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SECURITY AGREEMENT

This SECURITY AGREEMENT is made as of the January 15, 1993, by Richard Smulski to and Undivided 1/2 and Henry Smulski and Rose Smulski, as Joint Tenants, to an Undivided 1/2, whose address is P.O. Box 6376 Rockford Illinois, 61125, ("Debtor") and FIRST FEDERAL SAVINGS BANK, F.S.B. ("Secured Party" or "Assignee").

RECITALS:

A. Debtor has borrowed sums from and is indebted to Secured Party for the repayment thereof;

B. Debtor executed and delivered to Secured Party a promissory note of even date ("Note") payable to the order of Secured Party in the principal amount of Fifty Five Thousand and No/100ths (\$55,000.00) Dollars to evidence the loan to Debtor of such principal amount ("Loan"), which Loan is secured by, among other things, a Commercial Real Estate Mortgage ("Mortgage") on the real estate described in Exhibit A attached hereto ("Premises");

C. The Note, Mortgage and other loan documents defined in the Mortgage between Debtor and Secured Party are referred to herein as the "Loan Documents"; and

D. Secured Party requires, and Debtor is willing to enter into a security agreement with respect to the collateral hereinafter described.

NOW, THEREFORE, to secure the performance of the covenants and agreements contained herein and in the other Loan Documents, to induce Secured Party to make the Loan and to make additional disbursements under the Loan, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Debtor hereby agrees as follows:

1. Debtor hereby grants a security interest in and to and hereby sells, conveys, confirms, mortgages and sets over unto Secured Party and its successors and assigns all goods, types and items of property owned by Debtor which are described in Paragraph 2 below (hereinafter collectively called the "Collateral") whether nor or hereafter erected on or placed in or upon the Premises or any part thereof, and all replacements thereof and accessions thereto and all proceeds thereof. Debtor represents and covenants that (i) except for the security interest granted hereby, Debtor is the owner of the Collateral

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COOK COUNTY RECORDER
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free from any adverse lien, security interest or encumbrance and (ii) Debtor will, upon request from Secured Party, deliver to Secured Party such further security agreements, chattel mortgages, financing statements and evidence of ownership of such items as Secured Party may specify in such request.

2. The security interest granted to Secured Party hereby shall cover all assets of the Debtor including, without limitation, Inventory, Equipment, Accounts, Chattel Paper, Documents, Instruments, and General Intangibles (as those terms are defined in Paragraph 3 below) of the Debtor, whether now owned or possessed or hereafter acquired by the Debtor, all additions and accessions thereto, and all proceeds, including insurance proceeds, from the sale or other disposition of such assets. In addition, Debtor hereby grants to Secured Party an express security interest in the following types or items of property now or hereafter owned by Debtor and used or usable in connection with the Premises: all machinery, apparatus, equipment, goods, systems, fixtures and property of every kind and nature whatsoever now or hereafter located in or upon or affixed to the Premises, or any part thereof, and used or usable in connection with any present or future operation of the Premises, and now owned or hereafter acquired by Debtor including, but without limitation of the generality of the foregoing, all heating, lighting, incinerating, refrigerating, ventilating, air-conditioning, air-cooling, lifting, fire-extinguishing, plumbing, cleaning, communications and power equipment, systems and apparatus; all elevators, escalators, switchboards, engines, motors, tanks, pumps, screens, storm doors, storm windows, shades, blinds, awnings, floor coverings, ranges, stoves, refrigerators, washers, dryers, cabinets, furniture, partitions, conduits, ducts and compressors; all china, other dishware, glassware, linens and uniforms; all food and beverages; engineering, maintenance and housekeeping supplies, including cleaning materials; fuels; stationery and printing supplies; and other supplies of all kinds; and all other items of personal property used in connection with the Premises. In addition, Debtor hereby grants to Secured Party an express security interest in all tenements, hereditaments, easements, appendages, licenses, privileges and appurtenances belonging or in any way appertaining to the Premises, and all interests in property, rights, contracts and franchises or any part thereof together with all the reversions and remainders, and to the extent permitted by law, all rent, tolls, issues and profits from the Premises, all security/reservation deposits made by tenants or lessees of space in or portions of the Premises, all utility and other deposits made by Debtor and connected with the Premises, all trademarks, tradenames and logos connected with

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the Premises, and all the estate, right, title, interest and claims whatsoever, at law and in equity which Debtor now has or may hereafter acquire with respect to the Premises and the Collateral.

3. When used herein, the following terms shall have the following meanings:

(a) "Accounts" means any and all rights to payment now owned or possessed or hereafter acquired by the Debtor for goods sold or leased or for services rendered, whether or not they have been earned by performance, and all other property of the Debtor now or hereafter classified as accounts under the Code (as defined in Paragraph 4 below).

(b) "Chattel Paper" means a writing or writings which evidence both a monetary obligation and a security interest in or a lease of specific goods as well as all other property of the Debtor now or hereafter classified as chattel paper under the Code. When a transaction is evidenced both by such a security agreement or a lease and by an instrument or a series of instruments, the group of writings taken together constitutes Chattel Paper.

(c) "Document" means document of title as defined in the general definitions of Article 1 of the Code, and a receipt of the kind described in subsection (2) of Section 7-201 of the Code.

(d) "Equipment" means all goods, machinery, furniture, furnishings, fixtures, tools, supplies, motor vehicles and all other property used or useful in the business of the Debtor, now or hereafter owned or possessed or hereafter acquired by the Debtor, together with all additions, accessions and replacements thereto and all other property of the Debtor now or hereafter classified as equipment under the Code.

(e) "General Intangibles" means any personal property (including, without limitation, things in action, contracts, patent rights, trade secrets, copyrights, licenses, know-how and all trade names and trademarks) other than Inventory, Equipment Accounts, Chattel Paper, Documents, Instruments and money.

(f) "Instrument" means a negotiable instrument (defined in Section 3-10-4 of the Code), a certificates security (defined in Section 8-102 of the Code) or any other writing which evidences a right to the payment of money and is not itself a

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security agreement or lease and is of a type which is in the ordinary course of business transferred by delivery with any necessary endorsement or assignments.

(g) "Inventory" means all raw materials, work in process, finished products, materials used or consumed in the Debtor's business and all property of every kind and description intended for sale or lease or to be furnished under contracts of service in the Debtor's business, now owned or possessed or at any time hereafter acquired by the Debtor, including such property repossessed by or returned to the Debtor, and all other property of the Debtor now or hereafter classified as inventory under the Code.

4. If a default shall occur under the Mortgage, Note or other Loan Documents and shall continue beyond the expiration of any applicable grace and notice periods, Secured Party shall have all rights and remedies available to Secured Party under the Loan Documents and all rights and remedies of a "secured party" under the Illinois Uniform Commercial Code, Ch. 26, Illinois Revised Statutes ("Code"). Debtor hereby waives all rights that may legally be waived and agrees that fifteen (15) days notice by Secured Party to Debtor is fair and reasonable notification under the Code of any public sale of any of the Collateral and is also fair and reasonable notification after which any private sale or other disposition of the Collateral can occur. The reasonable expenses of retaking, holding, preparing for sale, selling and the like incurred by Secured Party in connection with the enforcement or assertion of any rights or remedies of Secured Party shall be included in the indebtedness secured hereby and shall include, but not be limited to, attorneys fees and legal expenses incurred by Secured Party. Debtor agrees that, without the written consent of Secured Party, Debtor will not remove or permit to be removed from the Premises any of the Collateral except that so long as the Debtor is not in default hereunder, Debtor shall be permitted to sell or otherwise dispose of the Collateral in the ordinary course of Debtor's business or when obsolete, worn out, inadequate, unserviceable or unnecessary for use in the operation of the Premises, but only upon replacing the same with, or substituting for the same, other Collateral at least equal in value and utility to the initial value and utility of that disposed of and in such a manner that said replacement or substituted Collateral shall be subject to the security interest created hereby and that the security interest of Secured Party shall be perfected and prior to any other security interest, it being expressly understood and agreed that all replacements, substitutions and additions to the Collateral shall be and become immediately subject to the

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IN WITNESS WHEREOF, I have hereunto set my hand and the seal of the County of Cook, Illinois, this _____ day of _____, 20__.

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security interest of this Security Agreement and covered hereby. Debtor covenants and represents that all Collateral now is, and that all replacements thereof, substitutions therefor or additions thereto, unless the Secured Party otherwise consents, will be, free and clear of any other liens, encumbrances, title retention devices and security interests.

5. Debtor, upon request by Secured Party from time to time, shall execute, acknowledge and deliver to Secured Party, a separate security agreement, financing statement or other similar security instruments, in form satisfactory to Secured Party, covering all property of any kind whatsoever owned by Debtor, which in the sole opinion of Secured Party is essential to the operations of the Premises and which constitutes goods within the meaning of the Code or concerning which there may be any doubt whether the title to same has been conveyed by or security interest perfected by this Security Agreement, and Debtor will further execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, any financing statement, affidavit, continuation statement or certificate or other document as Secured Party may request in order to perfect, preserve, maintain, continue and extend the security interest under the priority of this Security Agreement and such security instrument. Debtor further agrees to pay to Secured Party on demand all costs and expenses incurred by Secured Party in connection with the preparation, execution, recording, filing and re-filing of any such document. Debtor shall from time to time, on request of Secured Party, deliver to Secured Party an inventory of the Collateral in reasonable detail.

6. Debtor shall (i) promptly repair or restore any of the Collateral now or hereafter on the Premises which may become damaged or be destroyed; and (ii) keep the Collateral in good condition and repair, without waste, and free from mechanics' liens or other liens or claims for lien of any kind or nature.

7. Debtor shall keep all the Collateral insured against loss or damage by fire, tornado, windstorm and extended coverage perils and such other hazards as may be reasonably required by Secured Party. All policies of insurance to be furnished hereunder shall be in forms, companies and amounts satisfactory to Secured Party with clauses attached to all casualty policies in favor of and in form satisfactory to Secured Party naming Secured Party as loss payee, and all policies shall include a provision requiring that the coverage evidenced thereby shall not be terminated or modified without thirty (30) days prior written notice to Secured Party. Debtor shall deliver copies of all policies and duplicate original certificates evidencing such

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insurance, including copies of additional and renewal policies and duplicate original certificates, together with evidence of payment of premiums thereon, to Secured Party, and, in the case of insurance about to expire, shall deliver duplicate original certificates and copies of each renewal policy not less than thirty (30) days prior to their respective dates of expiration. In case of loss or damage by fire or other casualty, Secured Party shall have the sole right and discretion to (i) settle and adjust any claim under insurance policies which insure against such risks or (ii) allow Debtor to agree with the insurance company or companies on the amount to be paid upon the loss. In either case, Secured Party is authorized to collect and receipt for any such insurance proceeds. Such insurance proceeds may, at the option of Secured Party, be either (a) applied in payment, reduction or satisfaction of the indebtedness secured hereby whether due or not, or (b) held by Secured Party and used to reimburse Debtor for the cost of replacing or repairing the Collateral. If Secured Party elects to allow Debtor to use such proceeds to repair or replace the Collateral, Debtor shall promptly repair or replace the Collateral so that the repaired or replaced Collateral is of equal or better value and utility to the initial value and utility of the damaged Collateral.

8. Each and all of the covenants and obligations of this Security Agreement shall be binding upon and inure to the benefit of the parties hereto, and except as herein otherwise specifically provided, their respective successors and assigns, subject at all times nevertheless to all agreements and restrictions contained in the Loan Documents with respect to the transfer or encumbrance of Debtor's interest in the Premises.

9. All notices, demands, deliveries and other communications required under this Security Agreement or desired by the parties hereto shall be given in the manner provided, and to the addresses specified, in the Mortgage.

10. This Security Agreement shall be construed and interpreted in accordance with, and governed by, the internal laws of the State of Illinois (without giving effect to Illinois change of law principles). Whenever possible, each provision of this Security Agreement shall be interpreted in such manner as to be effective and valid under the applicable law, but if any provisions of this Security Agreement shall be prohibited by or invalid under such law, such provision shall be ineffective to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Security Agreement.

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

DEBTOR:

BY: Richard Smulski
Richard Smulski

BY: Henry Smulski
Henry Smulski

BY: Rose Smulski
Rose Smulski

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EXHIBIT A

(LEGAL DESCRIPTION)

LOTS 25 AND 26 IN BLOCK 1 IN J. CASTELLO'S SUBDIVISION OF THE
NORTHWEST 1/4 OF THE SOUTHWEST 1/4 OF THE NORTHWEST 1/4 OF
SECTION 35, TOWNSHIP 40 NORTH, RANGE 13 EAST OF THE THIRD
PRINCIPAL MERIDIAN, IN COOK COUNTY, ILLINOIS. LEGAL DESCRIPTION

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13-35-116-010
2101-09 N Pulaski
Chgo 60639

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Property Address: 2101-09 N. Pulaski, Chicago, Illinois

Permanent Index Number: 13-35-116-010-0000

State of Illinois)
County of Winnebago } SS.

I, the undersigned, a Notary Public in and for the County and State aforesaid, do hereby certify that Richard Smulski, Henry Smulski and Rose Smulski, known to me to be the same person(s) whose name(s) is/are subscribed to the foregoing instrument, appeared before me this day in person and acknowledged to me that he/she/they signed and delivered said instrument as his/hers/theirs own free and voluntary act for the uses and purposes therein set forth.

Given under my hand and notarial seal this 21st day of January, 1993.

Barb A. Statfield
Notary Public

"OFFICIAL SEAL"
BARB A. STATFIELD
Notary Public, State Of Illinois
My Commission Expires 3/31/96

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Donald J. Pa Ford
First Federal Savings
Bank, F.S.B.
612 N. Main Street
Rockford, Ill. 61103



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JAMES J. COUGHLIN
CLERK OF COOK COUNTY
JANUARY 1, 1983

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