

UCC-1 FINANCING STATEMENT

This instrument is prepared as, and is intended to be, a Financing Statement complying with the formal requisites therefor, as set forth in the Alabama Uniform Commercial Code - Secured Transactions.

1. The name and address of the debtor is as follows (hereinafter referred to as "Debtor," whether one or more):

KEN LOKEY HOMES, INC.
1800 Bering Drive, Suite 220
Houston, Texas 77057
Attn: President

2. The name and address of secured party is as follows (hereinafter referred to as "Secured Party," whether one or more):

SOUTHMARK MORTGAGE CORPORATION
OF AMERICA
6800 West Loop South
East Building, 3rd Floor
Bellaire, Texas 77401
Attn: Ms. Carolyn Wilson

Further information regarding the security interest herein evidenced may be obtained from Secured Party at the above address.

3. This Financing Statement covers the following types of collateral:

(a) the real property (and improvements thereon) described below (the "Real Property"), together with all improvements thereon and all rights, hereditaments and appurtenances in anywise appertaining or belonging thereto:

Lot Three (3), according to the survey of CEDAR COVE ROYAL ADDITION as recorded in Map Book 12, Page 66 in the Probate Office of Shelby County, Alabama, being situated in Shelby County, Alabama;

(b) together with all equipment, fixtures and articles of personal property now or hereafter attached to or used in and about the building, buildings, and other improvements (such building, buildings and other improvements being hereinafter called the "Project") now or hereafter erected, constructed or developed on the Real Property, or which are or may be used in or related to the planning, development, financing or the operation thereof; the fixtures and equipment covered hereby to include, without limitation, all machinery, systems, facilities and apparatus for heating, ventilating, air conditioning, refrigerating, plumbing, sewer, lighting, generating, cleaning, storage, incinerating, sprinkler, fire extinguishing, communications, means of transportation of people or things, data processing, security and alarm, laundry, food or drink preparation, storage or serving, gas, electrical and electronic water, tanks, pipes, wiring, doors, rugs and other floor coverings and window coverings, engines and boilers and other fixtures, equipment or property of any nature;

(c) all streets, roads, alleys, easements, rights-of-way, licenses, vehicle parking rights and public places, existing or proposed, abutting, adjacent, used in

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connection with or pertaining to any of the Real Property or the Project, and any strips or gores between the Real Property and abutting or adjacent properties, and all water and water rights and mineral interests pertaining to the Real Property; all renewals or replacements thereof or articles in substitution therefor, whether or not the same are or shall be attached to the Project in any manner;

(d) all building materials and equipment now or hereafter delivered to the Project and intended to be installed therein; all plans and specifications for the Project; all contracts and subcontracts relating to the Project, all deposits (including security deposits), funds, accounts, contract rights, instruments, documents, general intangibles (including trademarks, trade names and symbols used in connection therewith), and notes or chattel paper arising from or by virtue of any transactions related to the Project; all permits, licenses, franchises, certificates, and other rights and privileges obtained in connection with the Project; all proceeds arising from or by virtue of the sale, lease or other disposition of any of the real or personal property described herein; all proceeds (including premium refunds) payable or to be payable under each policy of insurance relating to the Project; all proceeds arising from the taking of all or a part of the real property or any rights appurtenant thereto, including change of grade of streets, curb cuts or other rights of access, for any public or quasi-public use under any law, or by right of eminent domain, or by private or other purchase in lieu thereof;

(e) all of the rents, issued, profits, revenues and other income of the Real Property and the Project, and all of the estate, right, title and interest of every nature whatsoever of the Debtor, now owned or hereafter acquired, in and to the same and every part and parcel thereof; and

(f) all other interest of every kind and character which Debtor now has or at any time hereafter acquires in and to the above described real and personal property and all property which is used or useful in connection therewith, including rights of ingress and egress and all reversionary rights or interests of Debtor with respect to any of the foregoing property. The foregoing property shall include the proceeds of or arising from any of the properties, rights, titles and interests referred to above.

4. A portion of the above described property is or may become fixtures. The record owner of the above described real estate is Debtor.

EXECUTED this 14 day of December, 1988.

DEBTOR:

KEN LOKEY HOMES, INC., a Texas corporation

By: Kurt Watzek

Name: Kurt Watzek

Title: President

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