

THIS INSTRUMENT WAS PREPARED BY:

Name: Phyllis W. Walton  
Alabama Power Company  
Address: 600 North 18th Street  
Birmingham, Alabama 35291-1135

STATE OF ALABAMA )

COUNTY OF Jefferson )

SUBORDINATION OF RECORDED FINANCING STATEMENT

Alabama Power Company, a corporation, for good and valuable consideration, does hereby acknowledge and agree that its lien and security interest evidenced and secured by that certain UCC-1 financing statement bearing file no. 1995-16908, showing Michael and Connie Pencak as Debtor (the "Debtor," whether one or more) recorded in the office of the Judge of Probate of Shelby County, Alabama (the "Financing Statement"), shall be and hereby is subordinate in right of priority to the lien of that certain mortgage from the Debtor to :

Coats & Company, Inc.

(the "Mortgagee"), recorded in the office of the Judge of Probate of Shelby County, Alabama at Book 1997, Page 24846 (the "Mortgage"); provided, however, that such subordination shall be effective only to the extent that the Mortgage secures that certain loan from Mortgagee to Debtor in the principal amount of \$58,335.00 (the "Loan"), together with interest on the Loan and any amounts specifically secured by the Mortgage which are expended by the Mortgagee to protect or enforce Mortgagee's rights under the Mortgage with respect to the Loan (the "Superior Indebtedness"). As used herein, the term "Superior Indebtedness" shall be deemed to include any extensions, renewals, modifications and replacements of the Superior Indebtedness and any substitutions therefor; provided, however, that the term "Superior Indebtedness" shall not include any increases in the principal amount of the Loan. Alabama Power Company's lien and security interest evidenced and secured by the Financing Statement shall be superior in right of priority to the lien of the Mortgage to the extent that the Mortgage secures any indebtedness of the Debtor to the Mortgagee other than the Superior Indebtedness.

Notwithstanding anything expressed or implied herein, Alabama Power Company does not in any way release, waive or subordinate the debt relating to or secured by the Financing Statement, or any portion thereof or payments thereon.

The provisions of this Subordination Agreement are solely for the benefit of Alabama Power Company and the Mortgagee, and shall not be deemed to modify any of the agreements executed or delivered in connection with the Financing Statement or the Mortgage or to waive any of the rights of Alabama Power Company or the Mortgagee, as the case may be, thereunder as against the Debtor, nor shall it constitute or give rise to any defense, right of offset or counterclaim by the Debtor.

IN WITNESS WHEREOF, Alabama Power Company, a corporation, has caused these presents to be executed this 25th day of June, 1997.

ALABAMA POWER COMPANY

By: 

Its: Accounting Services Coordinator

08/07/1997-24848  
09:02 AM CERTIFIED  
SHELBY COUNTY JUDGE OF PROBATE  
002 MCD 11.00

Inst # 1997-24848

STATE OF ALABAMA )

COUNTY OF Jefferson )

I, Terri Birchfield, a Notary Public in and for said County in said State, hereby certify that Phyllis W. Walton name as Accounting Services Coordinator of Alabama Power Company, 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 the instrument, (s)he, as such officer and with full authority, executed the same voluntarily for and as the act of said corporation.

Given under my hand this the 25th day of June, 1997.



Notary Public

My Commission Expires: 01-19-98

(NOTARIAL SEAL)

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