



COOK COUNTY
RECORDER
EUGENE "GENE" MOORE
BRIDGEVIEW OFFICE

For Recorder's Use Only

*This Document Prepared By And
When Recorded Return To:*

Richard C. Jones, Jr., Esq.
Tina M. Jacobs, Esq.
Tonya M. Parravano, Esq.
JONES & JACOBS
77 West Washington Street
Suite 1615
Chicago, Illinois 60602
(312) 419-0700



SUBORDINATION AGREEMENT

THIS SUBORDINATION AGREEMENT (the "Agreement") is made as of this 24th day of September 2002, by THE 915 BUILDING GROUP, an Illinois general partnership, whose address is c/o B.W. Phillips Realty Partners, L.L.C., 17450 South Halsted, Homewood, Illinois 60430 (the "Junior Mortgagee") to and for the benefit of HERITAGE COMMUNITY BANK, an Illinois banking association, whose principal place of business is 18301 South Halsted, Glenwood, Illinois (the "Senior Mortgagee").

RECITALS:

A. Senior Mortgagee is the owner and holder of a certain Mortgage, Security Agreement and Financing Statement (the "Senior Mortgage") made by MONTESANO CAPITAL MANAGEMENT, INC., an Illinois corporation ("Borrower") to the Senior Mortgagee, dated as of September 24, 2002, and recorded in the Cook County Recorder's Office, Cook County, Illinois on _____, 2002, as Document No. _____, encumbering the property commonly known as 915 West 175th Street, Homewood, Illinois (the "Property"), as legally described on Exhibit "A" attached hereto.

B. The Senior Mortgage secures the indebtedness evidenced by a certain Promissory Note (the "Senior Note") dated as of September 24, 2002, made by the Borrower payable to the order of Senior Mortgagee in the original principal amount of ONE MILLION ONE HUNDRED SIXTY THOUSAND AND NO/100 DOLLARS (\$160,000.00). The Senior Mortgage and the Senior Note, together with any and all other documents and instruments evidencing and securing the Senior Note are hereinafter collectively referred to as the "Senior Loan Documents."

C. Junior Mortgagee is the owner and holder of a certain Second Mortgage (the "Junior Mortgage") made by Borrower to the Junior Mortgagee, dated as of September 24, 2002, and recorded in the Cook County Recorder's Office, Cook County, Illinois on _____, 2002, as Document No. _____, encumbering the Property.

D. The Junior Mortgage secures the indebtedness evidenced by a certain Installment Note (the "Junior Note") dated as of September 24, 2002, made by the Borrower payable to the order of Junior Mortgagee in the original principal amount of ONE HUNDRED FIFTY THOUSAND AND NO/100 DOLLARS (\$150,000.00). The Junior Mortgage and the Junior Note, together with any and all other documents and instruments evidencing and securing the Junior Note are hereinafter collectively referred to as the "Junior Loan Documents."

E. All obligations of Borrower to Senior Mortgagee now existing or hereafter arising, due or to become due, under the Senior Note and the Senior Loan Documents are herein called the "**Senior Liabilities.**"

F. All obligations of Borrower to Junior Mortgagee now existing or hereafter arising, due or to become due, under the Junior Note and the Junior Loan Documents are herein called the "**Junior Liabilities.**"

NOW, THEREFORE, in consideration of the foregoing and as an inducement to Senior Mortgagee to permit the loan evidenced by the Junior Note, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto represent, warrant and agree as follows:

1. *Incorporation of Recitals.* The Recitals of this Agreement are incorporated herein and made a part hereof by this reference hereto.

2. *Subordination of Liens.* Junior Mortgagee hereby agrees that the Junior Mortgage shall be subordinate and inferior to the Senior Mortgage and that the liens and security interests created by the Junior Loan Documents are and shall be subordinate and inferior to the liens and security interests created by the Senior Loan Documents and to any and all amendments, modifications, extensions, replacements or renewals of the Senior Loan Documents, and to any and all advances heretofore made or hereafter to be made under the Senior Loan Documents pursuant to the terms thereof.

3. *Notices of Default; Forbearance.* Junior Mortgagee shall give Senior Mortgagee prompt written notice of the occurrence of any default under or with respect to the Junior Loan Documents. Junior Mortgagee hereby agrees that until the Senior Liabilities have been paid in full to Senior Mortgagee and the Senior Loan Documents have been released, Junior Mortgagee shall not take any action of any kind, without the prior written consent of Senior Mortgagee, to enforce any right or remedy provided for in the Junior Loan Documents, whether at law or in equity, specifically including, but not limited to, any proceeding seeking or contemplating foreclosure of the Junior Mortgage.

4. *Permitted Actions by Senior Mortgagee.* Senior Mortgagee may, from time to time, in its sole discretion and without notice to Junior Mortgagee, take any or all of the following actions: (a) retain or obtain a security interest in any property to secure any of the Senior Liabilities; (b) retain or obtain the primary or secondary obligation of any other obligor or obligors with respect to any of the Senior Liabilities; (c) extend or renew for one or more periods of time (whether or not longer than the original period), alter or modify any of the Senior Liabilities, or release or compromise any obligation of any nature of any obligor with respect to any of the Senior Liabilities; and (d) receive, collect and apply to the Senior Liabilities any and all rents, contract payments and other income from the Property.

5. *Assignment.* Senior Mortgagee may, from time to time at its sole discretion, assign or transfer any or all of the Senior Liabilities or any interest therein; and notwithstanding any such assignment or transfer or any subsequent assignment or transfer thereof, such Senior Liabilities shall be and remain Senior Liabilities for the purpose of this Agreement, and every immediate and successive assignee or transferee of any of the Senior Liabilities or of any interest therein shall, to the extent of the interest of such assignee or transferee in the Senior Liabilities, be entitled to the benefits of this Agreement to the same extent as if such assignee or transferee were Senior Mortgagee. In the

event that Senior Mortgagee assigns or transfers any or all of the Senior liabilities or any interest therein, Senior Mortgagee shall provide prompt notice thereof to Junior Mortgagee, which notice shall specify the name and address of the transferee.

6. Successors and Assigns. This Agreement shall be binding upon Junior Mortgagee and Senior Mortgagee and their respective successors and assigns and shall inure to the benefit of Junior Mortgagee and Senior Mortgagee and their respective successors and assigns.

7. Effect on Due on Sale Provisions. Junior Mortgagee hereby waives any due on sale or due on refinancing provisions of the Junior Loan Documents as they relate to the Senior Liabilities.

8. Notice. Any notice, demand or other communication which any party may desire or may be required to give hereunder to any other party shall be in writing, and shall be deemed given (i) if and when personally delivered, (ii) upon receipt if sent by a nationally recognized overnight courier addressed to a party at its address set forth below, or (iii) on the second (2nd) business day after being deposited in United States certified mail, return receipt requested, postage prepaid, addressed to a party at its address set forth below:

If to Senior Mortgagee: HERITAGE COMMUNITY BANK
18301 South Halsted
Glenwood, Illinois 60425
Attn: Mr. Henry A. Labriola
Senior Vice President

With a Copy To: JONES & JACOBS
77 West Washington Street
Suite 1615
Chicago, Illinois 60602
Attn: Tonya M. Farravano, Esq.

If to Junior Mortgagee: THE 915 BUILDING GROUP
c/o B. W. Phillips Realty Partners, L.L.C.
17450 South Halsted
Homewood, Illinois 60430
Attn: _____

With a Copy To: SCHREIBER, MACK AND POSTWEILER
10600 West 143rd Street
Orland Park, Illinois 60462
Attn: John G. Postweiler, Esq.

Any party hereto may change the address at which notices hereunder are required to be given to such party by notice to the other parties in accordance herewith.

10. Governing Law and Interpretation of this Agreement. This Agreement shall be governed by and construed in accordance with the laws of the State of Illinois. Wherever possible each provision of this Agreement shall be interpreted in such a manner as to be effective and valid under applicable law but if any provision of this Agreement shall be prohibited by or invalid under

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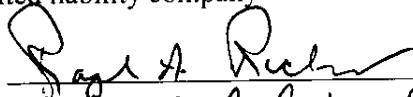
such law, such provision shall be ineffective to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Agreement.

11. Execution of Additional Documents. Junior Mortgagee agrees to execute such further documents or instruments and take such further actions as Senior Mortgagee may reasonably request from time to time to carry out the intent and purpose of this Agreement.

12. Termination. This Agreement shall terminate upon full and final payment of any and all amounts due under the Senior Liabilities.

IN WITNESS WHEREOF, this Agreement has been executed and delivered as of the day and year first written above.

THE 915 BUILDING GROUP, an Illinois limited liability company

By: 
Name: RONALD A. RICHMOND
Its: GENERAL PARTNER

Property of Cook County Clerk's Office

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STATE OF ILLINOIS)
) SS
COUNTY OF COOK)

I, the undersigned, a Notary Public in and for said County, in the State aforesaid, DO HEREBY CERTIFY that RONALD R. RICHARDS as the General Partner of THE 915 BUILDING GROUP, an Illinois general partnership, who is personally known to me to be the same person whose name is subscribed to the foregoing instrument as such _____, appeared before me this day in person and acknowledged that he signed and delivered the said instrument as his own free and voluntary act and as the free and voluntary act of said Partnership as aforesaid, for the uses and purposes therein set forth.

GIVEN under my hand and Notarial Seal this 24 day of Sept 2002

Carole A. Valela
NOTARY PUBLIC

My Commission Expires:

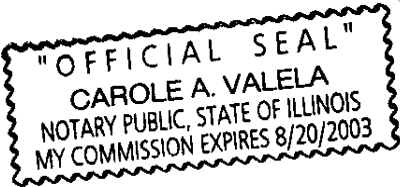


EXHIBIT A

LEGAL DESCRIPTION OF THE PROPERTY

THAT PART OF LOT 1 IN GINSBURG'S SUBDIVISION DESCRIBED AS FOLLOWS:

BEGINNING AT THE SOUTHWEST CORNER OF SAID LOT 1; THENCE DUE NORTH 340.00 FEET ALONG THE WEST LINE OF SAID LOT 1 TO THE NORTH LINE; THENCE DUE EAST 180.00 FEET; THENCE DUE SOUTH 27.00 FEET; THENCE DUE WEST 74.67 FEET TO A POINT OF CURVE; THENCE SOUTHWESTERLY ON A CURVE CONVEX TO THE NORTHWEST HAVING A RADIUS OF 8 FEET, AN ARC DISTANCE OF 12.57 FEET TO A POINT OF TANGENT; THENCE DUE SOUTH 89.00 FEET; THENCE DUE EAST 30.00 FEET; THENCE DUE SOUTH 42.00 FEET; THENCE DUE EAST 30.00 FEET; THENCE DUE SOUTH 28.00 FEET; THENCE DUE EAST 57.00 FEET; THENCE DUE SOUTH 24.00 FEET; THENCE DUE EAST 30.00 FEET; THENCE DUE SOUTH 122.00 FEET (THE EASTERLY LIMITS OF DESCRIBED WEST PARCEL BEING THE WESTERLY LIMITS OF DESCRIBED EAST PARCEL); THENCE DUE WEST 244.33 FEET TO THE PLACE OF BEGINNING AND THE NORTHEAST QUARTER OF SECTION 32 TOWNSHIP 36 NORTH, RANGE 14 EAST OF THE THIRD PRINCIPAL MERIDIAN IN COOK COUNTY, ILLINOIS.

Common Address: 915 West 175th Street
Homewood, Illinois

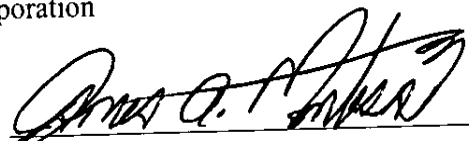
Permanent Index No(s): 29-32-200-044-0000

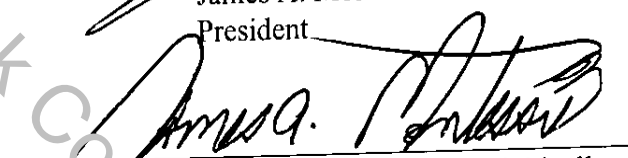
BORROWER'S AND GUARANTOR'S CONSENT AND AGREEMENT

Each of the undersigned hereby acknowledges the terms of and consents to the foregoing Subordination Agreement and agrees that (i) said Agreement does not constitute a waiver or partial waiver by Senior Mortgagee of any of its rights under the Senior Loan Documents, or in any way release the undersigned from its obligations to comply with the terms and conditions contained in the Senior Loan Documents; (ii) said Agreement does not constitute a waiver or partial waiver by Junior Mortgagee of any of its rights under the Junior Loan Documents, or in any way release the undersigned from its obligations to comply with the terms and conditions contained in the Junior Loan Documents; and (iii) the undersigned will not take any action contrary to or inconsistent with this Agreement

Dated as of September 24, 2002.

**MONTESANO CAPITAL
MANAGEMENT, INC.**, an Illinois
corporation

By: 
James A. Montesano
President


JAMES A. MONTESANO, individually

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STATE OF ILLINOIS)
) SS
COUNTY OF COOK)

I, the undersigned, a Notary Public in and for said County, in the State aforesaid, DO HEREBY CERTIFY that James A. Montesano, as President of **MONTESANO CAPITAL MANAGEMENT, INC.**, an Illinois corporation, who is personally known to me to be the same person whose name is subscribed to the foregoing instrument as such President, 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 as the free and voluntary act of said Corporation as aforesaid, for the uses and purposes therein set forth.

GIVEN under my hand and Notarial Seal this 24 day of Sept 2002.



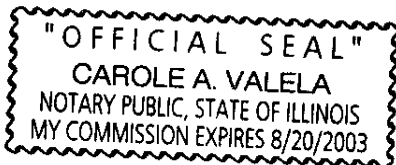
Carole A. Valela
NOTARY PUBLIC

My Commission Expires:

STATE OF ILLINOIS)
) SS
COUNTY OF Cook)

I, the undersigned, a Notary Public in and for said County, in the state aforesaid, DO HEREBY CERTIFY that **JAMES A. MONTESANO** personally appeared before me this day and acknowledged that he signed and delivered the foregoing instrument as his own free and voluntary act for the uses and purposes therein set forth.

GIVEN under my hand and Notarial Seal this 24 day of Sept 2002.



Carole A. Valela
NOTARY PUBLIC

My Commission Expires:
