

PRIOR LIENHOLDER'S AGREEMENT

This PRIOR LIENHOLDER'S AGREEMENT is by and between NATIONAL BANK OF COMMERCE OF BIRMINGHAM (the "Prior Lienholder") and ALABAMA COMMUNITY DEVELOPMENT CORPORATION (hereinafter along with its successors and assigns, the "CDC").

RECITALS

WHEREAS, DANNY E. HEARN and VIVIAN J. HEARN, each individually and PELHAM FLUID POWER, INC. (the "Borrower") is the owner of the real estate described on the attached Exhibit A (the "Real Estate"). Prior Lienholder has made a loan in the original principal amount of \$180,000.00 (the "Prior Loan"). The Prior Loan is secured by a first Mortgage dated this date and recorded as Instrument # 1996 - 2524 in the Office of the Judge of Probate of Shelby County, Alabama (the "Prior Mortgage").

WHEREAS, CDC has agreed to make a loan in the amount of \$85,000.00 (the "504 Loan") to Borrower. The 504 Loan will be secured by a mortgage (the "504 Mortgage") to be recorded in the Office of the Judge of Probate of Shelby County, Alabama, contemporaneously with this agreement.

AGREEMENT

NOW, THEREFORE, for and in consideration of the foregoing recitals, the mutual agreements set forth below and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. Balance of the Prior Loan. Following the funding of the 504 Loan, Prior Lienholder will receive \$80,000.00 from CDC in accordance with instruction given to CDC by Borrower. Such \$80,000.00 will reduce the note secured by the Prior Mortgage and Life Insurance, and the principal balance of the Prior Loan will upon such reduction be no more than \$100,000.00, and will be the only obligation superior to Borrower's obligations to CDC which are secured by the Mortgage.

2. Subordination of Future Advances. Except for liens arising from advances under the Prior Mortgage intended to preserve the Real Estate and made pursuant to the Prior Mortgage, any lien securing any sum advanced to Borrower by Prior Lienholder after the date of this Agreement will be subordinate to the lien created by the 504 Mortgage.

3. Waiver of Enforcement of Covenant Not to Encumber the Real Estate. If the Prior Mortgage or any document evidencing the Prior Loan contains any provision prohibiting Borrower from further encumbering the Real Estate, Prior

Inst # 1996-02527

Prior-L.Agr 12/31/95 10:41pm

Calisher

01/25/1996-02527
08:44 AM CERTIFIED
SHELBY COUNTY JUDGE OF PROBATE
004 MCD 16.00

Inst # 1996-02527

Lienholder waives its right to enforce any such provision as it might apply to the lien arising from the 504 Mortgage securing or any document evidencing the 504 Loan.

4. Notice of Default Under the Prior Loan. If an event of default occurs under the Prior Mortgage or any document evidencing the Prior Loan, Prior Lienholder will give CDC and the U.S. Small Business Administration (the SBA) written notice of the event of default within thirty (30) days after the occurrence of the event of default. After an event of default, Prior Lienholder will not sell all or any portion of the Real Estate without giving CDC and the SBA at least sixty (60) days' prior written notice of its intent to sell the Real Estate or any portion thereof. Notice under this Section shall be deemed to have been given when sent by certified or registered mail, return receipt requested, addressed, as the case may be, to CDC, ALABAMA COMMUNITY DEVELOPMENT CORPORATION at Suite 300, #3 Office Park Circle, Birmingham, Alabama 35223, and to the SBA at its Birmingham District Office, Suite 200, 2121 Eighth Avenue North, Birmingham, Alabama 35203-2398, Attention: District Counsel.

5. Successors and Assigns. This Agreement shall inure to the benefit of and bind the respective parties to this Agreement and their successors and assigns.

IN WITNESS WHEREOF, We have hereunto set our hands and seals this 22 day of January, 1996.

NATIONAL BANK OF COMMERCE OF
BIRMINGHAM

By Danif L. Allen
(Its VP)

ACKNOWLEDGED AND CONSENTED TO:

Danny E. Hearn
DANNY E. HEARN

Vivian J. Hearn
VIVIAN J. HEARN

PELHAM FLUID POWER, INC.

By: Danny E. Hearn
Danny E. Hearn
(Its President)

[ACKNOWLEDGMENT ON NEXT PAGE]

STATE OF ALABAMA)
JEFFERSON COUNTY)

I, the undersigned, a Notary Public in and for said County, in said State, hereby certify that David Nolen, whose name as VP of NATIONAL BANK OF COMMERCE OF BIRMINGHAM, a corporation, is signed to the foregoing instrument and who is known to me, acknowledged before me on this day that, being informed of the contents of said instrument, he/~~she~~, as such officer, and with full authority, executed the same voluntarily, as an act of said corporation, acting in his/her capacity as aforesaid.

Given under my hand and official seal, this the 22 day of January, 1996.

Karen F. Bean
NOTARY PUBLIC
My Commission Expires: 2/23/98

THIS INSTRUMENT PREPARED BY:
Karen F. Bean
ENGEL HAIRSTON & JOHANSON, P.C.
4th Floor, 109 North 20th Street
P.O. Box 370027
Birmingham, Alabama, 35237-0027
(205) 328-4600

EXHIBIT "A"

TO

MORTGAGE
LESSOR'S AGREEMENT
ASSIGNMENT OF LEASE
FINANCING STATEMENT (UCC-1)
PRIOR LIENHOLDER'S AGREEMENT
ASSIGNMENT OF LEASES AND RENTS
ESTOPPEL CERTIFICATE AND ATTORNEY AGREEMENT
HAZARDOUS SUBSTANCE INDEMNIFICATION AND WARRANTY AGREEMENT

BORROWER: DANNY E. HEARN and VIVIAN J. HEARN, each
individually and PELHAM FLUID POWER, INC.

LENDER: ALABAMA COMMUNITY DEVELOPMENT CORPORATION

A parcel of land located in the NE 1/4 of the SE 1/4 of
Section 1, Township 20 South, Range 3 West, Shelby
County, Alabama, more particularly described as follows:

Commence at the Southwest corner of said 1/4-1/4 Section;
thence in a Northerly direction along the West line of
said 1/4-1/4 Section a distance of 523.48 feet; thence
123 degrees 58 minutes right in a Southeasterly direction
a distance of 409.42 feet to the point of beginning;
thence continue same course for a distance of 100.50
feet; thence 95 degrees 42 minutes 30 seconds left for a
distance of 340.84 feet; thence 90 degrees left for a
distance of 100.0 feet; thence 90 degrees left for a
distance of 330.85 feet to the point of beginning; being
situated in Shelby County, Alabama.

Inst # 1996-02527

Ex. 8 12/28/95 4:28pm

01/25/1996-02527
08:44 AM CERTIFIED
SHELBY COUNTY JUDGE OF PROBATE
004 NCD 16.00