

STATE OF ALABAMA

LOAN CDC 497 269 3010

COUNTY OF SHELBY

SUBORDINATION AGREEMENT

WHEREAS, James E. McKay and wife, Cathy R. McKay, individually and Carpet Outlet of Shelby County, Inc. hereinafter termed "Borrower" (whether one or more), is presently indebted to the U.S. Small Business Administration (hereinafter "SBA"), an agency and instrumentality of the United States of America, as evidenced by that certain Promissory Note executed the 12th day of February, 1993 and assigned to the SBA, in the original principal amount of \$119,000.00; and,

WHEREAS, said Note is secured, among other things, by that certain Mortgage, hereinafter termed "SBA Mortgage", dated the 12th day of February, 1993, and recorded on the 12th day of February, 1993, in the Office of the Judge of Probate of Shelby County, Alabama, in Book 1993 at Page(s) 4192; and, as assigned in Instrument No. 1993-4193;

WHEREAS, said Borrower is desirous of obtaining a loan in the amount of not more than \$150,000.00 from AmSouth Bank (hereinafter "Lender") their successors or assigns, as their interest may appear, for the purpose of refinancing a previous first mortgage secured by the property more fully described in Exhibit "A", attached hereto and made a part hereof, and other purposes of business operations; and,

WHEREAS, Lender requires the Borrower to secure said new loan with a new Mortgage on the real estate described in SBA Mortgage, more fully described in Exhibit "A", attached hereto and made a part hereof.

NOW, THEREFORE, for valuable consideration, the receipt and sufficiency of which is hereby acknowledged and to induce Lender to make a loan in the amount of \$150,000 to Borrower, SBA for itself, its successors and assigns hereby covenants and agrees to and with Lender, its successors and assigns, as follows:

1. The SBA Mortgage is and shall continue to be subordinated to the New Mortgage of the Lender, dated January 9, 2003 and recorded as instrument #20030110000020190 as aforesaid, in an aggregate amount not to exceed \$150,000 exclusive of protective advances and reasonable costs and attorney fees as allowed by statute plus interest as provided in the Note which is secured by said New Mortgage as if said New Mortgage had been executed, acknowledged, delivered, and recorded prior to the execution by acknowledgment, delivery, and recording of the SBA Mortgage.

2. Lender, by receipt and acceptance of this subordination, agrees that it shall not advance additional sums above the sum of \$150,000 exclusive of protective advances, and reasonable costs and attorney fees as allowed by statute, plus interest.

3. Lender agrees that, for this Subordination to be effective, Lender must perfect its Mortgage lien in the aforementioned property and this Subordination will be only to such Mortgage lien.

4. Lender covenants that there are no intervening liens of record between the Mortgage lien of SBA and the Mortgage made or to be made by Lender and Lender understands that it is a condition of this Subordination that no such intervening liens exist. If such intervening liens exist, then this Subordination shall be void.

5. SBA expressly reserves its rights to foreclose on this or any security, which it may hold.

6. SBA does not subordinate the debt due and expressly reserves the right to accept any and all payments on the indebtedness to it without regard to any sum or sums due and owing to the Lender.

7. The undersigned debtors and makers of the Note hereinabove described, and the undersigned Guarantors of payment of the Note, agree to the aforesaid subordination and agree that said transaction shall in no way discharge or diminish their obligations under their Note, Guaranty, Standby Agreement, and/or any collateral agreements securing the same.

This Document may be executed in any number of counterparts, each of which when so executed and delivered shall be deemed to be an original, and all of which taken together shall constitute but one and the same instrument.

IN WITNESS WHEREOF, this Subordination Agreement is executed as of this 9th day of January, 2002.3

U. S. Small Business Administration

By: [Signature]
Denis C. McCaskey its Assistant Director
Commercial Loan Servicing Center - LR

Date: 1/9/03

AmSouth Bank

By: [Signature]
Its [Signature]

Date: 1/9/03

Carpet Outlet of Shelby County, Inc.

By: Cathy R. McKay, its President

Attest: James E. McKay, Its Vice Pres.

[Signature]
James E. McKay, Individually

Cathy R. McKay
Cathy R. McKay, Individually

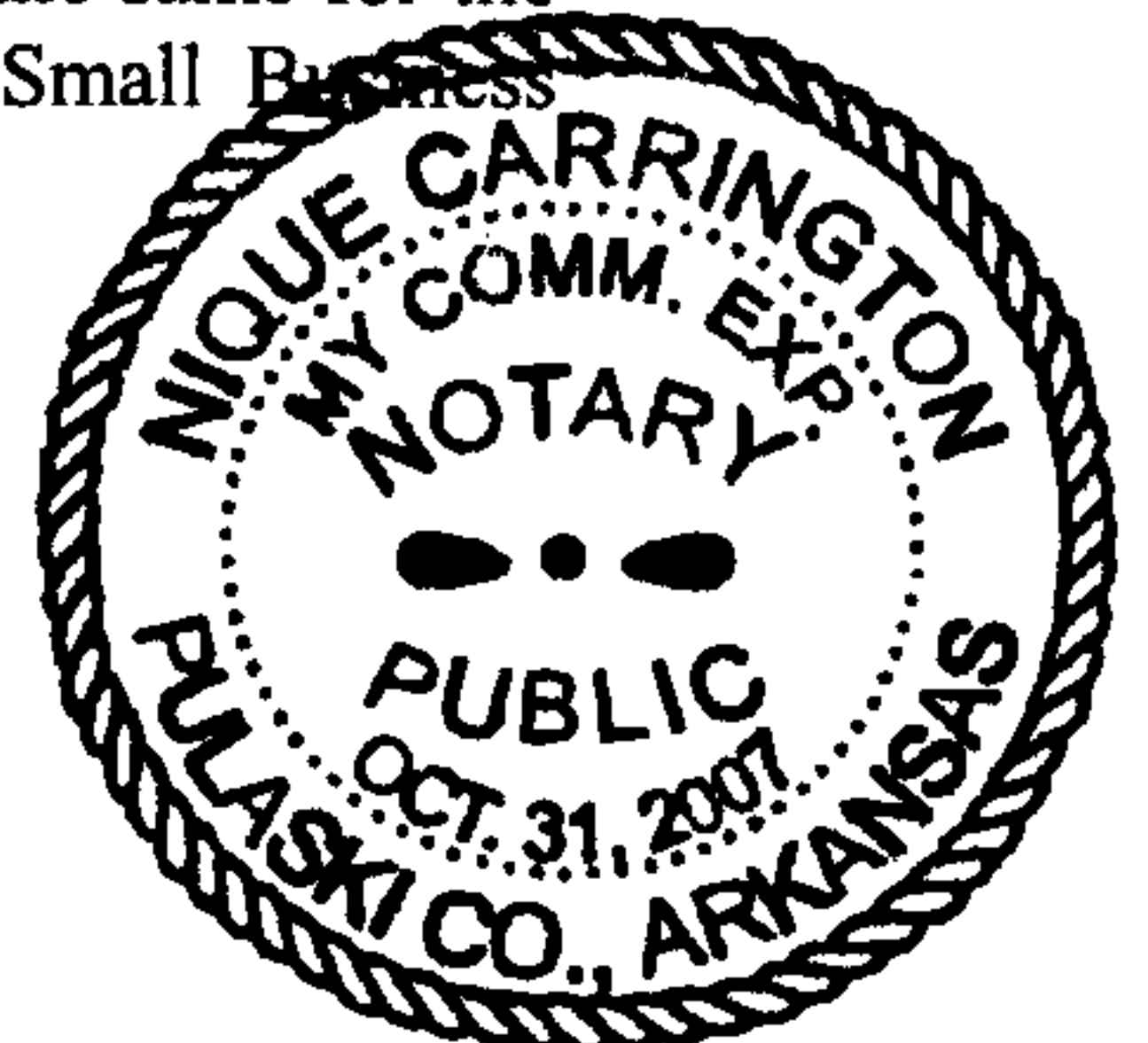
STATE OF ARKANSAS)
COUNTY OF PULASKI)

BEFORE ME, the undersigned authority, on this day personally appeared Denis C. McCaskey, Assistant Director, Commercial Loan Servicing Center of the Small Business Administration, known to me to be the person whose name is subscribed to the foregoing instrument and acknowledged to me that he/she executed the same for the purpose and consideration therein expressed and in the capacity therein stated as the act and deed of the Small Business Administration.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this 19 day of December, 2002.

My commission expires 10/31/07.

[Signature]
Notary Public in and for
Pulaski County, State of Arkansas



STATE OF ALABAMA

COUNTY OF Shelby Jefferson

I, the undersigned Notary Public in and for said County and State, do hereby certify that Raymond W. Scott, whose name as Vice President AmSouth Bank is signed to the foregoing instrument, and who is known to me, acknowledged before me on this day that, being thoroughly knowledgeable of the contents of the said instrument, he did execute the same voluntarily and with full authority on the date shown.

Given under my hand and official seal on this, the 9th day of January, 2002: ~~2002~~ 2003.

Pamela B. Druffell
Notary Public

My Commission Expires: 6/17/05

STATE OF ALABAMA

COUNTY OF Jefferson

I, the undersigned Notary Public in and for said County and State, do hereby certify that Cathy E. McKay, whose name as President, Carpet Outlet of Shelby County, Inc., is signed to the foregoing instrument, and who is known to me, acknowledged before me on this day that, being thoroughly knowledgeable of the contents of the said instrument, he did execute the same voluntarily and with full authority on the date shown.

Given under my hand and official seal on January 9, 2003.

Pamela B. Druffell
Notary Public

My Commission Expires: 6/17/05

STATE OF ALABAMA

COUNTY OF Jefferson

I, the undersigned Notary Public in and for said County and State, do hereby certify that James E. McKay, whose name as Vice President, Carpet Outlet of Shelby County, Inc., is signed to the foregoing instrument, and who is known to me, acknowledged before me on this day that, being thoroughly knowledgeable of the contents of the said instrument, he did execute the same voluntarily and with full authority on the date shown.

Given under my hand and official seal on January 9, 2003.

Pamela B. Druffell
Notary Public

My Commission Expires: 6/17/05

STATE OF ALABAMA
COUNTY OF Jefferson

I, the undersigned Notary Public in and for said County and State, do hereby certify that **James E. McKay**, whose name is signed to the foregoing instrument, and who is known to me, acknowledged before me on this day that, being thoroughly knowledgeable of the contents of the said instrument, he did execute the same voluntarily on the date shown.

Given under my hand and official seal on January 9, 2003.

Pamela B. Huffeth
Notary Public

My Commission Expires: 6/17/05

STATE OF ALABAMA
COUNTY OF Jefferson

I, the undersigned Notary Public in and for said County and State, do hereby certify that **Cathy R. McKay**, whose name is signed to the foregoing instrument, and who is known to me, acknowledged before me on this day that, being thoroughly knowledgeable of the contents of the said instrument, he did execute the same voluntarily on the date shown.

Given under my hand and official seal on January 9, 2003.

Pamela B. Huffeth
Notary Public

My Commission Expires: 6/17/05

This document prepared by, and following recording should be returned to:
Tamara Y. Lee
Southern Development Council
8132 Old Federal Road
Montgomery, AL 36117
(334) 244-1801