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Eugene "Gene" Moore Fee: \$36.00
Cook County Recorder of Deeds
Date: 11/19/2004 09:04 AM Pg: 1 of 7

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Security Agreement
Dated November 12, 2004
Between
Clybourn Investment Group, LLC
And
Mongoose Capital, Inc.

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MAIL TO
AFTER RECORDING:
MONGOOSE CAPITAL, INC.
244 CALIFORNIA STREET
SUITE 300
SAN FRANCISCO, CA 94111
ATTN: NICHOLAS LEVENSTEIN

Box 400-CTCC

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SECURITY AGREEMENT

\$485,000.00

San Francisco, California
November 12, 2004

This Security Agreement (the "**Agreement**") is dated as of November 12, 2004, by and between Clybourn Investment Group, LLC, an Illinois limited liability company, with its mailing address at 1320 North Wood Street, Chicago, Illinois 60622 (the "**Borrower**"), and Mongoose Capital, Inc., an Illinois corporation with its mailing address at 244 California Street, Suite 300, San Francisco, CA 94111, as secured party hereunder (the "**Lender**").

RECITALS

WHEREAS, concurrently with the execution of this Agreement, the Borrower and the Lender have entered into that certain Credit Agreement dated as of the date hereof (the "**Credit Agreement**"), pursuant to which the Lender has agreed to extend a loan to the Borrower in accordance with the terms thereof;

WHEREAS, concurrently with the execution of this Agreement, the Borrower and the Lender have entered into that certain Promissory Note dated as of the date hereof (the "**Promissory Note**"), pursuant to which the Borrower has agreed to repay the loan from Lender in accordance with the terms thereof; and

WHEREAS, as a condition precedent to making the loan to the Borrower, the Lender has required, among other things, that the Borrower grant to the Lender a security interest in certain real property of the Borrower, as collateral security for such loan and related obligations pursuant to this Agreement;

NOW, THEREFORE, for and in consideration of the loan extended by the Lender and the execution and delivery by the Lender of the Credit Agreement and the Promissory Note, and other good and valuable consideration, receipt whereof is hereby acknowledged, the parties hereto hereby agree as follows:

AGREEMENT

Capitalized terms used in this Agreement which are not defined herein shall have the meanings designated in the Credit Agreement.

1. Grant of Security Interest in the Collateral.

(a) The Borrower hereby grants to the Lender a security interest (second only to the primary lien holder, Bridgeview Bank Group) in, and acknowledges and agrees that the Lender has and shall continue to have a continuing secondary security interest in, the right, title and interest of the Borrower, whether now existing or hereafter acquired or arising, in and to, that certain real property located at 1275-1281 North Clybourn Avenue, Chicago, Illinois 60610 (the "**Collateral**"), which is to be purchased by the Borrower using the loan extended by the Lender under the Credit Agreement. All terms which are used in this Agreement which are defined in the Uniform Commercial Code of the State of California as in effect from time to time (the "**Code**") shall have the same meanings herein as such terms are defined in the Code, unless this Agreement shall otherwise specifically provide.

(b) This Agreement is made and given to secure, and shall secure, the prompt payment or performance in full when due, whether by lapse of time, acceleration or otherwise, of (i) all indebtedness, obligations and liabilities of the Borrower under or in connection with or evidenced by (x) the Credit Agreement, (y) the Promissory Note or (z) this Agreement or any other Loan Document in each case whether now existing or hereafter arising, due or to become due, direct or indirect, absolute or contingent, and howsoever evidenced, held or acquired, and (ii) all expenses and charges, legal and otherwise, incurred by the Lender in collecting or enforcing any of such indebtedness, obligations and liabilities or in realizing on or protecting any security therefor, including,

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without limitation, the security afforded hereunder (all of such indebtedness, obligations, liabilities, expenses and charges identified in the immediately foregoing clauses (i) and (ii) being hereinafter referred to as the "**Secured Obligations**").

2. Perfection of Security Interest in the Collateral. Upon purchase of the Collateral by the Borrower, the Borrower or an escrow agent shall immediately register the title to the Collateral with the appropriate local assessor's or recorder's office, showing the Lender as the secondary lien holder, and shall promptly send to the Lender by overnight mail a copy of such registered title. The Borrower shall execute any and all documents, and take any and all actions, necessary or appropriate to enable the Lender to perfect its security interest in the Collateral.

3. Covenants, Agreements, Representations and Warranties. So long as any Secured Obligations or any obligation to extend the same remain outstanding, the Borrower hereby covenants and agrees with, and represents and warrants to, the Lender that:

(a) The Borrower is a limited liability company duly organized and validly existing in good standing under the laws of the State of Illinois. The Borrower is, or will be, the sole lawful owner of the Collateral and has the sole right, power and lawful authority to deliver this Agreement and to perform each and all of the matters and things herein provided for.

(b) The Borrower's chief executive office and chief place of business is at 1320 North Wood Street, Chicago, Illinois 60622.

(c) The Borrower's legal name and state of organization is correctly set forth in the first paragraph of this Agreement.

(d) The Collateral and every part thereof is and will be free and clear of all security interests, liens, attachments, levies and encumbrances of every kind, nature and description and whether voluntary or involuntary, except for the security interest of the primary lien holder and the Lender therein. The Borrower will warrant and defend the Collateral against any claims and demands of all persons (other than the primary lien holder) at any time claiming the same or any interest in the Collateral adverse to the Lender.

(e) The Borrower will promptly pay when due all taxes, assessments, and governmental charges and levies upon or against the Borrower or its operations or the Collateral or any other property of the Borrower, in each case before the same become delinquent and before penalties accrue thereon, unless and to the extent that the same are being contested in good faith by appropriate proceedings which preclude interference with the operation of the Borrower's business in the ordinary course, and the Borrower shall have established adequate reserves therefor.

(f) The Borrower will not, without the Lender's prior written consent, sell, assign, lease or otherwise dispose of the Collateral or any interest therein, except to the primary lien holder, the Lender, or purchasers of the condominiums that will be developed as part of the Collateral.

(g) To the extent the Borrower is in possession of the Collateral, and upon reasonable notice and without interruption to the Borrower's business, the Lender or its representatives shall have access to and the right to inspect the premises of the Collateral.

(h) The Borrower agrees to execute and deliver to the Lender such endorsements, agreements, and assignments or other instruments and documents and to do all such other things as the Lender may deem necessary or appropriate to assure the Lender its security interest and the priority thereof hereunder, including such instruments as the Lender may from time to time require in order to comply with the Code and any other applicable law. In the event the law of any jurisdiction other than California becomes or is applicable to the Collateral or any part thereof, the Borrower agrees to execute and deliver all such instruments and to do all such other things as the Lender in its sole discretion deems necessary or appropriate to preserve, protect and enforce the security interest of the Lender under the law of such other jurisdiction to at least the same extent as such security interest would be protected under the Code. Subject to the rights of the primary lien holder, the Lender shall, after an Event of Default, have the right

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to take physical possession of the Collateral and to maintain such possession. If the Lender exercises its right to take possession of the Collateral, the Borrower shall, upon Lender's demand, make it available to the Lender, and the Borrower shall at its expense perform any and all other steps requested by Lender to preserve and protect the security interest hereby granted in the Collateral.

(i) The Borrower will not modify, compromise, extend, rescind or cancel the title of the Collateral or any other document, instrument or agreement relating thereto or consent to a postponement of strict compliance on the part of any party thereto with any material term or provision thereof.

(j) The Borrower will do all things that a prudent investor would deem necessary or desirable to maintain, preserve and protect the Collateral.

(k) On failure of the Borrower to perform any of the covenants and agreements herein contained, the Lender may at its option perform the same and in so doing may expend such sums as the Lender may deem advisable in the performance thereof, including without limitation the payment of any insurance premiums, the payment of any taxes, liens and encumbrances, expenditures made in defending against any adverse claims and all other expenditures which the Lender may be compelled to make by operation of law or which the Lender may make by agreement or otherwise for the protection of the security hereof. All such sums and amounts so expended shall be repayable by the Borrower immediately without notice or demand, shall constitute additional Secured Obligations hereunder and shall bear interest from the date said amounts are expended at the rate of 40% per annum (computed on the basis of a year of 365 or 366 days, as the case may be for the actual number of days elapsed) (such rate per annum being hereinafter referred to as the "Default Rate"). No such performance of any covenant or agreement by the Lender on behalf of the Borrower, and no such advancement or expenditure therefor, shall relieve the Borrower of any default under the terms of this Agreement or in any way obligate the Lender to take any further or future action with respect thereto. The Lender in making any payment hereby authorized may do so according to any bill, statement or estimate procured from the appropriate public office or holder of the claim to be discharged without inquiry into the accuracy of such bill, statement or estimate or into the validity of any tax assessment, sale, forfeiture, tax lien or title or claim. The Lender in performing any act hereunder shall be the sole judge of whether the Borrower is required to perform the same under the terms of this Agreement.

4. Power of Attorney. Subject to the rights of the primary lien holder, and in addition to any other powers of attorney contained herein, the Borrower appoints the Lender and its nominees, or any other person whom the Lender may designate as the Borrower's attorney in fact, with full power to take any necessary actions or execute any necessary documents with respect to the Collateral. The Borrower hereby ratifies and approves all acts of any such attorney and agrees that neither the Lender nor any such attorney will be liable for any acts or omissions nor for any error of judgment or mistake of fact or law other than their gross negligence or willful misconduct. The foregoing power of attorney, being coupled with an interest, is irrevocable until the Secured Obligations have been fully satisfied.

5. Defaults and Remedies.

(a) Any Event of Default under the Credit Agreement shall constitute an "Event of Default" under this Agreement.

(b) Upon the occurrence and during the continuation of any Event of Default hereunder, the Lender shall have, subject to the rights of the primary lien holder, in addition to all other rights provided herein or by law, the rights and remedies of a secured party under the Code (regardless of whether the Code is the law of the jurisdiction where the rights or remedies are asserted), and further the Lender may, without demand and without advertisement or notice, all of which the Borrower hereby waives, at any time or times, sell and deliver any or all Collateral held by it for its public or private sale, for cash, upon credit or otherwise, at such prices and upon such terms as the Lender deems advisable, or the Lender may develop the Collateral as it deems advisable. In addition to all other sums due the Lender hereunder, the Borrower shall pay the Lender all costs and expenses incurred by the Lender, including a reasonable allowance for attorneys' fees and court costs, in obtaining, liquidating or enforcing payment of Collateral or Secured Obligations or in the prosecution or defense of any action or proceeding by or against the Lender or the Borrower concerning any matter arising out of or connected with this Agreement or the Collateral or Secured Obligations, including without limitation any of the foregoing arising in, arising under or

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related to a case under the United States Bankruptcy Code. Any requirement of reasonable notice shall be met if such notice is personally served on or mailed, postage prepaid, to the Borrower at the mailing address shown at the beginning of this Agreement at least ten (10) days before the time of sale or other event giving rise to the requirement of such notice. The Borrower hereby waives all of its rights of redemption from any such sale. Subject to the provisions of applicable law, the Lender may postpone or cause the postponement of the sale of all or any portion of the Collateral by announcement at the time and place of such sale, and such sale may, without further notice, be made at the time and place to which the sale was postponed or the Lender may further postpone such sale by announcement made at such time and place.

(c) Failure by the Lender to exercise any right, remedy or option under this Agreement or any other agreement between the Borrower and the Lender or provided by law, or delay by the Lender in exercising the same, shall not operate as a waiver. No waiver by the Lender shall be effective unless it is in writing, signed by the Lender and then only to the extent specifically stated. For purposes of this Agreement, an Event of Default hereunder shall be construed as continuing after its occurrence until the same is waived in writing by the Lender. Neither the Lender, nor any party acting as attorney for the Lender, shall be liable hereunder for any acts or omissions or for any error of judgment or mistake of fact or law other than their gross negligence or willful misconduct. The rights and remedies of the Lender under this Agreement shall be cumulative and not exclusive of any other right or remedy that the Lender may have.

6. Continuing Agreement. This Agreement shall be a continuing agreement in every respect and shall remain in full force and effect until all of the Secured Obligations, both for principal and interest, have been fully paid and satisfied. Upon such termination of this Agreement, the Lender shall, upon the request of the Borrower, forthwith release all its liens and security interests hereunder.

7. Sales of Units of Collateral. Upon the sale of a unit of the Collateral, the Lender agrees to release its security interest in such unit upon terms to be agreed upon between the Lender and the Borrower.

8. Miscellaneous.

(a) This Agreement cannot be changed or terminated orally. This Agreement shall create a continuing security interest in the Collateral and shall be binding upon the Borrower, its successors and assigns and shall inure, to the benefit of the Lender and its successors and assigns; provided, however, that the Borrower may not assign its rights or delegate its duties hereunder without the Lender's prior written consent. The Borrower hereby releases the Lender from any liability for any act or omission relating to the Collateral or this Agreement, except the Lender's, as appropriate, gross negligence or willful misconduct.

(b) All communications provided for herein shall be in writing, except as otherwise specifically provided for hereinabove.

(c) In the event that any provision hereof shall be deemed to be invalid by reason of the operation of any law or by reason of the interpretation placed thereon by any court, this Agreement shall be construed as not containing such provision, but only as to such jurisdictions where such law or interpretation is operative, and the invalidity of such provision shall not affect the validity of any remaining provision hereof, and any and all other provisions hereof which are otherwise lawful and valid shall remain in full force and effect.

(d) This Agreement shall, to the extent permitted by applicable law, be deemed to have been made in the State of California and shall be governed by and construed in accordance with the laws of the State of California, without regard to principles of conflicts of laws. The venue and jurisdiction for any dispute arising under or in connection with this Agreement shall be the San Francisco Superior Court located in San Francisco, California, and no other venue or jurisdiction shall be used. All terms which are used in this Agreement which are defined in the Code shall have the same meanings herein as said terms do in the Code unless this Agreement shall otherwise specifically provide. The headings in this instrument are for convenience of reference only and shall not limit or otherwise affect the meaning of any provision hereof.

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(e) The Borrower, by its execution hereof, acknowledges and agrees that it is and remains liable for the performance of any and all of its obligations under the Collateral to the same extent as though this Agreement had not been made. The Borrower acknowledges that this Agreement constitutes an assignment of rights of the Borrower and not an assignment of any duties or obligations of the Borrower with respect to the Collateral, it being understood that the Lender shall not in any manner be responsible for the performance of any such duties or obligations.

(f) This Agreement may be executed in any number of counterparts and by different parties hereto on separate counterparts, each constituting an original, but all together one and the same instrument.

IN WITNESS WHEREOF, the Borrower has caused this Agreement to be duly executed as of the date first above written.

CLYBOURN INVESTMENT GROUP, LLC

By: 

Name: Michael Gaylor

Title: Manager

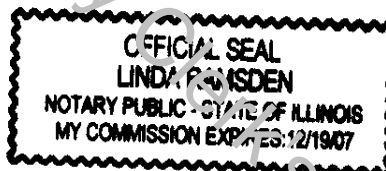
Accepted and agreed to as of the date first above written.

MONGOOSE CAPITAL, INC.

By: _____

Name: Nicholas Levenstein

Title: President



Linda Ramsden

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STREET ADDRESS: 1275 N. CLYBOURN

CITY: CHICAGO

COUNTY: COOK

TAX NUMBER: 17-04-122-086-0000 ; 087 ; 088 ; 089 ~~A~~ 090 .

LEGAL DESCRIPTION:

LOTS 4, 5, 6, 7, 8 AND 9 IN SUBDIVISION OF LOT 22 IN BUTTERFIELD ADDITION TO CHICAGO, BEING A SUBDIVISION OF THE WEST 1/2 OF THE NORTHWEST 1/4 AND THE SOUTHEAST 1/4 OF THE NORTHWEST 1/4 OF SECTION 4, TOWNSHIP 39 NORTH, RANGE 14, EAST OF THE THIRD PRINCIPAL MERIDIAN, IN COOK COUNTY, ILLINOIS.

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