


852-02

STATE OF ALABAMA
ST. CLAIR COUNTY


20040128000046890 Pg 1/1 11.00
Shelby Cnty Judge of Probate, AL
01/28/2004 13:54:00 FILED/CERTIFIED

SUBORDINATION OF MORTGAGE

COVENANT BANK ("Covenant") for good and valuable consideration does hereby acknowledge and agree that the lien of that certain Mortgage dated October 9, 2002, from Jack L. Hernig III and Jan C. Hernig as mortgagor (the "Mortgagor", whether one or more), to Covenant, as mortgagee recorded in the Office of the Judge of Probate of Shelby County, Alabama at Instrument #20021022000519430, (the "Mortgage"), shall be and hereby is subordinate in right of priority to the lien of that certain mortgage from the Mortgagor, as mortgagor, to Castle Mortgage Corporation, to be recorded in the office of the Judge of Probate of Shelby County, Alabama (the "Superior Mortgage"); provided however, that such subordination shall be effective only to the extent that the Superior Mortgage secures that certain loan from Mortgagee to Mortgagor in the principal amount of \$295,000.00 ("the Loan"), together with interest on the Loan and any amounts specifically secured by the Superior Mortgage which are expended by the Mortgagee to protect or enforce the Mortgagee's rights under the Superior Mortgage with respect to the Loan (the "Superior Indebtedness"). The lien of the Mortgage shall be superior in right of priority to the lien of the Superior Mortgage to the extent that the Superior Mortgage secures any indebtedness of the Mortgagor to the Mortgagee other than the Superior Indebtedness.

To induce Covenant to enter into this Subordination Agreement, Mortgagee hereby certifies to Covenant as follows:

(1) that the proceeds of the Loan shall be used to satisfy in full all indebtedness secured by that certain mortgage dated July 12, 1999 to Regions Mortgage, Inc., as mortgagee, recorded in the office of the Judge of Probate of Shelby County, Alabama at Instrument 1999-31182; and

(2) that the Loan shall bear an interest rate of 5.25% per annum and shall be repayable in monthly installments of \$ 2311.44, beginning February 1, 2003, and continuing until January 1, 2018; and

(3) that the street address of the real property to be covered by the Superior Mortgage is 254 Dogwood Lakes Drive, Chelsea, AL 35147.

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

This Subordination Agreement may be amended or modified only by written instrument signed by Covenant and Mortgagee.

19th IN WITNESS WHEREOF, Covenant Bank has caused this Subordination Agreement to be executed as of the day of December, 2002

COVENANT BANK

BY [Signature]
Its Vice President & Branch Manager

STATE OF ALABAMA
JEFFERSON COUNTY

St. Clair

I, the undersigned authority, a Notary Public in and for said County in said State, hereby certify that Jeffery T Jackson whose name as VP - Br Mgr of COVENANT BANK, 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 foregoing instrument he, 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 on this the 19th day of December, 2002.

[Signature]
NOTARY PUBLIC
My Commission Expires: 9/20/03