

## PLEDGE AND SECURITY AGREEMENT

THIS PLEDGE AND SECURITY AGREEMENT ("*Agreement*") is made this 21<sup>st</sup> day of September, 2009, by and between PRIMO PROPERTIES, LLC, a North Carolina limited liability company (the "*Pledgor*"), and the CITY OF WINSTON-SALEM (the "*Lender*").

### RECITALS

A. Lender has agreed to lend to Brookstown Development Partners, LLC, a North Carolina limited liability company (the "*Borrower*") the principal sum of \$980,361.00 (the "*Loan*") which shall be evidenced by a Promissory Note dated as of the date herewith payable to the order of Lender (the "*Note*").

B. Lender has also agreed to lease certain real property (the "*Property*") to Borrower pursuant to and in accordance with that certain Ground Lease dated 9/21/09 (the "*Ground Lease*").

C. Pledgor owns a forty five percent (45%) membership interest in Borrower (the "*Membership Interest*") and Pledgor will benefit from Lender making the Loan to Borrower under the Note and leasing the Property to Borrower under the Ground Lease.

D. To secure Borrower's duties and obligations under the Note and Ground Lease Pledgor has agreed to pledge and grant to Lender a security interest in the Membership Interest.

### AGREEMENT

NOW, THEREFORE, in consideration of the foregoing premises and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. **Pledge.** As collateral security for the full and timely payment, performance and observance of Borrower's duties and obligations under both the Note and Ground Lease, (including, but not limited to, the full payment of all reasonable fees, charges, expenses, attorneys' fees and any other sum chargeable to Borrower under the Note and/or Ground Lease or incurred by Lender or its agents in enforcing any of the Note and/or Ground Lease), Pledgor herewith pledges, assigns, transfers, hypothecates, delivers and deposits with Lender, in a form transferable for delivery (together with membership interest powers duly executed in blank by Pledgor), and grants to Lender a first priority security interest in, the Membership Interest and the certificates (if any) or other instruments or documents evidencing same, (collectively, the "*Pledged Securities*"), together with any and all products and proceeds of any of the foregoing in whatever form (the Pledged Securities and the products and proceeds thereof may be referred to collectively as the "*Pledged Collateral*"). Upon the payment in full of all sums due under the Note, this Agreement shall be of no further force and effect, and shall no longer secure Borrower's obligations under the Ground Lease; provided, that upon payment in full of all sums due under the Note there is no "Potential Monetary Default" or "Default" (as such terms are defined in the Ground Lease) then existing under the Ground Lease in which event this Agreement shall terminate upon cure of all Potential Monetary Defaults and other Defaults under the Ground Lease.

2. **Representations and Warranties of Pledgor.** Pledgor hereby represents and warrants to Lender as follows:

(a) **Title.** Pledgor has, and will have on deposit hereunder, good title to all of the Pledged Securities, free and clear of all claims, mortgages, pledges, liens, encumbrances and security interests of every nature whatsoever except those granted to Lender herein. No consent or approval of any governmental or regulatory authority, or of any securities exchange which has not been obtained, was or is necessary to the validity of this pledge. Pledgor is the sole legal and beneficial owner of the Pledged Securities, with the lawful right, power, and title to pledge and deliver Pledged Securities to Lender as provided for herein. Except for the Pledged Securities, Pledgor owns no other interests in the Borrower or rights to acquire any interests in the Borrower. Pledgor will defend the Pledged Collateral against the claims and demands of all persons other than Lender.

(b) **Authority.** This Agreement is the legal, valid and binding obligation of Pledgor. Pledgor has all requisite power and authority to execute and deliver this Agreement and any other document, agreement or instrument executed and delivered by Pledgor in connection with this Agreement and the transactions contemplated herein (collectively, the "***Pledgor Documents***") and to consummate the transactions contemplated on its part hereby and thereby. This Agreement has been duly executed and delivered by Pledgor and is a legal, valid and binding obligation of Pledgor enforceable against Pledgor in accordance with its terms. Following their execution and delivery by Pledgor, each of the other Pledgor Documents will be a legal, valid and binding obligation of Pledgor.

(c) **Validity of Transaction.** The execution, delivery and performance of this Agreement and the Pledgor Documents by Pledgor and the consummation of the transactions contemplated herein and therein will not:

(i) require the consent, approval or authorization of any person, corporation, partnership, joint venture or other business association or public authority other than the consent, approval and authorization of all of the other members of the Borrower and Borrower's manager, which have been obtained by Pledgor on or before the date hereof;

(ii) violate, with or without the giving of notice or the passage of time or both, any provisions of law applicable to Pledgor or the Pledged Securities; or

(iii) with or without the giving of notice or the passage of time or both, conflict with or result in a breach or termination of any provision of, or constitute a default under, or result in the creation of any lien, charge or encumbrance upon any of the Pledged Securities pursuant to any indenture, mortgage, deed of trust, lease, contract, agreement or other instrument, or any order, judgment, award, decree, statute, ordinance, regulation or any other restriction of any kind or character, to which Pledgor is a party, or by which Pledgor or the Pledged Securities may be bound.

(d) Consents. On or prior to the date hereof, Pledgor has provided to Lender copies of all required consents, approvals or authorizations of any third parties (including, but not limited to, consents, approvals or authorizations of Borrower and its members) necessary for the consummation of the transactions contemplated herein.

(e) Litigation. There are no pending or, to the knowledge of Pledgor, threatened actions, suits or proceedings against Pledgor involving the transactions contemplated by the Pledgor Documents. There is no outstanding order, judgment or decree of any court having jurisdiction in any way prohibiting Pledgor from pledging the Pledged Securities as collateral for the Loan.

(f) Adequacy of Consideration. Lender's making the Loan to Borrower pursuant to the Note and leasing the Property to Borrower under the Ground Lease is fair and adequate consideration for Pledgor's pledge of the Pledged Collateral to Lender as provided for herein and in the Pledgor Documents.

(g) Perfection of Security Interests. In addition to possession of the Pledged Securities, Lender is authorized to do all things that it deems necessary to perfect and continue perfection of the security interests created hereby and to protect the Pledged Collateral. Lender is authorized to file one or more financing statements and continuations statements in such jurisdictions may be necessary or desirable by Lender to perfect and maintain the perfection of its security interests granted pursuant hereto.

### 3. Events of Default; Remedies Upon Default.

(a) Events of Default. The occurrence of any one or more of the following events shall constitute an "***Event of Default***" under this Agreement:

- (i) an "Event of Default" under (and as defined in) the Note occurs;
- (ii) an "Event of Default" under (and as defined in) the Ground Lease occurs;
- (iii) within the sixty (60) consecutive day period immediately following the date hereof, (i) Borrower fails to amend its operating agreement to authorize the issuance of certificates representing all of the membership interests in Borrower (the "***Certificates***") and fully issue the Certificates to its members and (ii) Pledgor fails to deliver all of the Certificates representing the Membership Interest to Lender together with an Assignment of Membership Interest Certificate Power executed by Pledgor in blank;
- (iv) if at any time prior to the termination of this Agreement, the members and manager of Borrower shall authorize the issuance of additional membership interests in Borrower or admit any new members of Borrower (the "***Additional Membership Interests***") which would have the effect of decreasing the actual value of the Membership Interest measured by the difference between the actual value of the Membership Interest immediately before the issuance of the Additional

Membership Interests and the actual value of the Membership Interest immediately after the issuance of the Additional Membership Interests as determined by an appraiser chosen by the Borrower and reasonably acceptable to the Lender which appraisal shall be final (In the event the Borrower and Lender are unable to agree upon a single appraiser, each shall appoint a qualified independent appraiser and the two selected appraisers shall designate a third qualified independent appraiser. Each appraiser shall independently determine the actual value of the Membership Interest immediately before the issuance of the Additional Membership Interests and the actual value of the Membership Interest immediately after the issuance of the Additional Membership Interests and the decrease in value of the Membership Interest, if any, shall be the value which is the average of the values of the two closest appraisals. Borrower shall be responsible for the cost of the single appraiser, or, if the Borrower and Lender are unable to agree on a single appraiser, each shall bear the cost of the appraiser appointed by it and the cost of the third appraiser shall be evenly shared between them);

(v) if at any time prior to the termination of this Agreement, Pledgor, the Borrower and/or the other members and manager of Borrower undertake or enter into any transaction or activity (other than transactions or activities in furtherance of a legitimate business purpose of Borrower) which would have the effect of decreasing the actual value of the Membership Interest measured by the difference between the actual value of the Membership Interest immediately before such transaction or activity and the actual value of the Membership Interest immediately after such transaction or activity as determined by an appraiser chosen by the Borrower and reasonably acceptable to the Lender which appraisal shall be final (In the event the Borrower and Lender are unable to agree upon a single appraiser, each shall appoint a qualified independent appraiser and the two selected appraisers shall designate a third qualified independent appraiser. Each appraiser shall independently determine the actual value of the Membership Interest immediately before the transaction or activity and the actual value of the Membership Interest immediately after the transaction or activity and the decrease in value of the Membership Interest, if any, shall be the value which is the average of the values of the two closest appraisals. Borrower shall be responsible for the cost of the single appraiser, or, if the Borrower and Lender are unable to agree on a single appraiser, each shall bear the cost of the appraiser appointed by it and the cost of the third appraiser shall be evenly shared between them);

(vi) Pledgor fails or neglects to timely perform, keep or observe any provision of this Agreement;

(vii) any representation or warranty of Pledgor contained herein is untrue or incorrect in any material respect as of the date when made or deemed made; or

(viii) the making of any levy on, seizure, attachment or garnishment on any of the Pledged Collateral that is not dismissed within thirty (30) days of its making.

(b) Remedies Upon Default. Upon and during the continuance of an Event of Default, Lender may, in addition to all other rights and remedies provided by law or in equity, at its option and without notice to Pledgor, transfer to its name or the name of its nominee the Pledged Collateral.

4. Covenants of Pledgor. Pledgor covenants and agrees to and in favor of Lender that:

(a) Delivery of Pledged Securities. Pledgor shall deliver an executed Assignment of Membership Interest Power substantially in the form of Exhibit A attached hereto, upon the execution of this Agreement. Within the sixty (60) consecutive day period immediately following the date hereof Pledgor shall deliver all Certificates representing the Membership Interest to Lender together with an Assignment of Membership Interest Certificate Power covering such Certificates executed by Pledgor in blank

(b) Sale or Hypothecation of Pledged Collateral. Except as may be allowed under the Note, Pledgor shall not, without the prior written consent of the Lender, exchange, hypothecate, lease, lend, sell, encumber or dispose of the Pledged Collateral or any part thereof, or any of Pledgor's rights therein, or grant any option with respect thereto, nor cause, suffer or permit the Pledged Collateral to be affected by any encumbrance, security interest, option or adverse claim of any kind or nature whatsoever, other than the security interests of Lender. All proceeds, additions, substitutions or replacements, bonds or securities for the Pledged Securities shall be and remain Pledged Collateral subject to the security interest in favor of Lender as provided herein. Unless otherwise agreed in advance by the Lender, all proceeds from the sale of the Pledged Collateral shall be immediately paid to the Lender and shall be applied to the Note.

(c) Certain Agreements. Pledgor shall not make any compromise, adjustment, amendment, modification, settlement, substitution or termination in respect of the Pledged Collateral; nor cause, suffer or permit anything to be done which might impair, or fail to do anything necessary or advisable in order to preserve, the value of the Pledged Collateral and the security interest of Lender therein.

(d) Further Action. From and after the date hereof and at the request of Lender, Pledgor will take all action and do all things reasonably necessary, proper, or advisable in order to consummate and make effective the transactions contemplated by this Agreement.

(e) No Rights of Conversion. Except as may be allowed under the Note, Pledgor covenants that it will not, except with the written consent of Lender, exercise any rights of conversion with respect to any of the Pledged Securities which are convertible into debt instruments, cash or any other securities or instruments of any kind.

(f) Notice. Pledgor shall notify Lender in writing immediately upon the members and manager of Borrower authorizing the issuance of additional membership interests in Borrower or upon the admission any new members in Borrower.

5. Rights in Pledged Securities. As long as there does not exist an Event of Default that remains uncured after lapse of all applicable notice and cure periods: (a) Pledgor shall be

entitled to receive and retain any and all dividends, interest and distributions paid in cash in respect of the Pledged Collateral; provided, however, that Lender shall receive and retain in the Pledged Collateral any and all dividends, interest and distributions paid or payable other than in cash in respect of, or in exchange for, any Pledged Collateral; and (b) Pledgor shall be entitled to exercise, as it shall determine, but in a manner not inconsistent with the terms hereof, the voting power with respect to the Pledged Securities, if any.

**6. Delay in Exercise of Rights.** No delay on the part of the Lender or of any holder of any of the Note in exercising any of its options, powers or rights, or partial or single exercise thereof, shall constitute a waiver thereof. Nothing in this Agreement or in the obligations secured by it shall preclude any other remedy by action or otherwise for the enforcement of this Agreement or the payment in full of the obligations secured by this Agreement.

**7. Notice.** All notices, demands and other communications made hereunder shall be in writing and shall be given either by personal delivery, by nationally recognized overnight courier (with charges prepaid) or by telecopy (with telephone confirmation), and shall be deemed to have been given or made when personally delivered, the day following the date deposited with such overnight courier service or when transmitted to telecopy machine and confirmed by telephone, addressed to the respective parties at the following addresses (or such other address for a party as shall be specified by like notice):

If to the Pledgor:

Primo Properties, LLC  
104 Cambridge Plaza Drive  
Winston-Salem, NC 27104  
Attn: Billy D. Prim  
Phone: 331-4011  
Fax: (336) 331-4211

With a copy (which shall not constitute notice) to:  
Allman Spry Leggett & Crumpler, P.A.  
380 Knollwood Street, Suite 700  
Winston-Salem, NC 27103  
Attn: Thomas T. Crumpler  
Phone: (336) 722-2300  
Fax: (336) 721-0414

If to the Lender:

City of Winston-Salem  
101 N. Main Street, Suite 134  
Winston-Salem, NC 27101  
Attn: Angela Carmon  
Phone: 336-727-8000  
Fax: 336-748-3816

With a copy (which shall not constitute notice) to:

Bell, Davis & Pitt, P.A.  
100 North Cherry Street, Suite 600  
Winston-Salem, NC 27101  
Attn: Mallory M. Oldham  
Phone: (336) 714-4121  
Fax: (336) 722-6558

8. **Severability.** If any provision of this Agreement is held invalid, such invalidity shall not affect the validity or enforceability of the remaining provisions of this Agreement.

9. **Governing Law and Amendments.** This Agreement shall be construed and enforced under the laws of the State of North Carolina applicable to contracts to be wholly performed in such State. No amendment or modification hereof shall be effective except in a writing executed by each of the parties hereto.

10. **Counterparts.** This Agreement may be executed in any number of counterparts and by different parties to this Agreement in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same Agreement.

11. **Term.** This Agreement shall remain in effect and Lender shall continue to hold a security interest in the Pledged Collateral until the payment and satisfaction in full of the Note at which time this Agreement and the security interest in the Pledged Collateral shall cease and terminate, provided that there is no Potential Monetary Default or Default then in existence under the Ground Lease in which event this Agreement and the security interest in the Pledged Collateral shall cease and terminate upon cure of such Potential Monetary Default or Default under the Ground Lease.

12. **Binding Effect.** This Agreement shall inure to the benefit of Lender's successors and assigns and shall bind Pledgor's successors and assigns, provided, however, that Pledgor may not assign or transfer any of its rights, duties or obligations hereunder without the prior written consent of Lender.

(SIGNATURE PAGE FOLLOWS)

IN WITNESS WHEREOF, Pledgor and Lender have executed this Agreement under seal, or have caused this Agreement to be executed under seal as of the date first above written.

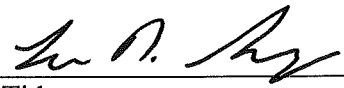
**PLEDGOR:**

PRIMO PROPERTIES, LLC (SEAL)

By:   
Title: Manager

**LENDER:**

CITY OF WINSTON-SALEM (SEAL)

By:   
Title: City manager

Approved as to form and legality.  
This 28<sup>th</sup> day of September 2007  
By Angela Calnan Attorney

**EXHIBIT A**

**ASSIGNMENT OF MEMBERSHIP INTEREST POWER**

**FOR VALUE RECEIVED**, the undersigned, PRIMO PROPERTIES, LLC hereby assigns and transfers unto \_\_\_\_\_, a forty five percent (45%) Membership Interest in Brookstown Development Partners, LLC, a North Carolina limited liability company (the "**Company**"), standing in the undersigned's name on the books of the Company and represented by Schedule \_\_\_ of the Company's Operating Agreement dated \_\_\_\_\_, and does hereby irrevocably constitute and appoint the Company's Manager, as the undersigned's attorney-in-fact, to the extent necessary to transfer the said membership interest on the books of the Company with full power of substitution in the premises.

This Assignment is effective as of the \_\_\_\_ day of \_\_\_\_\_, 20\_\_.

PRIMO PROPERTIES, LLC

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

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