

SUBORDINATION AGREEMENT

THIS AGREEMENT, Made this 30 day of May, 1956,
by and between VALLEY MILLS, INC., a corporation, owner of the
property hereinafter described, Party of the First Part, and
BUCK CREEK COTTON MILLS, a corporation, Party of the Second Part,
and COMMERCIAL FACTORS CORPORATION, a corporation, Party of the
Third Part;

W I T N E S S E T H:

WHEREAS, the Party of the First Part is the owner of the
following described property situated in Shelby County, Alabama,
viz:

Parcel 1:

Beginning at the Northwest corner of the SW $\frac{1}{4}$ of
NW $\frac{1}{4}$ of Section 25, Township 21 South, Range 1
West and run thence South along said section line
264 feet; thence South, 61 degrees 30 minutes
West, 269 feet; thence South, 86 degrees 30
minutes West, 224.15 feet to the West margin of
Main Street; thence continuing in the same direction,
245 feet; thence South, 11 degrees 33 minutes
West, 275.3 feet to a point, which point is at the
intersection of the South margin of a ditch which
runs under T. R. Walton's Store and the West margin
of an alley or a street, which connects with the
State Highway No. 25 near the L & N Depot and West
College Street; thence South 2 degrees 50 minutes
East, 176.7 feet to an iron stake; thence South,
1 degree and 50 minutes East, 80 feet to the point
of beginning of the lot herein conveyed; thence
South, 1 degree 50 minutes East, 172.9 feet;
thence West 50 feet; thence South, 1 degree 50
minutes East, 87 feet; thence West 162.3 feet to
the L & N Railway right of way; thence with the same
North, 21 degrees 45 minutes West, 203 feet; thence
north, 76 degrees East, 290 feet to the point of
beginning; said lot being situated in the SE $\frac{1}{4}$ of NE $\frac{1}{4}$
of Section 26, Township 21, Range 1 West; being the
same property conveyed to the mortgagor by deed
recorded in the Probate Office of Shelby County,
Alabama, in Volume 133, Record of Deeds, pages 269-70.

Parcel 2:

Beginning at the intersection of the south line
of the street leading west from the Old Court House
in said town, with the east line of the right-of-

See Release in Deed Book 201 Page 415

way of the L & N Railroad, thence running east along the south line of said street 146 feet.; thence south 113 ft. to the lot formerly owned by Alice Norris, thence west along the north line of said Norris lot 122 ft. to the east line of said railroad; thence northward along the east line of said railroad 143 ft. to the point of beginning, and being a part of the lot formerly known as the Maggie Sterrett lot.

Parcel 3:

Beginning at the northwest corner of the SW $\frac{1}{4}$ of NW $\frac{1}{4}$ of Section 25, Township 21 South, Range 1 West and run thence South along said section line 264 ft.; thence south, 61 degrees 30 minutes West, 269 ft.; thence south, 86 degrees 30 minutes West, 224.15 ft. to the west margin of Main Street; thence continuing in the same direction, 245 ft.; thence south, 11 degrees 33 minutes West, 275.3 ft. to a point, which point is at the intersection of the south margin of a ditch which runs under T. R. Walton's store and the west margin of an alley or a street, which connects with State Highway No. 25 near the L & N Depot and West College Street; thence south, 2 degrees 50 minutes east, 176.7 ft. to an iron stake, being the beginning point of the lot herein conveyed; thence south, 88 degrees 2 minutes West, 180 ft.; thence South, 6 degrees 15 minutes East, 118 ft. to the north line of the lot formerly owned by R. M. Cleckler, H. J. Walton and Karl Harrison, as described in deed dated May 27, 1946, and recorded in Deed Book 124, page 303 in the Probate Office of Shelby County, Alabama; thence along the north line of said lot north, 76 degrees East 169 feet to the west margin of an alley which connects Highway No. 25, near the L & N Depot and West College Street; thence along the west margin of said alley north, 1 degree 50 minutes east, 80 ft. to point of beginning; being situated in the SE $\frac{1}{4}$ of NE $\frac{1}{4}$ of Section 26, Township 21, Range 1 West.

Parcel 4:

Beginning at the NW corner of the SW corner of the NW corner of Section 25, Township 21 South, Range 1 West and run south along the west boundary of said section line 264 ft.; thence run south 61 degrees 30 minutes west 269 ft.; thence run south 86 degrees 30 minutes west 224.15 ft. to a point on the west side of Main Street; thence continue south 86 degrees 30 minutes west 245 ft.; thence run south 11 degrees 33 minutes west 275.3 ft. to a point on the west boundary of the street leading from State Highway No. 25 near the old H. M. Norris residence north to West College Street where west boundary of said street is intersected by the south bank of a ditch at a point of the beginning of the lot hereby conveyed; thence run south along the west boundary of said street 141 ft. more or less to the north boundary of the street leading west from the old Court House Square west to the L & N Railroad; thence run west along the north boundary line of said street to the

easterly right-of-way line of the L & N Railroad; thence run in a northwesterly direction along said easterly right-of-way line of said railroad to a small branch running east and west; thence run in an easterly direction along said branch to the point of beginning of the lot hereby conveyed; being the same property conveyed to Valley Mills, Inc., by deeds of Harry Gordon and wife recorded in the Probate Office of said County in Volume 133, page 261 and in Volume 134, page 598; and

WHEREAS, the Party of the Second Part is the owner and holder of that certain mortgage on the above described property, together with the indebtedness thereby secured, executed by Party of the First Part to the Party of the Second Part under date of August 6, 1953, and recorded in the Office of the Judge of Probate of Shelby County, Alabama, in Volume 228, Record of Mortgages, at Page 413, said mortgage securing an indebtedness evidenced by a note dated August 6, 1953 in the face amount of One Hundred Seventy-five Thousand (\$175,000.00) Dollars, upon which a balance of principal in the amount of **Sixty-five thousand, six hundred, (\$65,681.33) eighty-one & .33/100-----** Dollars presently remains unpaid; and

WHEREAS, the Party of the Third Part has agreed to make a term loan to the Party of the First Part in the principal amount of Two Hundred Seventy-five Thousand (\$275,000.00) Dollars upon the security of a mortgage on the above described property and on the machinery and equipment located thereon, provided the aforesaid mortgage held by the Party of the Second Part and the indebtedness thereby secured is subordinated in all respects to the note and mortgage to be granted to the Party of the Third Part;

NOW, THEREFORE, as an inducement to the Party of the Third Part to make a loan to the Party of the First Part in the principal amount of Two Hundred Seventy-five Thousand (\$275,000.00) Dollars, and in consideration of the acceptance by the Party of the Third Part of a mortgage on the above-described property as security for such loan, and in consideration of the mutual covenants herein contained, the Party of the First Part and the Party of the Second Part do hereby separately, severally, and respectively agree to

and with said Party of the Third Part as follows:

1. The balance of principal remaining unpaid under the aforesaid note dated August 6, 1953 made by the Party of the First Part to the order of the Party of the Second Part is hereby subordinated to the prior payment in full of the principal and interest payable under the promissory note in the principal amount of Two Hundred Seventy-five Thousand (\$275,000.00) Dollars this day made by the Party of the First Part to the Party of the Third Part, and the Party of the Second Part hereby agrees that it will not demand or receive from the Party of the First Part all or any part of the principal remaining unpaid under the aforesaid promissory note of August 6, 1953 unless and until the aforesaid promissory note made to the order of the Party of the Third Part has been paid in full, together with all interest thereon. The Party of the Second Part further agrees that it will not endorse, discount, or otherwise transfer said promissory note of August 6, 1953, or bring any action or proceeding, either in law or in equity for the enforcement or collection thereof, unless and until the aforesaid note made to the Order of the Party of the Third Part has been paid in full together with interest thereon.

2. As security for the prompt payment in full of the aforesaid promissory note made to the order of the Party of the Third Part, the Party of the Second Part hereby transfers and sets over unto the Party of the Third Part all of its right, title and interest in and to all sums due and to become due under the aforesaid promissory note dated August 6, 1953. Should a petition be filed by or against the Party of the First Part under the Bankruptcy Act, or a receiver of its assets be appointed, or should it make an assignment for the benefit of creditors, or should a committee of creditors be appointed or formed to supervise or administer the business and assets of the Party of the First Part, or should the Party of the First Part become insolvent, or should any event happen whereby it becomes desirable to present claims against the Party of

the first Part for payment, the Party of the Second Part authorizes and empowers the Party of the Third Part to file proof of claim for any amounts then owing to the Party of the Second Part under such promissory note dated August 6, 1953, in the name of the Party of the Third Part, as the true and lawful owner of said claim, entitled to receipt for all payments thereon and to apply such payments to the balance of principal and interest remaining unpaid under said promissory note to the order of the Party of the Third Part, and the Party of the Second Part agrees to provide the Party of the Third Part with all information and documents necessary to file said proof of claim. The Party of the Second Part empowers the Party of the Third Part, for and in its stead, to vote for or against any proposal or resolution that may be then submitted under the Bankruptcy Act, to vote for a Trustee of the estate of the Party of the First Part or for a committee of creditors, to accept or reject any arrangement or plan of reorganization proposed by or for said Party of the First Part, to receive payments of dividends or other consideration, and to otherwise exercise such rights and privileges which, except for this agreement, could be exercised by the Party of the Second Part in connection with any such arrangement, reorganization or other proceedings.

3. The lien created by the aforesaid mortgage dated August 6, 1953 shall be and the same is hereby made second and subordinate in lien to the lien created by the mortgage granted this day by the Party of the First Part to the Party of the Third Part as security for the aforesaid indebtedness in the amount of Two Hundred Seventy-Five Thousand (\$275,000.00) Dollars, with interest thereon, and the Party of the Second Part hereby agrees that the exercise of rights and remedies under such mortgage of August 6, 1953 shall be subject in all respects to the rights and remedies granted to the Party of the Third Part under the mortgage granted to it by the Party of the First Part. The priority in lien

of the mortgage granted to the Party of the Third Part is absolute, unqualified, and without limitation shall have the same effect as would be the case if such mortgage had been executed and entered of record prior to the time the aforesaid mortgage of August 6, 1953 was executed and entered of record.

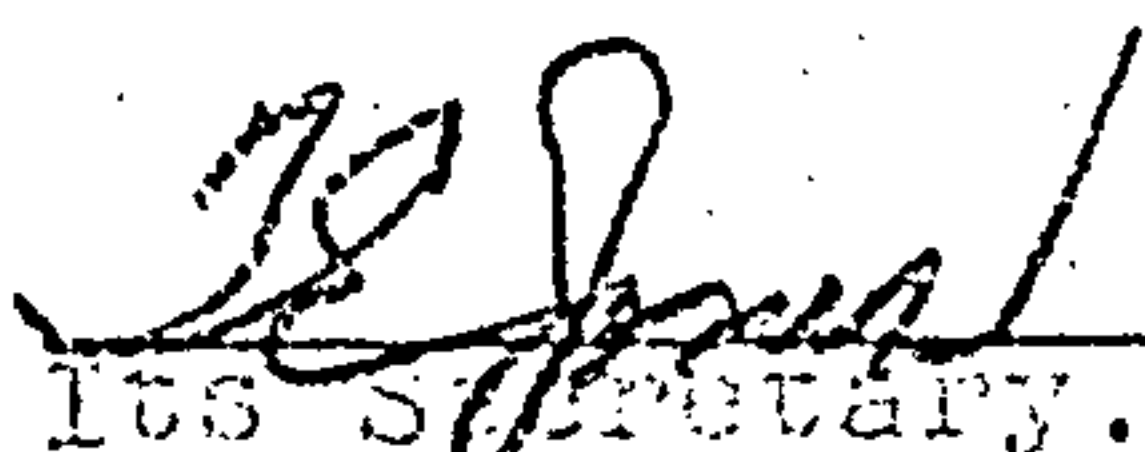
This Agreement shall be binding upon and shall inure to the benefit of the respective heirs, legal representatives, successors and assigns of the parties hereto.

IN WITNESS WHEREOF, The Party of the First Part and the Party of the Second Part have caused these presents to be executed by their respective officers thereunto duly authorized and their respective corporate seals to be hereunto affixed, attested by their respective Secretaries, on the day and year first above set forth.

VALLEY MILLS, INC.,
Party of the First Part,

By 
Its President.

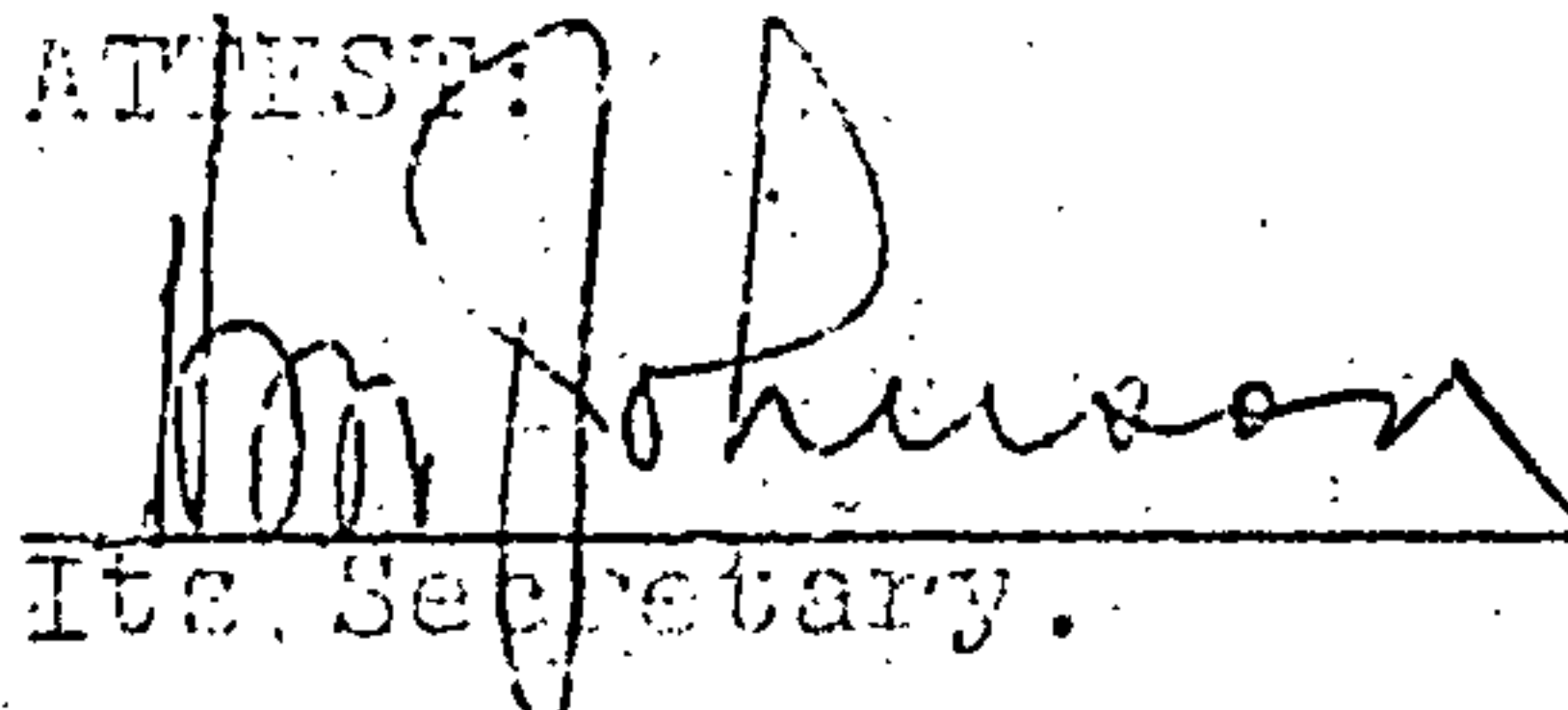
ATTEST:


Its Secretary.

BUCK CREEK COTTON MILLS
Party of the Second Part

By 
Its President.

ATTEST:


Its Secretary.

STATE OF ALABAMA)

SHELBY COUNTY)

I, Mrs. J. P. Goss, a Notary Public in and for said County, in said State, hereby certify that Fred F. Phillips, whose name as President of VALLEY MILLS, INC., A corporation, is signed to the foregoing Subordination Agreement, and who is known to me, acknowledged before me on this day that being informed of

the contents of the said Subordination Agreement, he as such officer, and with full authority, executed the same voluntarily for and as the act of said corporation, on the day the same bears date.

GIVEN UNDER MY HAND AND SEAL THIS _____ day of _____, 1956.

Mrs J. P. Gass
NOTARY PUBLIC.

STATE OF ALABAMA)
SHELBY COUNTY)

I, Mrs J. P. Gass, a Notary Public, in and for said County, in said State, hereby certify that Fred F. Phillips, whose name as President of BUCK CREEK COTTON MILLS, a corporation, is signed to the foregoing subordination agreement and who is known to me, acknowledged before me on this day that being informed of the contents of the said Subordination Agreement, he as such officer, and with full authority, executed the same voluntarily for and as the act of said corporation, on the day the same bears date.

GIVEN UNDER MY HAND AND SEAL THIS _____ day of _____, 1956.

Mrs J. P. Gass
NOTARY PUBLIC.

STATE OF ALABAMA, SHELBY COUNTY

I, L.C. Walker, Judge of Probate, hereby certify that the within agreement was filed for record the 31 day of May 1956, at 8 o'clock P.M. and recorded in Deed Record 188 Page 149 and the Mortgage Tax of _____ Deed Tax of _____ has been paid.

L.C. Walker
Judge of Probate