



Drawn by and Mail to:

McNair & Sanford, P.A.
7 North Laurens Street, Suite 601
Greenville, S. Carolina 29601

STATE OF NORTH CAROLINA

ASSIGNMENT OF LEASES

COUNTY OF FORSYTH

THIS ASSIGNMENT (the "Assignment") is made as of the 30th day of December, 1994 by H & B Properties, a South Carolina general partnership (the "Borrower") to Summit National Bank, a national banking association with offices in Greenville, South Carolina (the "Bank").

RECITALS:

1. The Borrower is the owner of certain land, improvements constructed thereon (or to be constructed thereon) and personal property located thereon (or to be located thereon) and used in connection therewith (collectively the land, improvements and personal property are referred to as the "Premises"), said land being more particularly described in Exhibit A attached hereto and made a part hereof.

2. The Bank is the beneficiary and holder of a deed of trust (the "Mortgage Instrument") recorded or to be filed for record in the land records of Forsyth County, North Carolina, encumbering the Premises and securing the obligations of the Borrower under the promissory note dated as of even date in the principal amount of \$1,100,000.00 (the "Note") and the line of credit agreement dated as of even date between Borrower and Bank (the "Loan Agreement"). The Note, Loan Agreement, Mortgage Instrument, this Assignment and certain related documents executed in connection with the loan evidenced by the Note and Loan Agreement (the "Loan") may be referred to collectively as the "Loan Documents".

3. The Bank as a condition to making the Loan, has required the execution of this Assignment of the rentals, leases, income, issues and profits of the Premises by the Borrower.

NOW, THEREFORE, in order further to secure the payment of the Loan and as an essential and integral part of the security therefor, and in consideration of the making of the Loan and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Borrower does hereby immediately and absolutely sell, assign, transfer, and set over unto the Bank, its successors and assigns, the rights, interests and privileges which the Borrower as lessor has and may have in any and all leases now existing or hereafter made and affecting the

Premises as such leases may have been or may from time to time be hereafter, modified, extended and renewed, with all rents, issues, income and profits due and becoming due therefrom, and the acceptance of this Assignment and the collection of rents or the payments under the leases hereby assigned shall not constitute a waiver of any rights of the Bank under the terms of the Loan Documents.

1. Application of Rents by Borrower. So long as there shall exist no Event of Default (as defined in the Mortgage Instrument), the Borrower shall have the right under a license granted hereby (but limited as provided in the following section) to collect upon, but not more than two months prior to accrual, all of said rents, arising from or out of such leases or any renewals or extensions thereof, or for or out of the Premises or any part thereof, and the Borrower shall receive such rents, as a trust fund to be applied, and the Borrower hereby covenants to so apply same, to the payment of taxes and assessments upon the Premises before penalty or interest are due thereon, to the cost of such insurance and of such maintenance and repairs as is required by the terms of the Mortgage Instrument and Loan Agreement, and to the payment of interest and principal and other amounts becoming due on the Loan, before using any part of the same for any other purposes.

2. Collection of Rents by Bank. In furtherance of the foregoing assignment, the Borrower hereby authorizes the Bank, by its employees or agents, at its option, after the occurrence of an Event of Default, to terminate the aforesaid license granted to the Borrower to collect said rents, income, issues and profits and to enter upon the Premises, and to collect, in the name of the Borrower or in its own name, as assignee, the rents accrued but unpaid and in arrears at the date of said Event of Default or any other Event of Default; and to this end, the Borrower further agrees that it will facilitate in all reasonable ways the Bank's collection of said rents, and will, upon request by the Bank, execute a written notice to each tenant directing the tenant to pay rent to the Bank.

3. Bank's Entry Upon Premises. Upon such entry, the Bank shall be authorized, but not obligated, to take over and assume the control, care, management, operation, repair and maintenance of the Premises and to perform such other acts as the Bank in its discretion may deem proper, and to expend such sums out of the income of the Premises as may be needful in connection therewith, in the same manner and to the same extent as the Borrower theretofore might do (including the right to effect new leases, to cancel or surrender existing leases, to evict tenants, to bring or defend any suits in connection with the possession of any portion of the Premises in its own name or the Borrower's name, to alter or to amend the terms of existing leases, to renew existing leases, and to make concessions to the tenants). The Borrower hereby

releases all claims against the Bank arising out of such management, operation, repair and maintenance, excepting the liability of the Bank to account as hereinafter set forth, and except claims arising from the gross negligence or willful misconduct of the Bank.

4. Indemnity. Unless and until the license granted to the Borrower in Section 1 is terminated and the Bank enters the Premises as described in Section 2 and 3 hereof, the Bank shall not be obligated to perform or discharge any obligation or duty to be performed or discharged by the Borrower under any of said leases, and the Borrower hereby agrees to indemnify the Bank for, and to save it harmless from, any liability arising from any of said leases or from this Assignment, and this Assignment shall not place responsibility for the conduct, care, management, or repair of the Premises upon the Bank, or make the Bank responsible or liable for any negligence in the management, operation, upkeep, repair or control of said Premises resulting in loss or injury or death to any tenant, licensee, employee or stranger.

5. Representations of Borrower. The Borrower covenants and represents that (i) except as hereinafter set forth, it has full right and title to assign to the Bank said leases and the rents, income and profits due or to become due thereunder; (ii) no prior assignment of any interest thereof has been made; (iii) there are no existing defaults under the provisions thereof; and (iv) without the prior written consent of the Bank, it will not hereafter cancel, surrender or terminate any of said leases or change, alter, or modify the same, or accept prepayment of more than two month's rent, or allow premature termination of any lease, or execute any other assignment of the Borrower's interest in said leases and rents.

6. Application of Rents by Bank. The Bank shall, after payment of such charges and expenses as the Bank may, in its sole discretion, elect to pay, including reasonable compensation to such managing agent as it may select and employ, and after the accumulation of a reserve to meet taxes, assessments, water rents, fire and liability insurance and maintenance and replacement expenses in requisite amounts, credit the net amount of income received by it from the Premises by virtue of this assignment, to any amount due and owing to it by the Borrower or William P. Betchman under the terms of the Loan Documents, but the manner of the application of such net income and what items shall be credited shall be determined in the sole discretion of the Bank. The Bank shall not be accountable for more moneys than it actually receives from the Premises, nor shall it be liable for failure to collect rents. The Bank shall make reasonable efforts to collect rents, reserving, however, within its own discretion, the right to determine the method of collection and the extent to which enforcement or collection of delinquent rents shall be prosecuted.

7. Reinstatement of License; Possession. In the event, however, that the Borrower shall reinstate the Loan completely in good standing, having complied with all the terms, covenants and conditions of the Loan Documents, then the license granted under Section 1 shall be reinstated and the Bank, within one month after demand in writing, shall redeliver possession of the Premises to the Borrower, who shall remain in possession unless and until another Event of Default occurs, at which time the license shall terminate and the Bank may at its option again take possession of the Premises in accordance with this Assignment.

8. Terms. The provisions of this Assignment shall be binding upon the Borrower and its successors or assigns, and upon the Bank and its successors or assigns. The word "Borrower" shall be construed to mean any subsequent owner of the Premises or any portion thereof.

9. Governing Law. This Assignment shall be governed by, and construed in accordance with, the laws of the State of North Carolina.

10. Mortgagee in Possession. It is not the intention of the parties hereto that an entry by the Bank upon the Premises under the terms of this Assignment shall constitute the Bank a "mortgagee in possession" in contemplation of law, except at the option of the Bank.

11. Duration of Assignment. This Assignment shall remain in full force and effect as long as the Loan remains unpaid in whole or in part. It is understood and agreed that a full and complete cancellation of record of the Mortgage Instrument shall operate as a full and complete release of all of the Bank's rights and interest hereunder, and that after the Mortgage Instrument has been so cancelled this Assignment shall be void and of no further effect.

IN WITNESS WHEREOF, the Borrower has caused this Assignment to be duly executed under seal as of the date first above written.

WITNESSES:

H & B Properties, a South Carolina
General Partnership (SEAL)

Aubrey S. Muller
Rhonda Kularris

By: Richard W. Bailey
Its: General Partner

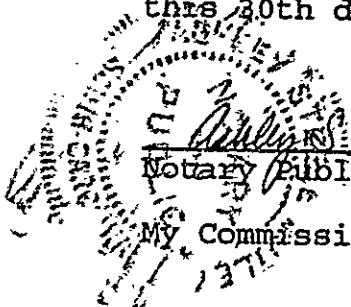
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STATE OF SOUTH CAROLINA)

COUNTY OF GREENVILLE)

PROBATE

I, a Notary Public of the County and State aforesaid, certify that H & B Properties, by Richard W. Bailey, Borrower, personally appeared before me this day and acknowledged the execution of the foregoing instrument. Witness my hand and official stamp or seal, this 30th day of December, 1994.



Richard W. Bailey (L.S.)
Notary Public for South Carolina

My Commission Expires: August 17, 2000

STATE OF NORTH CAROLINA - Forsyth County

PRESENTED FOR
REGISTRATION
The foregoing (or annexed) certificate of Ashley Steele Nutley NP Greenville Co, SC
AND RECORDED (here give name and official title of the officer signing the certificate passed upon)

is (are) certified to be correct. This the 3 day of Jan 1995

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

Deborah Ridd

L. E. Speas, Register of Deeds

By Debra Eankard Deputy Assistant

Probate and Filing Fee \$ 16.00 paid.