RETURN TO: HOUSE, BLANCO & OSBORN BOX
DRAFTED BY: RONALD A. MATAMOROS

STATE OF NORTH CAROLINA

COUNTY OF FORSYTH

SECOND LIEN
ASSIGNMENT OF LEASES AND RENTS

KNOW ALL MEN BY THESE PRESENTS, THAT WHEREAS, KERNERSVILLE INVESTORS (herein called the "Borrower" or the "undersigned"), has caused the execution of a Deed of Trust (the "Mortgage") to AMERICAN BANK & TRUST COMPANY ("Lender"), encumbering the real estate legally described as:

SEE "EXHIBIT A" ATTACHED HERETO AND MADE A PART HEREOF.

given to secure a note (the "Note") of the undersigned in the principal sum of THREE HUNDRED THOUSAND AND 00/100 DOLLARS ($300,000.00) and Lender is the legal owner and holder of Note and Mortgage; and

WHEREAS, the Lender requires that the Note be further secured by an Assignment of Leases and Rents as a condition to Lender's obligation to disburse the loan proceeds.

NOW, THEREFORE, the undersigned, for and in consideration of these presents and the mutual agreements herein contained and as further and additional security to Lender, and in consideration of the sum of TEN DOLLARS ($10.00) to the undersigned in hand paid, the receipt whereof is hereby acknowledged, does hereby sell, assign and transfer unto Lender all the rents, issues and profits now due and which may hereafter become due under or by virtue of any lease, whether written or verbal, or any letting of, or of any agreement for the use or occupancy of the premises above-described or any part thereof, which may have been heretofore or may be hereafter made or agreed to or which may be made or agreed to by Lender under the powers herein granted, it being the intention hereby to establish an absolute transfer and assignment of all said leases and agreement, and all the avails thereof, to Lender and the undersigned does hereby irrevocably appoint Lender as its true and lawful attorney in its name and stead (with or without taking possession of the aforesaid premises), to rent, lease or let all or any portion of said premises to any party or parties at such rental and upon such term, as it may determine, in its sole discretion and to collect all of said rents, issues and profits arising from or accruing at any time hereafter, and all now due, or that may hereafter become due under each and all of the leases and agreements, written or verbal, or other tenancy existing or which may hereafter exist on said premises, with the same rights and power and subject to the same immunities, exoneration of liability and rights of recourse and indemnity as Lender would have upon taking possession of the said premises pursuant to the provisions hereinafter set forth.

The undersigned represents and agrees that no rent has been or will be paid by any person or entity in possession of any portion of the above-described premises for more than two installments in advance and that, at any time the loan is in default, the payment of the rents to accrue for any portion of said premises will not be waived, released, reduced or discounted, or otherwise discharged or compromised by the undersigned. The undersigned waives any right of setoff against any person in possession of any portion of the above-described premises. The undersigned agrees that it will not assign any of the rents or profits except to a purchaser or grantee of the premises.

Nothing herein contained shall be construed so as to make Lender a "mortgagee in possession" in the absence of the taking of actual possession of the said premises by Lender pursuant to the

provisions hereinafter contained. In the exercise of the powers herein granted to Lender, no liability shall be asserted or enforced against Lender, all such liability being expressly waived and released by the undersigned.

The undersigned further agrees to assign and transfer to Lender all future leases upon all or any part of the above-described premises and to execute and deliver, immediately upon the request of Lender, all such further assurances and assignments in the premises as Lender shall from time to time require.

Although it is the intention of the parties that this Assignment of Rents shall be a present assignment, it is expressly understood and agreed, anything herein contained to the contrary notwithstanding, that Lender shall not exercise any of the rights and powers conferred upon it herein until and unless a default shall occur in the payment of interest or principal due under the Note secured by the above-described Mortgage or in the performance or observance of any instrument now or at any time securing the Note, as the same may be modified or extended, and until such default, all rents, issues and profits shall be the property of the Borrower for its own account. Nothing herein contained shall be deemed to affect or impair any rights which Lender may have under the Note and Mortgage or any other instrument securing the Note.

Unless and until Lender shall exercise the rights and powers conferred upon it by this Assignment of Rents, Lender shall not be obligated to perform or discharge, nor does it hereby undertake to perform or discharge, any obligation, duty or liability under any leases or rental agreements relating to said premises, and the undersigned shall and does hereby agree to indemnify and hold Lender harmless of and from any and all liability, loss or damage which it may or might incur under any leases or under or by reason of the assignment thereof and of and from any and all claims and demands whatsoever which may be asserted against it by reason of any alleged obligations or undertakings on its part to perform or discharge any of the terms, covenants or agreements contained in said leases.

Lender in the exercise of the rights and power conferred upon it by this Assignment of Rents, shall have full power to use and apply the rents, uses and profits of the premises to the payment of or on account of the following, in such order as it may determine:

(a) To the payment of the operating expenses of said property, including cost of management and leasing thereof (which shall include reasonable compensation to Lender and its agents or contractors, if management be delegated to agent or contractors, and it shall also include lease commissions and other compensation and expenses of seeking and procuring tenants and entering into leases), established claims for damages, if any, and premiums on insurance hereinabove authorized;

(b) To the payment of taxes and special assessments now due or which may hereafter become due on said premises;

(c) To the payment of all repairs, decorating renewals, replacements, alterations, additions, or betterments and improvements of said premises, including the cost from time to time of installing and/or replacing refrigeration and gas or electric stoves therein, and of placing said property in such condition as will, in the judgment of the mortgagee, make it readily rentable; and

(d) To the payment of any indebtedness secured by the Mortgage.

The undersigned does further specifically authorize and instruct each and every present and future lessee or tenant of the whole or any part of the above-described premises to pay all unpaid

rental agreed upon in any tenancy to Lender upon receipt of demand from Lender to pay the same.

Whenever the word "undersigned" is mentioned herein, it is hereby understood that the same includes and shall be binding upon successors and assigns (including successors by consolidation) of the undersigned, and any party or parties holding title to the above-described premises by, through or under the undersigned. All of the rights, powers, privileges and immunities herein granted and assigned to Lender shall also inure to its successors and assigns, including all holders, from time to time, of the above-described Note.

IN WITNESS WHEREOF, the undersigned has executed this Assignment hereunto affixed as of the 31 day of December, 1985.

KERNERSVILLE INVESTORS, a North Carolina General Partnership

BY: S & A PARTNERSHIP

By: _____ (SEAL)
Partner

By: _____ (SEAL)
Grover Shugart, JR. Partner

By: _____ (SEAL)
Claude R. Horn, Jr. Partner

By: _____ (SEAL)
Claude M. Horn - Partner
By: Claude R. Horn, Jr.,
Attorney-in-Fact

By: _____ (SEAL)
Henry C. Horn - Partner
By: Claude R. Horn, Jr.,
Attorney-in-Fact

By: _____ (SEAL)
Stephen H. Homer - Partner

By: _____ (SEAL)
William Elesha - Partner

By: _____ (SEAL)
John E. Faulk - Partner

By: _____ (SEAL)
Michael H. Rubin - Partner

By: _____ (SEAL)
Thomas J. Koontz - Partner

By: _____ (SEAL)
Richard R. Guidetti - Partner

By: Paul Beerman (SEAL)
Paul Beerman - Partner

By: J E Phillips (SEAL)
John E. Phillips - Partner

By: Billy J Shoaf (SEAL)
Billy J. Shoaf - Partner

By: Paul P Gwyn (SEAL)
Paul P. Gwyn - Partner

STATE OF NORTH CAROLINA

COUNTY OF Forsyth

I, Ronald A. Matamoros, a Notary Public of said State and County, certify that Gary Alexander, Partner of S & A PARTNERSHIP, a North Carolina General Partnership, personally appeared before me this day and acknowledged the due execution of the foregoing instrument for and on behalf of said Partnership.

WITNESS my hand and Notarial Seal or Stamp, this the 30 day of December, 1985.

Notary Public

My Commission Expires:

NOTARIAL SEAL/STAMP: OFFICIAL SEAL Notary Public, North Carolina County of Forsyth RONALD A. MATAMOROS My commission expires Nov. 16, 1988

STATE OF NORTH CAROLINA

COUNTY OF Forsyth

I, Ronald A. Matamoros, a Notary Public of said State and County, certify that GROVER SHUGART, JR., CLAUDE L. HORN, JR., STEPHEN H. HOMER, WILLIAM ELESHA, JOHN E. FAULK, MICHAEL H. RUBIN, THOMAS J. KOONTZ, RICHARD R. GUIDETTI, PAUL BEERMAN, JOHN E. PHILLIPS, BILLY J. SHOAF, and PAUL P. GWYN, Partners of KERNERSVILLE INVESTORS, a North Carolina General Partnership, personally appeared before me this day and acknowledged the due execution of the foregoing instrument for and on behalf of said Partnership.

WITNESS my hand and Notarial Seal or Stamp, this the 30 day of December, 1985.

Notary Public

My Commission Expires:

NOTARIAL SEAL/STAMP: OFFICIAL SEAL Notary Public, North Carolina County of Forsyth RONALD A. MATAMOROS My commission expires Nov. 16, 1988

STATE OF NORTH CAROLINA

COUNTY OF Forsyth

I, Ronald A. Matamoros, a Notary Public of said County and State, do hereby certify that CLAUDE R. HORN, JR., Attorney-in-Fact for CLAUDE M. HORN, Partner of KERNERSVILLE INVESTORS, a North Carolina General Partnership, personally appeared before me this day and being by me duly sworn, says that he executed the foregoing and annexed instrument for and on behalf of CLAUDE M. HORN, and that his authority to execute and acknowledge said instrument is contained in an instrument duly executed, acknowledged and recorded in the office of the Register of Deeds of Forsyth County, North Carolina, on the 31 day of December, 1985, and that this instrument was executed under and by virtue of the authority given by said instrument granting him Power of Attorney; that the said CLAUDE R. HORN, JR., Attorney-in-Fact, acknowledged the due execution of the foregoing and annexed instrument for the purposes therein expressed for and in behalf of the said CLAUDE M. HORN.

I do further certify that I am not a party to the attached instrument.

WITNESS my hand and Notarial or Stamp, this the 30 day of December, 1985.

Notary Public

My Commission Expires:

OFFICIAL SEAL
Notary Public, North Carolina
County of Forsyth
RONALD A. MATAMOROS
y commission expires Nov. 16, 1988

NOTARIAL SEAL/STAMP:

STATE OF NORTH CAROLINA

COUNTY OF Forsyth

I, Ronald A. Matamoros, a Notary Public of said County and State, do hereby certify that CLAUDE R. HORN, JR., Attorney-in-Fact for HENRY C. HORN, Partner of KERNERSVILLE INVESTORS, a North Carolina General Partnership, personally appeared before me this day and being by me duly sworn, says that he executed the foregoing and annexed instrument for and on behalf of HENRY C. HORN, and that his authority to execute and acknowledge said instrument is contained in an instrument duly executed, acknowledged and recorded in the office of the Register of Deeds of Forsyth County, North Carolina, on the 31 day of December, 1985, and that this instrument was executed under and by virtue of the authority given by said instrument granting him Power of Attorney; that the said CLAUDE R. HORN, JR., Attorney-in-Fact, acknowledged the due execution of the foregoing and annexed instrument for the purposes therein expressed for and in behalf of the said HENRY C. HORN.

I do further certify that I am not a party to the attached instrument.

WITNESS my hand and Notarial or Stamp, this the 30 day of December, 1985.

Notary Public

My Commission Expires:

OFFICIAL SEAL
Notary Public, North Carolina
County of Forsyth
RONALD A. MATAMOROS
...y commission expires Nov. 16, 1988

NOTARIAL SEAL/STAMP:

STATE OF NORTH CAROLINA--Forsyth County

The foregoing (or annexed) certificate S of Ronald A. Matamoros N.P. Forsyth Co. N.C.
(here give name and official title of the officer signing the certificate passed upon)

(are) certified to be correct. This the 31 day of Dec 1985.

PRESENTED FOR REGISTRATION AND RECORDED

L.E. Speas, Register of Deeds

DEC 31 1 23PM '85

Deputy-Assistant

Probate and Filing Fee $ 14.00 paid.

L.E. SPEAS
REGISTER OF DEEDS
FORSYTH CTY. N.C.

BOOK 1521 PAGE 218

EXHIBIT A

Lots 4, 5, 6, 11, 12, 15 and 16, Springbrook, Sec. 2, Phase Two, as recorded in Plat Book 30, Page 100, and Lots 7, 8, 9, 10 and 17, Springbrook, Sec. 2, Phase Three, recorded in Plat Book 30, Page 101.

kv2.ram/lo

BOOK 1521 PAGE 219