

THE STATE OF ALABAMA)
COUNTY OF JEFFERSON)

SUBORDINATION AGREEMENT

KNOW ALL MEN BY THESE PRESENTS:

WHEREAS, the undersigned, Highland Bank and Terry Ponder, acknowledge that debt secured by that certain Mortgage dated June 23, 1992 from Terry Ponder to Highland Bank on the following described real estate situated and being in Jefferson and Shelby Counties, Alabama, to wit:

SEE ATTACHED EXHIBIT "A" FOR LEGAL DESCRIPTION

WHEREAS, the undersigned, understand and agree that the debt secured by that certain Mortgage dated June 23, 1992 from Terry Ponder to Highland Bank recorded in Real 4300, Page 335, Jefferson County, Alabama and Instrument #1992-12667, Shelby County, Alabama, shall be second, subordinate and inferior to that certain Mortgage dated September 20, 1996, executed by Terryco, L.L.C. to Compass Bank recorded in Instrument No. 9611/6312, in the Office of the Judge of Probate of Jefferson County, Alabama, and Instrument No. 1996-32897, in the Office of the Judge of Probate of Shelby County, in the principal amount of \$447,500.00.

ANY DEFAULT under the terms of that certain Mortgage recorded in Real 4300, Page 335, Jefferson County, Alabama and Instrument #1992-12667, Shelby County, Alabama or the obligation secured thereby, shall constitute a default of that Mortgage recorded in Instrument No. 9611/6312, in the Office of the Judge of Probate of Jefferson County, Alabama, and Instrument No. 1996-32897, in the Office of the Judge of Probate of ~~Jefferson County~~ Shelby County, Alabama.

This Subordination has been approved by the U.S. Small Business Administration by letter dated August 27, 1996 and attached hereto as Exhibit "B".

IN WITNESS WHEREOF, Highland Bank, by Sydney R. Gibbs, Jr., its Asst. Vice-President and Terry Ponder hereunto have set their hands and seals this 18th day of September 1996.

HIGHLAND BANK

BY: Sydney R. Gibbs, Jr. (SEAL)
Asst. Vice President

Terry Ponder (SEAL)
Terry Ponder

THE STATE OF ALABAMA)
COUNTY OF JEFFERSON)

I, the undersigned authority, a Notary Public in and for said County in said State, hereby certify that Sydney R. Gibbs, Jr., whose name as Asst. Vice President of Highland Bank, a State Bank, is signed to the foregoing, and who is known to me, acknowledged before me on this day, that being informed of the contents of said instrument, he, as such officer and with full authority, executed the same voluntarily for and as the act of said Bank.

02/06/1997-03868
09:32 AM CERTIFIED
SHELBY COUNTY JUDGE OF PROBATE
004 MCD 16.00

Inst # 1997-03868

Naffar

Given under my hand and seal of office, this 18th day of September, 1996.

Christina Y. Johnson
NOTARY PUBLIC
My commission expires:

MY COMMISSION EXPIRES AUGUST 30, 1999

THE STATE OF ALABAMA)
COUNTY OF JEFFERSON)

I, the undersigned authority, a Notary Public in and for said County in said State, hereby certify that Terry Ponder, whose name is signed to the foregoing, and who is known to me, acknowledged before me on this day, that being informed of the contents of said instrument, he executed the same voluntarily.

Given under my hand and seal of office, this 18th day of September, 1996.

Larry Sue Underwood
NOTARY PUBLIC
My commission expires:

MY COMMISSION EXPIRES JUNE 28, 1997

THIS INSTRUMENT WAS PREPARED BY: Richard W. Theibert, Attorney
NAJJAR DENABURG, P.C.
2125 Morris Avenue, Birmingham, Alabama 35203
(205) 250-8400

EXHIBIT "A"

PARCEL I:

A parcel of land situated in the NE 1/4 of SW 1/4 of Section 19, Township 16 South, Range 1 West, Jefferson County, Alabama, being more particularly described as follows:

Commence at the northeast corner of the NE 1/4 of the SW 1/4 of Section 19, Township 16 South, Range 1 West; thence run south along the East line of said Quarter-Quarter section for a distance of 279.04 feet; thence turn an angle to the right of 90 degrees 07 minutes and run North 89 degrees 53 minutes West for a distance of 597.45 feet to the Point of beginning; from the point of beginning thus obtained, thence continue north 89 degrees 53 minutes West for a distance of 150 feet to a point on the Easterly right of way line of New Center Point Highway; thence turn an angle to the left of 90 degrees 21 minutes 16 seconds (said angle being measured from last described course to the chord of the preceding course said course being situated on a curve having a central angle of 0 degrees 49 minutes 02 seconds and a radius of 5,609.60 feet) thence along the arc in a southerly direction for a distance of 80.01 feet thence turn an angle to the left of 89 degrees 38 minutes 44 seconds (said angle being measured from chord of last described course to the preceding course) and run south 89 degrees 53 minutes East for a distance of 150.79 feet; thence turn an angle to the left of 90 degrees 55 minutes and run North 0 degrees 48 minutes west for a distance of 80.02 feet to the Point of Beginning.

Situated in Jefferson County, Alabama.

PARCEL II:

Commence at the southeast corner of the Northwest 1/4 of the Northwest 1/4 of Section 13, Township 20 South, Range 3 West, Shelby County, Alabama, the point of beginning being marked by an existing 2" iron pipe; thence west a distance of 290.12 feet to an existing iron pin being on the east right of way line of U.S. Highway #31; thence turn an angle to the right of 116 degrees, 13 minutes, 52 seconds and run in a northeasterly direction for a distance of 241.76 feet to an existing iron pin, being on the east right of way line of U.S. Highway #31; thence turn an angle to the right of 63 degrees 34 minutes 57 seconds and run in an easterly direction for a distance of 160.9 feet to an existing iron rebar being on the east line of said 1/4-1/4 section; thence turn an angle to the right of 84 degrees 04 seconds and run in a southerly direction along said east line of said 1/4-1/4 section for a distance being the same property conveyed to Terry Ponder in Shelby Real 230, page 237 in the Probate Office of Shelby County, Alabama.

Situated in Shelby County, Alabama.

EXHIBIT "B"

SEP- 3-96 TUE 2:43 PM HIGHLAND BANK

FAX NO. 2059338167

P. 2



U S SMALL BUSINESS ADMINISTRATION
Commercial Loan Servicing Center
2120 Riverfront Drive, Suite 100
Little Rock, AR 72202-1747
(501) 324-5871
FAX (501) 324-6072

August 27, 1996

Mr. Sydney R. Gibbs, Jr.
Highland Bank
P.O. Box 55316
Birmingham, Alabama 35255

Re: Rainbow Paint and Decorating, Inc.
GP 483589 3004

Dear Mr. Gibbs,

This is in reply to your letter dated August 16, 1996 requesting that we agree to permit the first mortgage lender, Compass Bank, to increase their loan balance on real estate securing the subject loan, by \$120,000.00. We have discussed this request with another officer in your bank and in accordance with that discussion, we have agreed to a subordination to Compass Bank to increase their loan balance by \$85,000.00, for the purpose of paying income taxes resulting from the sale of the business. Based on information in your letter, this would increase the first mortgage loan balance to approximately \$447,500.00.

It is our understanding that the other \$35,000.00 would have been for the purpose of reimbursing Mr. Ponder for out of pocket expenses for cost overruns on another real estate project. SBA policy does not permit cash out of a refinance situation to go directly to the obligor/guarantor.

You may contact me at (501) 324-5871, extension 265, if you have any questions.

Sincerely,


James J. Harrington
Loan Specialist

State of Alabama - Jefferson County
I certify this instrument filed on:
1996 OCT 15 P.M. 15:12
Recorded and \$ Mig. Tax
and \$ 12.00 Deed Tax and Fee Amt
\$ Total \$ 12.00
GEORGE R. REYNOLDS, Judge of Probate



Inst # 1997-03868
9612/3867

02/06/1997-03868
09:32 AM CERTIFIED
SHELBY COUNTY JUDGE OF PROBATE
004 MCD 16.00