parties hereto, in consideration of the mutual covenants, agreements and provisions hereinafter contained, do hereby agree as follows:

1. The Merger.

In accordance with and subject to (i) the provisions of this Agreement, (ii) the Certificate of Merger (as hereinafter defined), (iii) the Articles of Merger (as hereinafter defined), (iv) the New Jersey Statutes, as Amended (the "NJSA"), and (v) the Alabama Business Corporation Act (the "ABCA"), Coats American hereby merges into itself Barbour, and Barbour shall be, and it hereby is, merged into Coats American, which shall be the Surviving Corporation of said merger.

2. Effective Time of the Merger.

Subject to the provisions of this Agreement, an appropriate form of certificate of merger (the "Certificate of Merger") and of articles of merger (the "Articles of Merger") shall be duly executed, delivered and filed by Coats American in the manner provided by Section 14A of the NJSA and Sections 10-2B-11.05 and 10-2B-11.07 of the ABCA, respectively. The Merger shall become effective (the "Effective Time") upon the later of the filing of the Articles of Merger with the Secretary of State of the State of Alabama and the Certificate of Merger with the Secretary of State of the State of New Jersey, both of which shall occur on March 31, 2000.

3. Effects of the Merger.

The Merger shall, from and after the Effective Time, have the effects provided for in the NJSA and the ABCA, and as set forth in this Agreement.

4. Conversion of Shares.

The manner of converting the outstanding shares of capital stock in each of the constituent corporations into the shares or securities of the Surviving Corporation shall be as follows:

- a. Each share of common stock of the Merged Corporation which shall be outstanding immediately prior to the Effective Time and all rights in respect thereof shall be canceled.
- b. After the Effective Time, each holder of an outstanding certificate representing shares of common stock of the Merged Corporation, shall surrender the same to the Surviving Corporation.
- c. Each share of common stock of the Surviving Corporation which shall be outstanding immediately prior to the Effective Time and all rights in respect thereof shall be unaffected by the Merger (except to the extent otherwise provided herein), and shall continue to be outstanding with the same force and effect after the Effective Time.
- d. 57,526 additional common shares in Coats & Clark Inc. ("C&C"), the sole stockholder of the Surviving Corporation, shall be issued to Hicking Pentecost, Inc., the sole stockholder of Barbour prior to the Effective Time, as consideration for the merger of Barbour into C&C's subsidiary, Coats American.

5. Governing Document: Directors of the Surviving Corporation.

- a. Articles of Incorporation. The Articles of Incorporation of Coats American, Inc., which shall be the Surviving Corporation, shall be the Articles of Incorporation of the Surviving Corporation, and shall continue in full force and effect as the Articles of Incorporation of the corporation surviving the Merger until the same shall be altered, amended or repealed, as therein provided.

- b. By-laws. The By-laws of Coats American, Inc., which shall be the Surviving Corporation, as such shall exist at the Effective Time, shall continue in full force and effect as the By-laws of the corporation surviving the Merger, until the same shall be altered, amended or repealed, as therein provided.
- c. Directors and Officers. The directors and officers of the Surviving Corporation shall continue in office until their successors shall have been elected and qualified.

6. Transferred Assets.

- a. Upon the Effective Time,
  - i. all the property, rights, privileges, franchises, claims, patents, trademarks, licenses, registrations and other assets of every kind and description of the Merged Corporation shall be transferred to, vested in and devolve upon the Surviving Corporation without further act or deed; and
  - ii. all property, rights, and every other interest of the constituent corporations shall be as effectively the property of the Surviving Corporation as they were of the constituent corporations before such merger.
- b. The Merged Corporation hereby agrees from time to time, as and when requested by the Surviving Corporation or its successor or assigns, to take or cause to be taken such actions as the Surviving Corporation may deem necessary or desirable, including the execution and delivery of any deeds and instruments in order to (i) vest in and confirm to the Surviving Corporation title to and possession of any property of the Merged Corporation and (ii) otherwise carry out the intent and purposes of this Agreement.
- c. The officers and directors of the Surviving Corporation are fully authorized in the name of the Merged Corporation to take any and all such action referred to in Section 6.b. hereof.

7. Termination or Amendment.

This Agreement may be terminated, abandoned or amended by the respective boards of directors of the constituent corporations at any time prior to the Effective Time.

8. Governing Law.

This Agreement shall be governed by and construed in accordance with the laws of the State of New Jersey, except insofar as the laws of the State of Alabama are required to be applicable hereto.

9. Severability.

If any provision of this Agreement or the application of any such provision to any person or circumstances shall be held invalid, illegal or unenforceable in any respect by a court of

competent jurisdiction, such invalidity, illegality or unenforceability shall not affect any other provision hereof.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed on March 29, 2000, to be effective as of March 31, 2000.

COATS AMERICAN, INC.

By: R.V. Budnick

Name: Ronald V. Budnick  
Title: Senior Vice President, Finance

BARBOUR THREADS, INC.

By: R.V. Budnick

Name: Ronald V. Budnick  
Title: Vice President

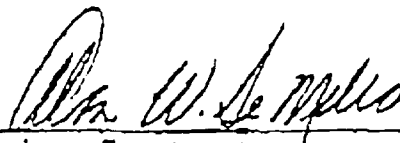
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COATS AMERICAN, INC.

Assistant Secretary's Certificate

I, Alan W. DeMello, Assistant Secretary of Coats American, Inc., a corporation organized and existing under the laws of the State of New Jersey (the "Corporation"), hereby certify, as such Assistant Secretary, that the Agreement of Merger to which this Certificate is attached, after having been first duly signed on behalf of the Corporation and having been signed on behalf of Barbour Threads, Inc., a corporation organized and existing under the laws of the State of Alabama, was duly adopted by the written consent of the sole stockholder of the Corporation, and is to be effective on March 31, 2000.

WITNESS my hand this 29th day of March, 2000.

  
Assistant Secretary

STATE OF ALABAMA



RECEIVED

APR 27 2000

OFFICE OF THE SECRETARY OF STATE

LEGAL DEPT.

JIM BENNETT  
SECRETARY OF STATE

March 30, 2000

PO BOX 5616  
MONTGOMERY, AL 36103-5616

Gwendolyn G Martin  
Coats North America  
Two LakePointe Plaza  
4135 South Stream Blvd  
Charlotte NC 28217

Re: Merger merging Barbour Threads, Inc., an Alabama corporation  
into Coats American, Inc., a New Jersey corporation  
EFFECTIVE: March 31, 2000,

Dear Ms. Martin:

This will acknowledge receipt of your recent letter enclosing original and two copies of the above captioned merger and your checks in the amounts of \$50.00 made payable to the Secretary of State and \$28.00 made payable to the Montgomery County Probate Judge.

Please be advised that said instrument is being duly filed in this office as of March 30, 2000 with an effective March 31, 2000.

I am enclosing herewith a certified copy of merger.

I am forwarding a certified copy of merger and your check in the amount of \$28.00 to the Judge of Probate of Montgomery County for filing in his office.

Sincerely,

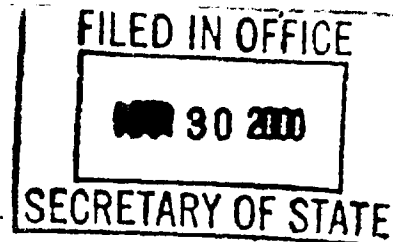
A handwritten signature in black ink, appearing to read "Jim Bennett".

Jim Bennett  
Secretary of State

JB:slv  
cc: Judge of Probate  
Montgomery County

TRADEMARK  
REEL: 002384 FRAME: 0558

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ARTICLES OF MERGER  
OF  
BARBOUR THREADS, INC.  
INTO  
COATS AMERICAN, INC.

In accordance with Section 10-2B-11.05 of the Alabama Business Corporation Act, the following articles of merger are submitted.

1. The name of the surviving corporation is Coats American, Inc., a New Jersey corporation.
2. A plan of merger is set forth in the Agreement of Merger attached hereto as Exhibit A, said merger to be effective on March 31, 2000.
3. The designation, number of outstanding shares, and number of votes entitled to be cast by each voting group entitled to vote separately on the plan as to each corporation was as follows:
  - (a) 3,000 shares of Common Stock, par value \$0.10 per share, of Barbour Threads, Inc. were outstanding, of which 3,000 shares were entitled to vote on the plan.
  - (b) 1,796,064 shares of Common Stock, par value \$10.00 per share, of Coats American, Inc. were outstanding, of which 1,796,064 were entitled to vote on the plan.
4. The total number of undisputed votes cast for the plan separately by each voting group was as follows:
  - (a) 3,000 votes cast for the plan by the holders of shares of Common Stock of Barbour Threads, Inc.
  - (b) 1,796,064 votes cast for the plan by the holders of shares of Common Stock of Coats American, Inc.
5. The total number of undisputed votes cast for the plan by each voting group was sufficient for approval of the plan by that voting group.



6. The county where the articles of incorporation for any domestic corporation involved in the merger is filed:

Barbour Threads, Inc.

Montgomery County

Dated: March 28, 2000

Merger Effective: March 31, 2000

COATS AMERICAN, INC.

By: R.V. Budnick

Name: Ronald V. Budnick

Title: Senior Vice President - Finance

S/R.V. Budnick

ATTEST:

Alan W. DeMello

Name: Alan W. DeMello

Title: Assistant Secretary

S/Alan W. DeMello

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WHEREAS, CV has determined it to be in the best interests of CV and its direct and indirect subsidiaries to implement a business reorganization of the CV and HP subsidiaries operating in the United States (the "U.S. Business Reorganization"), whereby the United States thread manufacturing and sales operations would be combined to facilitate efficiencies in operations; and

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5. Governing Document; Directors of the Surviving Corporation.

- a. Articles of Incorporation. The Articles of Incorporation of Coats American, Inc., which shall be the Surviving Corporation, shall be the Articles of Incorporation of the Surviving Corporation, and shall continue in full force and effect as the Articles of Incorporation of the corporation surviving the Merger until the same shall be altered, amended or repealed, as therein provided.

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COATS AMERICAN, INC.

By: R.V. Budnick

Name: Ronald V. Budnick  
Title: Senior Vice President, Finance

BARBOUR THREADS, INC.

By: R.V. Budnick

Name: Ronald V. Budnick  
Title: Vice President

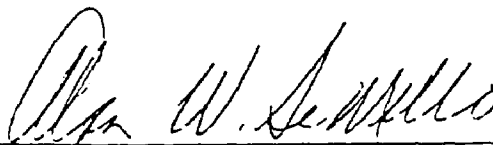
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BARBOUR THREADS, INC.

Assistant Secretary's Certificate

I, Alan W. DeMello, Assistant Secretary of Barbour Threads, Inc., a corporation organized and existing under the laws of the State of Alabama (the "Corporation"), hereby certify, as such Assistant Secretary, that the Agreement of Merger to which this Certificate is attached, after having been first duly signed on behalf of the Corporation and having been signed on behalf of Coats American, Inc., a corporation organized and existing under the laws of the State of New Jersey was duly adopted pursuant to Section 10-2B-7.04 of the Alabama Business Corporation Act by the written consent of the sole stockholder of the Corporation.

WITNESS my hand this 29th day of March, 2000.



Assistant Secretary  
S/Alan W. DeMello

SEARCHED  
SERIALIZED  
INDEXED  
FILED  
MAR 30 2000  
FBI - ALABAMA