

Creditors Address:

6200 Poplar Avenue
Memphis, TN. 38119

Debtor's Address:

4721 Burbank, Suite 21
Memphis, TN. 38118

Prepared By:

Eric L. Sappenfield
97 Stateline Road
Southaven, MS 38671
342-2170

SECURITY AGREEMENT

THIS SECURITY AGREEMENT made this 13th day of December, 1995, between UNION PLANTERS NATIONAL BANK, a National Banking Association ("Lender") and CUSTOM WOODCRAFTS, INC., A Tennessee Corporation ("Borrower"), intending to be legally bound hereby, the Borrower does hereby grant to Lender, its successors and assigns a securities interest in the following:

STATE MS. DESOTO CO.
FILED

DEC 27 10 07 AM '95

BK. PG.
W.E. DAVIS CH. CLK.

STATE MS. - DESOTO CO.
FILED

JAN 10 2 18 PM '96

BK. PG. 413
W.E. DAVIS CH. CLK.

All personal property and fixtures of any nature whatsoever, now owned or hereafter acquired by Borrower, together with all renewals, replacements, articles in substitution, and processes thereof, now or hereafter located upon the real estate described in Exhibit "A", attached hereto and by this reference incorporated in this Security Agreement, including but not limited to all machinery, apparatus, equipment, fittings, fixtures, building supplies and materials, and articles of personal property of every kind and nature whatsoever now or hereafter erected on the Land, or any part thereof, and used or usable in connection with any present or future occupancy of said improvements, including, but without limiting the generality of the foregoing, all air conditioning, heating, lighting and power equipment, engines, pipes, pumps, tanks, motors, conduits, and plumbing apparatus, shades, awnings, screens, storm doors and windows, stoves, refrigerators, attached cabinets, partitions and ducts.

Together with all increases, parts, fittings, accessories, equipment, special tools, renewals and replacements of all or any part thereof, and other goods of the same class, whether now owned or hereafter acquired by Borrower, including all the proceeds of any sale, exchange or liquidation of any of the foregoing (all hereinafter called "Collateral"), to secure the payment of a note of even date herewith, executed and delivered by Borrower to Lender in the principal sum of \$490,000.00, payable as to principal and interest as therein provided; future advances to be evidenced by notes to be made by Lender to Borrower at Lender's option; all other liabilities, primary, secondary, direct, contingent, sole, joint or several, due or to become due or which may hereafter be contracted or acquired of each Borrower to Lender; and the performance by Borrower of the agreements hereinafter set forth and the terms, conditions and provisions contained in that certain

Construction and Term Loan Agreement between Lender and Borrower of even date herewith (the "Loan Agreement").

Borrower warrants that it is the owner of the Collateral free and clear of all liens and security interest except the security interest granted hereby, that it has the right to make this agreement, that the Collateral is used or bought primarily for business purposes and that the locations specified above are where the Collateral will be maintained.

Borrower agrees that it will:

1. Pay the Lender all amounts payable on the note described above and all other notes held by Lender as and when the same shall be due and payable and, will perform all terms of said notes and this or any other security or loan agreement between Borrower and Lender, and will discharge all said liabilities.

2. Defend the Collateral against the claims and demands of all persons.

3. Insure the Collateral against all hazards requested by Lender in form and amount satisfactory to Lender. If Borrower fails to obtain said insurance, Lender shall have the right to obtain it at Borrower's expense. Borrower assigns to Lender all right to receive proceeds of insurance not exceeding the unpaid balance under the note mentioned above, directs any insurer to pay all proceeds directly to the Lender, authorizes the Lender to endorse any draft for the proceeds thereof and to dispose of such proceeds in accordance with the Loan Agreement.

4. Keep the Collateral in good condition and repair, reasonable wear and tear excepted, and permit the Lender and its agents to inspect the Collateral at reasonable times.

5. Pay as part of the debt secured hereby all amounts, including attorney's fees, with interest thereon, paid by Lender for taxes, levies, insurance, repairs, or maintenance of the Collateral, and in taking possession thereof, disposing or preserving the Collateral after any default hereof.

6. Not permit any of the Collateral to be removed from the above mentioned locations without the prior written consent of the Lender.

7. Immediately advise the Lender in writing of any change in any of Borrower's places of businesses or the opening of any new place of business.

8. Not permit any liens or security interest, other than Lender's security interest, to attach to any of the Collateral, permit any of the Collateral to be levied upon under any legal process, to dispose of any of the Collateral without the prior written consent of the Lender, permit anything to be done that may impair the value of any of the Collateral or the security intended to be afforded by this agreement, or permit the Collateral to become a fixture or an accession to other goods.

Upon default by Borrower in the performance of any covenant or agreement herein contained or in the discharge of any liability to Lender, or if any warranty should prove untrue, Lender shall have all of the rights and remedies of a secured party under the Uniform Commercial Code or other applicable law in all rights provided therein, herein, and the notes mentioned above, or in any other applicable security or loan agreement, all of which rights and remedies shall, to the full extent permitted by law be cumulative, Lender may require Borrower to assemble the Collateral then make it available to the Lender at a place designated by it. Any notice of sale, disposition or other intended action by Lender sent to Borrower at the address specified above, or at such address of Borrower as made from time to time be shown on Lender's records, at least five (5) days prior to such action, shall constitute reasonable notice to Borrower.

This Agreement shall be construed and enforced pursuant to the laws of the State of Tennessee.

IN WITNESS WHEREOF, Lender and Borrower have caused this Agreement to be executed on the day and year first above written.

CUSTOM WOODCRAFTS, INC.

BY:

William C. Jones, President
William C. Jones, President

UNION PLANTERS NATIONAL BANK

BY:

Kellie Anderson, Small Business Lending Officer
(Title)

Part of the Southeast Quarter of Section 34, Township 1 South, Range 8 West, DeSoto County, Mississippi, more particularly described as follows, to-wit:

Commencing at an iron pin near the intersection of the centerline of Goodman Road with the center line of Hurt Road, said point commonly accepted as the North Quarter corner of said Section 34; thence run South 00 degrees, 15 minutes, 33 seconds West a distance of 2636.38 feet to a point; thence run North 89 degrees, 59 minutes, 33 seconds East a distance of 36.68 feet to a half-inch I. P. found on the East right of way line of Hurt Road (80 feet wide), said point being the Southwest corner of the IRENE H. OETH property as recorded in Deed Book 69 on Page 167 of the Chancery Records of said county and the Point of Beginning; thence run North 89 degrees, 59 minutes, 33 seconds East along the South line of said OETH property a distance of 1424.12 feet to a half-inch I.P. found at the Northwest corner of the J. T. SHANNON LUMBER COMPANY property as recorded in Deed Book 171 on Page 669 of said Chancery records; thence run South 00 degrees, 11 minutes, 30 seconds West along the West line of said SHANNON LUMBER COMPANY a distance of 400.00 feet to a one inch I. P. found at the Southwest corner of said SHANNON LUMBER COMPANY property, said point being on the North right of way line of Cole Road (60 feet wide public road); thence run South 89 degrees, 59 minutes, 33 seconds West along the North right of way line of said Cole Road a distance of 824.60 feet to a half-inch I.P. set on said North right of way line; thence run North 00 degrees, 11 minutes, 30 seconds East a distance of 218.00 feet to a half-inch I.P. set; thence run South 89 degrees, 59 minutes, 33 seconds West a distance of 599.45 feet to a half-inch I.P. set on the East right of way line of said Hurt Road; thence run North 00 degrees, 11 minutes, 30 seconds East along said East right of way line a distance of 182.00 feet to the point of beginning and containing 10.07 acres. Bearings are based on the centerline of Hurt Road having an assumed bearing of North 00 degrees, 11 minutes, 30 seconds East.

LESS AND EXCEPT:

Lot 3, Part of the Southeast Quarter of Section 34, Township 1 South, Range 8 West, DeSoto County, Mississippi, more particularly described as follows, to-wit:

Commencing at an iron pin near the intersection of the centerline of Goodman Road with the centerline of Hurt Road, said point commonly accepted as the North Quarter corner of Section 34; thence run South 00 degrees, 15 minutes, 33 seconds West a distance of 2636.38 feet to a point; thence run North 89 degrees, 59 minutes, 33

seconds East a distance of 36.68 feet to a half inch iron pin found on the East right of way line of Hurt Road (80 feet wide), said point being the Southwest corner of the IRENE H. OETH property as recorded in Deed Book 69, Page 167 of the Chancery Records of said County; thence run North 89 degrees 59 minutes, 33 seconds East along the South line of said OETH property a distance of 1315.21 feet to a set iron pin and the Point of Beginning; thence run North 89 degrees, 59 minutes, 33 seconds East along the South line of said OETH property a distance of 108.91 feet to a half-inch iron pin found at the Northwest corner of the J. T. SHANNON LUMBER COMPANY property as recorded in Deed Book 171, on page 669 of said Chancery Clerk records; thence run South 00 degrees, 11 minutes, 30 seconds West along the West line of said SHANNON LUMBER COMPANY property a distance of 400.00 to a one inch iron pin found at the Southwest corner of said SHANNON LUMBER COMPANY PROPERTY, said point being on the North right of way line of Cole Road (60 feet wide public road); thence run South 89 degrees, 59 minutes, 33 seconds West along the North right of way line of Cole Road a distance 108.91 feet to a set iron pin on said North right of way line; thence run North 00 degrees, 11 minutes, 30 seconds East a distance of 400.00 feet to the point of beginning and containing 1.00 acres of land. Bearings are based on the centerline of Hurt Road having an assumed bearing of North 00 degrees, 11 minutes, 30 seconds East.

ALSO KNOWN AS LOT 1, PREFERRED INDUSTRIAL SUBDIVISION, REVISION ONE, in Section 34, Township 1 South, Range 8 West, DeSoto County, Mississippi, as per Plat thereof recorded in Plat Book 40, Page 4, in the Office of the Chancery Clerk of DeSoto County, Mississippi.

LESS AND EXCEPT:

(See Attached List)

THESE ITEMS ARE SPECIFICALLY EXCLUDED
FROM THIS SECURITY AGREEMENT



**CUSTOM
WOODCRAFTS**
Manufacturers of Custom Furniture

BOOK 70 PAGE 418

December 14, 1995

Trucks

1994 GMC 3500 Box Truck Vin. # 1GDKC34K6RJ501233
1985 Toyota Vin. # JT4RN55R1F0153573
1993 Chevrolet Silverado Vin. # 1GCDC14K9PZ170583
1995 Chevrolet Z71 Off Rd Vin. # 2GCEK19K251211492

Fork Lift

Yale Fork Lift-Type LP-5000 Vin. # A387786-5021352-05

Shop Machinery

SI16W-SCMI Model #SI16WA SN #AB12455
Dado Powermatic Model #66 SN #9666195
Drill press Model #R113 SN #1016 (Ritter)
Table Saw Model #66 SN #84662354 (Powermatic)
Table saw Model #66 SN #83661475 (Powermatic)
Jet Planer Model #708584 SN #8245
Sheng-Shing Sander Model # SDM-25 SN #92111703
Dewalt Radial Arm Saw Model #3436 SN #4230562
Orbit Drill Press Model #OR-1412F SN #30760
Jet Band Saw Model #WS-20-1 SN #650055
Binks Glue Pump SN #41-8530
Jet Band Saw Model #JBS-14MW SN #401438
Imperial-Grass Hinge Drill SN #12516
ALTENDORF-AKZENT Model #V31 SN #91-11-626

State of Mississippi
County of DeSoto

Personally appeared before me, the undersigned Notary Public in and for the State and County aforesaid, the within named William C. Jones, President of Custom Woodcrafts, Inc., who acknowledged that he executed and delivered the above and foregoing instrument on the day and year therein mentioned as his free and voluntary act and deed he being first duly authorized so to do.

Witness my hand and official seal of office this the 13th day of December, 1995.



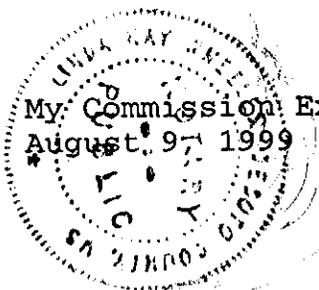
My Commission Expires:
August 9, 1999

Linda Kay Hodge
NOTARY PUBLIC

State of Mississippi
County of DeSoto

Personally appeared before, the undersigned Notary Public for the State and County aforesaid, the within named Kellie Anderson, Small Business Lending Officer of Union Planters National Bank, who acknowledged that she executed and delivered the above and foregoing instrument on the day and year therein mentioned as her free and voluntary act and deed, she being first duly authorized so to do.

Witness my hand and official seal of office, this the 13th day of December, 1995.



My Commission Expires:
August 9, 1999

Linda Kay Hodge
NOTARY PUBLIC