

Return to:  
Joseph M. Seigler, Jr.  
Post Office Box 5513  
Rome, GA 30162-5513

Inst # 2001-35842  
08/22/2001-35842  
09:11 AM CERTIFIED  
SHELBY COUNTY JUDGE OF PROBATE  
012 MSB 47.00

### SUBORDINATION AGREEMENT

THIS SUBORDINATION AGREEMENT is made and entered into as of the 20 day of August, 2001, by and among CIT SMALL BUSINESS LENDING CORPORATION (the "Lender"); PRIMROSE SCHOOL FRANCHISING COMPANY ("Primrose"); A J ASSOCIATES HOLDINGS, L.L.C., an Alabama limited liability company, ("Borrower"); and EARLY EDUCATIONAL CONCEPTS, INC., an Alabama corporation d/b/a PRIMROSE SCHOOL OF MEADOWBROOK ("Franchisee").

### WITNESSETH:

Borrower owns certain land in Shelby County, Alabama, more particularly described in Exhibit "A," attached hereto and incorporated herein by reference. Said land, together with all improvements and fixtures now or hereafter located thereon, all appurtenances thereto and all other property owned by Borrower located thereon and encumbered by the First Loan Documents described below are hereinafter collectively referred to as the "Property."

First Lender is making a loan to Borrower (the "First Loan"), evidenced by a promissory note in the face principal amount of \$1,975,000.00 from Borrower to First Lender and secured a Real Estate Mortgage and Security Agreement, an Assignment of Rents and Leases each of which will be recorded in the Office of the Judge of Probate of Shelby County, Alabama, and various related instruments, all of which encumber or relate to the Property, which are dated on or the date hereof and are herein collectively referred to as the "First Loan Documents."

Primrose, Augustine Angrisano and Joann Angrisano have entered into that certain Franchise Agreement dated April 19, 2000 (the "Franchise Agreement"), pursuant to which Primrose has an option to purchase the Property (the "Option"). The Franchise Agreement has been assigned by Assignment Agreement dated June 29, 2001 to EARLY EDUCATIONAL CONCEPTS, INC., an Alabama corporation, d/b/a Primrose School of Meadowbrook ("Franchisee") and assumed by Assumption Agreement dated June 29, 2001 by A J ASSOCIATES HOLDINGS, L.L.C., an Alabama limited liability company ("Borrower"). Pursuant to the terms of the Franchise Agreement, Borrower has executed and delivered to Primrose, a Memorandum of Option in connection with the Option dated June 29, 2001 and recorded at 2001-27028 in the Office of the Judge of Probate of

Shelby County, Alabama (the "Memorandum of Option"), and Franchisee has executed and delivered to Primrose a Collateral Assignment of Tenant's Interest in Lease dated June 29, 2001 and recorded at 2001-27029 in the Office of the Judge of Probate of Shelby County, Alabama (the Tenants Collateral Assignment).

First Lender requires that it receive a first priority mortgage, prior and superior to the Option, and Collateral Assignment of Lease, and Primrose is willing to subordinate the Option and Collateral Assignment of Lease and Memorandum of Option to the First Mortgage but only on the terms and conditions set out herein. First Lender is willing to agree to the terms and conditions set out hereinbelow in order to induce Primrose to subordinate the Option to the First Loan Documents and approve the First Loan Documents, as required under the Franchise Agreement.

#### A G R E E M E N T:

NOW, THEREFORE, in consideration of the mutual covenants herein contained, Ten Dollars and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and to induce the closing of a financing as generally outlined above, the parties hereby covenant and agree as follows:

1. Subordination. Primrose and First Lender agree that the First Loan Documents shall be prior and superior to the Option, Memorandum of Option, Collateral Assignment of Lease and all other documents executed to Primrose with respect to the Property ("Primrose Collateral Documents"), with the same force and effect as though the First Loan Documents were executed and recorded prior to the date of execution and recordation of the Primrose Collateral Documents. Accordingly, Primrose hereby subordinates and makes its rights under the Primrose Collateral Documents inferior to the right, title and interest of First Lender under the First Loan Documents as to the Property. First Lender acknowledges and consents to the terms of the Primrose Collateral Documents and agrees that the existence of the Primrose Collateral Documents shall not constitute a default under the First Loan Documents, and the Primrose Collateral Documents shall remain in full force and effect as to the Property, but shall be second-in-priority behind the First Loan Documents. The terms of this Subordination Agreement shall control in the event of any conflict or inconsistency between any term hereof and any term of the First Loan Documents, and are hereby incorporated by reference into the First Mortgage and other First Loan Documents.

2. Modification of Security Documents. First Lender agrees that, so long as the Primrose Collateral Documents remain in force, the First Loan Documents will secure only the note designated therein and no further advances (except for advances to pay any past due taxes or insurance premiums or to pay any other amounts paid to protect the Property) shall be made to Borrower without Primrose's prior written consent.

3. Notice of Default to Primrose; Rights of Primrose on Default. In the event a default occurs under any of the First Loan Documents giving First Lender the right to accelerate its loan or take any default-related action, then prior to acceleration or taking of any other default-related action, First Lender will notify Primrose in writing of the nature of such default, and Primrose will



thereupon have the following options and rights, in addition to any other rights available at law or in equity:

(a) Notice and Right to Cure. To cure or cause a cure of the default within ten (10) days in the case of a default consisting of the failure to make a payment of money to First Lender, or fifteen (15) days or such longer period as is reasonable under the circumstances in the case of other defaults, from the date all cure periods under the First Loan Documents have elapsed, First Lender hereby agreeing to accept such cure. Any and all costs and expenses incurred by Primrose in effecting any cure shall be deducted from the purchase price payable to Borrower in the event Primrose purchases the Property under the Option, as set out in the Option. In the event such default is cured within said period, to the extent the indebtedness under the First Loan Documents has been accelerated as a result of said default, the indebtedness shall be reinstated by First Lender, so as to be payable upon the same terms and conditions in effect prior to said default. However, if Primrose fails to cure or cause a cure within such time, any default-related action previously taken by First Lender shall continue in effect as of the date instituted; or

(b) Acquisition of First Loan Documents. At any time after the default notice and prior to fifteen (15) days before the consummation of a foreclosure sale or sale under power of sale pursuant to the First Mortgage, Primrose shall have the right and option (but no obligation whatsoever) to purchase the First Loan Documents and any guarantees (except for SBA guarantees, if applicable), agreements and collateral securing same for an amount equal to the outstanding principal balance plus all accrued but unpaid interest, late charges, default interest and any actually incurred reasonable attorneys' fees of First Lender's counsel. Upon notice from Primrose to First Lender of Primrose's exercise of its right to purchase the First Loan Documents and payment of the sums required hereby, the note secured by the First Mortgage will be endorsed by First Lender to Primrose without recourse or warranty and all the First Loan Documents, including, without limitations, any and all guarantees, agreements or collateral, will be assigned by First Lender to Primrose without recourse or warranty except that the First Lender shall warrant: (i) that it holds title to the aforesaid note and the other First Loan Documents free and clear of any lien, claim or participation interest, (ii) that it has the right and power to assign and convey such documents, and (iii) the amount of the principal and interest balance under the First Loan Documents on the date of transfer. The original documents purchased and the First Lender's title insurance policy shall be delivered to Primrose at the closing of the purchase, and, in addition, if Primrose desires to obtain any other documents which have been provided to First Lender by Borrower or by third parties relating to the Property or to the First Loan, then, provided that such documents remain in the possession of First Lender or are readily available to First Lender, First Lender will deliver such documents to Primrose at said closing. After the sale of the First Loan Documents to Primrose is completed in accordance with the terms of this Paragraph, Primrose shall, and hereby agrees to, indemnify and defend First Lender from and against any and all claims, demands, suits or actions in connection with the First Loan which arise out of matters or circumstances occurring in connection with, or subsequent to, Primrose's acquisition of the First Loan Documents.

First Lender agrees that Primrose shall have, in addition to the rights set out above, the right to purchase the First Loan Documents pursuant to subpart (b) of this Paragraph 3 upon the occurrence of any default by Borrower or Franchisee under the Franchise Agreement, regardless of the existence of any default under the First Loan Documents.

4. Exercise of Option. In the event Primrose acquires title to the Property from Borrower, First Lender shall, notwithstanding any provision in the First Loan documents to the contrary, permit Primrose to own the Property subject to the First Mortgage so long as Primrose thereafter complies with the terms of the First Mortgage and keeps current payments of principal and interest under the First Loan Documents for a period of three hundred sixty (360) days from the date Primrose acquires title to the Property prior to exercising its remedies of a default in the First Loan Documents. Nothing contained herein shall be construed as obligating Lender to allow Primrose to assume the First Loan unless such assumption is approved in accordance with Lender's normal procedures and subject to the reasonable discretion of Lender.

5. Non-Disturbance and Attornment. First Lender hereby agrees that, in the event Primrose exercises its rights under the Tenant's Collateral Assignment and becomes the tenant under the lease of the Property between Borrower and Franchisee, as such lease may be modified pursuant to the terms of the Tenant's Collateral Assignment (the "Lease"), then, so long as Primrose complies with and performs its obligations under the Lease: (a) First Lender will take no action which will interfere with or disturb Primrose's possession or use of the Property or other rights under the Lease, and (b) in the event First Lender becomes the owner of the Property by foreclosure, conveyance in lieu of foreclosure or otherwise, the Property shall be subject to the Lease and First Lender shall recognize Primrose as having the right to occupy the Property for up to 360 days from the date Primrose takes possession as herein provided; provided, however, that First Lender shall not be liable for any act or omission of any prior landlord, or subject to any offsets or defenses which Primrose might have against any prior landlord, nor shall First Lender be bound by any rent or additional rent which Primrose might have paid for more than the current month to any prior landlord, nor shall it be bound by any amendment or modification of the Lease (other than an amendment pursuant to the Tenant's Collateral Assignment) made without its consent, nor shall it be construed as Primrose having assumed the Lease, with Primrose being liable for lease payments only for the term that it, in fact, occupies the Property, with Primrose having no obligation to occupy the property unless it so elects. Primrose does hereby agree with First Lender that, in the event First Lender becomes the owner of the Property by foreclosure, conveyance in lieu of foreclosure or otherwise, and Primrose becomes the tenant under the Lease pursuant to the Tenant's Collateral Assignment, then Primrose shall attorn to and recognize First Lender as the landlord under the Lease for the remainder of the term that it occupies the property, and Primrose shall perform and observe its obligations thereunder, subject only to the terms and conditions of the Lease and the Tenant's Collateral Assignment, provided however if the Lease payment is less than the monthly payment due on the Loan, the monthly rental payment shall be equal to the monthly Loan payment. First Lender consents to the terms of the Tenant's Collateral Assignment and agrees to be bound thereby in the event it becomes the landlord under the Lease. Provided however, notwithstanding any other provision set out herein, Primrose shall have no right to occupy the property for a period in excess



of 360 days from the date it takes possession unless First Lender and Primrose agree in writing to Primrose's occupancy beyond such period, and the Lease shall become null and void.

6. Notice to Primrose when Primrose is in Possession of the Property: Notwithstanding any other term provision or condition contained herein to the contrary, First Lender shall not be required to comply with the provisions of paragraphs 3 (a) hereof, if Primrose acquires title to the property or Primrose is in possession of the Property.

7. Loan Information. First Lender shall, upon inquiry, provide Primrose with the name, address and telephone number of the officer of First Lender having responsibility for the administration of its loan to Borrower. First Lender and Primrose shall be free to confer with one another from time to time either orally or in writing with regard to the Property, Borrower and Franchisee. First Lender agrees to provide Primrose with such information and copies of documentation regarding the First Loan as may be reasonably requested by Primrose.

8. Miscellaneous. The agreements contained herein shall continue in full force and effect until either all of Borrower's obligations and liabilities to First Lender are paid and satisfied in full or the Option and Tenant's Collateral Assignment have terminated and Franchisee's obligations to Primrose under the Franchise Agreement have expired. The agreements contained herein may not be modified or terminated orally and shall be binding upon the successors, assigns, and personal representatives of the parties hereto.

9. Borrower Execution. Borrower, Franchisee have executed and entered into this Agreement for the purpose of consenting and agreeing to the terms and conditions set forth herein, and to all actions of First Lender and Primrose contemplated herein.

10. Notices. Any and all notices, elections, approvals, consents, demands, requests and responses thereto ("Communication") permitted or required to be given under this Agreement shall be in writing, signed by or on behalf of the party giving the same, and shall be deemed to have been properly given and shall be effective upon the earlier of: (i) being personally delivered, or (ii) three (3) days after being deposited in the United States mail, postage prepaid, certified with return receipt requested, to the other party at the address of such other party set forth below or at such other address within the continental United States as such other party may designate by notice specifically designated as a notice of change of address and given in accordance herewith; provided, however, that the time period in which a response to any Communication must be given shall commence on the date of receipt thereof; and provided further that no notice of change of address shall be effective until the date of receipt thereof. Personal delivery to a party or to any officer, partner, agent or employee of such party at said address shall constitute receipt. Rejection or other refusal to accept or inability to deliver because of changed address of which no notice has been received also constitute receipt. Any communication, if given to Primrose, shall be addressed as follows:

Ms. Jo Kirchner, President  
Primrose School Franchising Company  
199 S. Erwin Street  
Cartersville, Georgia 30120

with a copy to: Joseph M. Seigler, Jr.  
Brinson, Askew, Berry, Seigler, Richardson & Davis, LLP  
Post Office Box 5513  
Rome, Georgia 30162-5513

with a copy to: Steve Martin  
2700 Highway 280, Suite 180  
Birmingham, Alabama 35223

and, if given to First Lender, shall be addressed as follows:

CIT Small Business Lending Corporation  
Attn:  
650 CIT Drive  
Livingston, NJ 07039

and, if given to Franchisee or Borrower shall be addressed as follows:

EARLY EDUCATIONAL CONCEPTS, INC. an Alabama  
corporation d/b/a Primrose School of Meadowbrook,  
Attn: Augustine and Joann Angrisano  
1030 Watermill Circle  
Birmingham, Alabama 35242

A J ASSOCIATES HOLDINGS, L.L.C., a Alabama limited liability  
company  
Attn: Augustine and Joann Angrisano  
1030 Watermill Circle  
Birmingham, Alabama 35242

11. Joint and Several Obligations. The obligations of Borrower and Franchisee hereunder shall be the joint and several obligations of such parties.

12. First Lender not a Joint Venturer or Partner. Nothing herein shall be construed to create a partnership or joint venture to create a partnership or joint venture between First Lender and Borrower and/or Franchisee and/or Primrose.

IN WITNESS WHEREOF, the parties hereto have signed, sealed and delivered this Subordination Agreement as of the date written above.

**CIT SMALL BUSINESS LENDING  
CORPORATION**

Signed, sealed and delivered in the presence  
of:

WITNESS

Angela Torres  
Angela Torres

By: Carolyn Stedronsky  
Title: AVP

Attest: Brendon Cuel  
Title: ASS'T. SEC.

[BANK SEAL]

State of NEW JERSEY,  
ESSEX County.

Before me, Catherine Scala, a Notary Public of the  
County and State aforesaid, hereby certify that Carolyn Stedronsky personally  
came before me this day, and who, upon oath, acknowledged that she is the AVP  
of CIT SMALL BUSINESS LENDING CORPORATION, and that by authority duly given and as  
the act of the corporation, the foregoing instrument was signed for the purposes therein contained,  
in its name by him/her as its AVP.

Witness my hand and official stamp this 7 day of August 2001.

My commission expires: \_\_\_\_\_

**CATHERINE SCALA**  
Notary Public of New Jersey  
My commission expires  
March 23, 2004

Catherine Scala  
Notary Public  
[Notarial Seal]



Signed, sealed and delivered in the presence of:

Mary Barta  
WITNESS

**PRIMROSE:**  
**PRIMROSE SCHOOL FRANCHISING**  
**COMPANY**

By: [Signature]  
Name: JO KIRCHNER  
Title: President

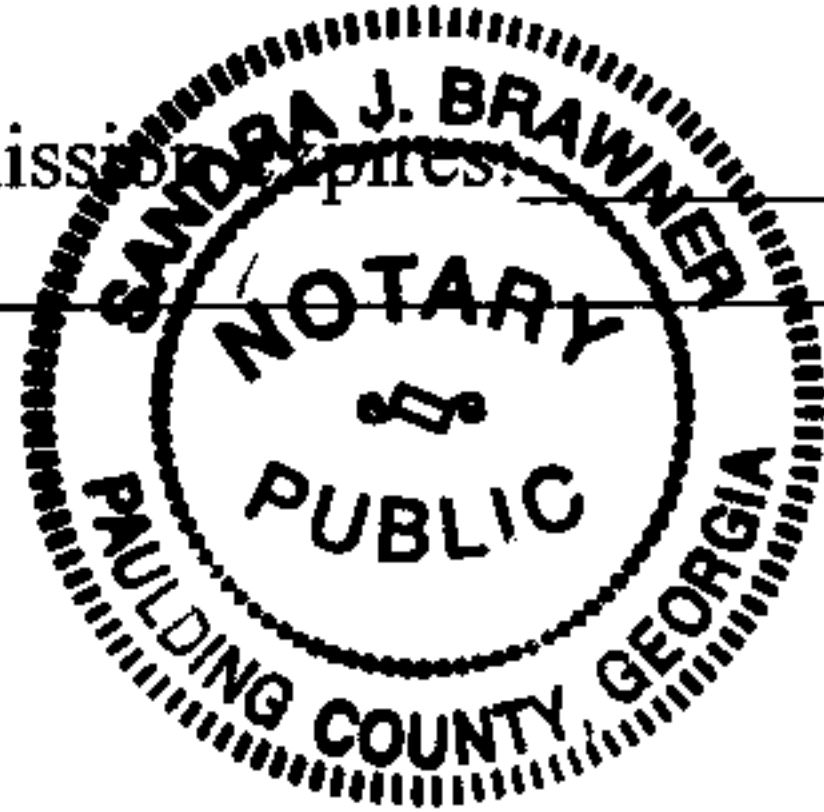
[CORPORATE SEAL]

State of Georgia,  
BARTOW County

Before me, SANDRA J. BRAUNER, a Notary Public of the County and State aforesaid, personally appeared JO KIRCHNER, and who, upon oath, acknowledged that she is the President of Primrose School Franchising Company, a Georgia corporation, and that by authority duly given and as the act of the corporation, the foregoing instrument was signed for the purposes therein contained, in its name by her as President.

Witness my hand and official stamp this 2ND day of AUGUST, 2001.

My commission expires:



Sandra J. Brauner  
Notary Public

[Notarial Seal]

My Commission Expires 04.29.05

Signed, sealed and delivered in the presence of:

Steve E. Martin  
WITNESS

**FRANCHISEE:**

**EARLY EDUCATIONAL CONCEPTS, INC., an Alabama corporation, d/b/a PRIMROSE SCHOOL OF MEADOWBROOK**

By: Augustine J. Angrando  
Name: AUGUSTINE J. ANGRANDO  
Title: President

[CORPORATE SEAL]

State of Alabama, JEFFERSON County

Before me, STEVE E. MARTIN, a Notary Public of the County and State aforesaid, personally appeared AUGUSTINE J. ANGRANDO, and who, upon oath, acknowledged that he/she is the PRESIDENT of EARLY EDUCATIONAL CONCEPTS, INC., an Alabama corporation, d/b/a PRIMROSE SCHOOL OF MEADOWBROOK, and that by authority duly given and as the act of the corporation, the foregoing instrument was signed for the purposes therein contained, in its name by him/her as its PRESIDENT.

Witness my hand and official stamp this 20 day of August, 2001.

My commission expires: 11/13/02  
Steve E. Martin

Notary Public  
[Notarial Seal]

Signed, sealed and delivered in the presence  
of:

Steve E. Martin  
WITNESS

**BORROWER:**

**A J ASSOCIATES HOLDINGS, L.L.C.,  
an Alabama limited liability company**

By: Augustine J. Anguiano  
Name: Augustine J. Anguiano  
Title: Manager

[CORPORATE SEAL]

State of Alabama, JEFFERSON County

Before me, STEVE E. MARTIN, a Notary Public of the County  
and State aforesaid, personally appeared AUGUSTINE J. ANGUIANO, and who, upon oath, acknowledged  
that he/she is the MANAGER of A J ASSOCIATES HOLDINGS, L.L.C., an Alabama limited  
liability company, and that by authority duly given and as the act of the corporation, the foregoing  
instrument was signed for the purposes therein contained, in its name by him/her as its

Witness my hand and official stamp this 20 day of August, 2001.

My commission expires:

11/13/02  
Steve E. Martin

Notary Public  
[Notarial Seal]



EXHIBIT A  
TO  
SUBORDINATION AGREEMENT

Lot 11A-2, according to Meadow Brook Corporate Park South, Phase II, Re-survey No. 9, being a re-survey of Lot 11A-1, (being a re-survey of Lots 11-A and 11-B) as recorded in Map Book 28 page 59 in the Office of the Judge of Probate of Shelby County, Alabama; being situated in Shelby County, Alabama.

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