

PARCEL IDENTIFIER NO. _____

PREPARED BY Ronald A. MatamorosMAIL TO House, Blanco & Osborn BoxP.O. Box 25008Winston-Salem, NC 27114

**CENTRAL CAROLINA BANK AND TRUST COMPANY, NATIONAL ASSOCIATION
CONSTRUCTION DEED OF TRUST**

NORTH CAROLINA Forsyth COUNTYTHIS DEED OF TRUST, made and entered into this the 11 day of April, 19 88, by and betweenK & M PROPERTIES

(BORROWER)

parties of the first part (whether one or more persons and/or entities, and any or either of them), **REPUBLIC BANK & TRUST Co., Trustee**, party of the second part, and **CENTRAL CAROLINA BANK AND TRUST COMPANY, NATIONAL ASSOCIATION (BANK)**, a National Banking Association with its principal office in Durham, North Carolina, party of the third part.

WITNESSETH: That Whereas, the party of the third part has agreed to lend to the parties of the first part, and has earmarked for the benefit of said parties of the first part, the sum of \$ 150,000.00 to be advanced from time to time in installments as justified by the progress of construction for the purpose of constructing a building or buildings and/or other improvements (hereinafter referred to as improvements) in accordance with the plans and specifications approved or to be approved by the party of the third part on the premises herein below described; and whereas all advances hereunder are and shall in all respects be deemed obligatory within the meaning of NCGS Section 45-67 et seq., and whereas, the parties of the first part agree to accept any and all installments advanced by the party of the third part up to the full amount stated above, and whereas, the parties of the first part are justly indebted to the party of the third part in the principal sum set out hereinabove and have executed their Note of even date herewith in said sum, with interest thereon from date hereof and with principal and interest payable as set forth in said Note.

NOW, THEREFORE, in consideration of the premises and of the sum of One Dollar to the parties of the first part in hand paid by the said party of the second part, the receipt of which is hereby fully acknowledged, and in order to carry out the intention expressed in the premises, the said parties of the first part have given, granted, bargained and sold and do by these presents give, grant, bargain, sell, alien, assign and convey unto said party of the second part as Trustee, and its successors and assigns, all of that certain lot, tract, or parcel of land lying and being in Clemmons Township, County of Forsyth, and State of North Carolina, bounded and described as follows:

BEING KNOWN AND DESIGNATED as Lot No. 32 as shown on that certain Plat of WATERFORD, Section Three, Phase 1, as recorded in Plat Book 32 at Pages 97 - 102 in the Office of the Register of Deeds of Forsyth County, North Carolina; reference to which plat, is hereby made for a more particular description.

together with all heating, plumbing, electrical and air conditioning fixtures, equipment and appurtenances thereto, including floor carpeting, and all renewals or replacements, now or hereafter attached to or used in connection with said real estate.

TO HAVE AND TO HOLD said lot, tract, or parcel of land with all privileges and appurtenances thereon and thereto belonging unto the said party of the second part and its successors and assigns forever in fee simple. And the parties of the first part covenant for themselves and their heirs and assigns that they are seized of said land in fee and have good right to convey the same in fee simple; that the same are free and clear of all encumbrances of any kind and that they will forever warrant and defend the title thereto against the claims of all persons whomsoever.

The parties of the first part do hereby assign, transfer, and set over to the party of the third part any and all rents and income from said property during the life of this indenture as further security to said debt, and upon any default therein set out the party of the third part shall be entitled to enter into the possession of said property for the purpose of collecting the rents and profits arising therefrom, and is hereby authorized to employ an agent to collect said rents and profits; to pay said agent a reasonable commission out of rents and profits so collected, and is directed to apply the balance upon the debt hereby secured; provided, the party of the third part may make such repairs as in its opinion are needed on the property, and first deduct the costs thereof from rents received. This rental assignment shall in no way affect or prejudice the rights of the party of the third part to have this Deed of Trust foreclosed upon breach of its terms and conditions.

IT IS UNDERSTOOD AND AGREED that the parties of the first part shall pay all taxes, or other assessments, which may be levied upon or against said property, within the time prescribed by law; shall upon demand of the Bank pay to it monthly in advance one-twelfth of the estimated taxes, assessments and insurance premiums for the current year; shall keep the buildings on said premises insured against loss or damage by fire, windstorm, flood, hazards included within the term "extended coverage" and such other hazards as Bank may require and in such amounts, for such periods and in such insurance company or companies as the Bank may require, which policy, or policies, shall be payable to said Bank, as its interest may appear, and such policies and proceeds shall be deposited with the Bank to be applied, in case of loss, as far as the same may extend or may be necessary to the satisfaction of this trust and any such application of proceeds to principal shall not extend or postpone the due date of any sums due as set forth herein. If the said parties of the first part shall fail to pay said taxes, or other assessments, as and when said taxes and assessments shall fall due, or to effect said insurance, or to keep said property free and clear of encumbrances, the said Bank shall be at liberty to pay said taxes, or other assessments, or to effect said insurance, or to pay off and remove such encumbrances, as the case may be, and the amount so advanced shall be deemed principal money, bearing interest at the rate set forth in said Note and be due and payable on the first day of the next succeeding month.

THE CONDITION OF THIS DEED, HOWEVER, IS SUCH that if the parties of the first part, their heirs, executors, administrators, or assigns shall pay or cause to be paid the interest and principal secured hereby to the party of the third part, shall perform all other obligations herein assumed as to the payment of taxes, assessments, insurance premiums, and monies advanced by the party of the third part for the purpose of protecting its security, and shall perform and fully discharge all covenants and stipulations as herein required, then this conveyance shall be null and void.

If said parties of the first part or their heirs, executors, administrators or assigns shall fail or neglect to pay the monthly installments of interest and/or interest and principal at maturity, as herein provided for, at the time and in the manner set out herein, and any and all other sums which may become due and payable hereunder, and shall fail or neglect to keep faithfully each and all of the other agreements and covenants herein made, or in the event of actual or threatened demolition or injury or waste to the premises which may impair the value of the property therein conveyed, or if a receiver should be appointed for, or a petition in bankruptcy filed by or against the parties of the first part or either of them; then and in any or all of said events the whole of the debt hereby secured shall immediately become due and payable at the option of the party of the third part, and upon application of the said party of the third part, its successors and assigns, it shall be lawful for and the duty of the said party of the second part or its successors, and it is hereby authorized and empowered to sell the land and premises hereinbefore described in one or more parcels, at public auction. If it is determined in a hearing held in accordance with applicable law that Trustee can proceed to sale, Trustee shall take such action regarding notice of sale and shall give such notices to Borrower and to other persons as applicable law may require. After the lapse of such time as may be required by applicable law and after the publication of the notice of sale, Trustee, without demand on Borrower shall sell the Property at public auction to the highest bidder at the time and place and under the terms designated in the notice of sale in one or more parcels and in such order as Trustee may determine. Bank or Bank's designee may purchase the Property at any sale.

Trustee shall deliver to the purchaser Trustee's deed conveying the Property so sold without any covenant or warranty, expressed or implied. The recitals in the Trustee's deed shall be prima facie evidence of the truth of the statements made therein. Trustee shall apply the proceeds of the sale in the following order: (a) to all costs and expenses of the sale, including, but not limited to, Trustee's fees of 5% of the gross sale price and cost of title evidence; (b) to all sums secured by this Deed of Trust; (c) the excess, if any, to the person or persons legally entitled thereto. In making such sale, the party of the second part may require the successful bidder at any sale to deposit immediately with the party of the second part, cash or certified check in an amount not to exceed ten percent (10%) of his 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 of a resale; otherwise, it shall be applied to the purchase price.

Upon condemnation of the premises or improvements or any part thereof, the entire unpaid balance of the Note secured hereby shall, at the option of the party of the third part, at once become due and payable and any amounts paid for such taking shall be paid to the party of the third part and be applied upon the indebtedness hereby secured.

The Note(s) secured by this Deed of Trust, at the option of the party of the third part, shall become and be due and payable forthwith if the party of the first part shall convey said premises or any part thereof or if title or any interest therein shall be sold, transferred or otherwise become vested in any other person or party in any manner whatsoever, unless the party of the third part shall, in writing, have expressly consented thereto.

It is understood and agreed that the debt incurred by the Note above referred to and secured herein by this Deed of Trust is given wholly or partly to secure future obligations; that the obligations incurred by the advancement of funds hereunder are to be used solely in the construction of improvements herein referred to, in accordance and in compliance with the requirements of distribution under loan agreement between the parties of the first part and the party of the third part of even date herewith, which said loan agreement is incorporated herein by reference to the same extent and effect as if fully set forth and made a part of this Deed of Trust; that the amount of the obligation secured at the date of this instrument is \$ 0 that the maximum amount of the obligation, including present and future obligations, which may be secured hereunder at any one time, except as otherwise herein provided, is \$ 150,000.00, and that the period within which such future obligations may be incurred may be no more than ten (10) years from the date of this instrument.

The party of the first part shall have the privilege of prepaying the outstanding debt, in whole or in part, in advance, upon first obtaining the consent of the party of the third part, and in such event the Note hereby secured shall not be in default so long as the prepayment would reduce the balance due to an amount not greater than that due under the monthly installment schedule through the current monthly installment. Provided, however, that this provision shall not apply where any part of the real estate above secured has been released from under this Deed of Trust in consideration for said advanced payment.

In case the party of the third part or the party of the second part voluntarily or otherwise shall become a party to any suit or legal proceeding to protect the property herein conveyed or to protect the lien of this Deed of Trust, the party of the second part and the party of the third part shall be saved harmless and shall be reimbursed by the parties of the first part for any amounts paid, including all reasonable costs, charges and attorney's fees incurred in any suit or proceeding, and the same shall be secured by this Deed of Trust and its payment enforced as if it were a part of the original debt.

All interest, costs, expenses and advances required to be made to protect the security or to discharge a paramount lien on the property hereinbefore described shall be secured hereby without limitation in respect to the amount thereof and the amount so advanced shall become a debt due hereunder and shall bear interest at the rate specified in the Note and the monies so advanced shall be secured by this Deed of Trust and this Deed of Trust secures all other covenants and agreements contained in this instrument or in the Note hereinbefore referred to.

Default under the terms of any other instrument secured by a lien upon the property described in this Deed of Trust, or any portion thereof, shall, at the option of the Bank, constitute a default hereunder.

The right is hereby given by Borrower to Trustee and Bank to make partial releases or releases of security hereunder (whether or not such releases are required by agreement among the parties) agreeable to Trustee and Bank without notice to, or the consent, approval or agreement of other parties and interests, including junior lienors and purchasers subject to this lien, which partial release or releases shall not impair in any manner the validity of or priority of this Deed of Trust on the premises remaining hereunder, nor release Borrower from personal liability for the indebtedness hereby secured. Notwithstanding the existence of any other security interests in the premises held by the Bank or by any other party, Bank shall have the right to

determine the order in which any or all of the premises shall be subjected to the remedies provided herein. Bank shall have the right to determine the order in which any or all portions of the indebtedness secured hereby are satisfied from the proceeds realized upon the exercise of the remedies provided herein. Borrower and any party who consents to this who has actual or constructive notice hereof hereby waives any and all right to require the marshalling of assets in connection with the exercise of any of the remedies permitted by applicable law or provided herein.

All notices required to be given to Borrower including the notice required to be served by North Carolina General Statute 45-21.16 shall be mailed to Borrower at the following address: 1328 Westgate Center Drive, Winston-Salem, North Carolina 27103

All notices required to be given to Bank by Borrower or an intervening lienor or encumbrancer pursuant to North Carolina General Statute 45-70(b) shall be mailed to: CENTRAL CAROLINA BANK AND TRUST COMPANY, NATIONAL ASSOCIATION, Attention: LOAN CONTROL DEPARTMENT, Post Office Box 931, Durham, N.C. 27702

SUBSTITUTE TRUSTEE. Bank may from time to time remove Trustee and appoint a successor Trustee to any Trustee appointed hereunder by an instrument recorded in the county in which this Deed of Trust is recorded. The successor Trustee shall succeed to all the title, power and duties conferred upon the Trustee herein and by applicable law.

IN TESTIMONY WHEREOF, each undersigned individual party of the first part has hereunto set his hand and adopted as his seal the word "SEAL" appearing beside or near his signature, this sealed instrument being executed and delivered on the day and year first above written.

_____(SEAL) _____(SEAL)
_____(SEAL) _____(SEAL)
_____(SEAL) _____(SEAL)

IN TESTIMONY WHEREOF, the undersigned corporate party of the first part, has caused this Deed of Trust to be signed in its corporate name by its duly authorized officer(s) and its corporate seal to be hereto affixed and attested by its _____ Secretary, all by authority of its Board of Directors duly given, this sealed instrument being executed and delivered on the day and year first above written.

CORPORATE
SEAL

ATTEST:

NAME OF CORPORATION

By: _____
TITLE

SECRETARY

By: _____
TITLE

By: _____
TITLE

IN TESTIMONY WHEREOF, the undersigned partnership party of the first part, has caused this Deed of Trust to be signed in its partnership name and has adopted as its seal the word "SEAL" appearing beside or near its partnership name, this sealed instrument being executed and delivered on the day and year first above written.

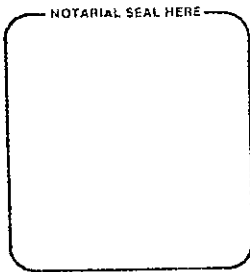
K & M PROPERTIES _____(SEAL)
Name of Partnership or Joint Venture


By: Jerry W. Kap _____(SEAL)
General Partner
(or Managing General Partner)

By: _____(SEAL)
General Partner

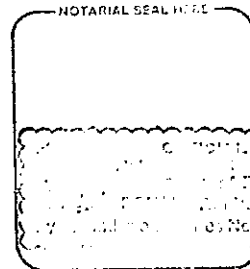
By: _____(SEAL)
General Partner


By: _____(SEAL)
General Partner

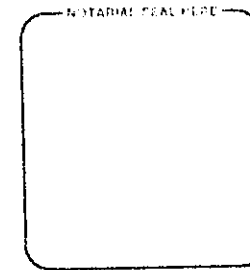



STATE OF NORTH CAROLINA, COUNTY OF _____
I, _____ a Notary Public of said County do hereby
certify that _____
personally appeared before me this day and acknowledge the due execution of the foregoing instrument.
Witness my hand and notarial seal, this the _____ day of _____, 19____


Notary Public
My commission expires _____ 19____



STATE OF NORTH CAROLINA, COUNTY OF Forsyth
I, Ronald A. Matamoros, a Notary Public of said County do hereby
certify that JERRY W. KAPP, Managing General Partner of K & M PROPERTIES,
North Carolina General Partnership,
personally appeared before me this day and acknowledged the due execution of the foregoing instrument.
Witness my hand and notarial seal, this the 18 day of April, 1988

Ronald A. Matamoros
Notary Public
My commission expires _____ 19____



STATE OF NORTH CAROLINA, COUNTY OF _____
This is to certify that on this day before me personally came _____
with whom I am personally acquainted, who, being by me first duly sworn, says that _____ is the _____ president and
_____ is the _____ secretary of
the corporation described in and which executed the foregoing deed of trust, that he knows the common seal of said corporation, that the seal affixed to the foregoing
instrument is said common seal and the name of the corporation was subscribed thereto by said _____ president, and the
said _____ president and _____ secretary subscribed their names thereto and said common seal
was affixed all by order of the board of directors of said corporation and that the said instrument is the act and deed of said corporation
Witness my hand and notarial seal this the _____ day of _____, 19____


Notary Public
My commission expires _____ 19____

STATE OF NORTH CAROLINA, COUNTY OF Forsyth
The foregoing certificate(s) of Ronald A. Matamoros Notary Public
of Forsyth County, N.C., is certified to be correct.
Let the said deed and certificate be registered
This 19 day of April, 1988

L. E. SPEAS, Register of Deeds
By Olinia Summers Deputy Register of Deeds

DEED OF TRUST	TO	Republic Bank & Trust Co.	Trustee for CENTRAL CAROLINA BANK AND TRUST COMPANY, NATIONAL ASSOCIATION 1115 CORCORAN STREET P.O. BOX 931 DURHAM, N.C. 27701	SENT FOR REGISTRATION AND RECORDED DATE <u>18 APR 1988</u> L. E. SPEAS REGISTER OF DEEDS FORSYTH CO. N.C.	Date <u>18 APR 1988</u>	County	Filed for registration on the	day of	at	o'clock	M. and	duly recorded in the office of Register of Deeds	of	County, N.C. in Mortgage Book	Page	etc.	Register of Deeds.
						North Carolina											

JB #12108 1638-1897