

DEBTORS JOINTLY AND SEVERALLY WARRANT AND COVENANT as follows:

1. Payment. Debtors will promptly pay when due the principal and interest of the Note, including each and every installment thereof, in accordance with the terms of the Note.

2. Use. The Collateral will be used by Debtors exclusively for ordinary business purposes.

3. Encumbrances. Except for the security interest granted under this Agreement, and except for a security interest granted under a similar agreement of even date herewith in favor of V. R. Business Brokers, Irv Schoenberg and Associates, Debtors are the owner of the Collateral free from any adverse liens, security interests, and encumbrances, and will keep the Collateral free from any adverse lien, security interest, and encumbrance, and will defend the Collateral against all claims and demands of all persons at any time claiming the same or any antecedent interest in the Collateral.

4. Location. The Collateral will be kept at 2614 Central Avenue, Lake Station, Indiana, and Debtors will not remove the Collateral therefrom without Secured Party's written consent.

5. Financing Statements. No financing statement covering the Collateral or proceeds of the Collateral is on file in any public office. At the request of Secured Party, Debtors will join with Secured Party in executing one or more financing statements in form satisfactory to Secured Party, or Secured Party may file any or all financing statements without Debtors' signature, and Debtors will pay the cost of filing the same in all public offices where filing is deemed by Secured Party to be necessary or desirable.

6. Sale. Debtors will not sell or offer to sell or otherwise transfer the Collateral without Secured Party's written consent. Secured Party hereby consents to sale of inventory included in the Collateral, on condition that any such sale is in the ordinary course of Debtors' business and that the price and terms of sale are commercially reasonable.

7. Insurance. Debtors will have and maintain insurance at all times with respect to the Collateral against risks of fire (including so-called extended coverage) and theft, containing such terms, in such form, for such periods, and written by such companies as may be satisfactory to Secured Party, such insurance to be payable to Secured Party and Debtors as their interests may appear. All policies of insurance will provide for ten days' minimum written cancellation notice to Secured Party, and at the request of Secured Party will be delivered to be held by Secured Party, and Secured Party may act as attorney for Debtors in obtaining, adjusting, settling, and cancelling such insurance and endorsing any drafts.

8. Care. Debtors will keep the Collateral in good order and repair, and will not waste or destroy the Collateral, and will not use the Collateral in violation of any statute or ordinance. Secured Party may examine and inspect the Collateral at any time, wherever located.

9. Taxes. Debtors will promptly pay when due all taxes and assessments upon the Collateral or for the use or operation of the Collateral or upon this Agreement or upon any promissory note or other obligation secured under this Agreement.

10. Licenses. Debtors will not cause, permit, or suffer any license to expire without renewal or be suspended, cancelled, or revoked.

11. Advances. At its option, Secured Party may discharge taxes, liens, security interests, or other encumbrances at any time levied or placed on the Collateral, and may pay for insurance on the Collateral, and may pay for the maintenance and preservation of the Collateral. Debtors will reimburse Secured Party on demand for any payment made and any expense incurred by Secured Party pursuant to the authorization of this paragraph, and until reimbursed, such amounts shall be additional indebtedness of Debtors secured under this Agreement.

12. Default. Debtors will be deemed in default under this Agreement if any one or more of the following events shall have occurred:

(a) failure to make any payment of principal or interest of the Note in full for forty-five days after the date due;

(b) failure by Debtors to observe or perform any term, covenant, or agreement contained in this Agreement;

(c) any representation, warranty, or certification made by Debtors in this Agreement shall prove to have been incorrect in any material respect when made;

(d) Debtors shall admit in writing inability to pay its debts; or shall make a general assignment for the benefit of creditors; or shall institute proceedings to be adjudicated bankrupt or insolvent; or shall consent to the institution of bankruptcy or insolvency proceedings against it; or shall file a petition or answer or consent seeking reorganization or relief under any law relating to bankruptcy, insolvency, reorganization, or the relief of debtors; or shall consent to the filing of any petition for or to the appointment of a receiver, liquidator, assignee, trustee, or other similar official of it or any substantial part of its property;

(e) any court having jurisdiction shall enter a decree or order adjudging Debtors a bankrupt or insolvent; or approving as

properly filed a petition seeking reorganization, arrangement, adjustment, or composition of or in respect to Debtors under any law relating to bankruptcy, insolvency, reorganization, or relief of debtors; or appointing a receiver, liquidator, assignee, trustee, or other similar official of Debtors or of any substantial part of Debtors' property; or ordering the winding up or liquidation of the affairs of Debtors; and such decree or order shall remain unstayed and in effect for a period of sixty consecutive days;

(f) any other events on account of which Secured Party reasonably and in good faith deems himself materially insecure.

13. Effect of Default. Upon default and at any time thereafter, Secured Party may declare all liabilities of Debtors secured by this Agreement immediately due and payable, thereby accelerating the maturity date, and shall have the remedies of a secured party under the Indiana Uniform Commercial Code (or the corresponding provisions of any successor statute), as then in effect, including but not limited to the rights:

(a) to peaceably repossess the Collateral without judicial process, and to render the Collateral unusable without removal from Debtors' premises; and

(b) to require Debtors to assemble the Collateral and make the same available to Secured Party at a place to be designated by Secured Party which is reasonably convenient to both parties; and

(c) to sell or otherwise dispose of the Collateral in any commercially reasonable manner, by private or public sale or auction, and apply the proceeds of sale or other disposition toward the satisfaction in whole or in part, as the case may be, of Debtors' liabilities secured under this Agreement.

Sale of the Collateral by public auction in any county where Secured Party (including any assignee of Secured Party) regularly does business or in the county where the Collateral was repossessed, after advertisement of the time and place of the auction in a newspaper circulated in the county, city, or town where the sale is to be held, shall in any event be considered commercially reasonable, provided that sale or other disposition of the Collateral in any other manner shall not be presumed to be commercially unreasonable.

14. Expenses. Debtors will reimburse Secured Party on demand for all reasonable payments made and expenses incurred in enforcing this Agreement, including but not limited to expenses of retaking, holding, preparing for sale, and selling the Collateral, attorney fees and legal expenses, and the like. Until reimbursed, such amounts shall be additional indebtedness of Debtors secured under this Agreement.

15. Waiver. No waiver by Secured Party of any default will operate as a waiver of any other default or of the same default on a future occasion.

16. Notices. All notices required or permitted under the provisions of this Agreement shall be in writing and shall become effective when delivered or telegraphed or mailed by certified or registered mail, return receipt requested, if to Secured Party, at 127 Beverly Boulevard, Hobart, Indiana 46342, or if to Debtors, at 4610 Taney Place, Gary, Indiana 46408, provided that such addresses may be changed by notice so given. Any requirement of reasonable notice to Debtors with respect to sale of the Collateral by Secured Party upon default, or on any other event, will be deemed to have been met if notice is given in such manner at least five days prior to the date of the sale or other event.

17. Governing Law. This Agreement shall in all respects be governed by and construed in accordance with the laws of the State of Indiana, including all matters of construction, validity, and performance. Any provision of this Agreement which is prohibited or unenforceable shall be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions of this Agreement. To the extent permitted by applicable law, Debtors hereby waives any provision of law which renders any provision of this Agreement prohibited or unenforceable in any respect.

18. Miscellaneous. No provision of this Agreement may be changed, waived, discharged, or terminated other than by written instrument signed by the party against which the enforcement is sought. The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns. The captions in this Agreement are for convenience of reference only and shall not define or limit any of the provisions of this Agreement. Any reference in this Agreement to the masculine, feminine, or neuter genders, or to the singular or plural numbers, which is inappropriate in a particular context, shall be applied as if the appropriate gender or number had been included.

IN WITNESS WHEREOF, the parties have each executed this Agreement, all on the day and year first above written.

"DEBTORS"

Charles F. Hall
Charles F. Hall

Kathy D. Hall
Kathy D. Hall

"SECURED PARTY"

Harold Miller
Harold Miller

Katherine Miller
Katherine Miller