

STATE OF ALABAMA)

SHELBY COUNTY)

PURCHASE MONEY MORTGAGE

This indenture (the "Mortgage") is made and entered into this 27th day of August, 1999, by and between Loreann, Inc., an Alabama corporation (the "Mortgagor"), and J.D. Falkner and wife, Lorene J. Falkner, and Oliver P. Head and wife, Ann B. Head (together with their successors and assigns, the "Mortgagees").

RECITALS:

A. The Mortgagor is justly indebted to the Mortgagees in the principal amount of Two Hundred Eight Thousand Dollars (\$208,000), as evidenced by that certain Purchase Money Note of even date herewith, which is payable in accordance with its terms (the "Note").

B. In order to secure the Note, and in order to induce the Mortgagees to extend credit to the Mortgagor on the strength of the security provided by this mortgage, the Mortgagor has agreed to execute and deliver this mortgage and convey the property described herein to the Mortgagees as hereinafter set forth.

Agreement

NOW, THEREFORE, in consideration of the Recitals, and to secure the payment of the debt evidenced by the Note and any and all extensions and renewals thereof, or of any part thereof, and all interest payable on all of said debt and on any and all such extensions and renewals (the aggregate amount of such debt and the interest thereon, including any extensions and renewals and the interest thereon, is hereinafter collectively called "Debt") and the compliance with all of the stipulations herein contained, the Mortgagor does hereby grant, bargain, sell and convey unto the Mortgagees, the real estate which is situated in Shelby County, Alabama, and described on Exhibit A attached hereto and made a part hereof (said real estate being hereinafter called the "Real Estate").

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Together with all the rights, privileges, tenements, improvements, appurtenances and fixtures appertaining to the Real Estate, all of which shall be deemed Real Estate and conveyed by this mortgage.

To have and to hold the Real Estate unto the Mortgagees, its successors and assigns forever. The Mortgagor covenants with the Mortgagees that the Mortgagor is lawfully seized in fee simple of the Real Estate and has a good right to sell and convey the Real Estate as aforesaid; that the Real Estate is free of all encumbrances, except for those matters mentioned in Mortgagees' deed of the Real Estate to the Mortgagor (the "Permitted Encumbrances"), and the Mortgagor will warrant and forever defend the title to the Real Estate unto the Mortgagees, subject to the Permitted Encumbrances, against the lawful claims of all persons.

For the purpose of further securing the payment of the Debt, the Mortgagor agrees to pay promptly when due all taxes, assessments, and other liens taking priority over this mortgage (hereinafter jointly called "Liens"), and if default is made in the payment of the Liens, or any part thereof, the Mortgagees, at their option, may pay the same. All amounts spent by the Mortgagees for the payment of Liens shall become a debt due by the Mortgagor and at once payable, without demand upon, or notice to, the Mortgagor, and shall be secured by the lien of this mortgage, and shall bear interest from date of payment by the Mortgagees until paid at the rate per annum set forth in the Note.

The Mortgagor hereby assigns and pledges to the Mortgagees the following described property, rights, claims, rents, profits, issues and revenues:

1. all rents, profits, issues, and revenues of the Real Estate from time to time accruing, whether under leases or tenancies now existing or hereafter created, reserving to the Mortgagor, so long as the Mortgagor is not in default hereunder, the right to receive and retain such rents, profits, issues and revenues; and
2. all judgments, awards of damages and settlements hereafter made resulting from condemnation proceedings or the taking of the Real Estate, or any part thereof, under the power of eminent domain, or for any damage (whether caused by such taking or otherwise) to the Real Estate, or any part thereof, or to any rights appurtenant thereto, including any award for change of grade of streets, and all payments made for the voluntary sale of the Real Estate, or any part thereof, in lieu of the exercise of the power of eminent domain.

The Mortgagor agrees to take good care of the Real Estate and all improvements located thereon and not to commit or permit any waste thereon.

The Mortgagor agrees that no delay or failure of the Mortgagees to exercise any option to declare the Debt due and payable shall be deemed a waiver of the Mortgagees' right to exercise such option, either as to any past or present default, and it is agreed that no terms or

conditions contained in this Mortgage may be waived, altered or changed except by a written instrument signed by the Mortgagor and signed on behalf of the Mortgagees by one of its officers.

After default on the part of the Mortgagor, the Mortgagees, upon bill filed or other proper legal proceeding being commenced for the foreclosure of this Mortgage, shall be entitled to the appointment by any competent court, without notice to any party, of a receiver for the rents, issues and profits of the Real Estate, with power to lease and control the Real Estate, and with such other powers as may be deemed necessary.

Upon condition, however, that if the Mortgagor pays the Debt (which Debt includes the indebtedness evidenced by the Note and any and all extensions and renewals thereof, or any part thereof, and all interest on said indebtedness and on any and all such extensions and renewals) and reimburses the Mortgagees for any amounts the Mortgagees have paid in payment of Liens, and interest thereon, and fulfills all of its obligations under this Mortgage, this conveyance shall be null and void.

The Mortgagor shall be in default under this mortgage upon the happening of any of the following events or conditions (referred to herein individually as an "Event of Default"):

- (a) default, after any applicable grace or cure period under the Note; or
- (b) default in the due observance or performance of any covenant, condition or agreement on the part of Mortgagor to be observed or performed pursuant to the terms of this Mortgage which is not cured within thirty (30) days after notice from Mortgagees to Mortgagor, provided, however, that in the case of any such default which by its nature is not reasonably susceptible of cure within such a thirty (30) day period, no Event of Default shall be deemed to have occurred if the Mortgagor shall commence the cure thereof within thirty (30) days after notice from the Mortgagees, and shall continuously and diligently prosecute such cure to completion.

Upon the occurrence of an Event of Default hereunder, at the option of the Mortgagees, the unpaid balance of the Debt shall at once become due and payable and this Mortgage shall be subject to foreclosure and may be foreclosed as now provided by law in case of past-due mortgages; and the Mortgagees shall be authorized to take possession of the Real Estate and, after giving at least twenty-one days notice of the time, place and terms of sale by publication once a week for three consecutive weeks in some newspaper published in the county in which the Real Estate is located, to sell the Real Estate in front of the courthouse door of said county, at public outcry, to the highest bidder for cash, and to apply the proceeds of said sale as follows: first, to the expense of advertising, selling and conveying the Real Estate and foreclosing this Mortgage, including a reasonable attorney's fee (provided, however, that such attorney's fees shall not exceed 15% of the unpaid Debt after default and referral to an attorney not a salaried employee of the Mortgagees and no such attorney's fees shall be collectible if the original principal amount or the original amount financed does not exceed \$300); second, to the payment of any amounts that have been spent, or that it may then be necessary to spend, in paying Liens or other

encumbrances, with interest thereon; third, to the payment in full of the balance of the Debt whether the same shall or shall not have fully matured at the date of said sale, but no interest shall be collected beyond the day of sale; and, fourth, the balance, if any, to be paid to the party or parties appearing of record to be entitled to such balance, after deducting the cost of ascertaining who is such owner. The Mortgagor agrees that the Mortgagees may bid at any sale had under the terms of this Mortgage and may purchase the Real Estate if the highest bidder therefor. At the foreclosure sale the Real Estate may be offered for sale and sold as a whole without first offering it in any other manner or it may be offered for sale and sold in any other manner the Mortgagees may elect.

Upon the occurrence of an Event of Default hereunder, the Mortgagees, at their option, shall have the right to terminate the license granted hereinabove to Mortgagor to receive and retain rents, profits, issues and revenues of the Real Estate and, without taking possession, to demand, collect, receive, sue for, attach and levy all such rents, profits, issues and revenues, to give proper receipts, releases and acquittances therefor, and after deducting all necessary and reasonable costs and expenses of collection, including reasonable attorney's fees, to apply the net proceeds thereof to the obligations secured hereby.

The Mortgagor agrees to pay all costs, including reasonable attorney's fees incurred by the Mortgagees in collecting or securing or attempting to collect or secure the Debt, or any part thereof, or in defending or attempting to defend the priority of this Mortgage against any lien or encumbrance on the Real Estate, unless this Mortgage is herein expressly made subject to any such lien or encumbrance; and/or all costs incurred in the foreclosure of this Mortgage, either under the power of sale contained herein, or by virtue of the decree of any court of competent jurisdiction. The full amount of such costs incurred by the Mortgagees shall be a part of the Debt and shall be secured by this Mortgage. The purchaser at any such sale shall be under no obligation to see to the proper application of the purchase money. In the event of a sale hereunder, the Mortgagees, or the owner of the Debt and Mortgage, or auctioneer, shall execute to the purchaser, for and in the name of the Mortgagor, a statutory warranty deed to the Real Estate.

The Mortgagor intends to subdivide the Property into fourteen (14) lots under a proposed Subdivision Plat for Mountain Crest Estates to be filed of record in the Shelby County Probate Office. Each of the separate lots will be subject to release from the lien of this Mortgage, in connection with a bona fide sale, upon payment to Mortgagees of a principal reduction of the Note in the amount of \$20,800.

Plural or singular words used herein to designate the undersigned shall be construed to refer to the maker or makers of this mortgage, whether one or more natural persons, corporations, associations, partnerships or other entities. All covenants and agreements herein made by the undersigned shall bind the successors and assigns of the undersigned; and every option, right and privilege herein reserved or secured to the Mortgagees shall inure to the benefit of the Mortgagees' successors and assigns.

IN WITNESS WHEREOF, the undersigned has caused this mortgage to be executed by its duly authorized officer as of the date first written above.

LOREANN, INC.

By J.D. Falkner
Its President

STATE OF ALABAMA)

SHELBY COUNTY)

I, the undersigned, a Notary Public in and for said County in said State, hereby certify that J.D. Falkner, whose name as President of Loreann, Inc., an Alabama 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 Purchase Money Mortgage, he/she, as such officer and with full authority, executed the same voluntarily for and as the act of said corporation.

Given under my hand and official seal this the 27th day of August, 1999.

Laurie Brasher
Notary Public
My commission expires: 12-2-2002

NOTARY MUST AFFIX SEAL

This instrument prepared by:

William R. Sylvester
WALSTON, WELLS, ANDERSON & BAINS, LLP
505 20th Street, North, Suite 500
Birmingham, Alabama 35203

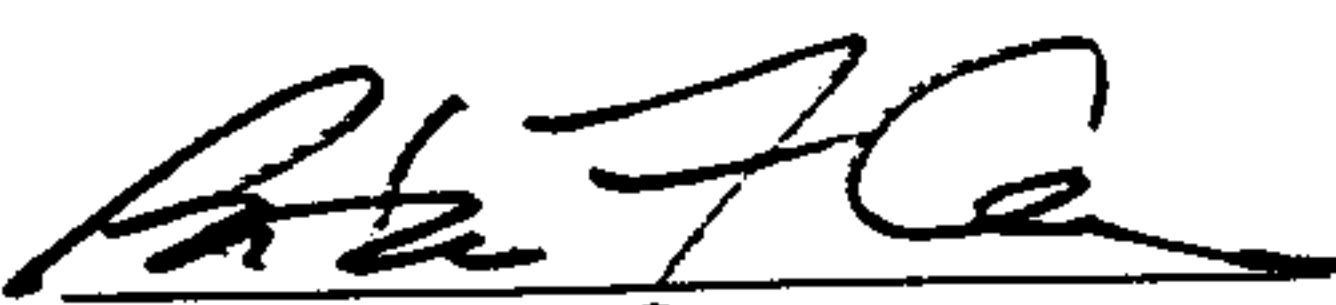
Exhibit "A"

Boundary Description for Mt. Crest Estates, Phase I
CAE #76.19

SURFACE RIGHTS ONLY IN THE FOLLOWING TWO PARTS;

- I. Commence at the northeast corner of the southwest quarter of the northwest quarter of Section 30, Township 21 South, Range 1 East, Shelby County, Alabama; thence westerly along the 1/4, 1/4 line 424.38 feet to the point of beginning; thence left 136°34'07", 668.49 feet; thence right 86°24'11", 394.45 feet; thence south westerly along the arc of a curve (said curve having an included angle of 25°09'24", a radius of 272.45 feet and whose chord forms an angle of 163°08'52" with the previous bearing) 119.62 feet; thence right from the chord of said arc 72°14'31", 965.59 feet along the North right-of-way line of Ferry Road; thence right 90°00'00", 283.98 feet; thence right 51°04'17", 439.11 feet more or less to the point of beginning, containing 11.37 acres, more or less.
- II. Commence at the northeast corner of the southwest quarter of the northwest quarter of Section 30, Township 21 South, Range 1 East, Shelby County, Alabama; thence westerly along the 1/4 - 1/4 line 424.38 feet; thence left 136°34'07", 1055.41 feet; thence left 0°06'31", 60.00 feet to the point of beginning; thence right 0°07'32", 1339.27 feet; thence right 45°23'30", 560.58 feet along the half section line; thence right 133°35'47", 52.03 feet along the North right-of-way line of Ferry Road; thence left 1°14'54", 988.72 feet along the North right-of-way line of Ferry Road; thence left 1°14'47", 836.51 feet along the North right-of-way line of Ferry Road; thence right 90°00'00", 115.00 feet; thence left 90°00'00", 200.00 feet; thence northeasterly along the arc of a curve, curving right (said curve having an included angle of 24°04'55", a radius of 212.45 feet, and whose chord forms an interior angle of 38°25'11" with the previous bearing) 89.29 feet; thence tangent to said curve 164.67 feet; thence northeasterly along the arc of a tangent curve, curving left (said curve having an included angle of 61°02'21", and a radius of 278.90 feet) 297.12 feet more or less to the point of beginning, containing 16.86 acres, more or less.

Prepared by:


Barton F. Carr
AL PLS No.16685
August 17, 1999



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