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FORSYTH CO, NC FEE \$50.00

PRESENTED &amp; RECORDED:

04-25-2007 03:06 PM

DICKIE C WOOD

REGISTER OF DEEDS

By: MARY D CALDWELL DPTY

BK: RE 2747

PG: 2744-2756

## NORTH CAROLINA DEED OF TRUST

SATISFACTION: The debt secured by the within Deed of Trust together with the note(s) secured thereby has been satisfied in full.

This the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_

Signed: \_\_\_\_\_

Mail/Box to: 179

This instrument was prepared by: Mark J. Chiarello

Brief description for the Index: Lot 1B Danabrooke.

THIS DEED of TRUST made this 24 day of April, 20 07, by and between:

| GRANTOR             | TRUSTEE  | BENEFICIARY   |
|---------------------|--|---------------|
| Q3 Development, LLC | Mark J. Chiarello<br>Winston Tower Suite 2503<br>301 N. Main Street<br>Winston Salem, NC 27101 | Roy K. Morgan |

Enter in appropriate block for each party: name, address, and, if appropriate, character of entity, e.g. corporation or partnership

The designation Grantor, Trustee, and Beneficiary as used herein shall include said parties, their heirs, successors, and assigns, and shall include singular, plural, masculine, feminine or neuter as required by context.

WITNESSETH:

WHEREAS, Grantor is justly indebted to Beneficiary in the sum of **One Hundred and Seventy Five Thousand Dollars (\$175,000.00)** in lawful money of the United States, and has agreed to pay the same, together with interest thereon, on or before the **24<sup>th</sup> day of October, 2007**, according to the terms and provisions of a certain promissory Note dated of even date herewith, made by Grantor to the order of Beneficiary (hereinafter referred to as the "Note") which Note represents a loan made by Beneficiary to Grantor; and

WHEREAS, Grantor desires to secure the payment of the Note and certain other indebtedness;

NOW, THEREFORE, for and in consideration of the sum hereinabove set forth and other good and valuable considerations, the receipt and sufficiency of which are hereby acknowledged, Grantor does hereby grant, bargain, sell, alien, remise, convey and confirm unto Trustee all that certain tract of land of which Grantor is now seized and in possession situated in Forsyth County, North Carolina, and which is more fully described in Exhibit A attached hereto and hereby made a part thereof;

**Exhibit not attached when presented for recordation**

TOGETHER with all the estate, right, title, interest, claim and demand whatsoever of Grantor of, in and to the said real property, and every part and parcel thereof; and

TOGETHER with all buildings, structures and other improvements now or hereafter located on the said property or any part or parcel thereof, and all adjacent lands included in enclosures or occupied by buildings located partly on said real property or any part or parcel thereof; and

TOGETHER with all and singular the tenements, hereditaments, easements and appurtenances thereunto or unto any part thereof now or hereafter belonging or in any wise appertaining, and all streets, alleys, passages, ways, watercourses, and all leasehold estates, easements and covenants now existing or hereafter created for the benefit of Grantor or any subsequent owner or tenant of said real property, and all rights to enforce the maintenance thereof, and all other rights, privileges and liberties of whatsoever kind or character, and the reversions and remainders thereof, and all estate, right, title, interest, property, possession, claim and demand whatsoever, at law or in equity, of Grantor in and to said real property or any part thereof; and

TOGETHER with all building materials, fixtures, building machinery and building equipment delivered on site to the said real property during the course of or in connection with the construction, reconstruction, repair or remodeling of any of the aforesaid buildings, structures or other improvements; all machinery, apparatus, equipment, chattels, fittings and fixtures, which are now or hereafter actually or constructively attached to said property or now or hereafter located in, upon, on or under said property, or any part thereof, and which are used or useable in connection with the operation of the buildings, structures or improvements located upon the said property (hereinafter referred to collectively as the "Collateral"), including, but without limiting the generality of the foregoing, all heating, water heating, air-conditioning, lighting, power apparatus and equipment; engines; pipes; pumps; tanks; motors; conduits; switchboards; antennas; wires; fire extinguishing, ventilating and communications apparatus, boilers, furnaces, oil burners or units thereof; partitions; ducts and compressors; and such other goods, fixtures and equipment attached to the real property, together with all additions thereto, replacements thereof and substitutions therefor; all of which Collateral shall to the extent permitted by law be considered as annexed to or forming a part of said real property; and

TOGETHER with all monies and proceeds (hereinafter referred to collectively as the "Proceeds") derived by Grantor from said real property, buildings, structures, improvements or Collateral, including but not limited to all rents, refunds, rebates, condemnation awards and proceeds of the sale of, insurance on or other borrowings secured in whole or in part by any of said real property, buildings, structures, improvements or Collateral; reserving only the right to Grantor (except as otherwise provided herein) to collect the same so long as there is no Event of Default, as hereinafter defined, which shall have occurred and be continuing.

TO HAVE AND TO HOLD said bargained property (all of which property, real and personal, is hereinafter referred to collectively as the "Premises") unto Trustee, its successors, successors-in-title and assigns forever in FEE SIMPLE; and Grantor hereby warrants and represents to Trustee and Beneficiary that Grantor has good title to the Premises, is lawfully seized and possessed of the Premises, and every part thereof, and has the right to convey and mortgage the same; and that the Premises are free and clear of all liens, restrictions and encumbrances subject to the matters set forth in Exhibit B attached hereto and incorporated by reference herein. Grantor warrants and will forever defend the Premises unto Trustee, its successors, successors-in-title and assigns, against the claims of all persons whomsoever.

This Deed of Trust and Security Agreement (hereinafter referred to as this "Deed") is intended to secure the payment of the indebtedness, and interest thereon, evidenced by the Note, together with all sums payable under the Note and hereunder, and all renewals, extensions, replacements, consolidations and modifications of the Note or of such sums

payable hereunder (all of which indebtedness is hereinafter referred to collectively as the "Indebtedness"). This Deed secures all present and future disbursements made under the Note and all other sums from time to time owing to Beneficiary by Grantor hereunder. The present amount advanced hereby is **Seventy Thousand Dollars (\$70,000.00)** and the maximum amount of the Indebtedness which may be secured hereby is **\$ 175,000.00**. No future obligations, within the meaning of Article 7 of Chapter 45 of the General Statutes of North Carolina, shall be secured hereby if the same are incurred more than ten years beyond the date of this Deed, unless such incurrence beyond such time is now or hereafter authorized by the law of North Carolina, in which case Grantor agrees that the maximum authorized period shall apply under the Deed.

This Deed constitutes a "security agreement" as that term is defined in the Uniform Commercial Code as enacted in the State of North Carolina (sometimes hereinafter referred to as the "U.C.C.") with respect to, among other things, the Collateral and any part thereof, and creates a security interest in Trustee in the Collateral. At the request of Beneficiary, a financing statement or statements shall from time to time be executed by Trustee and Grantor or by Grantor alone and filed in the manner required to perfect said security interest under the U.C.C. Compliance with U.C.C. requirements relating to personal property shall not be construed as altering in any way the rights of Trustee or Beneficiary as determined by this instrument under any other statutes or laws of the State of North Carolina, but is declared to be solely for the protection of Trustee and Beneficiary in the event that such compliance is at any time held to be necessary to preserve the priority of Trustee's security interests in the Collateral.

The Note and the Indebtedness represented thereby is secured by this Deed and an Assignment of Leases, Rents and Profits of even date as well as a U.C.C. financing statement or statements.

## ARTICLE I

### COVENANTS OF GRANTOR

1.01. Payment of Indebtedness. Grantor shall pay to Beneficiary the Indebtedness when due.

1.02. Taxes, Liens, Charges and Expenses.

(a) Grantor shall pay, on or before the first date on which any part thereof shall become due and payable, all taxes, assessments, water, sewer and other rents, charges, excises, levies, license fees, permit fees and all other charges (in each case whether general or special, ordinary or extraordinary, or foreseen or unforeseen) of every character whatsoever (including all penalties and interest thereon) now or hereafter, levied, assessed, confirmed or imposed on, or in respect of, or which may be a lien upon the Premises, or any part thereof, or any estate, right or interest therein, or upon the Rents or any part thereof, and shall submit to Beneficiary such evidence of the due and punctual payment of all such taxes, assessments and other fees and charges as Beneficiary may require. Immediately upon receipt by Grantor of notice of any increase or proposed increase in the assessed value of the Premises or any part thereof, Grantor shall provide a copy of such notice to Beneficiary. Grantor shall notify Beneficiary of any event, circumstance or condition which does or may affect the assessed value of the Premises, the amount or basis for the assessed value thereof, or the availability of any ad valorem tax exemption or credit applicable thereto, and Grantor agrees that Beneficiary may, at its option, contest by appropriate proceedings any such increase in the assessed value of the Premises.

(b) Grantor shall pay all taxes, assessments, charges, expenses, costs and fees which may now or hereafter be levied upon, or assessed or charged against, or incurred in connection with, the Note, the Indebtedness, this Deed or any other instrument now or hereafter evidencing, securing or otherwise relating to the Indebtedness.

(c) In the event of the passage after the date of this Deed of any law, rule or regulation by the United States, by any state or by any political subdivision thereof, changing in any manner the laws for the taxation of deeds of trust, security agreements or assignments of leases or rents, or debts secured thereby, or the manner of collection of any such tax, so as to affect adversely the Trustee, the Beneficiary, this Deed, the Note or the Indebtedness, all amounts secured hereby shall become due, payable and collectible after thirty (30) days' written notice from Beneficiary to Grantor; provided, however, that such acceleration of said Indebtedness shall be deemed inoperative if Grantor is permitted by law to pay the whole of such tax in addition to all other payments required hereunder without any

penalty or other disadvantage thereby accruing to Trustee or Beneficiary, and, if Grantor in fact pays such tax prior to the expiration of such thirty (30) day period; provided, further, that no prepayment premium shall be payable with respect to any such acceleration should Grantor be prohibited by law from paying the whole of such tax in addition to all other payments required hereunder.

(d) Grantor shall pay, on or before the due date thereof, (i) all premiums on policies of insurance covering, affecting or relating to the Premises, as required pursuant to Paragraph 1.03 below; (ii) all premiums on collaterally assigned life, health or accident insurance policies, if any; (iii) all premiums for mortgage insurance, if this Deed and the Note are so insured; and (iv) all ground rentals, other lease rentals and other sums, if any, becoming due under any lease or rental contract affecting the Premises. Grantor shall submit to Beneficiary such evidence of the due and punctual payment of all such premiums, rentals and other sums a Beneficiary may require.

1.03. Insurance. Grantor shall keep the Premises and the interests and liabilities incident to the ownership, possession and operation thereof insured for the benefit of Beneficiary against loss or damage by fire, lightning, windstorm, hail, explosion, and smoke and against all other such risks and perils as Beneficiary may from time to time designate. All such insurance shall include (without limitation) worker's compensation insurance and boiler and machinery insurance, if applicable, shall be in such amounts, shall be evidenced by such policies (both as to form and content), shall be governed by such terms and conditions (including without limitation provisions prohibiting the cancellation or material modification thereof without providing Beneficiary at least ten (10) days' prior written notice), shall have such expiration dates, and shall be issued by such companies as are approved or designated by Beneficiary; provided, however, that the amount of such insurance shall not be less than the face amount of the Note. All insurance policies shall be held by and, to the extent of its interests, shall be for the benefit of and first payable in the case of loss, without contribution, to Beneficiary pursuant to a mortgagee clause satisfactory to Beneficiary. Grantor shall provide Beneficiary written evidence of the timely payment of all premiums for such policies. Grantor shall deliver to Beneficiary a certificate of insurance and a true copy of the insurance policy, together with written evidence of the payment of the premium therefor, as a replacement for any expiring policy at least ten (10) days before the date of such expiration. Grantor does hereby transfer and assign to Beneficiary all such insurance policies, and the proceeds thereof, and in the event of a loss, the proceeds collected may, at the option of Beneficiary, be used in any one or more of the following ways: (i) apply the same or any part thereof upon the Indebtedness, whether the Indebtedness or any part thereof be then matured or unmatured (in which case no prepayment premium shall be payable with respect to the amounts so applied); (ii) use the same or any part thereof to fulfill any of the covenants and agreements of Grantor hereunder as Beneficiary may determine; (iii) pay the same or any part thereof to Grantor for the purpose of replacing, restoring or altering the Premises to a condition satisfactory to Beneficiary; or (iv) release the same to Grantor. Beneficiary is hereby irrevocably appointed by Grantor as attorney-in-fact of Grantor to assign any such policy without accounting to Grantor for any unearned premium thereon, in the event of the foreclosure of this Deed, a sale of the Premises under the powers hereinafter granted, or a conveyance in lieu of any such foreclosure or sale under power.

#### 1.04. Care of Premises.

(a) Notwithstanding any other provision of this Deed, Grantor shall keep the Premises protected and in good order, repair and condition at all times, promptly replacing, repairing or restoring any part thereof which may become damaged, destroyed, lost or unsuitable for use. In the event the Premises or any part thereof are damaged or destroyed by fire or other casualty, Grantor shall immediately notify Beneficiary, in writing, of such damage or destruction.

(b) Grantor shall not remove, demolish, or destroy or materially alter the Premises, or any portion thereof, without the prior written consent of Beneficiary, except for immediate replacement of items of Collateral with items of at least equal value, quality and functions.

(c) Grantor shall not commit or suffer any strip or waste of the Premises.

(d) Grantor shall promptly comply with all present and future laws, ordinances, rules and regulations of any governmental authority affecting the Premises or any part thereof. Grantor shall deliver to Beneficiary within ten

(10) days after Grantor's receipt thereof copies of all building and other permits and certificates of occupancy issued with respect to the Premises by any governmental authority.

(e) Grantor shall not cause or permit anything to be done which would or could increase the risk of fire or other hazard to the Premises, or any part thereof, or which would or could result in any increase in any insurance premiums payable with respect to the Premises, or which would or could result in the cancellation of any insurance policy carried with respect to the Premises.

(f) Grantor shall timely keep and perform all agreements and covenants required to be kept and performed pursuant to any and all leases and other instruments creating Grantor's interest in or defining Grantor's rights with respect to the Premises or any part thereof.

#### 1.05. Monthly Deposits. N/A

1.06. Performance by Beneficiary. In the event that Grantor fails to observe or perform any of Grantor's obligations or covenants set forth in the Note, this Deed, or other instrument now or hereafter evidencing, securing or otherwise relating to the Indebtedness, then Beneficiary, at its option, may perform and observe the same, without notice to or demand upon Grantor and without releasing Grantor from any of its obligations or covenants hereunder, and all payments made and costs incurred by Beneficiary in connection therewith, including but not limited to reasonable attorney's fees and expenses, shall be secured by this Deed and, upon demand, shall be repaid by Grantor to Beneficiary, with interest thereon at the rate of Ten percent (10 %) per annum in excess of the interest rate then effective under the Note, calculated from the date any such payment is made. Beneficiary shall be the sole judge of the necessity for any actions so taken by Beneficiary and the amount necessary to be paid or incurred by Beneficiary to remedy any such failure on the part of Grantor. Beneficiary is hereby empowered to enter upon and to authorize others to enter upon the Premises, or any part thereof, for the purpose of performing or observing any such defaulted covenant or obligation, without thereby becoming liable to Grantor or any person in possession holding under Grantor.

1.07. Condemnation. Grantor, immediately upon obtaining knowledge of the institution, or the proposed, contemplated or threatened institution, of any proceedings for the taking of the Premises, or any part thereof, by condemnation or eminent domain (hereinafter referred to as "Condemnation"), will notify Beneficiary of the pendency of such proceedings. Beneficiary may, at its option, participate in any such proceedings, and Grantor shall promptly deliver to Beneficiary all instruments from time to time requested by Beneficiary to permit such participation. In any such proceedings Beneficiary may be represented by counsel selected by Beneficiary. Grantor hereby assigns to Beneficiary all awards hereafter made by virtue of any exercise of the right of condemnation or eminent domain by any authority, including any award for damages to or taking of title to the Premises, or any part thereof, or the possession thereof, or any right or easement affecting the Premises or appurtenant thereto (including any award for any change of grade of streets), and the proceeds of all sales in lieu of condemnation. Beneficiary, at its option, is hereby authorized to collect and receive all such awards and the proceeds of all such sales and to give proper receipts and acquittances therefor. Beneficiary, at its election, may use such awards and proceeds in any one or more of the following ways: (i) apply the same or any part thereof upon the Indebtedness, whether the Indebtedness, or any part thereof, be then matured or unmatured (in which case, no prepayment premium shall be payable with respect to the amounts so applied), (ii) use the same or any part thereof to fulfill any of the covenants and agreements of Grantor hereunder as Beneficiary may determine, (iii) pay the same or any part thereof to Grantor for the purpose of replacing, restoring or altering the Premises to a condition satisfactory to Beneficiary, or (iv) release the same to Grantor. Beneficiary shall be under no obligation to question the amount of any such award or proceeds and may accept the same in the amount in which the same shall be paid. Grantor agrees to execute and deliver such other instruments as Beneficiary may require evidencing the assignment of all such awards and proceeds to Beneficiary. If, prior to the receipt by Beneficiary of such award or proceeds, the Premises shall have been sold on foreclosure of this Deed, Beneficiary shall have the right to receive such award or proceeds to the extent of any unpaid Indebtedness following such sale, with legal interest thereon, regardless of the amount paid at such sale, and of reasonable counsel fees, costs, including costs of litigation, and disbursements incurred by Beneficiary in connection with the collection of such awards or proceeds. Notwithstanding the foregoing, if, as a result of any Condemnation, the entirety of the real property hereby encumbered is taken or if so much thereof is taken that in the reasonable judgment of Beneficiary the balance of such property cannot reasonably and profitably be operated for its

intended use as of the date hereof, Beneficiary shall be entitled to and shall receive and apply in any manner provided above, at its option, the entire compensation, awards and other payments therefor (collectively "Condemnation Proceeds") which anyone is entitled to receive pursuant to the Condemnation.

1.08. Books and Records. Throughout the term of this Deed, Grantor, with reasonable promptness, will deliver to Beneficiary such financial and other information with respect to Grantor and the Premises, as Beneficiary may request from time to time, including but not limited to annual rent rolls statements of income and expense with respect to the Premises, and any other financial information requested.

1.09. Estoppel Certificates. Grantor within three (3) days upon request in person, or within ten (10) days upon request by mail, shall furnish to Beneficiary a sworn certificate setting forth the amount of principal and interest due under the Note and stating whether any offsets or defenses exist against the Indebtedness. Beneficiary within ten (10) business days upon request by mail shall furnish to Grantor a statement setting forth the amount of principal and interest due under the Note; provided, however, that Beneficiary shall not be obligated to provide more than three (3) such statements in any twelve (12) month period.

1.10. Legal Actions. In the event that Trustee or Beneficiary is made a party to or appears, either voluntarily or involuntarily, in any action or proceeding affecting or relating to the Premises, the Note, the Indebtedness, the Loan Commitment or the validity or priority of this Deed, then Grantor shall, upon demand, reimburse Trustee or Beneficiary (whichever is applicable) for all costs, expenses and liabilities incurred by Trustee or Beneficiary by reason of any such action or proceeding, including without limitation attorney's fees and costs and expenses of litigation, and the same shall be secured by this Deed. Grantor hereby agrees to indemnify, defend and hold Trustee and Beneficiary harmless from and against any liability, loss, damage, cost or expense, including without limitation reasonable attorney's fees and costs and expenses of litigation, which Trustee or Beneficiary may incur, suffer or be threatened with on account of any claim for a fee, commission or similar compensation by any broker, agent or finder, whether or not meritorious, in connection with the negotiation or execution of the Loan Commitment or any of the transactions contemplated thereby.

1.11. Use and Management of Premises. N/A

1.12. Transfer or Encumbrance of Premises. For the purposes of protecting Beneficiary's security, keeping the Premises free from subordinate liens and encumbrances and allowing Beneficiary to raise the interest rate and collect assumption fees, Grantor agrees that Grantor shall not transfer, sell, lease (except in connection with the leasing of individual apartment units in the ordinary course of business), or grant or create any legal or equitable interest in the Premises or any part thereof, whether as security or otherwise, nor shall Grantor permit the transfer, sale, encumbrance, conveyance or assignment of any interest of Grantor in the Premises, whether as security or otherwise, without the prior written consent of Beneficiary, which consent may be withheld for any reason, whether or not unreasonable or arbitrary, or for no reason, Grantor hereby acknowledging that Beneficiary, in consideration of the foregoing provisions of this Paragraph, has agreed to forego the imposition of certain requirements upon Grantor that Beneficiary might otherwise have imposed as conditions of the making of the loan evidenced by the Note.

1.13. Acquisition of Collateral. Grantor shall not acquire any portion of the Collateral subject to any security interest, conditional sales contract, title retention arrangement or other charge or lien taking precedence over the security title and lien of this Deed.

1.14. Inspection of Premises. Beneficiary, or any persons authorized by Beneficiary, shall have the right at any time during normal business hours to enter and inspect the Premises.

## ARTICLE II

### DEFAULT AND REMEDIES

2.01. Event of Default. The occurrence of any one of the following events shall constitute an Event of Default hereunder:

(a) Grantor fails to pay any installment of principal or interest, or of principal and interest, or any part thereof, payable under the Note, after the same shall become due and payable;

(b) Grantor fails to pay any other sums covenanted to be paid by Grantor under the Note, this Deed or any other portion of the Indebtedness, when and as the same shall become due and payable;

(c) Any warranty, representation or statement of Grantor, or any warranty, representation or statement which is or has been made on behalf of Grantor, in this Deed, in the Loan Commitment, or in any other document, affidavit, certificate or other instrument now or hereafter evidencing, securing or otherwise relating to the Indebtedness or the Premises, or any part thereof, proves untrue or misleading in any material respect;

(d) Any event occurs under any instrument, deed or agreement given or made by Grantor to or with any third party which would authorize the acceleration of an indebtedness to such third party;

(e) The Premises are subject to actual or threatened waste, or all or any part thereof is removed (except as permitted under Paragraph 1.04 (b) hereof), demolished or materially altered without the prior written consent of Beneficiary, which consent may be withheld for any reason, whether or not unreasonable or arbitrary, or for no reason;

(f) The Premises are abandoned by Grantor for greater than ten (10) consecutive days;

(g) Grantor fails to remove, by bond, payment or otherwise, within thirty (30) days from the date of filing any lien or claim of lien filed of record against Grantor or the Premises;

(h) Any claim of priority over this Deed by title, lien or otherwise is asserted in any legal or equitable proceeding; unless contained in an exception set forth in Exhibit B hereto;

(i) There shall have occurred any change in the name, identity or structure, corporate or otherwise, of Grantor unless prior thereto Grantor shall have given notice thereof to Beneficiary, such notice to make specific reference to this provision, and shall have made such filings of U.C.C. financing statements or any other legal documents as Beneficiary shall, in its sole discretion, require;

(j) Grantor makes any assignment for the benefit of creditors; or a receiver, liquidator or trustee of Grantor, or of any of Grantor's property, is appointed; or any voluntary or involuntary petition for the bankruptcy, reorganization or arrangement of, or for the composition, extension, arrangement or adjustment of any of the obligations of, Grantor pursuant to the Federal Bankruptcy Act, or any similar statute, is filed; or Grantor shall have been adjudicated as bankrupt or insolvent; or any voluntary or involuntary petition by or against Grantor as debtor seeking an order for relief pursuant to Title 11 of the United States Code, §§ 101 et seq., entitled "Bankruptcy," or any similar statute, is pending or filed, or a court enters an order for relief for Grantor as debtor; or Grantor is insolvent by reason of its liabilities exceeding its assets or by reason of its inability to pay its debts as they become due; or if the business of Grantor is suspended or discontinued as a going concern; or if a writ of attachment is issued against any of the property of Grantor or if possession is taken to assume control of all or any substantial part of such property or of the business of Grantor by any government or governmental agency; and if any such action or other matter is not dismissed or action is not taken to Beneficiary's reasonable satisfaction to cure same within thirty (30) days after notice thereof to Grantor; or

(k) Grantor fails to keep, observe, perform, carry out and execute in every particular the other covenants, agreements, obligations and conditions contained in this Deed, the Note, the Loan Commitment or any other instrument now or hereafter evidencing, securing or otherwise relating to the Indebtedness or any part thereof or defaults on any other obligation it may now or hereafter have to Beneficiary other than the Indebtedness, and the same is not cured within thirty (30) days after notice thereof to Grantor; provided that no such notice and opportunity to cure shall apply to any monetary default, any such failure or default arising from a voluntary act or knowing failure to act by Grantor, or any failure to carry any insurance required by any such instrument.

2.02. Rights of Beneficiary and Trustee Upon Default. Upon the occurrence of an Event of Default, Beneficiary or Trustee, as the case may be, at Beneficiary's option, may do any one or more of the following:

- (a) Declare the Indebtedness to be due and payable forthwith, without notice to or demand upon Grantor, and may proceed to protect and enforce all rights by action at law, suit in equity or other appropriate proceeding, whether for the specific performance of any agreement contained herein, or for an injunction against the violation of any of the terms hereof, or in aid of the exercise of any power granted hereby or by law;
- (b) Enter upon and take possession of the Premises without the appointment of a receiver, or an application therefor, and collect and receive the rents, incomes, issues and profits of and from the Premises, and Beneficiary is hereby constituted and appointed as the attorney-in-fact of Grantor to manage and operate the Premises and to collect all such sums. After deducting from the sums so collected all expenses of taking, holding, managing and operating the Premises (including compensation for the services of all persons employed for any of such purposes), the net amount so collected shall be applied toward the Indebtedness; provided that nothing herein contained shall be construed to obligate Beneficiary or Trustee to discharge or perform the duties of a landlord to any tenant or to impose any liability upon Beneficiary or Trustee as the result of any exercise by Beneficiary or Trustee of their rights under this Deed, and Beneficiary shall be liable to account only for the rents, incomes, issues and profits actually received by Beneficiary;
- (c) Apply for the appointment of a receiver of the rents, incomes, issues and profits of and from the Premises, without notice to Grantor. Beneficiary or Trustee, as the case may be, shall be entitled to the appointment of such receiver as a matter of right, without regard to the value of the Premises as security for the Indebtedness or the solvency of Grantor or any person or legal entity, if any, which may be liable for the payment of all or any part of the Indebtedness;
- (d) Apply any funds paid by Grantor to Beneficiary pursuant to Paragraph 1.05, above, to the payment of the Indebtedness in such manner as Beneficiary may elect;
- (e) May at any time, at Beneficiary's election, proceed at law or in equity or otherwise to foreclose the life of this Deed as against all or any part of the Premises, subject to such leases, tenant contracts and rental agreements as Beneficiary shall at its option designate.

2.03. Power of Sale. On the application of the Beneficiary it shall be lawful for and the duty of the Trustee, and he is hereby authorized and empowered, to expose for sale and to sell the Premises and personal property, if any, at public auction for cash, after having first given such notice of hearing as to commencement of foreclosure proceedings and obtained such findings or leave of court as may be then required by law, and having given such notice and advertised the time and place of such sale in such manner as may then be provided by law, and upon such and any resale and upon compliance with the then law relating to foreclosure proceedings, the Trustee shall convey title to the purchaser in fee simple. After retaining from the proceeds of such sale five percent (5%) of the gross sale price for his services and all expenses incurred by him, the Trustee shall apply the residue of the proceeds, first to the payment of all sums expended by the Beneficiary under the terms of this Deed of Trust; second, to the payment of the Indebtedness; and the balance, if any, shall be paid to the Grantor. The Grantor agrees that in the event of a sale hereunder the Beneficiary shall have the right to bid thereat. The Trustee may require the successful bidder at any sale to deposit immediately with the Trustee cash or certified check in an amount not to exceed twenty-five percent (25%) of this bid, provided notice of such requirement is contained in the advertisement of the sale. The bid may be rejected if the deposit is not immediately made and thereupon the next highest bidder may be declared to be the purchaser. Such deposit shall be refunded in case a resale is had; otherwise it shall be applied to the purchasing price. Nothing herein contained shall prevent the Trustee from petitioning the Court, or Clerk of Court, for a higher deposit requirement pursuant to any resale under this Paragraph. If personal property is sold hereunder, it need not be at the place of sale. The published notice, however, shall state the time and place where such property may be inspected prior to sale.

2.04. Receipt a Sufficient Discharge to Purchaser. Upon any sale of the Premises or any part thereof or any interest therein, whether pursuant to foreclosure or otherwise, the receipt of the Officer making the sale under judicial proceedings or of Beneficiary shall be sufficient discharge to the purchaser for the purchase money, and such purchaser shall not be obliged to see to the application thereof.



2.05. Separate Sales. In the event of any sale under this Deed by virtue of the exercise of the powers herein or therein granted, or pursuant to any order in any judicial proceeding or otherwise, the Premises or any other property secured hereunder may be sold as an entirety or in separate parcels in such manner or order as Beneficiary in its sole discretion may elect; and if Beneficiary so elects it may sell or cause to be sold the Collateral at one or more separate sales in any manner permitted by the U.C.C.; and one or more exercises of the powers herein granted shall not extinguish nor exhaust such powers, until the entire Premises covered by this Deed are sold or the Indebtedness is paid in full. If the Indebtedness is now or hereafter further secured by any chattel mortgages, pledges, contracts or guaranty, assignments of lease or other security, Beneficiary may at its option exhaust or cause to be exhausted the remedies granted under any of said security, either concurrently or independently, and in such order as it may determine.

2.06. Waiver of Appraisal, Valuation, Bond, etc. Grantor hereby waives, to the full extent it may lawfully do so, the benefit of all rights and equities of appraisal, valuation, stay, extension, moratorium, inventory and redemption, whether at law or in equity, now or hereafter in force with respect to any amount secured hereby, all rights of marshalling in the event of any sale of the Premises or any part thereof or any interest therein upon foreclosure as provided in this Deed, and any right Grantor may have to require Trustee or Beneficiary to obtain any bond or make any oath.

2.07. Sale a Bar Against Grantor. Any sale of the Premises or any part thereof or any interest therein, whether pursuant to foreclosure or otherwise hereunder, and all amounts received by Beneficiary by reason of any holding, operation or management of the Premises or any part thereof pursuant to Paragraph 2.02 hereof, together with any other monies at the time held by Beneficiary as part of the Premises, shall be applied as Beneficiary may determine to pay:

(a) all costs and expenses of the sale of the Premises or any part thereof or any interest in connection therewith, including without limitation reasonable attorney's fees and expenses, and all costs and expenses of entering upon, taking possession of, removal from, holding, operating and managing the Premises or any part thereof, as the case may be, together with any taxes, assessments or other charges which Beneficiary may consider necessary or desirable to pay;

(b) the payments, costs and expenses, if any, referred to in Paragraph 1.06 hereof;

(c) all amounts of principal, premiums, if any, and interest at the time due and payable on the Note (whether at maturity or on a date fixed for an installment payment or any prepayment or by acceleration or otherwise); and

(d) any other portions of the Indebtedness.

The balance, if any, of such proceeds, amounts and monies shall be paid over to Grantor or as it may direct or as may otherwise be required by law.

2.08. Separate Suits. Subject to such provisions limiting the liability of Grantor as may hereinafter be set forth, Beneficiary shall have the right, at any time and from time to time, to sue for any sums required to be paid under this Deed, the Note or any other instrument now or hereafter evidencing, securing or otherwise relating to the Indebtedness, as the same become due and payable, without regard to whether or not the entire Indebtedness shall be due, and without prejudice to the right of Beneficiary thereafter to enforce or cause to be enforced any appropriate remedy against Grantor, including an action of foreclosure or any other action for a default or defaults by Grantor existing at the time such earlier action was commenced.

2.09. Restoration of Parties. In the event Trustee or Beneficiary shall have proceeded to enforce any right or remedy under this Deed, and such proceedings are discontinued or abandoned for any reason, then Grantor, Trustee and Beneficiary shall immediately be restored to their former positions and rights hereunder, and all rights, powers and remedies of Trustee and Beneficiary shall continue as if no such proceeding had taken place.

2.10. Subrogation. To the full extent of the Indebtedness, Beneficiary is hereby subrogated to the liens, claims and demands, and to the rights of the owners and holders of each and every lien, claim, demand and other encumbrance

on the Premises which is paid or satisfied, in whole or in part, out of the proceeds of the Indebtedness, and the respective liens, claims, demands and other encumbrances shall be and each of them is hereby preserved and shall pass to and be held by Beneficiary as additional collateral and further security for the Indebtedness, to the same extent they would have been preserved and would have been passed to and held by Beneficiary had they been duly and legally assigned, transferred, set over and delivered unto Beneficiary by assignment, notwithstanding the fact that the same may be satisfied and cancelled of record.

2.11. Remedies Cumulative. Each of the rights of Trustee and of Beneficiary under this Deed and the Note is separate and distinct from and cumulative to all other rights herein and therein granted, and all other rights which Trustee and Beneficiary or either of them may have in law or equity, and no such right shall be in exclusion of any other.

2.12. No Waiver. No modification or waiver by Trustee or Beneficiary of any right or remedy under this Deed shall be effective unless made in writing. No delay by Trustee or Beneficiary in exercising any right or remedy hereunder, or otherwise afforded by law, shall operate as a waiver thereof or preclude the exercise thereof upon the occurrence of an Event of Default. No failure by Beneficiary to insist upon the strict performance by Grantor of each and every covenant and agreement of Grantor under the Note or this Deed or any other instrument or document relating to, evidencing or securing the Indebtedness, shall constitute a waiver of any such covenant or agreement, and no waiver by Beneficiary of any Event of Default shall constitute a waiver or consent to any subsequent Event of Default. No failure of Beneficiary to exercise its option to accelerate the maturity of the Indebtedness, nor any forbearance by Beneficiary before or after the exercise of such option, nor any withdrawal or abandonment by Trustee or Beneficiary of any action of or sale upon foreclosure hereunder or sale under the powers herein granted or any of its rights under such action or any such sale, shall be construed as a waiver of any option, power or right of Trustee or Beneficiary hereunder.

### ARTICLE III

#### GENERAL PROVISIONS

3.01. Further Assurances. Grantor will, at the expense of Grantor and without expense to Trustee or Beneficiary, do, execute, acknowledge and deliver all such further acts, deeds, conveyances, deeds of trust, assignments, security agreements, notices of assignment, transfers and assurances as Beneficiary shall from time to time require, for the better assuring, conveying, mortgaging, assigning, transferring and confirming unto Trustee or Beneficiary, whichever shall apply, the Premises and rights hereby conveyed or assigned or intended now or hereafter to be conveyed or assigned, or which Grantor may be or may hereafter become bound to convey or assign to Trustee or Beneficiary, or for carrying out the intention or facilitating the performance of the terms of this Deed, or for correcting this Deed, or for filing, registering or recording this Deed and, on demand, will execute and deliver, and hereby authorizes Beneficiary to execute in the name of Grantor to the extent it may lawfully do so, one or more financing statements, chattel mortgages or comparable security instruments, to evidence more effectively the security interest and lien hereof upon the Collateral. Grantor forthwith upon the execution and delivery of this Deed, and thereafter from time to time, will cause this Deed and any document creating a security interest in the Collateral and each instrument of further assurance to be filed, registered or recorded in such manner and in such places as may be required by any present or future law in order to publish notice of and to protect fully the security interest, lien, and the interest of Beneficiary in the Premises and Collateral.

3.02. Grantor as Tenant Holding Over. So long as the Indebtedness, or any part thereof, remains unpaid, Grantor agrees that possession of the Premises by Grantor, or any person claiming under Grantor, shall be as tenant, and, in case of a sale under power or upon foreclosure as provided in this Deed, Grantor and any person in possession under Grantor, as to whose interest such sale was not made subject, shall, at the option of the purchaser at such sale, then become and be tenants holding over, and shall forthwith deliver possession to such purchaser, or be summarily dispossessed in accordance with the laws applicable to tenants holding over.

3.03. Greater Estate. In the event that Grantor is the owner of a leasehold estate with respect to any portion of the Premises and, prior to the satisfaction of the Indebtedness and the cancellation of this Deed of record, Grantor obtains a fee estate in such portion of the Premises, then such fee estate shall automatically, and without further

action of any kind on the part of Grantor, be and become subject to the lien and security title of this Deed; provided that there shall be no merger of such leasehold estate with such fee estate without Beneficiary's prior written consent, and all instruments by which Grantor acquires such fee estate shall so provide.

3.04. Interest Not to Exceed Maximum Allowed by Law. Anything in the Note, the Loan Commitment or this Deed to the contrary notwithstanding, it is understood and agreed by the parties that if by reason of acceleration or otherwise, interest paid or contracted to be paid by Grantor on the Indebtedness or any part thereof shall exceed the maximum amount permitted by applicable law, the excess shall be credit on interest accrued or principal or both at the time of acceleration so that such interest shall not exceed the maximum amount permitted by such law, provided that this Paragraph 3.04 shall not operate if there is no applicable law regulating the amount of interest which can be paid on the Indebtedness or if no usury defense is available to Grantor.

3.05. Replacement of Note. Upon receipt of evidence reasonably satisfactory to Grantor of the loss, theft, destruction or mutilation of the Note, and in the case of any such loss, theft or destruction, upon delivery of an indemnity agreement reasonably satisfactory to Grantor or, in the case of mutilation, upon surrender and cancellation of the Note, Grantor at Grantor's expense will issue, in lieu thereof, a new Note of like tenor containing appropriate recitations that it replaces another Note.

3.06. Severability. If any provision, paragraph, sentence, clause, phrase or word of this Deed, or the application thereof in any circumstance, is held invalid or unenforceable, the validity and enforceability of the remainder of this Deed, and of the application of any such provision, paragraph, sentence, clause, phrase or word in any other circumstance, shall not be affected thereby, it being intended that all rights, powers and privileges of Trustee and of Beneficiary hereunder shall be enforceable to the fullest extent permitted by law.

3.07. Assignment. The Beneficiary's right, title and interest in and to this Deed is assignable by Beneficiary, and any assignment hereof by Beneficiary shall operate to vest in such assignee all rights, titles, interests and powers herein conferred upon Beneficiary.

3.08. Time of the Essence. Time is of the essence with respect to each and every covenant, agreement and obligation of Grantor under this Deed, the Note and any and all other instruments now or hereafter evidencing, securing or otherwise relating to the Indebtedness. To the fullest extent permitted by law, Grantor waives all present and future statutes of limitation with respect to the Indebtedness or any part thereof in any action or proceeding for the purpose of enforcing this Deed or any rights or remedies hereunder.

3.09. Power of Beneficiary to Reconvey or Consent. Without affecting the liability of Grantor or any other person for the payment of the Indebtedness or any part thereof, including such of the Indebtedness as may be due at the time or after any reconveyance of the Premises to Grantor, or the lien of this Deed upon any remainder of the Premises which has not been so reconveyed for the full amount of the Indebtedness then or thereafter secured hereby, or the rights and powers of Trustee and Beneficiary with respect to such remainder of the Premises, Beneficiary may, at its option, do or cause to be done any one or more of the following: (i) release all or any part of the Indebtedness; (ii) extend the time, modify, or otherwise alter the terms of payment of all or any part of the Indebtedness; (iii) accept additional or substitute security hereunder; (iv) substitute for or release all or any part of the Premises as security hereunder; (v) reconvey to Grantor all or any part of the Premises; (vi) consent to the making of any map or plat of all or any part of the Premises; (vii) join in the granting of any easement upon all or any part of the Premises; (viii) join in any extension agreement or any agreement subordinating or otherwise affecting the lien or charge hereof or the priority thereof.

3.10. Successors and Assigns. Each and every covenant, warranty and agreement of Grantor herein, if Grantor be more than one, shall be jointly and severally binding upon and enforceable against Grantor, and each of them. As used herein the terms "Grantor," "Beneficiary" and "Trustee" shall include the named Grantor, the named Beneficiary and the named Trustee and each of their respective heirs, executors, administrators, legal representatives, successors, successors in title and assigns. The provisions of this Paragraph are subject to the provisions of Paragraph 1.13, above.

3.11. Notices. Any and all notices, elections or demands permitted or required to be made under this Deed shall be in writing and shall be delivered personally, or sent by registered or certified mail, to the other party at the address set forth below, or at such other address as may be supplied in writing. The date of personal delivery or the date of mailing, as the case may be, shall be the date of such notice, election or demand. For the purposes of this Deed:

The address of Grantor is:

Q3 Development, LLC  
931-B South Main St. #133  
Kernersville, NC 27284

The address of Beneficiary is:

Roy K. Morgan  
PO Box 5971  
High Point NC 27262

The address of Trustee is:

Mark J. Chiarello  
Winston Tower, Suite 2503  
301 North Main Street  
Winston Salem, NC 27101

or such other address as any part hereto may give the other pursuant to the provisions hereof. In the event that Trustee or Beneficiary is required or permitted to give any notice to Grantor under the U.C.C., five (5) days' notice hereunder shall be deemed to be sufficient. Nothing contained in this Paragraph shall be construed to require any notice from Trustee or Beneficiary to Grantor not otherwise specifically provided for in this Deed.

3.12. Captions. Titles or captions of articles and paragraphs contained in this Deed are inserted only as a matter of convenience and for reference, and in no way define, limit, extend or describe the scope of this Deed or the intent of any provision hereof.

3.13. Number and Gender. Whenever required by the content, the singular number shall include the plural, the plural shall include the singular, and the gender of any pronoun shall include the other gender.

3.14. Applicable Law. This Deed shall be governed by and construed in accordance with the laws of the State of North Carolina.

3.15. Reconveyance of the Premises. At such time as the entire Indebtedness has been paid in full, and Grantor has duly performed all of the covenants, obligations and agreements of Grantor under this Deed, the Note and every other instrument now or hereafter evidencing, securing or otherwise relating to the Indebtedness, this Deed shall become null and void, and Beneficiary shall, upon request and at the expense of Grantor, execute and deliver a cancellation of this Deed for entry on the real property records of the county or counties wherein the Premises is situate.

3.16. Substitute Trustee. Grantor hereby grants to the Beneficiary the right and power to appoint, at its pleasure and direction and in its sole discretion, a substitute trustee or trustees hereunder in the event of the resignation, death, incapacity, disability, removal or absence from the State of North Carolina of the Trustee, or for any reason whatsoever. Such appointment shall be made by an instrument to that effect duly executed, acknowledged, and recorded in the real property records of the County or Counties where this Deed is recorded. Upon the execution of such instrument, the substitute trustee or trustees named therein shall be vested with all the powers, rights, authority and duties vested in the Trustee by this Deed.

IN WITNESS WHEREOF, the Grantor has duly executed the foregoing as of the day and year first above written.

**Q3 Development, LLC**

(SEAL)

By: [Signature]

(SEAL)

Title: **Member Manager**

By: \_\_\_\_\_

(SEAL)

Title: \_\_\_\_\_

By: \_\_\_\_\_

(SEAL)

Title: \_\_\_\_\_

State of North Carolina - County of Forsyth

I, the undersigned Notary Public of the County and State aforesaid, certify that William L. Cannon personally appeared before me this day and has acknowledged that he is the **Member Manager of Q3 Development, LLC** and acknowledged the due execution of the foregoing instrument for the purposes therein expressed.

Witness my hand and Notarial stamp or seal this 24 day of April, 2006 <sup>7-4-06</sup>

[Signature]  
Notary Public

My Commission Expires: 10/27/09

