

2/17/2012

17-R-12

A RESOLUTION

Authorizing the City Manager to Negotiate a CDBG Loan Agreement with Ward Eight, LLC

WHEREAS, the Congress of the United States passed Public Law 93-383, Title I of the Housing and Community Development Act of 1974, which established the Community Development Block Grant ("CDBG") Program; and

WHEREAS, the City of Evanston (the "City") is an "Entitlement City" by definition in said Acts, and as such, is eligible to make application to the United States Department of Housing and Urban Development ("HUD") for said grant programs; and

WHEREAS, and the Community Development Block Grant-Recovery funds ("CDBG-R funds"), which is part of the American Recovery and Reinvestment Act of 2009, have been allocated for economic development activities in or near census tract 8102, which comprises the City's south Neighborhood Revitalization Strategy Area ("NRSA").

WHEREAS, the City seeks to loan \$130,000.00 (One Hundred Thirty Thousand and no/100 Dollars) of CDBG-R funds to Ward Eight, LLC, an Illinois limited liability company, for an economic development project to operate a new business in the City and said funds will be used for equipment, inventory, fixtures, and other appropriate uses under HUD guidelines (the "Loan"); and

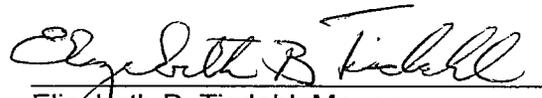
WHEREAS, Ward Eight, LLC will be occupying the commercial space on the first floor of the city property located at 629 Howard Street, Evanston, Illinois (the "Property");

**NOW THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF
THE CITY OF EVANSTON, COOK COUNTY, ILLINOIS:**

SECTION 1: The City Manager or his designee is hereby authorized and directed to review and underwrite the Loan, using the applicable HUD criteria for CDBG-R funds.

SECTION 2: If the City Manager or his designee determines that Ward Eight, LLC is qualified and approved to be recipient of the Loan, then the City Manager or his designee is authorized to negotiate further all corresponding loan documents between the City and Ward Eight, LLC.

SECTION 3: In the event that the Loan is approved, the City Manager is also authorized to execute loan documents in substantial conformity with the attached documents. Attached as Exhibit "A" is a project agreement, Exhibit "B" is the promissory note for the Loan, Exhibit "C" is the commercial guaranty for the Loan, and Exhibit "D" is the security agreement for the Loan.


Elizabeth B. Tisdahl, Mayor

Attest:


Rodney Greene, City Clerk

Adopted: February 27, 2012

EXHIBIT "A"

PROJECT AGREEMENT

Loan Agreement dated as of March 15, 2012, **WARD EIGHT LLC, an Illinois limited liability company**, individuals (the "Borrower"), and the **CITY OF EVANSTON, ILLINOIS**, an Illinois municipal corporation ("City"), as Grantee under a Grant Agreement with the United States Department of Housing and Urban Development, and subject to the provisions of said loan. The Borrower and the City shall be referred to herein as the "Parties". The Parties hereto hereby agree as follows:

ARTICLE 1

DEFINITIONS AND ACCOUNTING TERMS

SECTION 1.01. Defined Terms. As used in this Agreement, the following terms have the following meanings (terms defined in the singular to have the same meaning when used in the plural and vice versa):

"Affiliate" means any Person (1) which directly or indirectly controls, or is controlled by, or is under common control with the Borrower or a Subsidiary; (2) which directly or indirectly beneficially owns or holds five percent (5%) or more of any class of voting stock of the Borrower or any Subsidiary; or (3) five percent (5%) or more of the voting stock of which is directly or indirectly beneficially owned or held by the Borrower or a Subsidiary. The term control means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract, or otherwise.

"Agreement" means this Loan Agreement, as amended, supplemented, or modified from time to time.

"Borrower" is the person, persons, or entity owing money under this agreement or combination thereof.

"Business Day" means any day other than a Saturday, Sunday or other day on which commercial banks in Illinois are authorized or required to close under the laws of the State of Illinois.

"Collateral" means all property subject to the Lien granted by the Security Agreement, and/or Mortgage.

"Debt" means (1) indebtedness or liability for borrowed money or for the deferred purchase price of property or services (including trade obligations); (2) obligations as lessee under capital leases; (3) current liabilities in respect of unfunded vested benefits under any retirement plans; (4) obligations under letters of credit issued for the account of any Person; (5) all obligations arising under acceptance facilities; (6) all

guaranties, endorsements (other than for collection or deposit in the ordinary course of business), and other contingent obligations to purchase, to provide funds for payment, to supply funds to invest in any Person, or otherwise to assure a creditor against loss; funds to invest in any Person, or otherwise to assure a creditor against loss; and (7) obligations secured by a Lien on property owned by the Person, whether or not the obligations have been assumed.

"Event of Default" means any of the events specified and provided that any requirement for the giving of notice, the lapse of time, or both, or any other condition, has been satisfied.

"GAAP" means generally accepted accounting principles in the United States.

"Guarantor" means names of all guarantors – those who own 20% or more of business.

"Guaranty" means the Note to be delivered by the Guarantor under the terms of this Agreement.

"Head Office" means City Hall, 2100 Ridge Avenue, Evanston, Illinois 60201.

"Liens" means any mortgage, deed of trust, pledge, security interest, hypothecation, assignment, deposit arrangement, encumbrance, lien (statutory or other), or preference, priority, or other security agreement or preferential arrangement, charge, or encumbrance of any kind of nature whatsoever (including, without limitation, any conditional sale or other title retention agreement, any financing lease having substantially the same economic effect as any of the foregoing, and the filing of any financing statement under the Uniform Commercial Code or comparable law of any jurisdiction to evidence any of the foregoing).

"Loan" will have the meaning assigned to such term in ARTICLE II.

"Loan Documents" means this Project Agreement, the Promissory Note, the Security Agreement, and the Commercial Lease Agreement.

"Note" will have the meaning assigned to such term in ARTICLE II.

"CDBG" means Community Development Block Grant – Recovery Program governed by the program rules and regulations under the Housing and Community Development Act of 1974, as amended.

"Person" means an individual, partnership, corporation, business trust, joint stock company, trust, unincorporated association, joint venture, governmental authority, or other entity of whatever nature.

"Security Agreement" means the Security Agreement to be delivered by the Borrower under the terms of this Agreement.

"Subsidiary" means, as to any Person, corporation of which shares of stock having ordinary voting power (other than stock having such power only by reason of the happening of a contingency) to elect a majority of the board of directors or other managers of such corporations is at the time owned, or the management of which is otherwise controlled, directly, or indirectly through one or more intermediaries, or both, by such Person.

SECTION 1.02. Project Description. Borrower will be opening a wine bar business called "Ward Eight" at 629 W. Howard Street, Evanston, Illinois 60202. Ward Eight will be an owner-operated neighborhood bar and eatery. The establishment will be serving cocktails, craft beer, boutique wines, and seasonal food to its customers. The loan funds will be used in accordance with the terms of this Agreement to enable the Borrower to begin operating the subject business.

SECTION 1.03. Borrower Representations. The Borrower represents and warrants that it is duly organized and existing under the laws of State of Illinois and is in good standing as necessary in the State of Illinois. The Borrower represents it has the power to enter into this Agreement and other Loan Documents required under this agreement. That by proper action in accordance with its organizational documents has been duly authorized to execute and deliver this Agreement and all documents required under its terms. The Borrower covenants that this Agreement does not contravene any law or contractual restriction binding or affecting the Borrower, and that the Agreement will be legal, valid, and binding obligations of the Borrower, and further that as of the date of this agreement the Borrower represents that no event or change of condition has occurred which is a material (as defined by the Securities and Exchange Commission) which would affect the ability of the Borrower to perform its obligations hereunder on a timely basis.

A. As of the date of this Agreement there is no suit, action, or proceeding pending or threatened as to which outcome would be materially adverse effect on the Borrower.

B. The Borrower and all entities affiliated with the Borrower have filed all tax returns required to be filed by them and paid all taxes required as show on those returns.

C. The Borrower represents that it has a DUNS (Data Universal Numbering System) number, in order facilitate disbursement of loan funds properly under federal guidelines.

SECTION 1.04. Accounting Terms. All accounting terms not specifically defined herein will be construed in accordance with generally accepted accounting principles consistent with those applied in the preparation of the financial statements, and all financial data submitted pursuant to this Agreement will be prepared in accordance with such principles.

SECTION 1.05. Security Interests. The Borrower hereby grants a security interest in and to all equipment (as defined in Article 9 of the Illinois Uniform Commercial Code), machinery, apparatus, fittings, and other tangible personal property from the use of the proceeds of this Loan Document and Note. Including but not limited to, all the property described in "Exhibit A"; and any other now owned or hereafter acquired machinery, apparatus, equipment, and betterment.

ARTICLE II

AMOUNT AND TERMS OF THE LOAN

SECTION 2.01. Amount of Loan. The City agrees based on the terms and conditions hereinafter set forth, to make a loan (the "Loan") to the Borrower on the date of this Agreement in the principal sum of **One Hundred Thirty Thousand and no/100 Dollars (\$130,000.00)**.

SECTION 2.02. Interest. The Borrower will pay interest to the City on the outstanding and unpaid principal amount of the Loan made under this Agreement at a rate per annum equal to **four percent (4%)**. Any principal amount not paid when due (at maturity, by acceleration, or otherwise) will bear interest thereafter until paid at a rate, which will be eighteen percent (18%).

SECTION 2.03. Term Note. The Borrower's obligation to repay the Loan will be evidenced by its promissory note (the "Note") in substantially the form of Exhibit B hereto and payable to the order of the City.

SECTION 2.04. Indebtedness. The Borrower will not incur any long-term indebtedness for borrowed money or guarantee any such long-term indebtedness or issue debt securities of any type without the written consent of the City other than (a) in replacement of existing or maturing debt (b) in the ordinary course of business consistent with prior practice.

SECTION 2.05. Payment of Funds. The Parties acknowledge and agree that the Loan funds will be used for payment of Eligible Uses, defined *supra* in Section 2.07, and payment will be made to the vendors directly by the City after determination of eligibility. In addition, the parties will later agree on the amount of working capital funds and a disbursement schedule. The funds shall be fully disbursed on or before August 15, 2012 to the Borrower and payment made to the vendors no later than September 30, 2012.

SECTION 2.06. Access to Information. Upon request and reasonable notice of the City, the Borrower agrees to provide any and all receipts, invoices, statements, accounts, etc., for the project, as the City may deem necessary, for its review of the project costs and management. Further, during the course of this Agreement ongoing access to the Borrowers books, contracts, records, and properties for review of the

operations of the Borrower. The Borrower agrees to provide the City with the following documents prior to funding under this Agreement:

- Projected Cash Flow for 10 years;
- Budget including operating cash flow;
- Amount of the Monetary Investment from Borrower;
- Business Plan for the operation of the wine bar and restaurant;
- Project Timeline

SECTION 2.07. Microenterprise Assistance. The Borrower's business, prior to execution of this Project Agreement, must meet or exceed the qualification standards for a microenterprise set by HUD.

A. Purpose: The microenterprise business will employ five or fewer persons, including the business owner or owners.

B. Eligibility: The Borrower has been previously determined to be eligible for assistance, and has met a low-moderate income test; that is the Borrower (business owners) has an income which does not exceed 80% of the area median income, which is based on family size and gross annual income. The Borrower represents that the business for which this assistance qualifies as a microenterprise, defined as having 5 or fewer employees (including business owner).

C. Eligible Use of Funds:

i. Funds can be used to purchase capital equipment and fixtures including, but not limited to, processing or display equipment; computer hardware; office furniture; display fixtures, or other equipment and fixtures that directly support the business activities of the applicant. The City intends to file a UCC lien on the business.

ii. Funds can also be used for working capital purposes. The City intends to file a UCC lien on the business.

iii. Program funds can be directed to purchase inventory for the business.

iv. Software that is specifically related to the business activity of the Borrower may be purchased with the funds.

v. Other uses not specified and deemed appropriate by the City, will be considered, including attorney fees or professional services, provided that it is in the Borrower's Project Budget.

D. Ineligible Use of Funds:

i. Refinancing of existing debt and payment of interest as a result of interim financing is an ineligible use of funds.

ii. Rental payments for the commercial business to the Landlord and rental payments for Borrower's residence.

iii. Motor Vehicles cannot be purchased or leased with funds.

E. Disbursement of Funds: City disbursement of loan funds will be based on a mutually agreed upon schedule and based on documented costs between the City and the Borrower. The type of documentation required will be based on the expense to be paid for; i.e. equipment/working capital/inventory/repairs, etc.. The loan funds must be drawn on or before August 15, 2012.

ARTICLE III

GENERAL PROVISIONS

SECTION 3.01. Amendments. No amendment, modification, termination, or waiver of any provision of any Loan document to which the Borrower is a party, nor consent to any departure by the Borrower from any Loan Document to which it is a party, will in any event be effective unless the same will be in writing and signed by both parties, and then such waiver, consent, or extension will be effective only in the specific instance and for the specific purpose for which given.

SECTION 3.02. Notices. All notices and other communications provided for under this Agreement and under the other Loan Documents to which the Borrower is a party will be in writing (including telephone facsimile communication) and mailed or telephone facsimiles or delivered it to the Borrower, at its address at:

Ward Eight LLC
631 Howard, Unit 2
Evanston, IL 60202

And if to the City, at its address at:

City of Evanston
Community and Economic Development Department
2100 Ridge Avenue
Evanston, IL 60201

With a copy to:
City of Evanston Law Department
Attn: W. Grant Farrar, Corporation Counsel
2100 Ridge Avenue, Room 4400
Evanston, IL 60201

or as to each party at such other address as will be designated by such party in a written notice to the other party complying as to delivery with the terms of this Section 3.02. All such notices and communications shall, when mailed or telephone facsimile, be effective when deposited in the mails or delivered to the telegraph company, respectively, addressed as aforesaid, except that notices to the City pursuant to the provisions of Article II shall not be effective until received by the City.

SECTION 3.03. No Waiver Remedies. No failure on the part of the City to exercise, and no delay in exercising, any right, power, or remedy under any Loan Documents shall not operate as a waiver thereof; nor shall any single or partial exercise of any right under any Loan Documents preclude any other or further exercise thereof or the exercise of any other right. The remedies provided in the Loan Documents are cumulative and not exclusive of any remedies provided by law.

SECTION 3.04. Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the Borrower and the City and their respective successors and assigns, except that the Borrower may not assign or transfer any of its rights under any Loan Document to which the Borrower is a party without the prior written consent of the City.

SECTION 3.05. Business Contemplated. This Agreement requires the Borrower to maintain the nature and type of business contemplated by the parties upon execution of this Agreement, operation of a wine bar and restaurant within the corporate limits of the City of Evanston, and failure to do so will be considered a non-monetary default, of the Note (Exhibit B).

SECTION 3.06. Costs, Expenses, and Taxes. Upon an Event of Default under the Loan Documents, the Borrower agrees to pay on demand all costs and expenses in connection with the collection of any of the loaned amounts, including without limitation the reasonable fees and out-of-pocket expenses of counsel for the City, and local counsel who may be retained by said counsel, with respect thereto and with respect to advising the City as to its rights and responsibilities under any of the Loan Documents, and all costs and expenses, if any, in connection with the enforcement of any of the Loan Documents. In addition, the Borrower shall pay any and all stamp and other taxes and fees payable or determined to be payable in connection with the execution, delivery, filing, and recording of any of the Loan documents and the other documents to be delivered under any such loan collection efforts.

SECTION 3.07. 24 CFR Part 570, Subpart K (Labor Standards) or Davis-Bacon. After staff review, it has been determined by the City, acting through its Community and Economic Development Director, that this activity is primarily related to financing and that the City has no direct control or authority over any construction activity within the commercial space subject to this Agreement, other than those arising by operation of law concerning building, fire, safety, etc. codes, adopted from national or state sources and uniformly enforced in the municipality.

SECTION 3.08. Indemnity. The Borrower will indemnify and hold harmless the City and its officers, officials, agents, and employees from and against any and all losses (including reasonable attorneys' fees), by it or them while it or they are acting in good faith to carry out the transactions contemplated by this Loan Document, and related Agreements. Except as otherwise provided in this Agreement, Borrower shall protect, indemnify and save City and its officers, agents, attorneys, and employees harmless from and against any and all obligations, liabilities, costs, damages, claims and expenses of whatever nature arising from this Agreement in any way, including any contracts entered into for the construction of the improvements, operation of the business, or otherwise, or arising from any negligent or willful act of Tenant. Tenant shall pay for all of Landlord's costs of suit and attorneys fees and expenses.

SECTION 3.09. Governing Law. This Agreement and the Note shall be governed by, and constructed in accordance with, the laws of the State of Illinois.

SECTION 3.10. Severability of Provisions. Any provision of any Loan Document, which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions of such Loan Document or affecting the validity or enforceability of such provision in any other jurisdiction.

SECTION 3.11. Headings. Article and Section headings in the Loan Documents are included in such Loan Documents for the convenience of reference only and shall not constitute a part of the applicable Loan Documents for any other purpose.

ARTICLE IV

REGULATIONS

The following laws and regulations govern the use of the proceeds of these funds and Borrower must acknowledge and agree to adhere to the following regulations:

SECTION 4.01. Statutes.

- A. Housing and Community Development Act of 1974, as amended; P.L.93-383 42 U.S.C. 5301, et. seq;
- B. National Environmental Policy Act of 1969;
- C. Civil Rights Act of 1964 - Title VI;
- D. Civil Rights Act of 1968 - Title VIII;
- E. Housing and Community Development Act of 1968, as amended, (Section 3);
- F. Rehabilitation Act of 1973, as amended;
- G. Age Discrimination Act of 1975, as amended;
- H. Uniform Relocation and Real Property Acquisition Policies Act of 1970, as amended;
- I. Flood Disaster Protection Act of 1973;
- J. Hatch Act;
- K. Lead-Based Paint Poisoning Prevention Act.

SECTION 4.02. Executive Orders.

- A. Executive Order 11246, as amended by Executive Orders 11375 and 12086 (Non-Discrimination);
- B. Executive Order 11063, as amended by Executive Orders 12259 (Equal Opportunity/Non Discrimination);
- C. Executive Orders 11988 and 11288 (Flood Hazards and Prevention, Control and Abatement of Water Pollution)

SECTION 4.03. Regulations.

- A. 24 CFR Part 58 (Environmental);
- B. 24 CFR Part 1 (Civil Rights);
- C. 41 CFR Chapter 60 (Non-Discrimination)
- D. 24 CFR Part 107 (Equal Opportunity/Non-Discrimination)
- E. 24 CFR Part 42 (Relocation/Acquisition)
- F. 24 CFR Part 570, Subpart K (Labor Standards)
- G. OMB Circular A-87 (Cost Principles)
- H. OMB Circular A-102 (Uniform Administrative Requirements)
- I. 24 CFR Part 35 (Lead-Based Paint Poisoning)
- J. 24 CFR 570 (CDBG - Economic Development)

Including an ongoing project determination of and in accordance with CFR 570.209 as follows:

1. The project costs are reasonable;
2. That all sources of the project financing are committed;
3. That to the extent practicable, CDBG funds are not substituted for non-Federal financial support;
4. That the project is financially feasible;

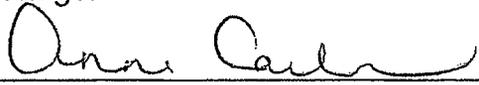
- 5. That to the extent practicable, the return on the owner's equity investment will not be unreasonably high;
- 6. That to the extent practicable, CDBG funds are distributed on a pro-rata basis with other financing.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their respective officers thereunto duly authorized, as of the date first above written.

WARD EIGHT LLC

By:  _____
Name: Cody Modeer

Its: Manager

By:  _____
Name: Anne Carlson

Its: Manager

CITY OF EVANSTON

By:  3/22/12 _____
CED Director, as designee for City Manager
Community and Economic Development Department

EXHIBIT B

PROMISSORY NOTEName and Address of Borrower:

Ward Eight LLC
629 Howard Street
Evanston, IL 60202

Dated: August 15, 2012

1. BORROWER'S PROMISE TO PAY

FOR VALUE RECEIVED, the undersigned, Ward Eight LLC, an Illinois limited liability company (referred to hereafter as the "Borrower"), promise to pay to the order of the City of Evanston, an Illinois home rule municipal corporation, acting through its Community and Economic Development Department, with its principal office located at 2100 Ridge Avenue, Evanston, Illinois (the "Lender"), in the manner provided in this Note, the principal sum of \$130,000.00 (One Hundred Thirty Thousand and 00/100 Dollars) (the "Loan"), the security interest will be secured by a Uniform Commercial Code financing statement (the "UCC Financing Statement") and security agreement (the "Security Agreement") against the Borrower's equipment and fixtures ("Equipment and Fixtures") to be located at 629 Howard, Evanston, Illinois (the "Property") for the operation of the business, dated the date of this Note and recorded with the Cook County Recorder of Deeds on _____, 2012 and as Document Number _____ (the "Security"), together with interest computed on the basis of a 360 day year, from the date of disbursement on the balance of principal remaining from time to time unpaid at an annual rate equal to the greater of four percent (4.00%). Any principal amount not paid when due (at maturity, by acceleration, or otherwise) will bear interest thereafter until paid at a rate, which will be eighteen percent (18%). The Lender or anyone who takes this Note by transfer and who is entitled to receive payments under this Note will be called "Note Holder".

The funds for the Loan are provided through the Community Development Block Grant-Recovery funds ("CDBG-R funds"), part of the American Recovery and Reinvestment Act of 2009, totaling the amount of the Loan, have been allocated for economic development activities in or near census tract 8102, which comprises the City's south Neighborhood Revitalization Strategy Area (NRSA). Economic development is a high priority of the NRSA plan, which is part of the City's 2010-2014 Consolidated Plan to achieve the community development goals for south Evanston. This census tract is also targeted by the City's Neighborhood Stabilization Program 2 grant to purchase, rehabilitate and re-occupy foreclosed homes in neighborhoods hardest hit by foreclosures and job losses.

CDBG-R funds will be used for economic development projects that may include:(a) Rehabilitation of commercial properties purchased by the City with TIF dollars to

address code violations and make improvements needed to attract retail or commercial tenants; and/or (b) Grants or loans to for-profit businesses, non-profit enterprises or micro-enterprises that provide economic development benefits; eligible uses of funds include: property acquisition, construction, rehabilitation or other needs, and equipment purchases.

The CDBG-R Funds shall be administered in accordance with the guidelines and requirements provided in a project agreement between the City and its Borrower (the "Project Agreement"). The Project Agreement terms are incorporated herein by reference.

2. LOAN TERM, FORGIVENESS AND REPAYMENT

The term of the Loan is ten (10) years commencing on August 15, 2012 and ending on August 14, 2022 (the "Loan Term"). The Loan will bear interest during the Loan Term at 4% interest per annum. The Loan can be pre-paid with no penalty or fee assessed against the Borrower.

3. SECURITY FOR NOTE: UCC FINANCING STATEMENT

The indebtedness evidenced by this Note (including all principal, interest, charges, fees, and expenses) is secured by the aforementioned Security, dated of even date herewith encumbering the fixtures and personal property of the Borrower. The Note, Security Agreement, and UCC Financing Statement shall be collectively referred to as the "Loan Documents" and the terms of which are hereby incorporated by this reference. The Lender will record the UCC Financing Statement following the execution of this Note, which shall remain a valid lien on the Equipment and Fixtures until the Loan is paid off in full and until the end of the Loan Term. The Note, Security Agreement, Project Agreement, and UCC Financing Statement shall be collectively referred to as the "Loan Documents" and the terms of which are hereby incorporated by this reference.

4. DEFAULT AND REMEDIES

A. The occurrence of any one or more of the following events ("Event of Default") with respect to Borrower shall constitute a default hereunder ("Default"):

- 1) If Borrower does not occupy the Property as their place of business for the duration of the Loan Term (including incidence of death of the Borrower). The Lender shall give written notice to Borrower of this Default. The Borrower shall have a period of thirty days to cure the Default ("Occupancy Cure Period").
- 2) If all or any part of the Fixtures and Equipment or any interest in it is sold or transferred (or if a legal or beneficial interest in Borrower's interest in the Fixtures and Equipment is sold or transferred) without Lender's prior written consent.
- 3) If a default or event of default occurs and is continuing under any representation or covenant under the Loan Documents.

- 4) If a default or event of default occurs and is continuing under any other mortgage or loan agreement encumbering the Fixtures and Equipment.
- 5) Borrower or any beneficiary thereof shall (i) file a petition for liquidation, reorganization, or adjustment of debt under Title 11 of the United States Code or any similar law, state or federal, whether now or hereafter existing, or (ii) file any answer admitting insolvency or inability to pay debts, or (iii) fail to obtain a vacation or stay of involuntary proceedings within ten days, as hereinafter provided.
- 6) Borrower or any beneficiary thereof shall make an assignment for the benefit of creditors of this Note, or shall admit in writing of its inability to pay its debts generally as they become due, or shall consent to the appointment of a receiver or trustee or liquidator of all or any major part of the Fixtures and Equipment.

B. The Borrower also promises that, if the Event of Default specified above, 4(A)(1), shall occur (after applicable notice and the Occupancy Cure Period detailed above) before the expiration of the Loan Term, the Borrower agrees to repay to the order of the Lender or its designee an amount equal to the original principal amount of the Loan and it is immediately due and payable. Provided however, if an Event of Default is solely with respect any other Event of Default specified above in 4(A), the Borrower shall have sixty (60) days after the date on which the notice is delivered to Borrower to cure such breach, provided, however, that if the curing of such non-monetary breach cannot be accomplished with due diligence within said period of sixty (60) days then Borrower shall have such additional reasonable period of time to cure such breach as may be necessary, provided Borrower shall have commenced to cure such breach within said period, such cure shall have been diligently prosecuted by Borrower thereafter to completion ("Other Default Cure Period"). The notice shall further inform Borrower of the right to reinstate after acceleration and the right to bring a court action to assert the nonexistence of a default or any other defense of Borrower to acceleration and foreclosure. If the Borrower does not cure the Default within the specified Other Default Cure Period within the notice, then this Note is due and payable only with respect to the remaining balance of the Loan at the time of Default.

C. If the Borrower Defaults hereunder, for the 10-year loan term, the Loan shall be immediately due and owing and the principal amount of the Loan shall be immediately repaid to Lender in full, subject to the availability of net proceeds from sale of the Fixtures and Equipment. Lender can auction the Fixtures and Equipment and use the proceeds and apply it to the loan balance.

D. If any payments of interest or the unpaid principal balance due under this Note or any escrow fund payments for taxes or insurance required under the Security Agreement become overdue for a period in excess of ten days, the Borrower shall pay to Lender a late charge of \$50 per day. If any attorney is engaged by Lender, including in-house staff (a) to collect the indebtedness evidenced hereby or due under the Loan Documents, whether or not legal proceedings are thereafter instituted by Lender; (b) to represent Lender in any bankruptcy, reorganization, receivership, or other proceedings

affecting creditors' rights and involving a claim under this Note; (c) to protect the lien of any of the Loan Documents; (d) to represent Lender in any other proceedings whatsoever in connection with this Note or any of the Loan Documents or the real estate described therein; or (e) as a result of the Borrower's Default and collection efforts, the Borrower shall pay to Lender all reasonable attorneys' fees and expenses incurred or determined to be due in connection therewith, in addition to all other amounts due hereunder.

E. Lender's remedies under this Note, , and all of the other Loan Documents shall be cumulative and concurrent and may be pursued singly, successively, or together against the Borrower and any other Obligors (as defined below), the Property, and any other security described in the Loan Documents or any portion or combination of such real estate and other security, and Lender may resort to every other right or remedy available at law or in equity without first exhausting the rights and remedies contained herein, all in Lender's sole discretion. Failure of Lender, for a period of time or on more than one occasion to exercise its option to accelerate the maturity date shall not constitute a waiver of the right to exercise that option at any time during the continued existence of the Default or in the event of any subsequent Default. Lender shall not by any other omission or act be deemed to waive any of its rights or remedies hereunder unless such waiver is in writing and signed by Lender, and then only to the extent specifically set forth therein. A waiver in connection with one event shall not be construed as continuing or as a bar to or waiver of any right or remedy in connection with a subsequent event.

5. PAYMENT OF NOTE HOLDER'S COSTS AND EXPENSES

If the Lender is required to initiate legal process as the result of the Borrower's Default as described above, the Lender will have the right to be paid back for all of its costs and expenses incurred as a result of such Default, to the extent not prohibited by applicable law. Those costs and expenses include but are not limited to, reasonable attorneys' fees, court costs, and related litigation expenses.

6. BORROWER'S WAIVERS

To the extent permitted by law, the Borrower waives all rights to require the Lender to do certain things. These things are: (A) to demand payment of amounts due (known as "presentment"); (B) to give notice that amounts due have not been paid (known as "notice to dishonor"); (C) to obtain an official certification of nonpayment (known as "protest"). If more than one person signs this Note, each person is fully and personally obligated to keep all of the promises made in this Notes, including the promise to pay the full amount owed. Any person, who takes over these obligations, is also obligated to keep all promises made in this Note. The Lender may enforce its rights under this Note against each person individually or against all of us together.

7. GIVING OF NOTICES

Any notices that must be given to the Borrower under this Note will be given by delivering or by mailing by certified mail addressed to the Borrower at the address of the Property set forth above.

Any notice that must be given to the Lender under this Note will be given by delivering it or mailing it by certified mail to the Lender at the following address:

City of Evanston

Attn: Community and Economic Development Department

2100 Ridge Avenue, Room 3103

Evanston, Illinois 60201

with a copy to:

City of Evanston

Legal Department

2100 Ridge Avenue Room 4400

Evanston, Illinois 60201

8. RESPONSIBILITY OF PERSONS UNDER THIS NOTE

If more than one person signs this Note, each person is fully and personally obligated to keep all of the promises made in this Note. The Lender may enforce its rights under this Note against the signatories either individually or together. This means that both signatories, either individually or together, may be required to pay all of the amounts owned under this Note. Any person who takes over the rights or obligations of the Borrower, with the written permission of the Lender, will have all of the Borrower's rights and must keep all of the Borrower's promises made in this Note. Notwithstanding anything in the Security Agreement to the contrary, the Loan is a recourse obligation of the Borrower.

9. GOVERNING LAW AND WAIVER OF TRIAL BY JURY

This Promissory Note shall be governed by the laws of the State of Illinois. **Borrower hereby represents and warrants that it knowingly and voluntarily waives any rights to trial by jury for any litigation related to or arising out of, under, or in any way connected with the obligations of this Note.**

10. MISCELLANEOUS

The headings of sections and paragraphs in this Note are for convenience only and shall not be construed in any way to limit or define the content, scope, or intent of the provisions hereof. As used in this Note, the singular shall include the plural, and masculine, feminine, and neuter pronouns shall be fully interchangeable, where the context so requires. If any provision of this Note, or any paragraph, sentence, clause, phrase, or word, or the application thereof, in any circumstances, is adjudicated to be invalid, the validity of the remainder of this Note shall be construed as if such invalid part were never included herein. Time is of the essence of this Note.

Upon any endorsement, assignment, or other transfer of this Note by Lender or by operation of law, the term "Lender," as used herein, shall mean such endorsee, assignee, or other transferee or successor to Lender then becoming the holder of this Note.

This Note and all provisions hereof shall be binding on all persons claiming under or through the Undersigned. The terms "Undersigned" and "Borrower," as used herein, shall include the respective beneficiaries, successors, assigns, legal and personal representatives, executors, administrators, devisees, legatees, and heirs of the Undersigned and Borrower and shall be binding upon the same

In the event the Undersigned is an Illinois land trust, then this Note is executed by the Trustee, not personally but as Trustee as aforesaid in the exercise of the power and authority conferred on and vested in it as the Trustee, and is payable only out of the property specifically described in the Loan Documents securing the payment hereof, by the enforcement of the provisions contained therein. No personal liability shall be asserted or be enforceable against the Trustee because or in respect of this Note or the making, issue, or transfer thereof, all such liability, if any, being expressly waived by each taker and holder hereof, and each original and successive holder of this Note accepts the Note on the express condition that no duty shall rest on the Trustee to sequester the rents, issues, and profits arising from the property described in the Loan Documents, or the proceeds arising from the sale or other disposition thereof, but that in case of Default in the payment of this Note or of any installment hereof, the sole remedies of the holder hereof shall be by foreclosure of the UCC Financing Statement, realization on the other security given under the other Loan Documents to secure indebtedness evidenced by this Note, in accordance with the terms and provisions set forth herein, or any combination of the above.

[Signatures on following page]

The Undersigned have caused this Note to be executed as of the date first written above.

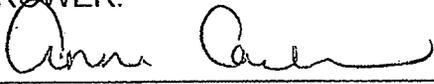
Address: 4329 N Richmond

Chicago, IL 60618

4329 N Richmond

Chicago, IL 60618

BORROWER:

By: 

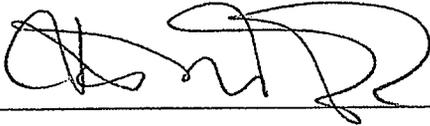
By: 

EXHIBIT "C"

GUARANTY

Borrower: Ward Eight, LLC, an Illinois limited liability company

Lender: City of Evanston, an Illinois home rule municipal corporation

Guarantors: Anne Carlson and Cody Modeer,
individuals
631 Howard Street, Unit 2
Evanston, IL 60202

Principal Amount: \$130,000.00

Loan Term: 10 years (120 months)

CONTINUING GUARANTEE OF PAYMENT AND PERFORMANCE. For good and valuable consideration, Guarantor absolutely and unconditionally guarantees full and punctual payment and satisfaction of the Indebtedness of Borrower to Lender, and the performance and discharge of all Borrower's obligations under the Note and the Related Documents. This is a guaranty of payment and performance and not of collection, so Lender can enforce this Guaranty against Guarantor even when Lender has not exhausted Lender's remedies against anyone else obligated to pay the Indebtedness or against any collateral securing the Indebtedness, this Guaranty or any other guaranty of the indebtedness. Guarantor will make any payments to Lender or its order, on demand, in legal tender of the United States of America, in same-day funds, without set-off or deduction, or counterclaim, and will otherwise perform Borrower's obligations under the Note and Related Documents. Under this Guaranty, Guarantor's liability is limited to Borrower's obligations under the Note.

INDEBTEDNESS. The word "Indebtedness" as used in this Guaranty means all of the principal amount outstanding from time to time and at any one or more times, accrued unpaid interest thereon and all collection costs and legal expenses related thereto permitted by law, attorneys' fees, arising from Borrower's obligations under the Note.

CONTINUING GUARANTY. THIS IS A "CONTINUING GUARANTY" UNDER WHICH GUARANTOR AGREES TO GUARANTEE THE FULL AND PUNCTUAL PAYMENT.

DURATION OF GUARANTY. This Guaranty will take effect when received by Lender without the necessity of any acceptance by Lender, or any notice to Guarantor or to Borrower, and will continue in full force until all the Indebtedness incurred or contracted before receipt by Lender of any notice of revocation shall have been fully and finally paid and satisfied and, all of Guarantor's other obligations under this Guaranty shall have been performed in full. If Guarantor elects to revoke this, Guaranty, Guarantor may only do so in writing. Guarantor's written notice of revocation must be mailed to Lender; by certified mail, at Lender's address listed above or such other place as Lender may designate in writing. Written revocation of this Guaranty will apply only to

new Indebtedness created after actual receipt by Lender of Guarantor's written revocation. For this purpose and without limitation, the term "new Indebtedness" does not include the Indebtedness which at the time of notice of revocation is contingent, unliquidated, undetermined or not due and which later becomes absolute, liquidated, determined or due. For this purpose and without limitation" new indebtedness" does not include all or part of the Indebtedness that is: incurred by Borrower prior to revocation; Incurred under a commitment that became binding before revocation; any renewals, extensions, substitutions, and modifications of the indebtedness. This Guaranty shall bind Guarantor's estate as to the Indebtedness created both before and after Guarantor's death or incapacity, regardless of Lender's actual notice of Guarantor's death, Subject to the foregoing, Guarantor's, executor or administrator or other legal representative may terminate this Guaranty in the same manner in which Guarantor might have terminated it and with the some effect. Release of any, other guarantor or termination of any other guaranty of the Indebtedness shall not affect the ability of Guarantor under this guaranty. A revocation Lender receives from anyone or more Guarantors shall not affect the liability of any remaining Guarantors under this Guaranty.

GUARANTOR'S AUTHORIZATION TO LENDER. Guarantor authorizes Lender, either before or after any revocation hereof upon written notice to Guarantor by Lender, without lessening Guarantor's liability under this Guaranty, from time to time: (A) prior to revocation as set forth above, to make one or more additional secured or unsecured loans to Borrower, to lease equipment or other goods to Borrower, or otherwise to extend additional credit to Borrower; (B) Intentionally Deleted; (C) to take and hold security for the payment of this Guaranty or the Indebtedness, and exchange, enforce, waive, subordinate, fail or decide not to perfect, and release any such security, with or without the substitution of new collateral; (D) to release, substitute, agree not to sue, or deal with anyone or more of Borrower's sureties, endorsers, or other guarantors on any terms or in any manner Lender may choose; (E) to determine how, when and what application of payments and credits shall be made on the Indebtedness; (F) to apply such security and direct the order or manner of sale thereof, including without limitation. any non-judicial sale permitted by the terms of the controlling security agreement or deed of trust, as Lender in its discretion may determine; (G) to sell, transfer, assign or grant participations, in all or any part-of the Indebtedness: and (H) to assign or transfer this Guaranty in whole or in part.

GUARANTOR'S REPRESENTATIONS AND WARRANTIES. Guarantor represents and warrants to Lender that (A) no representations or agreements of any kind have been made to Guarantor which would limit or qualify in any way the terms of this Guaranty; (B) Intentionally Deleted; (C) Guarantor has full power, right and authority to enter into this Guaranty; (D) the provisions of this Guaranty do not conflict with or result in a default under any agreement or other instrument binding upon Guarantor and do not result in a violation of any law, regulation, court decree or order applicable to Guarantor;" (E) Intentionally Deleted; (F) upon Lender's request, Guarantor will provide to Lender financial and credit information in form acceptable to Lender, and all such financial information which currently has been, ,and all future financial information which will be provided Lender is and will be true and correct in all material respects and fairly

present, Guarantor's financial condition as of the dates the financial information is provided; (G) no material adverse change has occurred in Guarantor's financial condition since the date of the most recent financial statements provided to Lender and no event has occurred which may materially adversely affect Guarantor's financial condition; (H) no litigation, claim, investigation, administrative proceeding or similar action (including those for unpaid taxes) against Guarantor is pending or threatened; (I) Lender has made no representation to Guarantor as to the creditworthiness of Borrower; and (J) Guarantor has established adequate means of obtaining from Borrower on a continuing basis information regarding Borrower's financial condition. Guarantor agrees to keep adequately informed from such means of any facts, events, or circumstances which might in any way affect Guarantor's risks under this Guaranty, and Guarantor further agrees that, absent a request for information, Lender shall have no obligation to disclose to Guarantor any information or documents acquired by Lender in the course of its relationship with Borrower.

GUARANTOR'S WAIVERS. Except as prohibited by applicable law, Guarantor waives any right to require Lender (A) to continue lending money or to extend other credit to Borrower; (B) Intentionally Deleted. (C) to resort for payment or to proceed directly or at once against any person, including Borrower or any other guarantor; (D) to proceed directly against or exhaust any collateral held by Lender from Borrower, any other guarantor, or any other person; (E) Intentionally Deleted; (F) to pursue any other remedy within Lender's power; or (G) to commit any act or omission of any kind, or at any time, with respect to any matter whatsoever.

Guarantor also waives any and all rights or defenses based on suretyship or impairment of collateral including, but not limited to, any rights or defenses arising by reason of (A) any "one action" or "anti-deficiency" law or any other law which may prevent Lender from bringing any action, including a claim for deficiency, against Guarantor, before or after Lender's commencement or completion of any foreclosure action, either judicially or by exercise of a power of sale; (B) any election of remedies by Lender which destroys or otherwise adversely affects Guarantor's subrogation rights or Guarantors rights to proceed against Borrower for reimbursement. including without limitation, any loss of rights Guarantor may suffer by reason of any law limiting, qualifying, or, discharging the Indebtedness; (C) any disability or other defense of Borrower, of any other guarantor, or of any other person, or by reason of "the cessation of Borrower's liability from any cause whatsoever, other than payment in full in legal tender, of the Indebtedness; (D) any right to claim discharge or the Indebtedness on the basis of unjustified impairment, of any collateral for the Indebtedness; (E) any statute of limitations, if at any time any action or suit brought by Lender against Guarantor is commenced, there is outstanding Indebtedness which is not barred by any applicable statute of limitations; or (F) any defenses given to guarantors at law or in equity other than actual payment and performance of the Indebtedness. If payment is made by Borrower, whether voluntarily or otherwise, or by any third party, on the Indebtedness and thereafter Lender is forced to remit the amount of that payment to Borrower's trustee in bankruptcy or to any similar person under any federal or state bankruptcy law or law for the relief of debtors, the Indebtedness shall be considered unpaid for the

purpose of the enforcement of this Guaranty. Guarantor further waives and agrees not to assert or claim at any time any deductions to the amount guaranteed under this Guaranty for any claim of setoff, counterclaim, counter demand, recoupment or similar right, whether such claim, demand or right may be asserted by the Borrower, the Guarantor, or both.

GUARANTOR'S UNDERSTANDING WITH RESPECT TO WAIVERS. Guarantor warrants and agrees that each of the waivers set forth above is made with Guarantor's full knowledge of its significance and consequences and that, under the circumstances, the waivers are reasonable and not contrary to public policy or law. If any such waiver is determined to be contrary to any applicable law of public policy, such waiver shall be effective only to the extent permitted by law or public policy.

SUBORDINATION OF BORROWER'S DEBTS TO GUARANTOR. Guarantor agrees that the indebtedness, whether now existing or hereafter created, shall be superior to any claim that Guarantor may now have or hereafter acquire against Borrower, whether or not Borrower becomes insolvent. Guarantor hereby expressly subordinates, any claim Guarantor may have against Borrower, upon an account whatsoever, to any claim that Lender may now or hereafter have against Borrower. In the event of insolvency and consequent liquidation of the assets of Borrower, through bankruptcy, by an assignment for the benefit of creditors, by voluntary liquidation, or otherwise, the assets of Borrower applicable to the payment of the claims of both Lender and Guarantor shall be paid to Lender and shall be first applied by Lender to the indebtedness. Guarantor does hereby assign to Lender all claims which it may have or acquire against Borrower or against any assignee or trustee in bankruptcy of Borrower; provided however, that such assignment shall be effective only for the purpose of assuring to Lender full payment in legal tender of the Indebtedness.

MISCELLANEOUS PROVISIONS. The following miscellaneous provisions are a part of this Guaranty:

Amendments. This Guaranty together with any Related Documents, constitutes the entire understanding and agreement of the parties as to the matters set forth in this Guaranty. No alteration of or amendment to this Guaranty shall be effective unless given in writing and signed by both parties.

Attorneys' Fees; Expenses. Guarantor agrees to pay upon demand all of Lender's costs and expenses, including Lender's attorneys' fees and Lender's legal expenses, incurred in connection with the enforcement of this Guaranty. Lender may hire or pay someone else to help enforce this Guaranty, and Guarantor shall pay the costs and expenses of such enforcement. Costs and expenses include Lender's attorneys' fees and legal expenses whether or not there is a lawsuit, including attorneys' fees and legal expenses for bankruptcy proceedings (including efforts to modify or vacate any automatic stay or injunction), appeals, and any anticipated post-judgment collection services.

Guarantor also shall pay all court costs and such additional fees as may be directed by the court.

Caption Headings. Caption headings in this Guaranty are for convenience purposes only and are not to be used to interpret or define the provisions of this Guaranty.

Governing law. This Guaranty will be governed by federal law applicable to Lender and, to the extent not preempted by federal law, the laws of the State of Illinois without regard to its conflicts of law provisions.

Integration. Guarantor further agrees that Guarantor has read and fully understands the terms of this Guaranty; Guarantor has had the opportunity to be advised by Guarantor's attorney with respect to this Guaranty; the Guaranty fully reflects Guarantor's intentions and parol evidence is not required to interpret the terms of this Guaranty. Guarantor hereby indemnifies and holds Lender harmless from all losses, claims, damages, and costs (including Lender's attorneys' fees) suffered or incurred by Lender as a result of any breach by Guarantor of the warranties, representations and agreements of this paragraph.

Interpretation. In all cases where there is more than one Borrower or Guarantor, then all words used in this Guaranty in the singular shall be deemed to have been used in the plural where the context and construction so require; and where there is more than one Borrower named in this Guaranty or when this Guaranty is executed by more than one Guarantor, the words "Borrower" and "Guarantor" respectively shall mean all and anyone or more of them. The words "Guarantor," "Borrower," and "Lender" include the heirs, successors, assigns, and transferees of each of them, If a court finds that any provision of this Guaranty is not valid or should not be enforced, that fact by itself will not mean that the rest of this Guaranty will not be valid or enforced. Therefore, a court will enforce the rest of the provisions of this Guaranty even if a provision of this Guaranty may be found to be invalid or unenforceable. If anyone or more of Borrower or Guarantor are corporations, partnerships, limited liability companies, or similar entities, it is not necessary for Lender to inquire into the powers of Borrower or Guarantor or of the officers, directors, partners, managers, or other agents acting or purporting to act on their behalf, and any indebtedness made or created in reliance upon the professed exercise of such powers shall be guaranteed under this Guaranty.

Notices. Any notice required to be given under this Guaranty shall be given in writing, and, except for revocation notices by Guarantor, shall be effective when actually delivered, when actually received by tele-facsimile (unless, otherwise required by law) when deposited with a nationally recognized overnight courier, or, if mailed, when deposited in the United States mail, as first class, certified or registered mail postage prepaid, directed to the addresses shown near the beginning of this Guaranty. All revocation notices by Guarantor shall be in writing and shall be effective upon delivery to Lender as provided in the section of this

Guaranty entitled "DURATION OF GUARANTY." Any party may change its address for notices under this Guaranty by giving formal written notice to the other parties, specifying that the purpose of the notice is to change the party's address. For notice purposes, Guarantor agrees to keep Lender informed at all times of Guarantor's current address. Unless otherwise provided or required by law, if there is more than one Guarantor, any notice given by Lender to any Guarantor is deemed to be notice given to all Guarantors.

No Waiver by Lender. Lender shall not be deemed to have waived any rights under this Guaranty unless such waiver is given in writing and signed by Lender. No delay or omission on the part of Lender in exercising any right shall operate as a waiver of such right or any other right. A waiver by Lender of a provision of this Guaranty shall not prejudice or constitute a waiver of lender's right otherwise to demand strict compliance with that provision or any other provision of this Guaranty. No prior waiver by Lender, nor any course of dealing between Lender and Guarantor, shall constitute a waiver of any of Lender's rights or of any of Guarantor's obligations as to any future transactions. Whenever the consent of Lender is required under this Guaranty, the granting of such consent by Lender in any instance shall not constitute continuing consent to subsequent instances where such consent is required and in all cases such consent may be granted or withheld in the sole discretion of Lender.

Successors and Assigns. Subject to any limitations stated in this Guaranty on transfer of Guarantor's interest, this Guaranty shall be binding upon and inure to the benefit of the parties, their successors and assigns.

Waive Jury. Lender and Guarantor hereby waive the right to any jury trial in any action, proceeding, or counterclaim brought by either Lender or Guarantor against the other.

DEFINITIONS. The following capitalized words and terms shall have the following meanings when used in this Guaranty. Unless specifically stated to the contrary, all references to dollar amounts shall mean amounts in lawful money of the United States of America. Words and terms used in the singular shall include the plural, and the plural shall include the singular, as the context may require. Words and terms not otherwise defined in this Guaranty shall have the meanings attributed to such terms in the Uniform Commercial Code:

Borrower. The word "Borrower" means Ward Eight, LLC and includes all co-signers and co-makers signing the Note and all their successors and assigns.

GAAP. The word "GAAP" means generally accepted accounting principles.

Guarantor. The word "Guarantor" means everyone signing this Guaranty, Anne Carlson and Cody Modeer, and in each case, any signer's successors and assigns.

Guaranty. The word "Guaranty" means this guaranty from Guarantor to Lender.

Indebtedness. The word "Indebtedness" means Borrower's indebtedness to Lender as more particularly described in this Guaranty.

Lender. The word "Lender" means City of Evanston, its successors and assigns.

Note. The word "Note" means and includes without limitation all of Borrower's promissory notes and/or credit agreements evidencing Borrower's loan obligations in favor of Lender, together with all renewals of, extensions of, modifications of, substitutions for promissory notes or credit agreements.

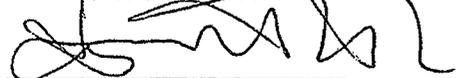
Related Documents. The words "Related Documents" mean all promissory notes, credit agreements, loan agreements, environmental agreements, guaranties, security agreements, mortgages, deeds of trust, security deeds, collateral mortgages, and all other instruments, agreements and documents, whether now or hereafter existing, executed in connection with the Indebtedness.

~~EACH UNDERSIGNED GUARANTOR ACKNOWLEDGES HAVING READ ALL THE PROVISIONS OF THIS GUARANTY AND AGREES TO ITS TERMS, IN ADDITION, EACH GUARANTOR UNDERSTANDS THAT THIS GUARANTY IS EFFECTIVE UPON GUARANTOR'S EXECUTION AND DELIVERY OF THIS GUARANTY TO UNDER AND THAT THE GUARANTY WILL CONTINUE UNTIL TERMINATED IN THE MANNER SET FORTH IN THE SECTION TITLED "DURATION OF GUARANTY", NO FORMAL ACCEPTANCE BY LENDER IS NECESSARY TO MAKE THIS GUARANTY EFFECTIVE, THIS GUARANTY is DATED March 22, 2012.~~

GUARANTORS:



ANNE CARLSON



CODY MODEER

EXHIBIT "D"

SECURITY AGREEMENT

This Security Agreement is by and among Ward Eight, LLC, an Illinois limited liability company hereinafter referred to collectively as the "Debtor" for value received, hereby grants to the City of Evanston, Illinois, an Illinois home rule municipality, with its principal address at 2100 Ridge Avenue, Evanston, Illinois 60201, hereinafter referred to as the "Secured Party," a security interest in the following collateral and all additions thereto for the term of the loan that is the project agreement dated March 15, 2012 between the parties:

Street Address: 629 Howard Street, Evanston, Illinois 60202
Parcel Numbers: 10-30-209-024-0000

All equipment, machinery, apparatus, fittings, readily removable fixtures and other tangible personal property, and any and all profits, fees, condemnation awards, insurance proceeds, and other rights and interests.

This security interest is given for the purpose of securing payment of any and all indebtedness of the Debtor to the Secured Party in connection with the loan made to the Debtor and evidenced by promissory note dated August 15, 2012, together with all costs and expenses in connection therewith including but not limited to expenses of retaking, preserving, repairing, maintaining, preparing for sale, and selling said collateral as well as reasonable attorney's fees, court costs, and other legal expenses. In the event that Debtor defaults in the payment of said indebtedness, or becomes insolvent, or fails to keep said collateral free of all other liens, or if for any reason the secured party feels insecure, Secured Party has the option of declaring the entire indebtedness immediately due and payable, and shall have all of the rights and remedies of a secured party under the Illinois Uniform Commercial Code as the same may be amended from time to time. The requirement of the reasonable notice of any sale hereunder shall be met if such notice is mailed, postage prepaid, to the address of the Debtor shown at the beginning of this agreement at least 5 days before the time of sale or disposition.

Secured Party and Debtor have caused this Agreement to be executed and delivered as of the date set forth opposite their name.

City of Evanston, Illinois

By: Wally Bobkiewicz
City Manager, Wally Bobkiewicz

Ward Eight, LLC

By: Anne Carlson
Anne Carlson, Manager

By: Cody Modeer
Cody Modeer, Manager

