

SUBORDINATION AGREEMENT

Jan 1999
per Jay Bender
Bradley Avant
Rose and White LLP
This Subordination Agreement (the "Agreement") is entered into this 31 day of ~~December~~, 1998, by James A. Todd, Jr., an Alabama resident ("Todd"), The Reed Family Partnership, Ltd., an Alabama limited partnership (the "Partnership" and, together with Todd, the "Creditors"), and Aliant Bank (the "Bank").

WITNESSETH:

WHEREAS, Alabama Bag Company, LLC (the "Borrower"), is indebted to each of the Creditors for, among other things, various loans made by one or both of the Creditors, including, without limitation, those loans evidenced by (a) that certain Promissory Note dated August 9, 1997 in the original principal amount of \$30,000.00 made by the Borrower and payable to the order of Todd, (b) that certain Promissory Note dated August 9, 1997 in the original principal amount of \$30,000.00 made by the Borrower and payable to the order of the Partnership, (c) that certain Revolving Credit Note dated September 9, 1997 in the original principal amount of \$200,000.00 made by the Borrower and payable to the order of Todd, (d) that certain Revolving Credit Note dated September 9, 1997 in the original principal amount of \$200,000.00 made by the Borrower and payable to the order of the Partnership, (e) that certain Promissory Note dated November 1, 1998 in the original principal amount of \$187,500.00 made by the Borrower and payable to the order of the Partnership and (f) that certain Promissory Note dated November 1, 1998 in the original principal amount of \$187,500.00 made by the Borrower and payable to its order of Todd (collectively, the "Creditor Notes"); and

WHEREAS, the Borrower is indebted to Bank pursuant to (1) that certain Note and Security Agreement dated August 19, 1998 in the original principal amount of \$181,241.49 and (2) that certain Note and Security Agreement dated August 19, 1998 in the original principal amount of \$47,156.06 (together, the "Bank Notes"); and

WHEREAS, the Bank and the Creditors have filed or will file certain financing statements under the Uniform Commercial Code with respect to their security interests in all or some of the inventory, accounts, contract rights, general intangibles, instruments, fixtures, and equipment of Borrower and the proceeds thereof; and

WHEREAS, as a condition to the Bank making the loans to the Borrower evidenced by the Bank Notes, the Borrower and the Creditors agreed to enter into this Agreement; and

WHEREAS, the parties hereto desire to establish the priorities of their respective claims against the Borrower and of their security interests arising from the filing of said financing statements and certain amendments to such financing statements which are contemplated by the parties.

01/28/1999-03754
08:38 AM CERTIFIED
SHELBY COUNTY JUDGE OF PROBATE
003 NMS 13.50

NOW, THEREFORE, it is agreed among the parties hereto as follows, each intending to be legally bound hereby;

1. "Borrower's Indebtedness to Bank" shall mean any and all obligations, claims, liabilities and indebtedness, of Borrower to Bank arising under or with respect to the Bank Notes.

2. "Borrower's Indebtedness to Creditors" shall mean all obligations, claims, liabilities and indebtedness, of Borrower to the Creditors, or either of them, arising under or with respect to the Creditor Notes.

3. The Creditors, and each of them, hereby subordinates in all respects (a) the Borrower's Indebtedness to Creditors to the Borrower's Indebtedness to Bank and (b) the Creditors' security interests and liens in and to the property of Borrower described on Exhibit A, attached hereto (hereinafter referred to as the "Collateral"), to the security interest and liens of the Bank in and to the Collateral (to the extent perfected and in accordance with applicable law).

4. Except as otherwise expressly provided herein, priority of the parties' security interests shall be in accordance with the provisions of the Uniform Commercial Code as in effect in the jurisdiction where any of the Collateral is located.

5. Each of the Creditors agrees that, so long as any of Borrower's Indebtedness to Bank shall remain outstanding, the Creditors will not, except upon prior written notice to the Bank, (a) demand or take any legal action, or demand or institute any other proceedings for the collection of all or any part of Borrower's Indebtedness to Creditors, or (b) foreclose or attempt to foreclose its security interest, nor repossess or attempt to repossess any of the Collateral, nor take any other steps to exercise any remedies or enforce any rights that they may have in the Collateral, all of which remedies and rights are subordinate to the Bank's remedies and rights.

6. The Creditors, and each of them, agree that so long as there remains any of Borrower's Indebtedness to Bank, the Creditors will not assign or transfer any of Borrower's Indebtedness to Creditors or any instrument evidencing the same, unless and until such assignee executes an agreement in favor of Bank containing substantially the same terms and conditions as set forth herein.

7. Bank's delay in or failure to exercise any right or remedy shall not be deemed a waiver of any obligation of either of Creditors or right of Bank. This agreement may be modified, and any of Bank's rights hereunder waived, only by agreement in writing signed by Bank.

8. This agreement shall inure to the benefit of Bank's successors and assigns and bind the respective heirs, legatees, personal representatives, successors, and assigns of Creditors.

IN WITNESS WHEREOF, the parties hereto have executed, or caused this agreement to be executed, under seal, as of the date first above written.

ALIAN BANK

By: *Ronald Thomas*
Its: SVP [SEAL]

1/7/99

**THE REED FAMILY PARTNERSHIP,
LTD.**

By: *[Signature]*
Its: *General Partner* [SEAL]
1/7/99

TODD

James A. Todd, Jr.
James A. Todd, Jr.
1/7/99

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