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LEGAL FORMS August 1996

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SECURITY AGREEMENT CHATTEL MORTGAGE (Illinois)

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AUG 27 1996
(Date)

Stephen Hummel d/b/a The Lenzi Group, 510 Independence Ave., Westmont, Dupage
(Name) (No. and Street) (City) (County) (State)

(hereinafter called "Debtor"), for valuable consideration, receipt whereof is hereby acknowledged, hereby grants to

Daniel L. Clingo, 4660 La Jolla Village Drive, Suite 500, San Diego, CA
(Name) (No. and Street) (City) (County) (State)

(hereinafter called "Secured Party" a security interest in, and mortgages to Secured Party, the following described goods and any and all additions and accessions thereto and products thereof (hereinafter called the "Collateral");
See Exhibit A attached hereto and by this reference made a part hereof.

to secure payment of the following obligations of Debtor to Secured Party (all hereinafter called the Obligations):

(i) Indebtedness of Debtor to Secured Party in the sum of One Hundred Forty-Five Thousand Dollars (\$ 145,000.00) evidenced by Debtor's promissory note(s) of even date herewith in said amount payable to the order of Secured Party as therein specified, together with interest thereon as provided in said promissory note(s) and any renewals or extensions thereof, plus all costs of collection, legal expenses and attorneys' fees incurred by Secured Party upon the occurrence of a default under this agreement, in collecting or enforcing payment of such indebtedness, or in preserving, protecting or realizing on the Collateral herein;

(ii) Any note or notes executed and delivered to Secured Party by Debtor at any time before the entire indebtedness and all liabilities secured hereby shall be paid in full, evidencing a refinancing of an unpaid balance of any of the note(s) above described;

(iii) Any and all liabilities of Debtor to Secured Party arising under this agreement.

BOX 39 CT1

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Debtor hereby warrants and covenants that

(a) The Collateral is bought or used primarily as

- Consumer goods
 - Equipment for business or farming purposes
 - Farm products
 - Inventory
- and if checked here

is being acquired with the proceeds of the note or notes, which Secured Party may disburse directly to the seller of the Collateral;

(b) If the Collateral is bought or used primarily as consumer goods, equipment for business or farming purposes, farm products, or inventory by an individual, Debtor is a resident of said State at the address shown at the beginning of this agreement;

(c) If the Collateral is bought or used primarily as equipment for business or farming purposes, farm products, or inventory by an organization, Debtor's business is ownership & operation of rental apartment properties and its chief executive office (or place of business if it has only one) is in (outside) said State at 616 Independence Ave., Westmont, IL 60559 or if left blank, is located at the address shown at the beginning of this agreement.

(d) the Collateral will be kept at 6022 Lunzi Avenue, Hodgkins, Cook County, IL
(No. and Street) (City) (County) (State)

or if left blank, at the address of the Debtor shown at the beginning of this agreement. Debtor will promptly notify Secured Party of any change in the location of the Collateral within said State; and Debtor will not remove the collateral from said State without the prior written consent of the Secured Party;

(e) If the Collateral is or is to be affixed to real estate, or is crops growing or to be grown, or standing timber, or minerals or the like (including oil and gas), or accounts situated at the well head or mine head, a description of the real estate concerned is as follows (or on attached sheet): The South 10 Foot of Lot 23 and all of Lot 24 in Block 2 in Lunzie First Addition to Hodgkins, a Subdivision in the West 1/2 of the Southwest 1/4 and the West 1/2 of the Northwest 1/4 of Section 15, Township 38 North, Range 12, East of the Third Principal Meridian, according to the Plat thereof recorded July 14, 1925 as Document 8973825, in Book 209 of Plate, Page 32, in Cook County, Illinois.

and the name of a record owner is Stephan Hummel d/b/a The Lunzi Group

Permanent Real Estate Index Number(s) 18-15-301-024-0000 & 18-15-301-040-0000

Addres(s)es of premises: 6022 Lunzi Avenue, Hodgkins, IL

Title to the above-described real estate is Recorded in the Recorder's Office Registered in Torrens. Debtor will on demand of Secured Party furnish the latter with a writing signed by all owners and encumbrancers of the real estate consenting to the security interest under this agreement or disclaiming any interest in the collateral as fixtures and Debtor will promptly notify Secured Party in writing of any such persons. **If collateral is fixtures, standing timber, minerals or accounts as aforesaid, and if this agreement is used as a financing statement, it shall be filed in the real estate records.**

The Collateral will be affixed only to the real estate described herein and will not be affixed to any other real estate so as to become fixtures on such other real estate without the prior written consent of the Secured Party.

The additional provisions set forth on the following pages hereof are hereby incorporated herein by reference and made a part of this agreement.

Signed in duplicate and delivered on the day and year first above written.

(Secured Party's signature not required)

(Secured Party)

Stephan Hummel d/b/a The Lunzi Group

(Debtor)

By *[Signature]*
The Lunzi Group

By

State of Illinois, County of Will ss.

I, the undersigned, a Notary Public in and for said County, in the State aforesaid, DO HEREBY CERTIFY that

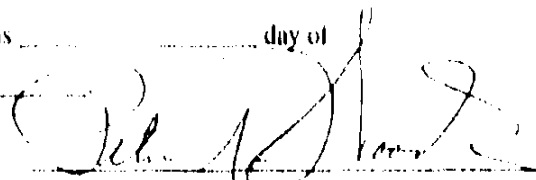
Stephan Hummel d/b/a The Lenzi Group

IMPRESS
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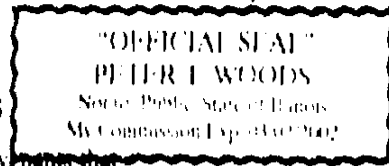
personally known to me to be the same person whose name is subscribed to the foregoing instrument, appeared before me this day in person, and acknowledged that he signed, sealed and delivered the said instrument as his free and voluntary act, for the uses and purposes therein set forth.

GIVEN under my hand and official seal this 30 day of August, 19 98

Commission expires 3-2, 19 2007



Notary Public



ADDITIONAL PROVISIONS

Further Warranties and Covenants of Debtor. Debtor hereby warrants and covenants that:

(a) Except for the security interest granted hereby Debtor is the owner of the Collateral free from any adverse lien, security interest or encumbrance; and Debtor will defend the Collateral against all claims and demands of all persons at any time claiming the same or any interest therein.

(b) No Financing Statement covering any of the Collateral or any proceeds thereof is on file in any public office. The Debtor shall immediately notify the Secured Party in writing of any change in name, address, identity or corporate structure from that shown in this Agreement and shall also upon demand furnish to the Secured Party such further information and shall execute and deliver to Secured Party such financing statements and other documents in form satisfactory to Secured Party and shall do all such acts and things as Secured Party may at any time or from time to time reasonably request or as may be necessary or appropriate to establish and maintain a perfected security interest in the Collateral as security for the Obligations, subject to no adverse liens or encumbrances; and Debtor will pay the cost of filing the same or filing or recording this agreement in all public offices wherever filing or recording is deemed by Secured Party to be necessary or desirable. A carbon, photographic or other reproduction of this agreement is sufficient as a financing statement.

(c) Debtor will not sell or offer to sell, assign, pledge, lease or otherwise transfer or encumber the Collateral or any interest therein, without the prior written consent of the Secured Party.

(d) Debtor shall keep the Collateral at all times insured against risks of loss or damage by fire (including so-called extended coverage), theft and such other casualties as Secured Party may reasonably require, including collision in the case of any motor vehicle, all in such amounts, under such forms of policies, upon such terms, for such periods and written by such companies or underwriters as Secured Party may approve, losses in all cases to be payable to Secured Party and Debtor as their interests may appear. All policies of insurance shall provide for at least ten days' prior written notice of cancellation to Secured Party. Debtor shall furnish Secured Party with certificates of such insurance or other evidence satisfactory to Secured Party as to compliance with the provisions of this paragraph. Secured Party may act as attorney for Debtor in making, adjusting and settling claims under and cancelling such insurance and endorsing Debtor's name on any drafts drawn by insurers of the Collateral.

(e) Debtor will keep the Collateral free from any adverse lien, security interest or encumbrance and in good order and repair, shall not waste or destroy the Collateral or any part thereof, and shall not use the Collateral in violation of any statute, ordinance or policy of insurance thereon. Secured Party may examine and inspect the Collateral at any reasonable time or times, wherever located.

(f) Debtor will pay promptly when due all taxes and assessments upon the Collateral or for its use or operation or upon this Agreement or upon any note or notes evidencing the Obligations.

Additional Rights of Parties. At its option, Secured Party may discharge taxes, liens or security interests or other encumbrances at any time levied or placed on the Collateral, may place and pay for insurance on the Collateral upon failure by the Debtor, after having been requested so to do, to provide insurance satisfactory to the Secured Party, and may pay for the maintenance, repair,

and preservation of the Collateral to the extent permitted by applicable law. Debtor agrees to reimburse Secured Party on demand for any payment made, or any expense incurred by Secured Party pursuant to the foregoing authorization. Until default Debtor may have possession of the Collateral and use it in any lawful manner not inconsistent with this agreement and not inconsistent with any policy of insurance thereon.

Events of Default. Debtor shall be in default under this agreement upon the occurrence of any of the following events or conditions, namely: (a) default in the payment or performance of any of the Obligations or of any covenants or liabilities contained or referred to herein or in any of the Obligations, (b) any warranty, representation or statement made or furnished to Secured Party by or on behalf of Debtor proving to have been false in any material respect when made or furnished; (c) loss, theft, substantial damage, destruction, sale or encumbrance to or of any of the Collateral, or the making of any levy, seizure or attachment thereof or thereon, or (d) death, dissolution, termination of existence, insolvency, business failure, appointment of a receiver of any part of the property of, or assignment for the benefit of creditors by, Debtor.

Remedies. Upon such default (regardless of whether the Code has been enacted in the jurisdiction where rights or remedies are asserted) and at any time thereafter (such default not having previously been cured), Secured Party at its option may declare all Obligations secured hereby immediately due and payable and shall have the remedies of a secured party under the Uniform Commercial Code of Illinois, including without limitation the right to take immediate and exclusive possession of the Collateral, or any part thereof, and for that purpose may, so far as Debtor can give authority therefor, with or without judicial process, enter (if this can be done without breach of the peace), upon any premises on which the Collateral or any part thereof may be situated and remove the same therefrom (provided that if the Collateral is affixed to real estate, such removal shall be subject to the conditions stated in the Uniform Commercial Code of Illinois); and the Secured Party shall be entitled to hold, maintain, preserve and prepare the Collateral for sale, until disposed of, or may propose to retain the Collateral subject to Debtor's right of redemption in satisfaction of the Debtor's Obligations as provided in the Uniform Commercial Code of Illinois. Secured Party without removal may render the Collateral unusable and dispose of the Collateral on the Debtor's premises. Secured Party may require Debtor to assemble the Collateral and make it available to Secured Party for possession at a place to be designated by Secured Party which is reasonably convenient to both parties. Unless the Collateral is perishable or threatens to decline speedily in value or is of a type customarily sold on a recognized market, Secured Party will give Debtor at least 5 days' notice of the time and place of any public sale thereof or of the time after which any private sale or any other intended disposition thereof is to be made. The requirements of reasonable notice shall be met if such notice is mailed, postage prepaid, to the address of Debtor shown at the beginning of this agreement at least five days before the time of the sale or disposition. Secured Party may buy at any public sale and if the Collateral is of a type customarily sold in a recognized market or is of a type which is the subject of widely distributed standard price quotations, he may buy at private sale. The net proceeds realized upon any such disposition, after deduction for the expenses of retaking, holding, preparing for sale or lease, selling, leasing and the like and the reasonable attorney's fees and legal expenses incurred by Secured Party, shall be applied in satisfaction of the Obligations secured hereby. The Secured Party will account to the Debtor for any surplus realized on such disposition and the Debtor shall remain liable for any deficiency. All rights and remedies under this agreement are subject to applicable bankruptcy law.

The remedies of the Secured Party hereunder are cumulative and the exercise of any one or more of the remedies provided for herein or under the Uniform Commercial Code of Illinois shall not be construed as a waiver of any of the other remedies of the Secured Party so long as any part of the Debtor's Obligation remains unsatisfied.

General. No waiver by Secured Party of any default shall operate as a waiver of any other default or of the same default on a future occasion. All rights of Secured Party hereunder shall inure to the benefit of its successors and assigns; and all obligations of Debtor shall bind his heirs, executors or administrators or his or its successors or assigns. If there be more than one Debtor, their obligations hereunder shall be joint and several. This agreement shall be come effective when it is signed by Debtor.

All rights of the Secured Party in, to and under this agreement and in and to the Collateral shall pass to and may be exercised by any assignee thereof. The Debtor agrees that if the Secured Party gives notice to the Debtor of an assignment of said rights, upon such notice the liability of the Debtor to the assignee shall be immediate and absolute. The Debtor will not set up any claim against the Secured Party as a defense, counterclaim or set-off to any action brought by any such assignee for the unpaid balance owed hereunder or for possession of the Collateral, provided that Debtor shall not waive hereby any right of action to the extent that waiver thereof is expressly made unenforceable under applicable law.

If any provision of this agreement shall be prohibited by or invalid under applicable 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 agreement.

EXHIBIT A
TO
SECURITY AGREEMENT CHATTEL MORTGAGE
AND
UNIFORM COMMERCIAL CODE FINANCING STATEMENT
STEPHAN HUMMEL DEB A THE LENZI GROUP - DEBTOR
DANIELLE CLINGO - SECURED PARTY

All right, title, and interest of the Debtor in and to all tangible personal property now or hereafter acquired by the Debtor and now or at any time hereafter located on or at the real property commonly known as 6022 Lenzi Avenue, Hodgkins, Cook County, Illinois (the "Property") and used in connection therewith, including but not limited to all building materials stored up on the Property, goods, machinery, tools, equipment (including fire sprinklers and alarm systems, air conditioning, heating and refrigerating equipment, equipment for electronic monitoring, entertainment, recreation, window or structural cleaning, maintenance, exclusion of vermin or insects, removal of dust, refuse or garbage, and all other equipment of every kind), appliances (including dishwashers, garbage disposal units, refrigerators, fans, heaters, stoves, microwave ovens, water heaters, and incinerators), inventories, rugs, carpets and other floor coverings, draperies and drapery rods and brackets, lighting fixtures and maintenance and other supplies, other than such property owned by tenants of the Debtor and not acquired from the Debtor subsequent to the date of this agreement.

All rents, issues, profits, royalties, income, and other benefits derived from the Property; all estate, right, title and interest of the Debtor in and to all leases or subleases now or hereafter covering the Property or any portion thereof, including without limitation, all cash or security deposits, advance rentals and deposits or payments of a similar nature, all interest, estate or other claims, both in law and in equity, which the Debtor now has or may hereafter acquire in the Property.

All the estate, interest, right, title, other claim or demand, including claims or demands with respect to the proceeds of insurance with respect to the Property, which the Debtor now has or may hereafter acquire, and any and all awards made for the taking by eminent domain, or by any proceeding or purchase in lieu thereof of the whole or any part of the Property.