

Ret: Ticor Title Insurance Company of California
One Dallas Centre
350 North St. Paul Suite 250
Dallas, Texas 75201
ATTN: BEVERLY GRIESSE

967603

DATED FEB 29 1988
BETWEEN

Secured Party _____ and Tenant Individual Corporation Partnership

L.Q. JOINT VENTURE #800, a Texas partnership
c/o La Quinta Motor Inns, Inc., Managing Partner
P. O. Box 790064
San Antonio, TX 78279-0064

Name: Merrillville Restaurants, Inc.

Address Residence Place of Chief Executive
Business Office (if other
than one place of
Business)

Street 8200 Louisiana St.

Mailing

City: Merrillville County: Lake State: IN
Zip 46410

A. AGREEMENT

1. Security Interest. Subject to the applicable terms of this Agreement, Tenant assigns and grants to secured party a security interest and lien in the collateral to secure the payment and the performance of the obligation.

B. OBLIGATION

Tenant, under that Lease dated June 30, 1977, as amended, hereinafter the "Lease", wherein secured party is now landlord, for a valuable consideration transfers to Secured Party, a security interest in the furniture, trade fixtures and chattels in the restaurant and bar presently known as the "Bombay Bicycle Club" and located at 8200 Louisiana St., City of Merrillville, State of Indiana (hereinafter referred to as the "Premises"), which personal property is hereinafter called Collateral, to secure the faithful performance by Tenant of all the terms, covenants, conditions and provisions of the lease for said premises.

C. COLLATERAL

1. Description of Collateral. The security interest is granted in the following (collateral): (If collateral includes crops growing or to be grown, timber to be cut, fixtures, minerals, or an account resulting from sale of minerals, describe real estate and name record owner.)

a. All furniture, trade fixtures and chattels owned, located and existing at this date on the property pursuant to which the said Bombay Bicycle Club does business and more particularly described on Exhibit "A" attached hereto and made a part hereof.

b. All substitutes and replacements for such collateral are to be controlled and covered by this Security Agreement. Tenant and its legal assigns are hereby granted the right to substitute, replace, exchange or remodel the collateral given as part of the security interest hereby at which time this security instrument shall attach to the new, substituted, replacement, exchanged or remodeled property and the old said items or property shall be released herefrom.

D. TENANT'S COVENANTS

1. Obligations and This Agreement. Tenant shall perform promptly all of his agreements herein and other agreements between him and secured party.

2. Ownership of Collateral. At the time Tenant grants to secured party a security interest in any collateral, Tenant shall be the absolute owner thereof and shall have the right to grant such security interest. Tenant shall defend the collateral against all claims and demands of all persons at any time claiming by deed therein adverse to secured party. Tenant shall keep the collateral free from all liens except those for taxes not yet due.

3. Tenant shall at its own expense keep the collateral insured in an amount not less than its full insurable value against loss by fire, storm and extended coverage. Risk of loss to the collateral shall times be upon Tenant notwithstanding possession of the collateral or any part thereof by Secured Party. Tenant waives the requirement of reasonable care imposed upon Secured Party by the Uniform Commercial Code or similar provisions for same in the State of Indiana.

4. Maintenance. Tenant shall keep collateral in good condition, reasonable wear and tear excepted.

5. Secured Party's Costs. Tenant shall pay all costs necessary to obtain, preserve, perfect, defend and enforce this security interest and preserve, defend, enforce and collect the collateral, including but not limited to taxes, assessments, insurance premiums, repairs, reasonable attorney's fees and legal expenses, feed, rent, storage costs and expenses of sales. Whether collateral is or is not in secured party's possession, and without any obligation to do so and without waiving Tenant's default in the faithful performance by Tenant in complying with the terms, covenants, conditions and provisions of the Lease for said Premises, secured party at its option may pay any such costs and expenses, discharge encumbrances on collateral, and pay for insurance of collateral, and such payment shall be a part of the obligation. Tenant agrees to reimburse secured party on demand for any costs so incurred.

6. Information and Inspection. Tenant shall allow secured party to inspect the collateral, at any time and wherever located, and to inspect and copy, or furnish secured party with copies of all records relating to the collateral and the obligation.

7. Additional Documents. Tenant shall sign any papers furnished by secured party which are reasonably necessary to obtain, maintain and perfect the security interest hereunder and to enable secured party to comply with the Federal Assignment of Claims Act or any other federal or state law in order to obtain secured party's interest in collateral or to obtain proceeds of collateral.

8. Parties Liable on Collateral. Tenant will preserve the liability of all obligors on any collateral, and will preserve the priority of all security therefor.

9. Modification of Collateral. Without the written consent of secured party, Tenant shall not agree to any modification of any of the terms of any accounts, contracts, chattel paper, general intangibles or instruments in collateral.

9-88-052681

TICOR TITLE INSURANCE

STATE OF INDIANA
RECORDS & CLERK
COUNTY OF LAKE
MERRILLVILLE, INDIANA 46308
MILLIAN A. BLASTICK
MAR 10 8 54 AM '88

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10. Use and Removal of Collateral. Tenant will not use the collateral irregularly. Tenant will not permit any of the collateral to be removed from the locations specified herein unless substitution or replacement is made therefor with collateral of equal or greater value by Tenant without the written consent of secured party.

11. Consumer Credit. If any collateral or proceeds includes obligations of third parties to Tenant, the transactions giving rise to the collateral shall conform in all respects to the applicable state or federal consumer credit law. Tenant shall hold harmless and indemnify secured party against any cost, loss or expense including attorney's fees, arising from debtor's breach of covenant.

E. RIGHTS AND POWERS OF SECURED PARTY

1. General. Secured party after default without liability to Tenant may: obtain from any person information regarding Tenant or Tenant's business, which information any such person also may furnish without liability to Tenant; take control of funds generated by the collateral, such as cash dividends, interest and proceeds or refunds from insurance, and use same to reduce any part of any defaulted leasehold obligation and thereafter exercise all other rights which an owner of such collateral may exercise; at any time transfer any of the collateral or evidence thereof into its own name or that of its nominee; and demand, collect, convert, redeem, receipt for, settle, compromise, adjust, sue for, foreclose or realize upon collateral, in its own name or in the name of Tenant, as secured party may determine. Secured party shall not be liable for failure to collect any account or instrument, or for any act or omission on the part of the secured party, its officers, agents or employees, except willful misconduct. The foregoing rights and powers of secured party will be in addition to, and not a limitation upon, any rights and powers of secured party given by law, elsewhere in this agreement, or otherwise. If Tenant fails to maintain any required insurance, to the extent permitted by applicable law secured party may (but is not obligated to) purchase single interest insurance coverage for the collateral which insurance may at secured party's option (i) protect only secured party and not provide any remuneration or protection for Tenant directly and (ii) provide coverage only after the obligation has been declared due as herein provided.

F. DEFAULT

1. Event of Default. The following are events of default hereunder:

- a. default in any provision of the Lease Agreement dated June 30, 1977, as amended;
- b. any warranty, representation or statement made or furnished to secured party herein, heretofore, or hereafter proves to have been false in any material respect when made or furnished;
- c. substantial change in any fact warranted or represented in this agreement or in any other agreement between Tenant and secured party or in any statement, schedule, or other writing furnished in connection therewith;
- d. levy on, seizure or attachment of any property of Tenant; or
- e. any liability or agreement of third parties to Tenant or on the collateral shall not be paid or performed in accordance with the terms thereof.

2. Remedies of Secured Party Upon Default. When an event of default occurs, and at any time thereafter, secured party without notice or demand may declare the obligation in whole or part immediately due and may enforce payment of the same and exercise any rights under the UCC rights and remedies of secured party under this agreement, or otherwise. 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 Tenant reasonable notice of the time and place of any public sale thereof or of the time after which any private sale or other intended disposition thereof is to be made. Expenses of retaking, holding, preparing for sale, selling, leasing or the like shall include secured party's reasonable attorney's fees and legal expenses. Secured party may surrender any insurance policies in collateral and receive the unearned premium thereon. Tenant shall be entitled to any surplus and shall be liable to secured party for any deficiency. The proceeds of any disposition after default available to satisfy the obligation shall be applied to the obligation in such order and in such manner as secured party in its discretion shall decide.

G. GENERAL

1. Parties Bound. Secured party's rights hereunder shall inure to the benefit of its successors and assigns, and in the event of any assignment or transfer of any of the obligation or the collateral, secured party thereafter shall be fully discharged from any responsibility with respect to the collateral so assigned or transferred, but secured party shall retain all rights and powers hereby given with respect to any of the obligation or collateral not so assigned or transferred. All representations, warranties and agreements of Tenant if more than one are joint and several, and all shall be binding upon the personal representatives, heirs, successors and assigns of Tenant.

2. Reason and Cause for Security Agreement. This Security instrument is given to secured party pursuant to Paragraph No. 3, commencing on page (1) of the Guaranty of Lease, "dated June 30, 1977, and executed concurrently with that Lease dated June 30, 1977, as amended, between Tenant and secured party for the premises presently known as the "Bombay Bicycle Club" and located at 8200 Louisiana St., Merrillville, Indiana.

3. Effect of Security Agreement. The primary reason and the consideration for the granting of this Security instrument is that with the granting of this instrument the Guaranty of the Lease described hereinabove in subparagraph G. "General" 2 shall end, cease and be terminated pursuant to the terms, covenants and conditions of such said Guaranty.

4. Waiver. No delay of secured party in exercising any power or right shall operate as a waiver thereof; not shall any single or partial exercise of any power or right preclude other or further exercise thereof or the exercise of any other power or right. No waiver by secured party of any right hereunder or of any default by Tenant shall be binding upon secured party unless in writing, and no failure by secured party to exercise any power or right hereunder or waiver of any default by Tenant shall operate as a waiver of any other or further exercise of such right or power or of any further default.

5. Definitions. Unless the context indicates otherwise, definitions in the UCC apply to words and phrases in this agreement; if UCC definitions conflict, Chapter 9 definitions apply.

6. Notice. Notice shall be deemed reasonable if mailed postage prepaid at least 15 days before the related action (or if the UCC elsewhere specifies a longer period, such longer period) to Tenant, c/o Associated Hosts, Inc., 8447 Wilshire Boulevard, Suite 200, Beverly Hills, California 90211.

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7. Modifications. No provision hereof shall be modified or limited except by a written agreement expressly referring hereto and to the provisions so modified or limited and signed by the Tenant and secured party, nor by course of conduct, usage of trade, or by the law merchant.

8. Severability. The unenforceability of any provision of this agreement shall not affect the enforceability or validity of any other provision.

9. Gender and Number. Where appropriate, the use of one gender shall be construed to include the others or any of them; and the singular number shall be construed to include the plural, and visa versa.

10. Applicable Law and Venue. This agreement shall be construed according to the laws of Indiana. It is performable by Tenant in the county of secured party's address first set out above.

11. Financing Statement A carbon, photographic or other reproduction of this agreement shall be sufficient as a financing statement.

12. Limitations of Law. If any law prohibits or limits any charge or expense provided for in this agreement in connection with any loan secured hereby, such charge or expense will not be made or incurred in connection with such loan beyond the limits permitted by such law.

Secured Party:

L.Q. JOINT VENTURE #800, a Texas partnership

By: La Quinta Motor Inns, Inc., Managing Partner

MKB

By [Signature]
Title Senior Vice President

By Marilyn H. Bedrick
Title Asst. Secretary

Tenant:

Merrillville Restaurants, Inc.

By [Signature]
Title VIC-PRESIDENT

By [Signature]
Title Asst. Secretary

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LEGAL DESCRIPTION

U. S. 30 and I-65
Merrillville, Indiana

Legal description for the Smuggler's Inn Restaurant at U. S. 30 and I-65, Merrillville, Indiana.

Field notes for 54,136 square feet of land more or less out of the East 1/2 of the Southeast 1/4 of Section 22, T 35N. R 8 W of the 2nd P.M., lying South of the southerly line of the I-65 exit ramp, Lake County, Indiana, and being more particularly described as follows:

Beginning at a point on the southerly right-of-way of I-65 and 1029.00 feet west of the east line of Section 22 as measured perpendicularly.

Thence: Along a curve to the left being the southerly right-of-way line of the I-65 exit ramp a distance of 164.35, and having a radius of 722.27 and a delta angle of 13° 02' 16" with a chord of S 70° 55' 49" W and a length of 164.00 feet to the northwestern corner of this site.

Thence: South a distance of 291.92 feet along a line establishing the westerly boundary line of this site to a point being the northerly southwestern corner of this site.

Thence: Along an irregular line establishing the southerly boundary of this site the following courses:

East a distance of 25.00 feet to an interior corner;

South a distance of 32.50 feet to a point being the southerly southwestern corner of this site;

East a distance of 130.00 feet to a point on the common boundary of the Lucky Steer Steak House and the La Quinta Motor Inn tract being the southeastern corner of this tract.

Thence: North a distance of 378.00 feet along the common boundary of the Lucky Steer Steak House and the La Quinta Motor Inn tract to a point on a curve of the southerly right-of-way line of the I-65 exit ramp being the northeastern corner of this tract, POINT OF BEGINNING and POINT OF CLOSURE containing 54,136 square feet of land more or less.

NOTE: This legal description is based upon a topographic survey prepared by W. T. Mamelson Engineering, of the Westlake Plaza Property, dated May 23, 1977, all calls were considered to be approximate subject to final survey by a registered engineer or registered surveyor.

EXHIBIT "A"

