

STATE OF ALABAMA §
 §
SHELBY COUNTY §

20041223000701180 Pg 1/8 35.00
Shelby Cnty Judge of Probate, AL
12/23/2004 15:50:00 FILED/CERTIFIED

COLLATERAL ASSIGNMENT OF LEASES AND RENTS

Made as of the 21st day of December, 2004, by Jefferson Dowell Falkner, Jr. and wife, Janice McCormick Falkner, (collectively the "Assignor"), to First National Bank of Shelby County with its principal office at 106 East College Street, Columbiana, Alabama 35051 ("Assignee");

RECITALS

(Inst. # 20041223000701050) A. Magnolia Meadows, L.L.C. (the "Borrower") has executed and delivered to Assignee a certain Promissory Note in the principal amount of \$1,837,500.00 (the "Note"). As security for said Note, Assignors, as an accommodation for Borrower, have executed and delivered, a Mortgage recorded in Shelby County, Alabama, at Mortgage Book 20041223000701050 at Page , (the "Mortgage") with respect to the real property and improvements of Assignor located in Shelby County, Alabama, more particularly described in Exhibit "A" attached hereto and made a part hereof by this reference (the "Mortgaged Premises").

As additional security for the Note and the obligations of Borrower thereunder, Assignor has executed and delivered to Assignee this Collateral Assignment of Leases and Rents.

NOW, THEREFORE, in consideration of Assignee making the loan evidenced by the Note, and as an accommodation for Borrower to induce Assignee to extend credit to Borrower, Assignor does hereby transfer, assign, deliver, and grant a security interest to Assignee in all of the right, title, and interest of Assignor in and to (1) all leases, subleases, tenancies, and any other agreements, whether written or oral, now or hereafter existing with respect to any portion or portions of the Mortgaged Premises, together with any renewals or extensions thereof or any agreements in substitution therefor (all of which are hereinafter collectively referred to as the "Assigned Leases"), (2) all rents and other payments of every kind due or payable and to become due or payable to Assignor by virtue of the Assigned Leases, or otherwise due or payable and to become due or payable to Assignor as the result of any use, possession, or occupancy of any portion or portions of the Mortgaged Premises, and (3) all right, title, and interest of Assignor in and to any and all guaranties of the Assigned Leases.

TO HAVE AND TO HOLD the same unto Assignee, its successors and assigns, for the purpose of securing (1) payment of the Note together with the interest thereon; (2) payment of all other sums, with interest thereon, to become due and payable to Assignee hereunder, under the Mortgage, or under any other instrument securing the Note; (3) performance and discharge of each and every obligation, covenant, and agreement of Assignor and Borrower contained herein, or in the Note, Mortgage, or other obligation of Borrower and/or Assignor to Assignee; and (4) payment of any other obligation of Borrower and/or Assignor to Assignee now or hereafter existing, said obligations being hereinafter collectively referred to as the "Obligations."

This instrument is delivered and accepted upon the following terms and conditions:

1. Assignor's License to Operate if No Default. So long as Borrower and/or Assignor is not in default in the performance of the Obligations (hereinafter referred to as an "Event of Default"), Assignor shall have a license to manage and operate the Mortgaged Premises and to collect, receive, and apply for its own account, all rents, issues, and profits accruing by virtue of the Assigned Lease, and to execute and deliver proper receipts and acquittances therefor.

2. Assignee's Rights in Event of Default.

2.1 Immediately upon the occurrence of any Event of Default, the license shall cease and terminate, and in such event, in addition to any other remedies of Assignee, upon notice from Assignee to each lessee of an Assigned Lease, all rentals thereafter payable to Assignor shall be paid to Assignee.

2.2 The Assignor does hereby constitute and appoint Assignee, irrevocably, with full power of substitution and revocation, their true and lawful attorney, for it and in its name, place, and stead, to do and perform any or all of the actions which Assignor is entitled to perform in connection with the Assigned Leases, as fully, to all intents and purposes, as it could do if present, hereby ratifying and confirming all that its attorney or any substitute for its attorney shall lawfully do or cause to be done by virtue hereof. Any action, or failure or refusal to act, by Assignee under this subparagraph shall be at its election and without any liability on its part.

2.3 The Assignee shall apply the net amount of rents, issues, and profits received by it from the Mortgaged Premises, in the following order of priority: (i) to the payment of all proper costs and charges (including any liability, loss, expense, or damage hereinafter referred to in ¶ 4.1 hereof); (ii) to the payment of all accrued but unpaid interest due under the Note; (iii) to the payment of principal under the Note to be applied to principal installments in the inverse order of maturity; (iv) to the payment of any other amounts owed to Assignee and secured by the Mortgage; and (v) to Assignor or such entity or persons legally entitled thereto.

2.4 The Assignee shall be accountable to Assignor only for monies actually received by Assignee and the acceptance of this assignment shall not constitute a satisfaction of any of the Obligations, except to the extent of amounts actually received and applied by Assignee on account of the same.

2.5 The rights and powers of Assignee hereunder shall continue and remain in full force and effect until all amounts secured hereby are paid in full.

3. Covenants of Assignor. The Assignor, for themselves and for their successors, heirs and/or assigns, agree and warrant as follows:

(a) That each of the Assigned Leases now or hereafter in effect is and shall be a valid and subsisting lease and that there are no defaults on the part of any of the parties thereto;

(b) That Assignor has not sold, assigned, transferred, mortgaged, or pledged any of the rents, issues, or profits from the Mortgaged Premises or any part thereof, whether now or hereafter to become due, to any person, firm, or corporation other than the Assignee;

(c) That no rents, issues, or profits of the Mortgaged Premises, or any part thereof, becoming due subsequent to the date hereof have been collected other than as specifically provided in the Assigned Leases, nor has payment of any of the same been anticipated, waived, released, discounted, or otherwise discharged or compromised;

(d) That they will not assign, pledge, or otherwise encumber the Assigned Leases or any of the rents thereunder unless the prior written consent of the Assignee shall have been obtained thereto;

(e) That they will not, without in each case having obtained the prior written consent of Assignee thereto, directly or indirectly amend, modify, cancel, terminate, or accept any surrender of the Assigned Leases or any one or more of them;

(f) That they will not waive or give any consent with respect to any default or variation in the performance of any material term, covenant, or condition on the part of any lessee, sublessee, tenant, or other occupant to be performed under the Assigned Leases, but will at all times take proper steps to enforce all of the provisions and conditions thereof;

(g) That they will perform and observe, or cause to be performed and observed, all of the terms, covenants, and conditions on their part to be performed and observed with respect to each of the Assigned Leases;

(h) That they will, upon written request by the Assignee, serve such written notices upon any lessee under any Assigned Lease or any other occupant of any portion of the Mortgaged Premises concerning this assignment, or include among the written provisions of any instrument hereafter creating any such lease, sublease, tenancy, or right of occupancy specific reference to this assignment, and make, execute, and deliver all such powers of attorney, instruments of pledge or assignment, and such other instruments or documents as Assignee may reasonably request at any time for the purpose of securing its rights hereunder; and

(i) That they will furnish to Assignee, on demand, true copies of all Assigned Leases hereafter executed and true copies of each document effecting the renewal, amendment or modification of any Assigned Lease.

4. Indemnification.

4.1 Assignor and Borrower hereby agree to indemnify and hold Assignee harmless against and from (a) any and all liability, loss, damage, and expense, including reasonable attorneys' fees, that it may or shall incur or that may be asserted under or in connection with any of the Assigned Leases, or by reason of any action taken by Assignee under any of the Obligations (including without limitation any action that Assignee in its discretion may take to protect its interest in the Mortgaged Premises), and (b) any and all claims and demands whatsoever that may be incurred by or asserted

against Assignor by reason of any alleged obligations or undertakings on its part to perform or discharge any of the terms, covenants, and conditions contained in any of the Assigned Leases.

4.2 Should Assignee incur any such liability as described in ¶ 4.1, the amount thereof, together with interest thereon at the lower of the highest rate permitted by law or five percent (5%) above the rate charged on the Note, shall be payable by Assignor to Assignee immediately upon demand, or at the option of Assignee, Assignee may reimburse itself therefor out of any rents, issues, or profits of the Mortgaged Premises collected by Assignee.

4.3 Nothing contained herein shall operate or be construed to obligate Assignee to perform any of the terms, covenants, or conditions contained in any Assigned Lease, or to take any measure to enforce collection of any of said rents or other payments, or otherwise to impose any obligation upon Assignee with respect to any of said leases, including, but not limited to, any obligation arising out of any covenant of quiet enjoyment therein contained.

4.4 Prior to actual entry into and taking possession of the Mortgaged Premises by Assignee, this assignment shall not operate to place upon Assignee any responsibility for the operation, control, care, management, or repair of the Mortgaged Premises, and the execution of this assignment by Assignor shall constitute conclusive evidence that all responsibility for the operation, control, care, management, and repair of the Mortgaged Premises is and shall be that of Assignor prior to such actual entry and taking of possession.

5. Exercise of Remedies. Failure of Assignee to avail itself of any of the terms, covenants, and conditions of this assignment for any period of time, or at any time or times, shall not be construed or deemed to be a waiver of any of its rights hereunder. The rights and remedies of Assignee under this assignment are cumulative and are not in lieu of but are in addition to any other rights and remedies that Assignee shall have under or by virtue of any other of the Obligations. The rights and remedies of Assignee hereunder may be exercised from time to time and as often as such exercise is deemed expedient.

6. Termination of this Assignment. Upon payment in full of all the indebtedness secured by the Mortgage, as evidenced by a recorded satisfaction or discharge of the Mortgage, as well as any sums which may be payable hereunder, this assignment shall become and be void and of no effect and, in that event, upon the request of Assignor and at their expense, Assignee covenants to execute and deliver to Assignor instruments effective to evidence the termination of this assignment and/or the reassignment to Assignor of the rights, power, and authority granted herein.

7. Notice. Any notice, demand, request, or other communication given hereunder or in connection herewith (hereinafter "Notices") shall be deemed sufficient if in writing and sent by registered or certified mail, postage prepaid, return receipt requested, addressed to the party to receive such Notice at the address such party may hereafter designate by Notice given in like fashion. Notices shall be deemed given when mailed. Notwithstanding the foregoing, routine communications such as ordinary distribution checks, copies of documents, etc., may be sent by ordinary first-class mail.

8. Miscellaneous Provisions.

8.1 Whenever the context so requires, reference herein to the neuter gender shall include the masculine and/or feminine gender, and the singular number shall include the plural.

8.2 This assignment shall be construed and enforced in accordance with and governed by the laws of the State of Alabama.

8.3 No change, amendment, modification, cancellation, or discharge hereof, or of any part hereof, shall be valid unless Assignee shall have consented thereto in writing.


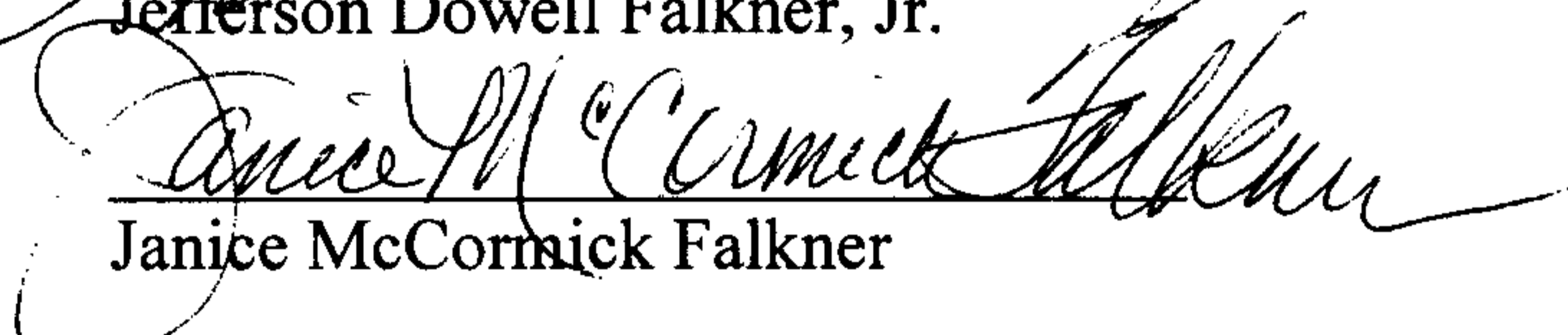
8.4 In the event there is any conflict between the terms and provisions of the Mortgage and the terms and provisions of this assignment, the terms and provisions of this assignment shall prevail.

8.5 The terms, covenants, and conditions contained herein shall inure to the benefit of, and bind Assignee and Assignor and their respective successors and assigns or heirs, executors, administrators, successors, and assigns, as the case may be.

8.6 The captions of this assignment are for convenience and reference only and do not in any way define, limit, or describe the scope or interest of this assignment nor in any way affect this assignment.

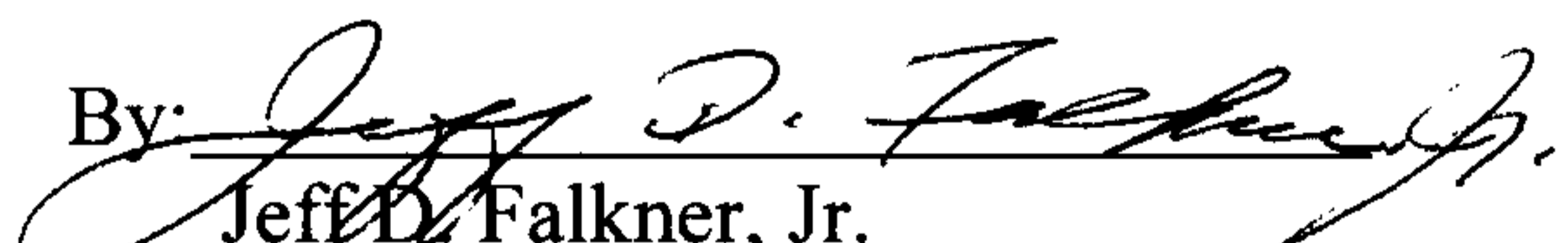
IN WITNESS WHEREOF, Assignors have hereunto set their signatures and Borrower has set its signature by its Member/Manager, Jeff D. Falkner, Jr. who is duly authorized on this the 21st day of December, 2004.

Assignors:


Jefferson Dowell Falkner, Jr.

Janice McCormick Falkner

Borrower:

Magnolia Meadows, L.L.C.

By: 
Jeff D. Falkner, Jr.
Its Member/Manager

STATE OF ALABAMA

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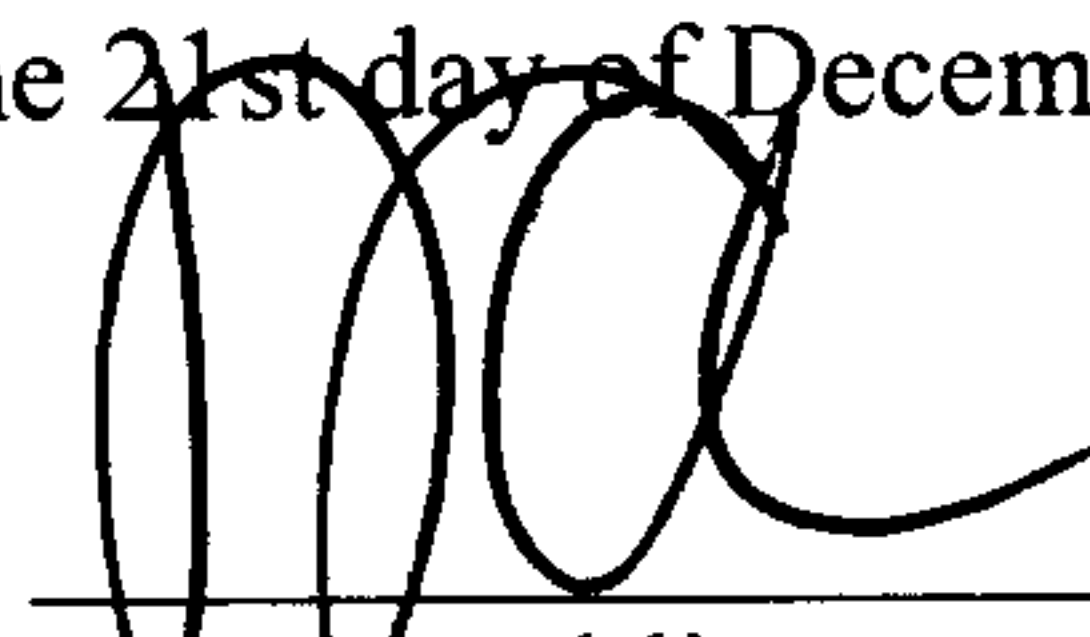
§ ss.

COUNTY OF SHELBY

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I, the undersigned authority, a Notary Public in and for said County in said State, hereby certify that Jefferson Dowell Falkner, Jr. and Janice McCormick Falkner, whose names are signed to the foregoing, and who are known to me, acknowledged before me on this day that, being informed of the contents of the foregoing, they executed the same voluntarily on the day same bears date.

Given under my hand and seal this the 21st day of December, 2004.



Notary Public

My Commission Expires: 6/23/07

STATE OF ALABAMA

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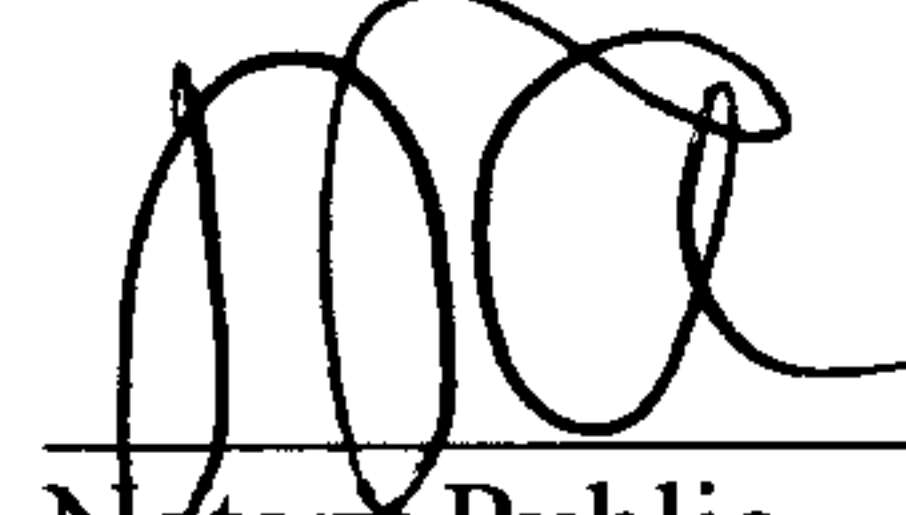
§ ss.

COUNTY OF SHELBY

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I, the undersigned authority, a Notary Public in and for said County in said State, hereby certify that Jeff D. Falkner, Jr. whose name as Member/Manager of Magnolia Meadows, L.L.C., is signed to the foregoing, and who is known to me, acknowledged before me on this day that, being informed of the contents of the foregoing, he as such Member/Manager and with full authority, executed the same voluntarily for and as the act of said entity.

Given under my hand and seal this the 21st day of December, 2004.



Notary Public

My Commission Expires: 6/23/07

This Instrument Prepared By:

Mark C. Nelson
Nelson, Dorroh, Gray & Newsome, L.L.C.
2216 14th Street (35401)
P.O. Box 1788
Tuscaloosa, AL 35403
(205) 349-3449

SCHEDULE A, CONTINUED
LEGAL DESCRIPTION

PARCEL I:

A part of the SW 1/4 of Section 25, Township 21 South, Range 1 West, being more particularly described as follows:

Beginning at the NE corner of Lot 16, Magnolia Parc as recorded in Map Book 21, Page 155, Shelby County, Alabama; thence run North 9 degrees 50 minutes 49 seconds East a distance of 220.00 feet; thence turn an angle of 81 degrees 31 minutes 56 seconds right and run a distance of 942.86 feet; thence turn an angle of 41 degrees 32 minutes 19 seconds left and run a distance of 90.48 feet; thence turn an angle of 60 degrees 36 minutes 35 seconds left and run a distance of 483.65 feet; thence turn an angle of 100 degrees 17 minutes 42 seconds right and run a distance of 543.08 feet; thence turn an angle of 90 degrees 02 minutes 25 seconds right and run a distance of 876.26 feet; thence turn an angle of 87 degrees 13 minutes 55 seconds right and run a distance of 143.40; thence turn an angle of 100 degrees 52 minutes 07 seconds left and run a distance of 114.96 feet; thence turn an angle of 99 degrees 54 minutes 49 seconds right and run a distance of 1335.27 feet to the point of beginning.

According to the survey of Rodney Shiflett, dated August 23, 2000.

PARCEL II:

Commence at the SW corner of Section 25, Township 21 South, Range 1 West and run northerly along the west boundary line of said Section 25 a distance of 432.86 feet to a point; thence turn an angle of 90 degrees 12 minutes 13 seconds to the right and run a distance of 205.26 feet to a rebar found in place at the corner of a wire fence which is the point of beginning of the parcel of land herein described; thence continue along the same line of direction a distance of 971.23 feet to a rail found in place; thence turn an angle of 0 degrees 09 minutes 11 seconds to the right and run a distance of 586.01 feet to a 1" square iron rod found in place; thence turn an angle of 0 degrees 30 minutes 27 seconds to the right and run a distance of 748.88 feet to a rail found in place; thence turn an angle of 79 degrees 51 minutes 17 seconds to the right and run a distance of 420.44 feet to a 1 1/4" open end pipe found in place; thence turn an angle of 97 degrees 55 minutes 04 seconds to the right and run a distance of 663.67 feet to a 1" open end pipe found in place; thence turn an angle of 88 degrees 18 minutes 13 seconds to the left and run a distance of 148.10 feet to an axle found in place; thence turn an angle of 88 degrees 27 minutes 31 seconds to the right and run a distance of 1581.51 feet to an axle found in place on the easternmost right of way line of County Highway No. 47; thence turn an angle of 62 degrees 18 minutes 08 seconds to the right and run along said right of way line a distance of 15.35 feet to a point; thence continue along said right of way line and along a curve to the right (concave easterly and having a radius of 2834.79 feet and a central angle of 5 degrees 04 minutes 00 seconds) an arc distance of 250.68 feet to a concrete right of way monument found in place; thence continue along said right of way and along the tangent of said curve a distance of 93.70 feet to a rebar set on this survey; thence turn an angle of 91 degrees 41 minutes 00 seconds to the right and leaving said right of way run a distance of 170.80 feet to a rebar set on this survey; thence turn an angle of 96 degrees 01 minute 18 seconds to the left and run a distance of 275.10 feet to the point of beginning. Said parcel of land is lying in the SW 1/4 of SW 1/4 and SE 1/4 of SW 1/4 of Section 25, Township 21 South, Range 1 West and the NW 1/4 of NW 1/4 and NE 1/4 of NW 1/4, Section 36, Township 21 South, Range 1 West, Shelby County, Alabama.
LESS AND EXCEPT property described in deed recorded in Real Book 312, Page 65 in Probate Office of Shelby County, Alabama.

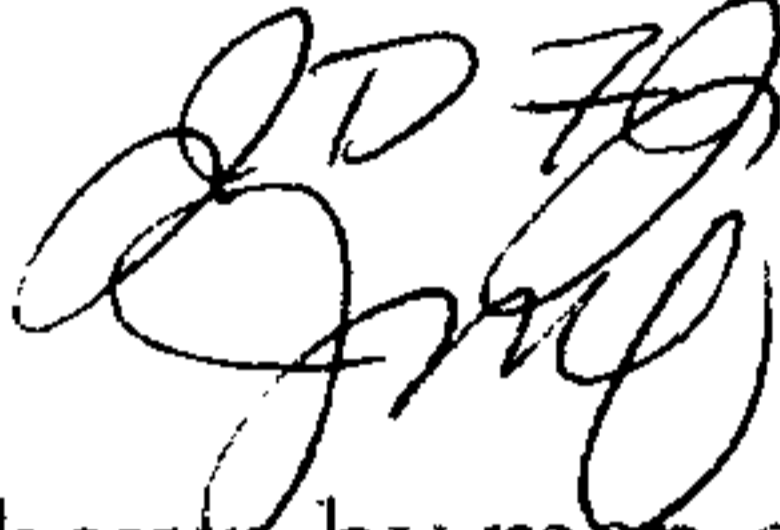
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JD 79
Shiflett

SCHEDULE A, CONTINUED
LEGAL DESCRIPTION, CONTINUED

PARCEL III:

Commence at the Southwest corner of Section 25, Township 21 South, Range 1 West, and run Northerly along the West boundary line of said Section 25 a distance of 432.86 feet to a point; thence turn an angle of 90 degrees 12 minutes 13 seconds to the right and run Easterly a distance of 54.40 feet to the point of beginning on the Easternmost right of way line of County Highway No. 47; thence continue along the same line of direction a distance of 150.86 feet to a point; thence turn an angle of 61 degrees 37 minutes 07 seconds to the right and run Southeasterly a distance of 275.10 feet to a point; thence turn an angle of 96 degrees 01 minutes 18 seconds to the right and run Southwesterly a distance of 170.8 feet to a point on the Easternmost right of way line of County Highway No. 47; thence turn an angle of 88 degrees 19 minutes to the right and run Northwesterly along said right of way line a distance of 154.90 feet to a point; thence turn an angle of 3 degrees 57 minutes to the right and continue Northwesterly along said right of way line a distance of 176.29 feet to the point of beginning.
Said parcel of land is lying in the SW 1/4 of the SW 1/4 of Section 25, Township 21 South, Range 1 West, Shelby County, Alabama.



Parcel IV:

Lot 1, 2, 3, 4, and 5, in Block 3, as shown by map of J. W. Johnston's Addition to Town of Columbiana, as recorded in Probate Office of Shelby County, Alabama, in Map Book 4, Page 24. Situated in Shelby County, Alabama.