

STATE OF NORTH CAROLINA)
COUNTY OF FORSYTH)

SUBSTITUTION OF
LIABILITY AGREEMENT
AND MODIFICATION OF NOTE

194

THIS AGREEMENT AND MODIFICATION entered into this 15th day of July, 1991, by and between S & D, a North Carolina general partnership, hereinafter referred to as "Borrowers"; THE FIDELITY COMPANY, a North Carolina corporation, as Trustee, hereinafter referred to as "Trustee"; and PIEDMONT FEDERAL SAVINGS AND LOAN ASSOCIATION of Winston-Salem, North Carolina, hereinafter referred to as "Piedmont Federal";

W I T N E S S E T H:

WHEREAS, Richard A. Croxton, Jr. and wife, Ruth Park Essick Croxton (formerly known as Ruth Park Essick), hereinafter referred to as "Owners" executed and delivered to Piedmont Federal a certain Note dated July 11, 1985 in the original principal sum of ONE HUNDRED FOUR THOUSAND, EIGHT HUNDRED AND NO/100 DOLLARS (\$ 104,800.00) and a Deed of Trust of even date therewith to secure to Piedmont Federal the repayment of the indebtedness evidenced by said Note, which Deed of Trust appears of record in the Office of the Register of Deeds, Forsyth County, North Carolina, in Book 1495 at page 0942; and

WHEREAS, the Borrowers desire to purchase the real estate with improvements described in said Deed of Trust and to assume the loan evidenced by the Note and Deed of Trust identified hereinabove; and

WHEREAS, as a condition precedent to the transfer of the ownership of said real estate to the outstanding loan identified hereinabove, Piedmont Federal has invoked the provisions of Paragraph 17, which paragraph appears in said Deed of Trust.

NOW, THEREFORE, in consideration of mutual promises and benefits made and received by each of the parties hereto, the parties hereto, for themselves, their heirs, successors and assigns, do hereby agree and covenant as follows:

1. The Borrowers do hereby expressly bind themselves unto Piedmont Federal in accordance with the terms of the Note and Deed of Trust hereinabove identified, the same as if they originally had executed both the Note and the Deed of Trust; and further, do hereby promise to repay the remaining principal balance outstanding under the terms of said Note, including all interest which may have presently accrued or which will accrue thereon in the future, in strict accordance with the terms of said Note; and further, acknowledge that each of them are hereby jointly and severally liable and obligated on the Note and that further, do hereby covenant and agree to perform and be bound by all covenants and agreements contained in the Deed of Trust in accordance with their respective terms.

2. In consideration of the promises and covenants made by the Borrowers under the terms of Paragraphs 1, 3, 4 and 5, Piedmont Federal does hereby forever release and discharge the Owners and their successors and assigns from all personal liability and obligations under the terms of the Note and Deed of Trust.

3. The Borrower and Piedmont Federal do hereby mutually agree that the terms of the Note and Deed of Trust are hereby amended and modified as follows:

Subparagraph (c) of Paragraph 4 of the Note and the Adjustable Rate Rider attached to and incorporated into the Deed of Trust are hereby amended to read as follows: "Before each change date, the Note Holder will calculate my new interest rate by adding two and one-half percentage points (2.50 %) to the Current Index. The Note Holder will then round the result of this addition to the nearest one-eighth of one percentage point (0.125%), except that the interest rate so rounded may not be changed by more than one percentage points (1.0 %) on any Change Date and shall not exceed a yearly rate of fourteen & three-fourths percent (14.75 %) nor shall extend below a yearly rate of six & three-fourths percent (6.75 %). The rounded amount will be my new interest rate until next Change Date."

4. The Trustee joins in the execution of this Agreement and Modification for the sole purposes of acknowledging the terms hereof and of expressing its consent hereto.

5. All parties hereto do hereby agree that the Note and Deed of Trust except as herein amended and modified, shall remain in full force and effect.

BK1721 P1890

IN WITNESS WHEREOF, all parties hereto have caused this Agreement and Modification to be executed and sealed.

S & D, a North Carolina general partnership
 BY: Loyd R. Daniel, Jr. (SEAL)
 Loyd R. Daniel, Jr., General Partner
 _____ (SEAL)

ATTEST:
Sue T. Ashby
 Secretary

THE FIDELITY COMPANY, TRUSTEE
 BY: _____
 Vice President

ATTEST:

 Secretary

PIEDMONT FEDERAL SAVINGS AND LOAN ASSOCIATION
 BY: _____
 Vice President

STATE OF NORTH CAROLINA, Forsyth COUNTY ss:

I, Ann L. Mecum, a Notary Public of the County of Forsyth, State of North Carolina, do hereby certify that Loyd R. Daniel, Jr., general partner of S & D, a North Carolina general partnership personally appeared before me this day and acknowledged the execution of the foregoing instrument, for and on behalf of said partnership.

WITNESS my hand and official seal, this 31st day of July, 19 91.

My Commission Expires
November 16, 1992



OFFICIAL SEAL
 Notary Public, North Carolina
 County of Forsyth
 ANN L. MECUM

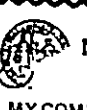
Ann L. Mecum
 Notary Public

STATE OF NORTH CAROLINA, FORSYTH COUNTY

I, Debra S. Martin, a Notary Public, certify that Sue T. Ashby personally came before me this day and acknowledged that she is Secretary of THE FIDELITY COMPANY, TRUSTEE, a corporation, and that by authority duly given and as the act of the corporation, the foregoing instrument was signed in its name by its President, sealed with its corporate seal, and attested by herself as Secretary.

WITNESS my hand and notarial seal, this 15th day of July, 19 91.

My Commission Expires
December 14, 1992



OFFICIAL SEAL
 Notary Public, North Carolina
 COUNTY OF FORSYTH
 DEBRA S. MARTIN
 MY COMMISSION EXPIRES 12-14-92

Debra S. Martin
 Notary Public

STATE OF NORTH CAROLINA, COUNTY OF FORSYTH

I, Cathryn A. Guthrie, a Notary Public, certify that Jolene H. McKenzie personally came before me this day and acknowledged that she is Secretary of PIEDMONT FEDERAL SAVINGS AND LOAN ASSOCIATION, a corporation, and that, by authority duly given and as the act of the corporation, the foregoing instrument was signed in its name by its Vice President, sealed with its corporate seal and attested by herself as Secretary.

WITNESS my hand and notarial seal, this 29th day of July, 19 91.

My Commission Expires
10-2-95



OFFICIAL SEAL
 Notary Public, North Carolina
 COUNTY OF FORSYTH
 CATHRYN A. GUTHRIE

Cathryn A. Guthrie
 Notary Public

PRESENTED FOR FORSYTH

STATE OF NORTH CAROLINA, COUNTY ss:

The foregoing certificates of ANN L. MECUM, DEBRA S. MARTIN & CATHRYN A. GUTHRIE, NOTARIES PUBLIC, FORSYTH CO, N.C. are hereby certified to be correct.

This the 31st day of JULY, 19 91.

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

\$8.00 pd.

L. E. SPEAS, REGISTER OF DEEDS

BY: _____
 Deputy/Assistant