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Shelby Cnty Judge of Probate, AL
06/25/2009 10:10:34 AM FILED/CERT

Return to:
Joseph M. Seigler, Jr.
Post Office Box 5007
Rome, GA 30162-5007

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SUBORDINATION AGREEMENT

THIS SUBORDINATION AGREEMENT is made and entered into as of the _____ day of _____, 2009, by and among CIT SMALL BUSINESS LENDING CORPORATION, (the "First Lender"); CIT LENDING SERVICES CORPORATION ("Second Lender"); PRIMROSE SCHOOL FRANCHISING COMPANY ("Primrose"); and 3 KIDS, INC., an Alabama corporation d/b/a PRIMROSE SCHOOL OF RIVERWOODS ("Borrower" and at times referred to as "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 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 \$2,000,000.00 secured by a deed to secure debt and security agreement or a mortgage, and Second Lender is making a loan to Borrower (the "Second Loan"), evidenced by a promissory note in the face principal amount of \$477,000.00 secured by a deed to secure debt and security agreement or a mortgage, (said First and Second Lender are hereinafter referred to as "Lender"), (The Security Deeds being received by Lender being referred to as the "Security Deed".), an assignment of leases and rents, and various related instruments, all of which encumber or relate to the Property, which are dated on or about this date and are herein collectively referred to as the "Loan Documents".

Primrose and Borrower have entered into that certain Franchise Agreement dated May 9, 2008 (the "Franchise Agreement"), pursuant to which Primrose has an option to purchase the Property (the "Option"). Borrower is executing and delivering to Primrose, a Memorandum of Option in connection with the Option (the "Memorandum of Option") and Borrower is executing and delivering to Primrose a Lease ("Lease"), evidenced by a Memorandum of Option to Lease (the "Memorandum of Option to Lease"), all of which are to be filed for recording on or about the date

hereof in the same real property records as the Loan Documents.

Lender requires that it receive a first priority deed to secure debt or mortgage, prior and superior to the Option, and Primrose is willing to subordinate the Option, Memorandum of Option, Lease and Memorandum of Option to Lease and certain other rights granted to Primrose to the Mortgage but only on the terms and conditions set out herein. Lender is willing to agree to the terms and conditions set out hereinbelow in order to facilitate the subordination of the Option, Lease, Memorandum of Option and Memorandum of Option to Lease to the Loan Documents and approve the 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 facilitate the closing of a financing as generally outlined above, the parties hereby covenant and agree as follows:

1. Subordination. Primrose and Lender agree that the Loan Documents shall be prior and superior to the Option, Memorandum of Option, Lease and Memorandum of Option to 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 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 Lender under the Loan Documents as to the Property. 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 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 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 Loan Documents, and are hereby incorporated by reference into the Mortgage and other Loan Documents.

2. Modification of Security Documents. Lender agrees that, so long as the Primrose Collateral Documents remain in force, the 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 Loan Documents giving 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, 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 Lender, or fifteen (15) days in the case of other defaults, from the date all cure periods under the Loan Documents have elapsed, 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 Loan Documents has been accelerated as a result of said default, the indebtedness shall be reinstated by 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 Lender shall continue in effect as of the date instituted; or

(b) Acquisition of 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 Mortgage, Primrose shall have the right and option (but no obligation whatsoever) to purchase the 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, unpaid interest, late charges, default interest and any actually incurred reasonable attorneys' fees of Lender's counsel. Upon notice from Primrose to Lender of Primrose's exercise of its right to purchase the Loan Documents and payment of the sums required hereby, the note secured by the Mortgage will be endorsed by Lender to Primrose without recourse or warranty and all the Loan Documents, including, without limitations, any and all guarantees, agreements or collateral, will be assigned by Lender to Primrose without recourse or warranty except that the Lender shall warrant: (i) that it holds title to the aforesaid note and the other 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 Loan Documents on the date of transfer. The original documents purchased and the 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 Lender by Borrower or by third parties relating to the Property or to the Loan, then, provided that such documents remain in the possession of Lender or are readily available to Lender, Lender will deliver such documents to Primrose at said closing. After the sale of the Loan Documents to Primrose is completed in accordance with the terms of this Paragraph, Primrose shall, and hereby agrees to, indemnify and defend Lender from and against any and all claims, demands, suits or actions in connection with the Loan which arise out of matters or circumstances occurring in connection with, or subsequent to, Primrose's acquisition of the Loan Documents.

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

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4. Exercise of Option. In the event Primrose acquires title to the Property from Borrower, Lender shall, notwithstanding any provision in the Loan Documents to the contrary, permit Primrose to own the Property subject to the Mortgage so long as Primrose thereafter complies with the terms of the Mortgage and keeps current payments of principal and interest under the Loan Documents, for up to the 360 day period provided in paragraph 5 herein. Nothing contained herein shall be construed as obligating Lender to allow Primrose to assume the 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. Lender hereby agrees that, in the event Primrose exercises its rights under the Lease and becomes the tenant under the lease of the Property then, so long as Primrose provides Lender with notice of its election to exercise its rights under the Lease within ten (10) days of its election and complies with and performs its obligations under the Lease and so long as Primrose complies with all of the terms of the Mortgage and Loan Documents and keeps all payments of principal and interest under the Loan current: (a) Lender will take no action for a period of up to three hundred sixty (360) days from Primrose's election to exercise its rights under the Lease, 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 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 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 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 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 Lease) 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 Lender that, in the event 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 Lease, then Primrose shall attorn to and recognize Lender as the landlord under the Lease for the remainder of the term thereof, and Primrose shall perform and observe its obligations thereunder, subject only to the terms and conditions of the Lease, 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. Lender consents to the terms of the Lease 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 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, Lender shall not be required to comply with the provisions of paragraph 3 (a) hereof, if Primrose acquires title to the Property or

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Primrose is in possession of the Property.

7. Loan Information. Lender shall, upon inquiry, provide Primrose with the name, address and telephone number of the officer of Lender having responsibility for the administration of its loan to Borrower. 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 and Borrower. Lender agrees to provide Primrose with such information and copies of documentation regarding the Loan as may be reasonably requested by Primrose and Borrower consents to the same.

8. Miscellaneous. The agreements contained herein shall continue in full force and effect until either all of Borrower's obligations and liabilities to Lender are paid and satisfied in full or the Option, Memorandum of Option, Lease and Memorandum of Option to Lease 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 has 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 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 constitutes receipt. Any communication, if given to Primrose, shall be addressed as follows:

Primrose School Franchising Company
Attention: Jo Kirchner
3660 Cedarcrest Road
Acworth, Georgia 30101

with a copy to: Joseph M. Seigler, Jr.
Brinson, Askew, Berry, Seigler, Richardson & Davis, LLP
Post Office Box 5007
Rome, Georgia 30162-5007

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

CIT Small Business Lending Corporation
Attn: PAG
1 CIT Drive
Livingston, New Jersey 07039

with a copy to: Legal Dept.
CIT Group, Inc.
1 CIT Drive
Livingston, New Jersey 07039

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

CIT Lending Services Corporation
Attn: PAG
1 CIT Drive
Livingston, New Jersey 07039

with a copy to: Legal Dept.
CIT Group, Inc.
1 CIT Drive
Livingston, New Jersey 07039

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

3 Kids, Inc.
Attn: David and Kimberly Wilson
2154 Cameron Circle
Birmingham, AL 35242

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

12. 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 Lender and Borrower and/or Franchisee and/or Primrose.


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

Signed, sealed and delivered in the presence of:

[Signature]
WITNESS

FIRST LENDER:

CIT SMALL BUSINESS LENDING CORPORATION

By: [Signature]

Title: Dawn M. Beall

Attest: Vice President

[BANK SEAL]

State of New Jersey,
Essex County.

Before me, Nancy Diaz, a Notary Public of the County and State aforesaid, hereby certify that Dawn M. Beall personally came before me this day, and who, upon oath, acknowledged that she is the Vice-President of CIT SMALL BUSINESS LENDING CORPORATION, a Delaware 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 its Vice President.

Witness my hand and official stamp this 10th day of June 2009.

My commission expires: 2/29/2012

[Signature]
Notary Public
[Notarial Seal]

Nancy Diaz
Notary Public
State of New Jersey
My Commission Expires: 2/29/2012


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Signed, sealed and delivered in the presence of:

WITNESS

SECOND LENDER:

CIT LENDING SERVICES CORPORATION

By: [Signature]

Title: Dawn M. Beall

Attest: Vice President

[BANK SEAL]

State of New Jersey,
Essex County.

Before me, Nancy Diaz, a Notary Public of the County and State aforesaid, hereby certify that Dawn M. Beall personally came before me this day, and who, upon oath, acknowledged that she is the Vice President CIT LENDING SERVICES CORPORATION, a Delaware 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 its Vice President

Witness my hand and official stamp this 10th day of JUNE 2009.

My commission expires: 2/29/2012

[Signature]
Notary Public
[Notarial Seal]

**Nancy Diaz
Notary Public
State of New Jersey
My Commission Expires: 2/29/2012**



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Signed, sealed and delivered in the presence of:

Saura Alford
WITNESS

**PRIMROSE:
PRIMROSE SCHOOL FRANCHISING
COMPANY**

By: [Signature]
Name: Derek Fuller
Title: Vice President & CFO

[CORPORATE SEAL]

State of Georgia,
Paulding County

Before me, D. Christy Hendricks, a Notary Public of the County and State aforesaid, personally appeared DEREK FULLER, and who, upon oath, acknowledged that he is the Vice President & CFO of Primrose School Franchising Company, a Georgia limited liability company, and that by authority duly given and as the act of the limited liability company, the foregoing instrument was signed for the purposes therein contained, in its name by him as its Vice President & CFO.

Witness my hand and official stamp this 1st day of June, 2009.

My commission expires: 3/30/09 D. Christy Hendricks
Notary Public
[Notarial Seal]




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Signed, sealed and delivered in the presence of:

WITNESS Laura Alford

BORROWER:

3 KIDS, INC., an Alabama corporation d/b/a
PRIMROSE SCHOOL OF RIVERWOODS

By: [Signature]
Name: David D Wilson
Title: President

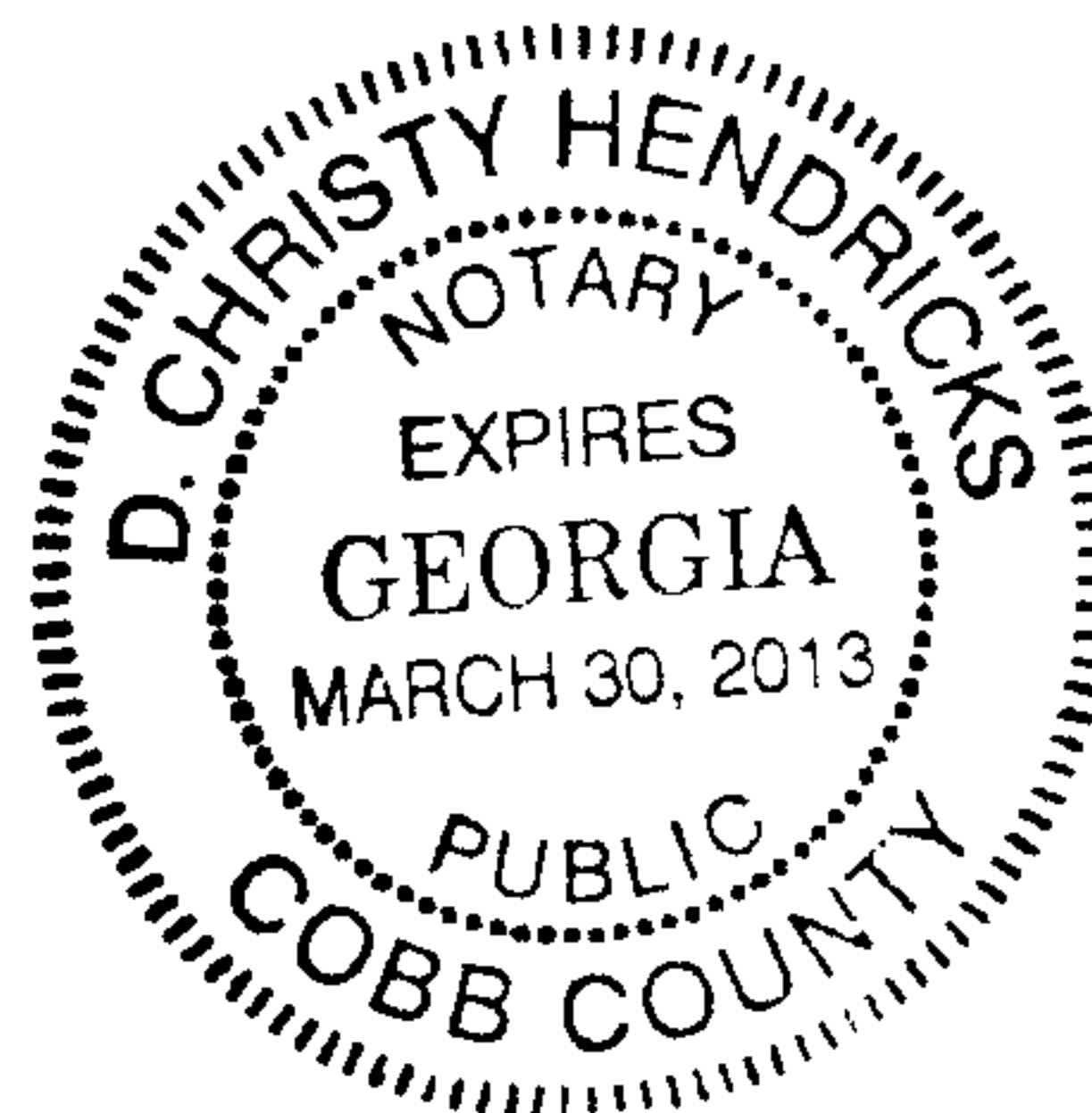
[CORPORATE SEAL]

State of Georgia
Paulding County

Before me, D. Christy Hendricks, a Notary Public of the County and State aforesaid, personally appeared David Wilson, and who, upon oath, acknowledged that he/she is the President of 3 KIDS, INC., an Alabama 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 President.

Witness my hand and official stamp this 15th day of June, 2009.

My commission expires: 3/30/13
[Signature]
Notary Public
[Notarial Seal]




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EXHIBIT A
TO
SUBORDINATION AGREEMENT

[Legal description of Property]

Lot 2, according to the Survey of Riverwoods Commercial, as recorded in Map Book 38,
Page 131 in the Probate Office of Shelby County, Alabama.


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