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0625/0085 34 001 Page 1 of 17
2001-03-07 12:23:33
Cook County Recorder 103.00

Steven B. Isaacson
Rosenthal and Schanfield, P.C.
55 East Monroe Street - 46th Floor
Chicago, Illinois 60603



Property Common Address:

70 West Seegers Road
Arlington Heights, Illinois 60005

Above Space is for Recorder's Use Only

P.I.N. 08-16-200-092-0000
08-16-200-093-0000

MORTGAGE

THIS MORTGAGE dated as of March 1, 2001 (herein called the "Mortgage"), from **KNPS LLC**, an Illinois limited liability company (herein called the "Borrower"), in favor of **STANLEY B. OSMAN, as Trustee of the Stanley B. Osman Living Trust dated November 16, 1990, and LOIS C. OSMAN, as Trustee of the Lois C. Osman Living Trust dated November 16, 1990** (herein, together with their successors and assigns, including each and every holder of the Note hereinafter referred to, called the "Lender")

WITNESSETH:

A. WHEREAS, to evidence and secure a certain purchase money loan (the "Loan") made by Lender to Borrower, Borrower has executed and delivered to Lender its note dated the date hereof (the "Note"), in the original stated principal sum of Eight Hundred Twenty-Eight Thousand Three Hundred Dollars (\$828,300) and due, in all events if not sooner paid, on February 1, 2006; and

B. WHEREAS, contemporaneously herewith Borrower has executed and delivered, among other things, in addition to this Mortgage and the Note:

- (i) a certain Assignment of Rents and Leases (herein called the "Assignment of Rents"), dated the date hereof, executed by Borrower;
- (ii) Security Agreement and Assignment (herein called the "Security Agreement"), dated the date hereof, executed by Borrower, as debtor; and
- (iii) UCC Financing Statements (herein called "Financing Statements"), executed by Borrower, as debtor;

(which Assignment of Rents, Security Agreement and Financing Statements, together with any and all other instruments now or at any time delivered to Lender to secure the Loan, are herein called the "Other Security Documents").

C. WHEREAS, this Mortgage, the Note and the Other Security Documents are herein generally called the "Loan Documents."

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D. WHEREAS, to induce Lender to make the Loan evidenced by the Note, Borrower is executing and delivering this Mortgage to secure the Secured Obligations (as hereinafter defined).

NOW, THEREFORE, Borrower does hereby covenant and agree to and for the benefit of Lender, as follows:

ARTICLE I SECURED OBLIGATIONS

1.1 Mortgage. This Mortgage is executed and delivered by Borrower to secure the payment and performance of the following indebtedness, liabilities, agreements and obligations owing and to become owing to or in favor of Lender, as follows:

1.1.1 Payment when due of the outstanding principal balance of the Note, together with all interest accruing thereon;

1.1.2 Payment when due of any and all amounts required to be paid by or on behalf of Borrower or for which Borrower may be indebted or obligated to pay under or pursuant to the Loan Documents, or any of them;

1.1.3 Due and punctual performance and observance of the terms, provisions, covenants and agreements on Borrower's part to be performed or observed under or pursuant to the Loan Documents, or any of them;

1.1.4 Any and all renewals, increases, rearrangements, modifications, supplements, restatements and extensions of the foregoing items of indebtedness and obligations.

1.2 Secured Obligations. Each and every item of indebtedness and amounts payable pursuant to the Note, this Mortgage and the other Loan Documents (all such indebtedness and amounts payable being herein, in the aggregate, called the "Secured Indebtedness"); and all other obligations and agreements described and included in the Note, this Mortgage or any of the Other Security Documents (herein generally called the "Secured Agreements") are intended to be fully secured by the liens, assignments, and security interests created under and by virtue of this Mortgage; and Secured Indebtedness and all Secured Agreements so secured (now or hereafter existing) are herein collectively called the "Secured Obligations."

1.3 Incorporation by Reference. The preambles to this Mortgage are hereby incorporated herein as terms and conditions hereof.

1.4 Maximum Amount Secured. Notwithstanding anything to the contrary herein contained, the maximum amount secured by this Mortgage is limited to and shall not exceed \$2,500,000.00.

ARTICLE II GRANT OF MORTGAGED PROPERTIES

2.1 Mortgaged Property. As security for the Secured Obligations and for Ten Dollars (\$10.00) and other good and valuable consideration paid to Borrower, the receipt and sufficiency of

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which are hereby acknowledged, Borrower hereby grants, sells, assigns, mortgages and conveys to Lender:

2.1.1 All of that certain real estate, and all improvements thereon, situated in Cook County, Illinois (hereinafter referred to as the "Real Property"), legally described as follows:

LOTS 13 AND 14 IN ARLINGTON WATER TOWER SUBDIVISION OF PART OF LOT 6, IN THE NORTHEAST QUARTER OF SECTION 16, IN THE SUBDIVISION OF JOSEPH A. BARNES' FARM IN SECTIONS 9, 15 AND 16, TOWNSHIP 41 NORTH, RANGE 11, EAST OF THE THIRD PRINCIPAL MERIDIAN ACCORDING TO THE PLAT THEREOF REGISTERED AUGUST 2, 1977 AS DOCUMENT NO. LR 3108761 IN COOK COUNTY, ILLINOIS

(the "Land").

2.1.2 All structures, improvements, buildings and any additions and alterations thereto or replacements thereof, now or hereafter erected upon the Land (all of the foregoing being collectively called the "Improvements");

2.1.3 All equipment, apparatus and fixtures of every kind and nature whatsoever (herein called the "Personal Property") now or hereafter located in and about said Improvements, including without limitation all equipment, apparatus and fixtures now or hereafter attached or affixed to, placed upon or used in any way in connection with the use, enjoyment, operation or occupancy of the Improvements, all of which property mentioned in this paragraph shall be deemed part of the Real Property;

2.1.4 All of Borrower's estate, of whatever nature, in and to all of the easements, rights, privileges and appurtenances now or hereafter belonging or pertaining to the Real Property;

2.1.5 All of Borrower's right, title and interest in and to all leases, subleases, licenses and other occupancy agreements, and guarantees thereof, of the Real Property or any part thereof (herein collectively called, "Leases" and, individually, a "Lease"), including any cash or other security deposited thereunder, and the rents, issues, profits, revenues, royalties (herein collectively called the "Rents") payable under the Leases;

2.1.6 All of the books, computer software, records and files of or relating to the Real Property or the business of Borrower conducted thereon, now or hereafter maintained by Borrower or for its account;

2.1.7 All of Borrower's right, title and interest in and to all proceeds of insurance; and

2.1.8 All awards and claims for damages made and to be made for the taking by eminent domain or condemnation and all compensation derived from conveyances in lieu of such takings (which conveyances may be made only with the consent of Lender) of the whole or any part of the Real Property, all of which awards and compensation Borrower hereby assigns to Lender;

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All of the foregoing is herein referred to as the "Mortgaged Property."

TO HAVE AND TO HOLD the Mortgaged Property unto Lender, and their successors and assigns forever, free from all rights and benefits under and by virtue of the Homestead Exemption Laws of the State of Illinois (which rights and benefits are hereby expressly released and waived), for the uses and purposes herein set forth below. Borrower shall warrant and forever defend the Mortgaged Property unto Lender, their successors and assigns, against every person who may claim an interest in it, or any part thereof; subject only to the lien of current real estate taxes upon the Mortgaged Property not yet due and payable, and easements for public utilities and drainage, telephone service and gas service as shown on plat registered in Cook County, Illinois, as Document LR310876, and a certain lease dated March 1, 2001 between Borrower and Osman Construction Corporation (herein collectively called the "Permitted Exceptions").

2.2 Mortgage Not Exclusive. The liens, rights and security interests created hereby are in addition to all liens, pledges, and security interests granted pursuant to or provided for in the Other Security Documents, and nothing herein contained shall limit, affect or impair any such liens pledges or security interest or the right of Lender to enforce the same in any lawful manner, whether or not provided for herein; nor shall any provision in any Other Security Document limit, affect or impair the lien of this Mortgage or the rights of Lender hereunder.

2.3 Release of Mortgage. This conveyance is intended as a mortgage and security agreement. Accordingly, in the event that Borrower shall perform and pay the Secured Obligations (including payment of all principal and interest, and all charges, disbursements and fees of Lender's attorneys, if any, owing or to become owing thereon) to Lender when the same shall become due, then this Mortgage shall be null and void and shall be released at Borrower's sole cost and expense; otherwise this Mortgage shall continue in full force and effect.

ARTICLE III REPRESENTATIONS, WARRANTIES AND COVENANTS OF BORROWER

Borrower hereby represents and warrants to and covenants with Lender as follows:

3.1 Title. Borrower has and will at all times have (subject to the further provisions of this Mortgage) fee title to the Mortgaged Property, subject only to the Permitted Exceptions. This Mortgage is and will at all times remain a valid and enforceable first lien on the Mortgaged Property.

3.2 Compliance. Borrower, at its own sole cost and expense, shall promptly comply with all laws, ordinances and regulations (herein collectively called "Laws") of governmental entities having jurisdiction over the Mortgaged Property.

3.3 Taxes and other Charges. Borrower shall pay all general taxes, special taxes, special assessments, water charges, sewer service charges, and all other liens or charges levied or assessed against the Mortgaged Property of any nature whatsoever when due and before any penalty or interest attaches, and shall furnish to Lender duplicate receipts of payment therefor. If any special assessment is permitted by applicable law to be paid in installments, Borrower shall have the right to pay such assessment in installments, so long as all such installments are paid prior to the due date thereof. With respect to any tax or assessment which Borrower may desire to contest, Borrower shall

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pay such tax or assessment in full under protest in order to prevent a default under this Mortgage on account thereof.

3.4 Liens. Borrower will not, without Lender's prior approval (which may be withheld in Lender's sole discretion) directly or indirectly create, incur or suffer to exist any lien on the Mortgaged Property or any part thereof, whether or not junior to the lien of this Mortgage, other than: (i) the Permitted Exceptions; and (ii) such other documents as may be executed as further security for the Secured Indebtedness or in favor of Lender.

3.5 Discharge of Liens. Borrower shall pay, from time to time when the same shall become due, all claims and demands of mechanics, materialmen, laborers and others which, if unpaid, might result in or permit the creation of a lien on the Mortgaged Property or any part thereof, or on the Rents arising therefrom, and in general will do or cause to be done everything necessary so that the first lien of the Mortgage shall be fully preserved at the sole cost and expense of Borrower and without expense to Lender. If any such liens are filed, Borrower will cause the same to be permanently discharged of record, unless Borrower shall in good faith and at its own expense, be contesting such lien by appropriate legal proceedings which shall operate to prevent the collection thereof or other realization thereon or the sale or forfeiture of the Mortgaged Property or any part thereof to satisfy the same; provided that during such contest Borrower shall provide an indemnity bond or other security reasonably satisfactory to Lender to cover the amount of the lien claim, including the amount of statutory interest accruing during the period through which such proceedings may be expected to last.

3.6 Loan Taxes. Borrower will pay all taxes incurred by Lender by reason of Lender's ownership of the Note, this Mortgage or any Other Security Document, including without limitation all real estate transfer and like taxes imposed in connection with a transfer of ownership of all or a portion of the Mortgaged Property pursuant to a foreclosure, a deed in lieu of foreclosure or otherwise. Notwithstanding the foregoing, Borrower shall not be required to pay any income or franchise taxes imposed on Lender's net income.

3.7 Maintenance of Mortgaged Property. Borrower shall refrain from and shall not permit the commission of waste in or about the Mortgaged Property and shall not remove, demolish, alter, change or add to the structural character of any improvement at any time erected on the Mortgaged Property without the prior written consent of Lender, except as hereinafter otherwise provided. Borrower shall maintain or cause to be maintained the Mortgaged Property in good repair, working order, and condition and shall make or cause to be made, when necessary, all repairs, renewals, and replacements whether structural, non-structural, exterior or interior.

3.8 Alterations. Borrower shall not, without the prior written consent of Lender, perform or effect any construction or new Improvements to the Mortgaged Property, excepting commercially reasonable alterations in connection with the intended use of the Mortgaged Property.

3.9 Insurance.

3.9.1. Fire and Extended Coverage Insurance. Borrower shall maintain and pay the premiums for insurance insuring the Mortgaged Property against loss by fire, vandalism, malicious mischief and such other perils included from time to time in standard "All-Risk" fire (with extended coverage endorsement) insurance policies or as required by Lender in an amount not less than \$1,318,000. Such insurance shall be maintained with reputable insurers licensed to do business in

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Illinois who are rated by Best as A X or better (or comparable rating in lieu thereof if rating standards are changed) and who are acceptable to Lender in their sole discretion (herein referred to as "Acceptable Insurers"). Each such policy shall contain a provision that the policy will not be canceled without at least thirty (30) days prior written notice to Borrower and Lender. Copies, certificates or other evidence of the maintenance of such insurance policies, as the insurers may customarily issue, shall be delivered to Lender from time to time and at least thirty (30) days preceding the end of the insuring term of any prior policy in effect. If Borrower fails to do so, Lender may, but shall not be obligated to, procure the insurance required under this Article and Lender's costs therefor shall be and become due and payable as additional indebtedness hereunder within five (5) days after notice from Lender.

3.9.2. Liability Insurance. Borrower shall maintain and pay the premiums for public liability insurance in amounts which from time to time are deemed to be reasonable and prudent for like properties, but in no event shall such amounts be less than One Million Dollars (\$1,000,000) for injuries, including accidental death, to any one person and, subject to the same limits for each person, on account of any one accident and for damage to property in an amount not less than Two Million Dollars (\$2,000,000). In addition, Borrower shall obtain an umbrella policy in an amount not less than Thirty Million Dollars (\$30,000,000).

3.9.2.1. All such public liability insurance shall be maintained with Acceptable Insurers and shall provide that such policies will not be canceled without at least thirty (30) days prior written notice to Lender and other persons designated by Lender as having a title interest in the Mortgaged Property, shall be named as additional insureds on said liability insurance policy.

3.9.2.2. Copies, certificates or other evidence of the maintenance of such insurance policies, as the insurers may customarily issue, shall be delivered to Lender from time to time and at least thirty (30) days prior to the end of the insuring term of any prior policy in effect. If Borrower fails to do so, Lender may, but shall not be obligated to, procure the insurance required under this Article and Lender's costs therefor shall be and become due and payable as additional indebtedness hereunder within five (5) days after notice from Lender.

3.9.3 Business Interruption Insurance. Borrower shall maintain and pay the premiums for business interruption insurance or, as the case may be, rental loss insurance, (A) with loss payable to Lender; (B) covering all risks required to be covered by the insurance provided for in subdivision (i) above; (C) containing an agreed amount endorsement waiving all co-insurance provisions; (D) containing an extended period of indemnity endorsement which provides that after the physical loss to the Mortgaged Property has been repaired, the continued loss of income will be insured until such income either returns to the same level it was at prior to the loss, or the expiration of twelve (12) months, whichever first occurs, and notwithstanding that the policy may expire prior to the end of such period; (E) agreeing to pay for losses without regard to whether the Mortgaged Property is open to the public; (F) covering loss of income during construction and periods of alterations to the extent that physical damage would result in loss of income, whether or not the Mortgaged Property are occupied or open to the public; and (G) in an amount equal to 100% of the projected gross income and/or Rents from the Mortgaged Property for a period of one year.

3.9.4 Additional Policy Requirements. All policies of insurance provided for or contemplated by Section 3.9 shall name Lender, Lender's agents and other persons designated by Lender as having an interest in the Mortgaged Property as additional insureds to the extent of their respective

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interests, and in the case of property damage insurance, shall contain a clause in favor of Lender providing that the loss thereunder shall be payable to Lender. Additionally, all policies of insurance provided for in Section 3.9 hereof shall contain clauses or endorsements to the effect that:

- (i) No act or negligence of Borrower, or anyone acting for Borrower, or of any tenant under any lease or other occupant or failure to comply with the provisions of any policy which might otherwise result in a forfeiture of such insurance or any part thereof shall in any way affect the validity or enforceability of such insurance insofar as Lender is concerned;
- (ii) Such policies shall not be materially changed (other than to increase the coverage provided thereby) canceled or non-renewed without at least 30 days' prior written notice to Lender and any other party named therein as an insured thereunder; and
- (iii) Lender shall not be liable for any premiums thereon or subject to any assessments thereunder.

3.9.5 Adjustment of Claims. Claims under each policy of insurance provided for or contemplated by this Section 3.9 in excess of \$50,000 shall be adjusted with the insurers and/or underwriters by Lender (provided that, so long as no Event of Default shall then have occurred and be continuing, Lender agrees that it shall not settle any such claims without Borrower's consent, not to be unreasonably withheld, conditioned or delayed). Any such claims which do not exceed \$50,000 shall, so long as no Event of Default exists hereunder, be adjusted by Borrower. All costs and expenses of collecting or recovering an insurance proceeds under such policies (including without limitation the actual expenses incurred by Lender, if any), including without limitation any and all fees of attorneys, appraisers and adjusters, shall be paid by Borrower.

3.10 Damage or Destruction.

3.10.1 In the event of any damage to or destruction of the Mortgaged Property, Borrower shall, promptly after obtaining knowledge of the occurrence thereof, give notice thereof to Lender and shall, regardless of the dollar amount of such damage, proceed with reasonable diligence, at Borrower's sole cost and expense (provided that any insurance proceeds shall be made available to Borrower for such purpose, as hereinafter provided) to repair and restore or cause to be repaired or restored the Mortgaged Property or the portion thereof so damaged as nearly as practically possible to the condition the same were in immediately prior to such damage. If any Personal Property is damaged or lost as a result of such fire or other casualty, Borrower shall likewise, at its sole cost and expense (provided that any insurance proceeds shall be made available to Borrower for such purpose, as hereinafter provided), replace or cause to be replaced the Personal Property so damaged or lost. In the event that Borrower fails to advance any funds required for the completion of any such repairs or restoration, Lender may, but shall not be obligated to, advance the required funds or any portion thereof, and Borrower shall, on demand, reimburse Lender for all sums advanced and actual expenses incurred by Lender in connection therewith, together with interest thereon at the Default Rate (as defined in the Note), from the date each such advance is made to the date of receipt by Lender of reimbursement from Borrower, which amounts and interest shall become part of the Secured Obligations and be secured hereby. All repairs and restoration required to be made by Borrower hereunder shall be performed in compliance with all Laws and shall be without any liability or actual expense of any kind to Lender.

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3.10.2 If by reason of any damage or destruction, any insurance proceeds are paid under any insurance policy maintained pursuant to Section 3.9 hereof or otherwise (other than business interruption insurance proceeds or, as the case may be, rental loss insurance proceeds, which shall be paid as provided in Section 3.9.3), such proceeds shall be paid to Lender to be held and applied as follows:

- (i) Borrower shall apply the same to the repair and restoration of the Mortgaged Property by disbursing the same to Borrower in accordance with sound construction disbursement practices, provided that (A) no Event of Default has occurred and is continuing, and (B) the proceeds of insurance, together with funds irrevocably made available for the purpose by Borrower, are sufficient in the sole judgment of Lender to pay all costs of repair and reconstruction;
- (ii) If any excess proceeds shall remain after the repair and restoration work has been completed and paid for in full out of such insurance proceeds, such excess proceeds shall be retained by Lender and applied in reduction of the Secured Obligations, whether or not then matured, in such order and priority as Lender shall determine in its sole discretion;
- (iii) If while any such insurance proceeds are held by Lender prior to the completion of, and payment in full of, the repair and restoration work, an Event of Default shall occur and be continuing, Lender may apply all remaining insurance proceeds upon the Secured Obligations in such order and manner as Lender may elect.

3.10.3 Performance of Secured Obligations. No destruction of or damage to the Mortgaged Property, or any part thereof, by fire or other casualty whatsoever, whether such damage or destruction be partial or total or otherwise, shall relieve Borrower from its liability to pay in full as and when due the Secured Obligations, or from timely, fully and faithfully performing all its other obligations hereunder and under the Loan Documents. No application of insurance proceeds to the reduction of the Secured Obligations shall have the effect of releasing the lien of this Mortgage from all or any portion of the Mortgaged Property until and unless all of the Secured Obligations have been paid in full.

3.11 Condemnation. In the event all or any part of the Mortgaged Property is taken, damaged or acquired, either temporarily or permanently, in any condemnation proceeding, or by exercise of the right of eminent domain, the amount of any award or other payment for such taking or damages made in consideration thereof, to the extent of the full amount of the remaining unpaid indebtedness secured by this instrument, is hereby assigned to Lender, who is empowered to collect and receive the same and to give proper receipts therefor in the name of Borrower and the same shall be paid forthwith to Lender, who shall apply the same in whole or in part, after the payment of all expenses, including reasonable costs and attorney's fees, to the restoration or repair of the property damaged, if the property can be restored or repaired to constitute a complete architectural unit. In the event the said property cannot be restored or repaired to constitute a complete architectural unit, then such award or monies received after the payment of expenses of Lender as aforesaid shall be applied on account of the unpaid principal balance of the Note, irrespective of whether such principal balance is then due and payable. Furthermore, in the event such award or monies so received shall exceed the cost of restoration or repair of the property and expenses of Lender as aforesaid, then such excess monies shall be applied on account of the unpaid principal balance of the Note, irrespective of whether such principal balance is then due and payable.

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3.12 Lender's Right to Inspect. Lender and/or their representative shall have the right to inspect the Mortgaged Property at all reasonable times and access thereto shall be permitted for that purpose.

3.13 Recording, Filing and Perfection of Security Interests; Fees. Borrower will pay all filing, registration and recording fees, and all expenses incident to the execution and acknowledgment of the Mortgage and any Other Security Document.

ARTICLE IV EVENTS OF DEFAULT

4.1 Events of Default. It shall be an event of default (herein called "Event of Default") if one or more of the following shall occur:

4.1.1 If default shall be made in the payment when due of any installment of interest or principal due under the Note or any Secured Indebtedness.

4.1.2 If any default shall occur in the maintenance of insurance as provided herein and in the Other Security Documents.

4.1.3 If default shall be made in the due observance or performance of any covenant, condition or agreement under this Mortgage or under any of the Other Security Documents, other than those defaults referred to in or covered by subsections 4.1.1 and 4.1.2 above, and such default shall continue unremedied for a period of more than thirty (30) days after Lender gives notice thereof to Borrower; or, in any case where such default is susceptible to cure but cannot with due diligence be cured within such thirty (30) day period, such longer period as is required diligently to effect the cure of such default, but only so long as Borrower promptly notifies Lender of its intention to cure and commences cure of such default within such thirty (30) day period and at all times thereafter prosecutes such cure with all due diligence to completion, provided that the periods of grace provided for in this Section 4.1.3 shall run concurrently with and shall not extend any period of grace provided in any Other Security Document in connection with any default thereunder.

4.1.4 If by order of a court of competent jurisdiction, a trustee, receiver, custodian or liquidator of the Mortgaged Property or of Borrower shall be appointed and, if such order results from an action of a person other than Borrower (or persons acting on their behalf) and such order shall not be discharged or dismissed within ninety (90) days after such appointment.

4.1.5 If Borrower shall file a petition in bankruptcy or for relief under any similar law, federal or state, or if, by decree of a court of competent jurisdiction, Borrower shall be adjudicated a bankrupt, or be declared insolvent, or shall make an assignment for the benefit of creditors, or shall admit in writing its inability to pay its debts generally as they become due, or shall consent to the appointment of a receiver or receivers of all or any part of its property.

4.1.6 If any of the creditors of Borrower shall file a petition in bankruptcy against Borrower or for the reorganization of Borrower pursuant to the Bankruptcy Code of the United States, or any chapter thereof or any similar Law, federal or state, and if such petition shall not be discharged or dismissed within ninety (90) days after the date on which such petition was filed.

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4.1.7 If final judgment for the payment of money in the amount of \$100,000.00 or more shall be rendered against Borrower and Borrower shall have failed to discharge the same or cause it to be discharged within ninety (90) days from the entry thereof, or shall have failed to timely appeal from such judgment and to have obtained a stay of execution pending such appeal.

4.1.8 If a default shall occur under any obligation set forth in any Permitted Exception or any other agreement, contract, instrument or indenture to which Borrower is a party beyond the period of grace, if any, provided therein, the effect of which entitles any obligee or obligees of such obligation to foreclose upon all or any material portion of the Mortgaged Property, or which otherwise (in Lender's good faith judgment) materially adversely affects the operations of the Improvements or Borrower.

4.1.9 If Borrower shall sell, convey or otherwise transfer the Mortgaged Property or any interest therein (whether legal or equitable and whether voluntary or involuntary) without the prior written consent of Lender.

4.1.10 If any interest in Borrower shall be sold, assigned or otherwise transferred to a person who is not a member of Borrower on the date hereof.

4.1.11 If Borrower shall own, lease or otherwise acquire any interest in, any Mortgaged Property or improvements other than the Mortgaged Property.

ARTICLE V REMEDIES AND RELATED MATTERS

5.1 Remedies. Upon the occurrence of any Event of Default, Lender, at the option of Lender, may, at its sole election and in its sole discretion:

5.1.1 Foreclose this Mortgage in accordance with applicable Illinois law.

5.1.2 Enter upon and take possession of the Mortgaged Property with the irrevocable consent of Borrower as granted and evidenced by execution of this Mortgage. As Lender in possession, Lender may hold, operate, manage and control the Mortgaged Property and conduct business, if any, either personally or by its agents. Lender may collect Rents and lease the Mortgaged Property, cancel or modify existing leases and generally exercise all powers and rights customarily incident to ownership. Lender may pay out of any Rents collected, taxes, insurance, conversions, fees and any expenses attributable to the Mortgaged Property.

5.1.3 Upon, or at any time after the filing of a complaint or petition to foreclose this Mortgage, Lender may apply to the court for appointment of a receiver of the Mortgaged Property. Such receiver shall have the power to collect the Rents during the pendency of the foreclosure suit up to and after any sale of the Mortgaged Property. The court may authorize the receiver to apply net income from management and control of the Mortgaged Property in whole or in part to the indebtedness secured hereby or to any tax or special assessment which may be or become superior to the lien hereof.

5.1.4 Take such other steps to protect and enforce Lender's rights, whether by action, suit or proceeding in equity or at law for the specific performance of any covenant, condition or agreement in the Note, this Mortgage or any Other Security Document, or in aid of the execution of

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any power granted herein or in the Note, this Mortgage or any Other Security Document, or for the enforcement of any other appropriate legal or equitable remedy or otherwise.

5.2 Application of Proceeds, Waiver of Right of Redemption; Etc.

5.2.1 Notwithstanding the appointment of any receiver as aforesaid, Lender shall be entitled, to the extent permitted by law, to retain possession and control of the Mortgaged Property; and any such receiver or Lender, as the case may be, shall have all of the powers and authority permitted by applicable law.

5.2.2 The proceeds of any foreclosure sale made by virtue of judicial proceedings or of a judgment or decree of foreclosure and sale, together with any other sums which may then be held by Lender pursuant to this Mortgage, whether under the provisions of this subsection or otherwise, shall be applied as follows:

First: To the payment of the actual costs and expenses of such foreclosure and sale including compensation to Lender and the fees, charges and disbursements of its agents, and the charges, disbursements and reasonable fees of its counsel, and of any judicial or other proceedings wherein the same may be made, and of all expenses, liabilities and advances made or incurred by Lender under this Mortgage, together with interest at the Default Rate (as defined in the Note) on all advances made by Lender, and of taxes, assessments or other charges.

Second: To the payment of any actual expenses, charges, losses, indemnities, penalties, premiums and all other amounts due under the Loan Documents, excluding interest and principal.

Third: To the payment of interest on the unpaid principal due under the Note.

Fourth: To the payment of principal due under the Note.

Fifth: To the payment of all other Secured Obligations.

Sixth: To the payment of the surplus, if any, to whomsoever may be lawfully entitled to receive the same.

5.2.3 Lender shall have the right to be a purchaser at any sale made under or by virtue of this Mortgage, by virtue of judicial proceedings or of a judgment or decree of foreclosure and sale, and on so purchasing shall have the right to be credited with the Secured Indebtedness upon the amount of the bid made therefor; and in the event of institution of foreclosure proceedings, the Secured Obligations, if not previously due, shall be and become immediately due and payable without demand or notice of any kind.

5.2.4 Borrower will not at any time (a) insist upon, or plead, or in any manner whatever claim or take any benefit or advantage of a stay or extension or moratorium law, any exemption from attachment, execution or sale of the Mortgaged Property, or any part thereof, whether enacted now or at any time hereafter in force, which may affect the covenants and terms of performance of this Mortgage, (b) claim, take or insist upon any benefit or advantage of any law now or hereafter in force providing for the valuation or appraisal of the Mortgaged Property, or any part thereof, prior

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to any sale or sales thereof which may be made pursuant to the decree, judgment or order of any court of competent jurisdiction; (c) after any such sale or sales, claim or exercise any right under any statute heretofore or hereafter enacted to redeem the Mortgaged Property so sold, or any part thereof; and Borrower hereby expressly waives all benefit and advantage of any such law or laws, and covenants and agrees not to hinder, delay or impede the execution of any right, power or remedy herein granted or delegated to Lender, but to suffer and permit the execution of every right, power or remedy as though no such law or laws had been made or enacted.

5.2.5 Without limiting the generality of Subsection 5.2.4, Borrower, for itself and all who claim under it, (a) waives, to the extent that it lawfully may, the benefit of any homestead exemption and any and all right to have the Mortgaged Property marshaled upon any foreclosure and sale hereunder and (b) any and all rights of redemption to the full extent provided for and permitted pursuant to the laws of the State of Illinois including but not limited to 735 ILCS 5/15-1501 et seq. and any successor or substitute statutory provision.

5.2.6 Borrower further covenants and agrees that:

5.2.6.1. During the continuation of any Event of Default, Lender shall be entitled and empowered to institute and prosecute such actions or proceedings at law or in equity as it may consider advisable for the collection of the Secured Obligations, and may enforce any judgment or final decree against Borrower or any other person liable therefor in any manner provided by law.

5.2.6.2. In the event of a foreclosure sale of all or any part of the Mortgaged Property, and of the application of the proceeds of sale, as in this Mortgage provided, to the payment of the Secured Obligations, Lender shall be entitled to enforce payment of, and to receive all amounts then remaining due and unpaid with respect to the Secured Obligations, and shall be entitled to recover judgment for any portion of the Secured Obligations remaining unpaid, together with interest as provided in the Note against all persons liable therefor, including Borrower.

5.2.6.3. No recovery of any judgment against any person or out of any property of Borrower or other person liable for the Secured Obligations shall affect, in any manner or to any extent, the lien of this Mortgage upon the Mortgaged Property, or any part thereof, or any liens, rights, powers or remedies of Lender hereunder or under any other Loan Document, but such liens, rights, powers and remedies of Lender shall continue unimpaired until the Secured Obligations shall have been paid and satisfied in full.

5.3 No Conditions Precedent to Exercise of Remedies. Borrower acknowledges and agrees that:

5.3.1. Borrower shall not be relieved of any obligation by reason of the failure of Lender to comply with any request of Borrower or of any other person to take action to foreclose on this Mortgage or otherwise to enforce any provisions of the Note, this Mortgage or any Other Security Document, or by reason of the release, regardless of consideration, of all or any part of the Mortgaged Property, or by reason of any agreement or stipulation between any subsequent owner of the Mortgaged Property and Lender extending the time of payment or modifying the terms of the Note, this Mortgage or any Other Security Document without first having obtained the consent of Borrower, and, in the latter event, Borrower shall continue to be liable to make payment according to the terms of any such extension or modification agreement, unless expressly released and discharged in writing by Lender:

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5.3.2. Lender shall not be required to proceed hereunder against all or any part of the Mortgaged Property before proceeding against any other part of the Mortgaged Property pursuant to the provisions of any Other Security Document or any other security held by Lender for the payment of the Secured Obligations or for the performance by Borrower of its obligations under the Note, this Mortgage or any of the Loan Documents, nor shall Lender be required to proceed against such other security before proceeding hereunder; and

5.3.3. Lender shall be entitled to proceed as aforesaid in such order and manner as it may elect and no such action by Lender shall operate to preclude it from proceeding against any or all of any security at the same time or in any order.

5.4 No Merger. It is the intention of the parties hereto that if Lender shall at any time hereafter acquire title to all or any portion of the Mortgaged Property, then, and until the Secured Obligations have been paid and satisfied in full, the interest of Lender hereunder and the lien of this Mortgage shall not merge or become merged in or with the estate and interest of Lender as the holder and owner of title to all or any portion of the Mortgaged Property and that, until such payment and satisfaction, the estate of Lender in the Mortgaged Property and the lien of this Mortgage and the interest of Lender hereunder shall continue in full force and effect to the same extent as if Lender had not acquired title to all or any portion of the Mortgaged Property.

5.5 Remedies Cumulative. The remedies specified in this Article 5 shall be in addition to all other rights and remedies provided herein or in any other Loan Document and which Lender may have at law or in equity and no single or partial exercise by Lender of any right or remedy hereunder or under any other Loan Document or which Lender may have at law or in equity shall exhaust the same or shall preclude any other or further exercise thereof or of any other right or remedy hereunder or under any other Loan Document or which Lender may have at law or in equity, and every such right or remedy hereunder or under any other Loan Document or which Lender may have at law or in equity may be exercised at any time and from time to time after the occurrence of an Event of Default.

5.6 Lender's Performance of Borrower's Obligation. If Borrower shall fail timely to perform any of the covenants, agreements and undertakings contained in this Mortgage, the Note or any Other Security Document, including, without limitation, if Borrower shall fail to timely pay real estate taxes when due, Lender may, upon notice to Borrower make advances to perform the same on Borrower's behalf, including, without limitation, for payment of real estate taxes (except that Lender agrees that it shall not make advances under this Section to pay any amount(s) secured by a lien or imposition which Borrower is then contesting fully in accordance with the provisions of this Mortgage), provided that:

5.6.1. Inaction of Lender shall never be considered as a waiver of any right accruing to it on account of any Event of Default, nor shall the provisions of this Section 5.6 or any exercise by Lender of its rights hereunder prevent any default from constituting an Event of Default;

5.6.2. Lender, in making any payment hereby authorized: (i) relating to taxes or other impositions, may do so according to any bill, statement or estimate, without inquiry into the validity of any such impositions; (ii) for the purchase, discharge, compromise or settlement of any Lien, may do so without inquiry as to the validity or amount of any claim for lien which may be asserted; or (iii) in connection with the rental, operation or management of the Mortgaged Property or the

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payment of sales or operating costs thereof, may do so in such amounts and to such persons as Lender may deem appropriate;

5.6.3. All funds advanced by and/or on behalf of Lender for the purposes aforesaid shall constitute so much additional Secured Obligations as Secured Indebtedness, bearing interest at the Default Rate from the date advanced until paid, payable on demand and secured hereby and by the Other Security Documents; and

5.6.4. Nothing contained herein shall be construed to require Lender to advance monies for any purpose.

ARTICLE VI MISCELLANEOUS

6.1 Enforceability. In the event that any provision of this Mortgage, any Note or any Other Security Document or the application thereof to Borrower shall, to any extent, be invalid or unenforceable under any Law, such provision shall be deemed inoperative only to the extent that it may conflict therewith and shall be deemed modified to conform to such Law, and the remainder of this Mortgage, the Note or Other Security Document shall not be affected thereby.

6.2 Notices. All notices or other written communications hereunder shall be deemed to have been properly given (a) upon delivery, if delivered in person or by facsimile transmission with receipt electronically confirmed or otherwise acknowledged, (b) upon delivery, if deposited for overnight delivery with any reputable overnight courier service (with receipt confirmed by the courier), or (c) upon delivery, if deposited in any post office or mail depository regularly maintained by the U.S. Postal Service and sent by registered or certified mail, postage prepaid, return receipt requested (with receipt confirmed by a return receipt signed by the recipient), addressed as follows:

If to Borrower:

KNPS LLC
c/o Mr. Bruce Kozlowski
70 West Seegers Road
Arlington Heights, Illinois 60005
Facsimile: 847/593-8250

If to Lender:

Mr. Stanley B. Osman
2331 Dorina Drive
Northfield, Illinois 60093
Facsimile: 847/446-5132

or addressed as Borrower or Lender, as the case may be, may from time to time designate by written notice to the other.

6.3 No Release. Borrower agrees that no other security, now existing or hereafter taken, for the Secured Obligations shall be impaired or affected in any manner by the execution hereof; no security subsequently taken by any holder of the Secured Obligations shall impair or affect in any

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manner the security given by this Mortgage; all security for the payment of the Secured Obligations shall be taken, considered, and held as cumulative; and the taking of additional security shall at no time release or impair any security by endorsement or otherwise previously given. Borrower further agrees that any part of the security herein described may be released without in any way altering, varying, or diminishing the lien of this Mortgage, or of any renewal or extension of said lien, and that this Mortgage shall continue as a first lien, assignment, and security interest on all the Mortgaged Property not expressly released until all Secured Obligations are fully discharged and paid.

6.4 Attorneys' Fees and Costs of Lender. Borrower agrees to pay, within ten (10) Business Days after demand by Lender, all actual expenses (including reasonable attorneys' fees, whether or not suit is instituted) incurred by Lender in connection with the enforcement by Lender of any provision of the Note, this Mortgage, the Assignment of Rents or any of the Other Security Documents.

6.5 Indemnification. Borrower will indemnify and defend Lender and save them harmless from and against any and all liabilities, obligations, claims, damages, penalties, assessments, and actual expenses imposed upon or incurred by or asserted against Lender or the Mortgaged Property by reason of the Loan or the consummation of the transactions contemplated hereby. In case any claim is brought or threatened against Lender, Borrower, upon request of Lender, will, at Borrower's sole cost and expense, resist and defend Lender against any such claim by counsel designated by Borrower and approved by Lender, which approval shall not be unreasonably withheld or delayed. The indemnifications provided for in this Section shall not extend to or include an indemnification of Lender against its own gross negligence or willful misconduct.

6.6 Environmental Matters.

6.6.1 Borrower hereby agrees to comply with all applicable environmental laws, rules and regulations related to hazardous wastes, materials and substances.

6.6.2 Without limiting any other provision hereof, Borrower hereby agrees to, and shall, indemnify and hold Lender harmless from and against any and all losses, liabilities, damages, injuries, costs, expenses and claims of whatever kind or nature, including, without limitation, any losses, liabilities, damages, injuries, costs, expenses or claims asserted or arising under any applicable Laws regulating, relating to, or imposing liability or standards on conduct concerning any Hazardous Material paid, incurred, suffered by or asserted against Lender in respect of the Mortgaged Property regardless of whether or not caused by, or within the control of Borrower.

6.6.3 Borrower hereby agrees to notify Lender, in writing, immediately after Borrower has actual or constructive notice of the release of any hazardous waste, material or substances onto the Mortgaged Property and to take prompt and diligent remedial action.

6.7 Effect of Extensions and Amendments. If the payment of the Secured Obligations, or any part thereof, shall be extended or varied, or if any part of the security or guaranties therefor be released, all persons now or at any time hereafter liable therefor, or interested in the Mortgaged Property, shall be held to consent to such extension, variation or release, and their liability, and the lien of this Mortgage, and all provisions hereof, shall continue in full force and effect; the right of recourse against all such persons being expressly reserved by Lender, notwithstanding any such extension, variation or release. Any person, firm or corporation taking a junior mortgage or other

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lien upon the Mortgaged Property or any part thereof or any interest therein, shall, without waiving any other limitations in this Mortgage on such liens, take the said lien subject to the rights of Lender to amend, modify, extend or release the Note, this Mortgage, any of the Other Security Documents, or any other document or instrument evidencing, securing or guarantying the Secured Obligations, in each case without obtaining the consent of the holder of such junior Lien and without the lien of this Mortgage losing its priority over the rights of any such junior Lien.

6.8 Governing Law. This mortgage shall be governed by and construed in accordance with the laws of Illinois and any applicable laws of the United States of America.

6.9 Amendments, Waivers, Etc. No amendment, modification, termination, or waiver of any provision of this Mortgage nor consent to any departure therefrom shall in any event be effective unless the same shall be in writing and signed by the party against which such action or waiver is sought to be charged, and then such action or waiver shall be effective only in the specific instance and for the specific purpose for which given or omitted. No notice to or demand on Borrower in any case shall entitle Borrower to any other or further notice or demand in similar or other circumstances except as provided in this Mortgage.

6.10 Entire Agreement. This Mortgage, the Note, the Assignment of Rents and the Other Security Documents embody the entire agreement between the parties hereto and supersede all prior agreements and understandings between them relating to the same subject matter.

6.11 Successors and Assigns. All of the grants, covenants, terms, provisions and conditions of this Mortgage shall apply to and bind and benefit the successors and assigns of Borrower, and apply to and inure to the benefit of and bind the successors and assigns of Lender.

IN WITNESS WHEREOF, Borrower has executed this Mortgage as of date first set forth above.

BORROWER.

KNPS LLC, an Illinois limited liability company

By: Bruce Kozlowski
Bruce Kozlowski, Manager

By: Dale C. Pryor
Dale C. Pryor, Manager

By: Lawrence Noesen
Lawrence Noesen, Manager

By: Timothy Silveti
Timothy Silveti, Manager

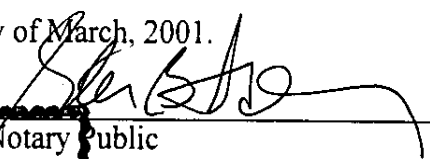
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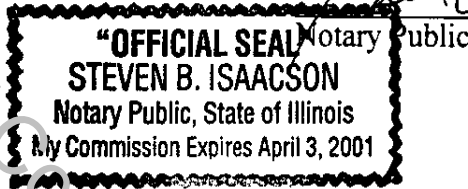
STATE OF ILLINOIS)
) SS
COUNTY OF COOK)

I, Steven B. Isaacson, a Notary Public in and for the County and State aforesaid, do hereby certify that Bruce Kozlowski, Dale C. Pryor, Lawrence Noesen and Timothy Silvetti, managers of KNPS LLC, an Illinois limited liability company, who are personally known to me to be the same persons whose names are subscribed to the foregoing instrument as managers of KNPS LLC, appeared before me this day in person and acknowledged that they signed and delivered the said instrument as their own free and voluntary act and the free and voluntary act of KNPS LLC for the uses and purposes therein set forth.

Given under my hand and notarial seal this 1st day of March, 2001.



My Commission Expires:



Property of Cook County Clerk's Office

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