

LEASEHOLD MORTGAGE

STATE OF ARKANSAS)
) ss.
COUNTY OF CRAIGHEAD)

KNOW ALL MEN BY THESE PRESENTS:

This Mortgage is made and entered into this ____ day of _____, 1989, by and among Delta Inc. of Arkansas, an Arkansas corporation whose address and principal place of business is 4800 Krueger Drive, Jonesboro, Arkansas 72401 (hereinafter called "Mortgagor") and MNC Credit Corp (hereinafter called "Mortgagee"), a corporation organized under the laws of the State of Maryland.

WHEREAS, Mortgagor is the lessee under a Lease Agreement dated June 1, 1976, from the City of Jonesboro, Arkansas, as lessor, such Lease appearing of record at Book 8, page 1 of the miscellaneous records of the Jonesboro or Western District of Craighead County, Arkansas, and such Lease being modified by a First Supplemental Lease and Agreement dated October 13, 1977, from the City of Jonesboro, Arkansas, as lessor, to Mortgagor, which appears of record at Book 8, page 645 of the miscellaneous records of the Jonesboro or Western District of Craighead County, Arkansas, which Lease and First Supplemental Lease and Agreement covers the north 285 feet of Tract I as described on Exhibit A attached hereto;

WHEREAS, Mortgagor is the lessee under a Lease dated September 1, 1977, from the City of Jonesboro, Arkansas, as lessor, which Lease appears of record at Book 8, page 649 of the miscellaneous records of the Jonesboro or Western District of Craighead County, Arkansas, covering the north 285 feet of Tract I as described on Exhibit A attached hereto;

WHEREAS, Mortgagor is the lessee under a Lease from the City of Jonesboro, Arkansas, dated September 1, 1979, which appears of record at Book 10, page 23 of the miscellaneous records of the Jonesboro or Western District of Craighead County, Arkansas, covering the property described as Tracts I and II on Exhibit A attached hereto.

WHEREAS, the aforementioned Lease Agreements, as modified, constitute all leases pursuant to which Mortgagor has the use and occupancy of the property described on Exhibit A (all such leases being referred to herein as "the Leases");

WHEREAS, the fee title to the premises described in the Leases and described on Exhibit A attached hereto is vested in the City of Jonesboro, subject to the aforesaid Leases and subject to the exceptions shown on Exhibit B attached hereto;

NOW, THEREFORE Delta Inc. of Arkansas, by its President and Secretary, duly authorized by lawful resolution of its Board of Directors, for a valuable consideration, does hereby grant, bargain, sell, convey and deliver unto MNC Credit Corp (hereinafter called "Mortgagee"), a corporation organized under the laws of the State of Maryland, and unto its successors and assigns, all of Mortgagor's right, title and interest and leasehold estate created by the Leases which cover the property ("the Property") described on Exhibit A attached hereto and made a part hereof for all purposes.

In addition, this Mortgage also conveys all of Mortgagor's rights to the use and occupancy of the buildings and improvements now or at any time hereafter located on the Property, together with all of the equipment, fixtures and replacements thereof now or at any time hereafter located in any such building or on the Property regardless of method of annexation or removability, including, without limitation, all electrical equipment, (including lighting equipment, refrigeration equipment, ceiling fans, attic and window fans, motors and all other electrical paraphernalia) except items attached merely by plugging in wall sockets; all furnaces (including floor furnaces), heaters, radiators and all other heating equipment; all bath tubs, toilets, sinks, basins, pipes and other plumbing equipment; all screens, awnings, and window shades; all linoleum and other permanent floor coverings, all engines and elevators, and all renewals, replacements and substitutions therefor, and Mortgagor pledges any and all profits, rents and income accruing in connection with the Property herein conveyed as set forth in Paragraph (8) of this Mortgage.

2. TO HAVE AND TO HOLD the above-described leasehold estates and interest of Mortgagor unto Mortgagee, its successors and assigns for and during all of the rest, residue and remainder of the term of years yet to come and unexpired under the terms of the Leases, together with all improvements thereunto belonging.

3. And Mortgagor covenants with Mortgagee, its successors and assigns, that Mortgagor will forever warrant and defend the leasehold estate covering all said Property against all lawful claims whatever, except the claim of the City of Jonesboro as lessor under the Leases.

4. It is provided, however, that the foregoing conveyance is given as a mortgage for the purpose of securing the following:

(a) Term Loans and Advances made by Mortgagee to Mortgagor up to a maximum amount of Ten Million Dollars (\$10,000,000) as the same may be advanced and repaid from time to time, such Term Loans and Advances to be advanced, bear interest and be repaid as provided in the Revolving Credit, Term Loan and Security Agreement dated September 21, 1987, among Hurt Industries, Inc., Delta, Inc. of Arkansas, Advance Plastics, Inc., and MNC Credit Corp (the "Loan Agreement") and all renewals, extensions and rearrangements of the above liability (hereinafter called the "Obligations"); and

(b) The repayment to Mortgagee of all reimbursable expenses which are advanced by Mortgagee under the provisions of this mortgage. Unless otherwise accelerated, the Obligations are due and payable in full on September 24, 1994.

Upon the full and final payment of all such sums, this Mortgage will become void and will be released by a proper marginal notation or, at the option of the Mortgagee, by a release to be recorded at the expense of Mortgagor.

5. Mortgagor warrants, covenants and agrees:

- (a) To pay the Obligations secured hereby promptly and in accordance with the terms of the instruments evidencing such Obligations.
- (b) To fully comply with the terms, conditions and obligations of the Loan Agreement and any loan agreement, security agreement, stock pledge, mortgage or other security instrument of any kind securing or pertaining to any of the Obligations.
- (c) To pay, prior to delinquency, all rents, taxes, special improvement assessments and other governmental charges against the Property, both real and personal, at any time levied or becoming due, including, but not limited to, all assessments and governmental charges payable under the Leases.
- (d) To carry insurance, with an insurance company licensed to do business in the State of Arkansas, upon all insurable property encumbered hereby against such hazards, in such amounts and under such form of policy or policies as is customary for businesses similar to Mortgagor's business, with such policies to be reasonably satisfactory to Mortgagee. Each insurance policy shall carry a loss payee clause in favor of Mortgagee in such form as may be approved by Mortgagee, and copies of each policy or a certificate thereof shall be delivered to and held by Mortgagee, together with evidence of payment of premiums thereon. Such insurance policies shall provide that they are not cancellable as to Mortgagee without at least thirty (30) days' prior written notice having been given to Mortgagee. Upon the occurrence of an insurable property or casualty loss, and for so

long as the payments required under any of the Obligations are made when due, Mortgagor may, subject to the terms of the Loan Agreement, apply such insurance proceeds as it may determine, except that amounts received on account of damage to or destruction of property shall be used either to repair or replace such damaged property with property of similar or greater value, provided that such replaced, reconstructed or repaired property shall secure the payment of the Obligations under the terms of this Mortgage. Mortgagor agrees to carry public and product liability insurance against claims for personal injury, death or property damage suffered by others. In each instance Mortgagor shall have the right to select the insurer, subject to Mortgagee's right to reject the proposed insurer for reasonable cause.

- (e) To prevent the property from becoming encumbered by any lien or charge having priority over, or on a parity with, the lien of this Mortgage, except for Permitted Encumbrances, as defined in the Loan Agreement; and to comply with all statutes, ordinances, and regulations relating to such Property.
- (f) To protect the Property from waste, injury or unusual deterioration and, without subjecting the Property to any statutory lien, to make all replacements and repairs necessary to keep the Property in good physical condition. In that connection, Mortgagor may not remove or substantially remodel or alter any structure on the Property in such a manner as to reduce the value of the Property without the prior written consent of Mortgagee.

- (g) To allow Mortgagee to make or cause to be made, at all reasonable times, inspections and appraisals of the Property and any of Mortgagor's assets located at the Property.
- (h) To allow Mortgagee to make or cause to be made at all reasonable times inspections and audits of any books, records and papers in the custody or control of Mortgagor or others, relating to Mortgagor's financial or business condition, including the making of copies thereof and extracts therefrom.
- (i) Mortgagor's principal place of business is at 4800 Krueger Drive, Jonesboro, Arkansas 72401. Mortgagor will promptly notify Mortgagee in writing of any change of location of its principal place of business of Mortgagor.
- (j) All information supplied and statements made by Mortgagor in any financial, credit or accounting statement or application for credit made or delivered to Mortgagee by or on behalf of Mortgagor prior to, contemporaneously with or subsequent to the execution of this Mortgage are and shall be true, correct, complete, valid and genuine as of the date such information was prepared.
- (k) Mortgagor covenants that Mortgagor is lawfully seized of the estate hereby conveyed and has the right to mortgage the property described herein.
- (l) To keep and perform all covenants, terms and conditions imposed on the Mortgagor under the terms of the Leases, and Mortgagor will not commit, permit, suffer or allow any breach of the terms and conditions imposed on the Mortgagor under the Leases.

- (m) Mortgagor will neither permit nor commit any act which would grant to the lessor under the Leases the right to declare a forfeiture or termination of the Leases. As of the date hereof no default has been made in regard to any of the provisions of the Leases and the interest of the Mortgagor is free from any and all forms of grants, mortgages, encumbrances and claims of any nature whatsoever.
- (n) Mortgagor will give to Mortgagee immediate written notice of any default or claimed default under the Leases immediately upon receipt by Mortgagor of any notice of default from the lessor under the Leases. Mortgagor shall furnish to Mortgagee any information it may request concerning the performance by Mortgagor of the covenants of the Leases. Mortgagor will promptly deposit with Mortgagee exact copies of any notices, communications, plans, specifications, or other instruments or documents received or given by it and in any way relating to or affecting the Leases or in any way relating to or affecting the estate of the Mortgagor under the Leases.
- (o) In the event Mortgagor shall at any time neglect or fail to comply with any of the provisions of the Leases, Mortgagee is hereby expressly irrevocably authorized, but without obligation to do so, to take such action as it deems necessary to comply with any and all provisions of the Leases, and any such action taken by Mortgagee shall be binding and conclusive upon Mortgagor. If any such action requires the expenditure of any funds by Mortgagee, the repayment thereof, with interest at the highest rate of interest then allowed by law, shall be secured by the lien of this mortgage.

6. The Mortgagee may, at its option, declare the entire unmatured portion of all Obligations secured hereby, together with all interest accrued on the entire secured debt, to be immediately due and payable, and the same shall forthwith become immediately due and payable, without notice to anyone, in any one of the following events:

- (a) Upon the filing by or against Mortgagor of any petition under any provision of the Federal Bankruptcy Code, as then in effect, which petition remains unstayed and in effect for more than forty-five (45) days.
- (b) Upon the occurrence of any event which, at the option of the secured party, constitutes a default under the terms of the Loan Agreement or any other security agreement, stock pledge guaranty, mortgage or other security instrument of any kind securing or pertaining to any of the Obligations.
- (c) If default shall be made in any payment required by the Obligations, which default shall continue for more than ten (10) days from the date such payment was required.
- (d) If Mortgagor shall default in performance of any of the terms and conditions imposed on the Mortgagor under the terms of the Leases.
- (e) If Mortgagor shall fail to comply with any of the warranties, covenants and agreements contained in Paragraph (5) of this Mortgage.
- (f) If at any time it should appear that Mortgagor has attempted to sell free from the lien of this Mortgage any personal property or removable fixture encumbered hereby, or is about to attempt such a sale; or that any personalty or removable fixture encumbered hereby has been, or is about to

be, moved to a different jurisdiction without replacement, subjected to physical damage or unusual deterioration, seized under legal process, or subjected by the Mortgagor or a third party to any other disposition.

- (g) If at any time it shall appear that any financial statement or other representation made to obtain the loan or any other obligation secured hereby shall prove to have been misleading in any material respect; or that Mortgagor's title to the Property, or any portion thereof, is subject to any prior lien, title or interest not mentioned in this Mortgage as a prior encumbrance.
- (h) If Mortgagor shall sell, convey, lease or otherwise transfer or attempt to transfer title, ownership, possession or the right to use and enjoyment of the Property or any portion thereof. Mortgagor agrees, and notice is hereby given, that the foregoing acceleration provisions will be applicable not only to the maturities recited in the Obligations but also to any substituted maturities created by extension or renewal or to any other indebtedness secured hereby. The failure of the Mortgagee to declare an acceleration of maturities when a ground therefor exists, even though such forbearance may be repeated from time to time, will not constitute a waiver of the right of Mortgagee to accelerate maturities upon a reoccurrence of the same ground therefor; nor will the act of Mortgagee in remedying any condition resulting from Mortgagor's default bar Mortgagee from declaring an acceleration of maturities by reason of such default.

7. If Mortgagee shall, in its sole discretion, expend any sum or sums for the protection of any of the Property or the lien of the Mortgage, the repayment of such sum or sums on demand, with interest thereon at the highest rate allowed by law from the date of each expenditure, shall be the personal obligation of the Mortgagor, and such obligation to repay will constitute a part of the Obligations secured hereby. Reimbursable expenditures will include, without limiting the foregoing, taxes, special improvement assessments, insurance premiums, repairs and maintenance expenses, watchmen's compensation, sums paid to discharge prior liens, rents on premises in which mortgaged personalty may be situated, and the like. The cost of any abstract or supplemental abstract procured by Mortgagee to facilitate foreclosure will also constitute a part of the reimbursable expense secured hereby. Mortgagee may collect all such reimbursable expenses through the enforcement of every right and remedy provided for enforcement of payment of the Obligations secured hereunder.

8. In the event of a default as specified in paragraph (6), Mortgagee may declare all of the sums secured by this Mortgage to be immediately due and payable without further demand and may foreclose this Mortgage by judicial proceeding. In addition, the Mortgagee may enter upon, take and maintain possession of all or any part of the Property, and may hold, manage and operate the Mortgagor's interest in the Property as lessee and collect any rents, issues and profits therefrom for such times and on such terms as Mortgagee may deem necessary, with the net income so collected being applied to the Obligations secured by this Mortgage and exercise such other rights with respect to the Property as are granted to Mortgagee under the Loan Agreement and applicable law. Mortgagee shall be entitled to collect in such proceeding all expenses of foreclosure, including but not limited to reasonable attorney's fees and expenses, and costs of documentary evidence, abstracts, and title reports. All remedies provided in this Mortgage are distinct and cumulative to any

other right or remedy under this Mortgage or afforded by law or equity, and may be exercised concurrently, independently, or successively.

9. If the properties covered hereby, or any part thereof, shall be condemned and taken for public or quasi-public use under any power of eminent domain, Mortgagee shall have the right to demand that all damages awarded for the taking of or injury to the properties shall be paid to Mortgagee to the full extent of any of the Obligations secured hereby, whether or not then matured.

10. The Mortgagor releases all right of appraisement hereunder and also releases unto the Mortgagee all right of redemption under the laws of Arkansas including particularly all right of redemption under the Act of May 8, 1899, and to the full extent permitted by law all rights under the Acts of the General Assembly of the State of Arkansas entitled "An Act to Regulate the Foreclosure of Mortgages," approved February 9, 1933.

11. The execution and delivery of this Mortgage in no manner shall impair or affect any other security (by endorsement or otherwise) for the payment of the Obligations and no security taken hereafter as security for payment of the Obligations shall impair in any manner or affect this Mortgage, all such present and future additional security to be considered as cumulative security. Any of the Property may be released from this Mortgage without altering, varying or diminishing in any way the force, effect, lien, security interest, or charge of this Mortgage as to the Property not expressly released, and this Mortgage shall continue as a lien, security interest and charge on all of the Property not expressly released until all the Obligations secured hereby have been paid in full.

12. This Mortgage shall not be construed as relieving Mortgagor from full personal liability on the Obligations and any and all future and other indebtedness secured hereby and for any deficiency thereof.

13. Notwithstanding any other provision in this Mortgage or in the Obligations, Mortgagor shall never be liable for interest on the Obligations at a rate in excess of the maximum rate of interest permitted by applicable law.

14. Mortgagee is hereby subrogated to all of Mortgagor's interest, rights and remedies in respect to the Property and all security now or hereafter existing with respect to the Obligations and all guaranties and endorsements thereof and with respect thereto.

15. Any notice or demand to Mortgagor hereunder or in connection herewith may be given and shall conclusively be deemed and considered to have been given and received upon the deposit thereof, in writing, duly stamped and addressed to Mortgagor at the address first shown hereinabove, in the United States mails; but actual notice, however given or received, shall always be effective.

16. In the event any items, terms or provisions in this instrument are held to be in conflict with governing law, this instrument shall be affected only as to its application to such items, terms or provisions, and shall in all other respects remain in full force and effect.

17. All references in this Mortgage to "Mortgagee" shall be deemed to include the Mortgagee's successors or assigns. All obligations of Mortgagor shall bind its successors or assigns.

18. To the extent permitted by law, this mortgage shall be governed by and construed in accordance with the laws of the State of New York.

EXECUTED on this ____ day of _____, 1989.

DELTA INC. OF ARKANSAS

BY _____
Title: _____

ATTEST:

Secretary

M O R T G A G O R

STATE OF ARKANSAS)
) ss.
COUNTY OF CRAIGHEAD)

ACKNOWLEDGMENT

On this the ____ day of _____, 1989, before me, a Notary Public, duly commissioned, qualified and acting within and for the County and State aforesaid, appeared in person _____ and _____, to me well known, who stated that they were the _____ and _____ of Delta Inc. of Arkansas, and were duly authorized in their respective capacities to execute the foregoing instrument for and in the name and on behalf of said Delta Inc. of Arkansas, and further stated and acknowledged that they had so signed, executed and delivered said foregoing instrument for the consideration, uses and purposes therein mentioned and set forth.

IN TESTIMONY WHEREOF, I have hereunto set my hand and seal the day and year aforesaid.

Notary Public

My commission expires:

Lands located in the Western District of Craighead County, Arkansas, to wit:

TRACT I: A part of the Southwest Quarter of the Northwest Quarter of Section 26, Township 14 North, Range 4 East, being more particularly described as follows: Begin at the Southeast corner of the Southwest Quarter of the Northwest Quarter of Section 26, Township 14 North, Range 4 East; thence South 88 degrees 44 minutes West along the South line of aforesaid Southwest Quarter of the Northwest Quarter 76.0 feet to the point of beginning proper; thence continue South 88 degrees 44 minutes West along the South line of the aforesaid Southwest Quarter of the Northwest Quarter 578.9 feet; thence North 0 degrees 17 minutes West 660.0 feet; thence North 88 degrees 44 minutes East 578.9 feet; thence South 0 degrees 17 minutes East 660.0 feet to the point of beginning proper, containing 8.77 acres.

TRACT II: A part of the Southwest Quarter of the Northwest Quarter of Section 26, Township 14 North, Range 4 East, being more particularly described as follows: Begin at the Southeast corner of the Southwest Quarter of the Northwest Quarter of Section 26, Township 14 North, Range 4 East; thence South 88 degrees 44 minutes West along the South line of aforesaid Southwest Quarter of the Northwest Quarter 76.0 feet; thence continue South 88 degrees 44 minutes West along the South line of aforesaid Southwest Quarter of the Northwest Quarter 578.9 feet, which is the point of beginning proper; thence continuing South 88 degrees 44 minutes West 66.0 feet; thence North 0 degrees 17 minutes West 660.0 feet; thence North 88 degrees 44 minutes East 66.0 feet; thence South 0 degrees 17 minutes East 660.0 feet to the point of beginning proper, containing 1 acre, more or less.

EXHIBIT A