

CONSTRUCTION LOAN AND SECURITY AGREEMENT

THIS AGREEMENT effective this 1st day of December 2006, by and between WASHINGTON FEDERAL BANK for Savings, (hereinafter referred to as "Lender") and Republic

AEGIS Title Services
Property Development II, Inc., an Illinois Corporation, (hereinafter collectively referred to as "Borrower"),
425 Quadrangle Drive
Bolingbrook, IL 60440
A T E S E V I S

I RECITALS

1.1 Loan:

(a) Borrower has requested a Loan from Lender and Lender has agreed to loan to Borrower, the sum of Three Hundred Thirty-Nine Thousand Seven Hundred Fifty and 00/100th Dollars, (\$330,750.00), which sum hereinafter is referred to as the "Construction Loan" for the purpose of **constructing** the real estate legally described as Lot I on Exhibit "A" attached hereto and made a part hereof ("the "Mortgaged Premises" or "Property") and improving said Mortgaged Premises with two single-family homes, (the "Project").

(b) Lender has agreed to lend to Borrower the Loan, subject to the terms and conditions set out herein below.

1.2 Purpose of Loan Agreement:

(a) To evidence the payment of the indebtedness (including any extensions or renewals thereof) evidenced by a certain note of Borrower to Lender in the principal outstanding sum of **Three Hundred Fifteen Thousand and 00/100th Dollars** (\$315,000.00); and,

(b) To evidence how and when disbursements of the proceeds of the Construction Loan shall be made by Lender to Borrower; and,

(c) To evidence the payment of all other sums with interest thereon becoming due and payable to Lender under the Loan and the provisions of any instrument constituting security for the Note; and

1.3 Description of Security:

The payment of the Note is secured by the following ("Loan Documents" or "Security Agreements"):

(a) A First Mortgage (the "Mortgage") pertaining to Mortgaged Premises described on Exhibit "A" attached hereto and made a part hereof;

(b) An Assignment of Leases and Rents;

(c) A Personal Guaranty from **James V. Savino**.

(d) Such other security instruments that are of even date herewith and, together with any other instrument now or hereafter given to secure the payment hereof are collectively referred to herein as the "Loan Documents".



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II LOAN

2.1 Description of Loan:

(a) **The Loan:** The Loan shall be a twelve (12) month loan term ("Loan Term") with interest at the rate of **ten and a quarter percent (10.25%)** on the unpaid balance of the Loan. Commencing on the date of disbursement until **December 1, 2007**, (the "Maturity Date"), Borrower shall pay to Lender interest only in arrears on the outstanding principal balance of the Loan. All outstanding principal and accrued and unpaid interest shall be due and payable, without notice, on

(b) As part and parcel of the Loan, Borrowers shall also be liable and shall pay all of the Lender's out of pocket expenses, including, but not limited to, credit report, inspection fees, appraisal fee and reasonable legal expenses. In addition, Borrower shall pay Lender the sum of Three Thousand One Hundred Fifty and 00/100th Dollars (\$3,150.00), as an irrevocable loan fee ("Loan Fee") prior to or at the time of the Loan closing, or if the Loan fails to close through no fault of Lender, then upon demand by Lender to Borrower.

2.2 Prepayment and Partial Releases:

Borrower, upon seven (7) business days prior written notice to Lender, shall have the right to make pre-payments in part or in whole, without premium or penalty.

In addition, so long as no default under the terms of the Note or any of the Loan Documents has occurred, Lender will allow Borrower the right to sell one or more of the Homes/Condominium Units to a third party bona fide purchaser, subject to the following:

(a) Borrower providing Lender with written notice, no less than three (3) business days prior to the initial proposed transfer or sale. Borrower shall include in said written notice, a copy of the executed contract for sale of the Home/Condominium Unit. Lender reserves the right to approve or reject the proposed sale of the Home/Condominium Unit, if in Lender's sole determination, (a) the sale price is 4% lower than the sale price listed in the following schedule, or (b) Lender, in its sole discretion, would reasonably deem itself insecure after the sale;

<u>Schedule of Sales</u>	<u>Unit/Home</u>	<u>Sales Price</u>
3 unit family dwelling		\$440,000.00

For any sale of a Unit at a price which is 4% lower than the price listed above, Lender shall have the right to consent to the sale of the individual Home/Unit, without waiving or modifying any of its rights hereunder. If Unit is scheduled for sale at a price which is 4% lower than the sales price listed above, Lender shall notify Borrower within two business days following Borrower's request for consent, if Lender objects to the sale.

(b) Assuming Borrower is not in default under the terms of the Note or Loan Documents and the Sales Price of the Home/Condominium Unit is not less than 4% of the amounts listed in the above schedule, Lender agrees to issue partial releases for each Condominium Unit sold to a

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third party purchaser, subject to Borrower paying to Lender an amount equal to the greater of (a) 80% of the sales price or (b) the net proceeds of the sale per Home/Unit.

2.3 Use of Proceeds:

(a) It is expressly understood between the parties that the Loan Proceeds shall be used as follows:

(i) At closing, Lender shall disburse from the Loan Proceeds (a) an amount necessary to pay all loan fees due Lender and all closing costs, including but not limited to, credit reports, appraisal fees, title charges and any other costs and fees, including attorneys fees expended by Lender not previously paid by Borrower and (b) an amount needed to payoff the existing liens recorded against the Mortgaged Premises and payment of Lender's fees and costs ("Acquisition/Refinance Proceeds") and (c) an amount reasonably determined by Lender necessary to fund an interest reserve for the purpose of paying interest on the Loan during the Loan Term. Borrower agrees that if the amount set aside by lender in the interest reserve is insufficient to pay interest on the Loan, Borrower shall be responsible for any additional payments due.

(ii) The balance of the Loan Proceeds (the "Reserves") shall be disbursed during the Loan term for the purpose of completing improvements to the Project, in accordance with the terms of a Sworn Owner's/Contractor's Statement ("Contractor's Statement") in a form acceptable to Lender. Disbursements shall be made directly to those parties listed on the Contractor's Statement in amounts not to exceed the amounts set forth on the Contractor's Statement, subject to the conditions set forth hereinafter. In addition, no Loan proceeds shall be disbursed to Borrower until all other parties listed on the Contractor's Statement have been paid in full. Lender reserves the right to retain 10% of any construction disbursement as retainage to be paid to Borrower at the time of the final draw and upon Lender's sole satisfaction of Borrower's compliance with the terms of this agreement and completion of all work on the Premises.

Borrower acknowledges and agrees that Lender shall have no obligation to make any disbursements of the Construction Proceeds to the Borrower unless and until Lender has received executed lien waivers from the subcontractors and materialmen set forth on the Contractor's Statement.

(b) The balance of the Loan Proceeds (the "Construction Reserves") shall be disbursed during the Loan term for the purpose of completing improvements to the Project, in accordance with the terms of a Sworn Owner's/Contractor's Statement ("Contractor's Statement") in a form acceptable to Lender. Disbursements shall be made directly to those parties listed on the Contractor's Statement in amounts not to exceed the amounts set forth on the Contractor's Statement, subject to the conditions set forth hereinafter. In addition, no Loan proceeds shall be disbursed to Borrower until all other parties listed on the Contractor's Statement have been paid in full. Lender reserves the right to retain 10% of any construction disbursement as retainage to be paid to Borrower at the time of the final draw and upon Lender's sole satisfaction of Borrower's compliance with the terms of this agreement and completion of all work on the Premises.

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It is further expressly understood between the parties that any sums not immediately disbursed to Borrower shall stay on deposit with Lender for future payments as delineated above. Notwithstanding the above, Lender shall have no obligation to disburse any Construction Proceeds if Borrower is in default hereunder, or under the other Loan Documents, or if the Loan, in Lender's sole determination is not, in balance (as defined hereinafter).

2.4 Disbursement of Reserves.

(a) Lender (a) may at any time; and (b) shall at such times, as Borrower is not in default hereunder, or under the other Loan Documents and provided the Loan is, in Lender's sole determination, in balance, (as defined hereinafter) at the request of Borrower, disburse the Reserves, for the purpose for which they have theretofore been set aside, either by payment of items for which set aside, by payment to the Title Company, or by reducing the amount of the applicable reserve for payment of interest or real estate taxes. As a condition precedent to each disbursement of the Loan Proceeds, Borrower shall furnish or cause to be furnished to the Lender at least five (5) business days before the disbursement the following documents or performances, as the case may be, covering each disbursement:

(b) Borrower's disbursement request ("Request For Advance") specifying the amount of the requested disbursement (exclusive of interest) directing Lender to disburse such funds in accordance with this Agreement, and certifying to Lender, as of the date of the applicable request for disbursement, that:

(i) the total amount of each request for disbursement (exclusive of interest) represents the actual amount payable to the Contractor and/or Subcontractors who have performed work on the Mortgaged Premises and other costs payable as provided for in the Contractor's Statement and indicating what payment requests, if any, have been received by Borrower from the contractors or the subcontractors but have not yet been approved by Borrower for payment;

(ii) no default, or condition or event which with the giving of notice or passage of time, or both, would constitute an Event of Default, exists under this Agreement or the other Loan Documents;

(iii) Borrower has received no notice and has no knowledge of any liens or claims of lien either filed or threatened against the Mortgaged Premises except the liens of Lender, those which are specifically identified in writing to Lender;

(iv) All amounts shown as previous payments on the current disbursement request have been paid to the parties entitled to such payment;

(v) approval by Borrower of all work and materials for which a payment is then due and for which disbursement of the Loan is thereby requested;

(vi) that all work and materials theretofore furnished for the Mortgaged Premises substantially conform with the plans and specifications;

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(viii) Borrower's strict compliance with all terms and conditions of that certain Construction Loan Disbursement Agreement between Borrower, Lender and the Title Company.

(c) Borrower shall have complied with all of the other terms and conditions of the Loan Documents.

(d) Endorsements to the Title Insurance Policy to cover the amount and date of the disbursement (whether into escrow or otherwise) insuring that the Mortgage is a valid first lien on the Mortgaged Premises subject only to Permitted Encumbrances. Those endorsements may be delivered to Lender concurrently with the disbursement of the Loan Proceeds which are the subject of those endorsements.

(e) No disbursement for materials purchased by Borrower but not yet installed or incorporated into the Property shall be made without Lender's prior approval of the conditions under which such materials are purchased and stored.

2.5 Direct Payments

Lender may, in its discretion, make (or cause to the Title Company as escrowee to make) payments for the cost of construction of the improvements directly to any contractor, subcontractor, materialmen, or to any vendor of fixtures and equipment. Prior to the Loan Opening, and from time to time thereafter, Lender or the Title Company may forward to any contractor and any or all subcontractors listed on the Owner's Sworn Statement a contract verification to confirm the terms and amount of the Construction Contracts. In the event of any discrepancy between the terms and amounts as shown by the Construction Contracts, the sworn statements, and the verifications, Lender may require, as a condition to further disbursements, that such discrepancies be eliminated to its satisfaction.

2.6 Application of Reserves in Case of Default.

In case of an Event of Default hereunder or under the other Loan Documents, Lender may use and apply Reserves to cure such default, or to apply on account of any indebtedness due and owing Lender.

III BORROWER'S REPRESENTATIONS

3.1 Borrower represents, covenants and agrees with Lender as follows:

(a) There are no present actions, suits or proceedings that would change its financial position.

(b) Borrower is not aware of any restrictions, limitations or impediments (created by law or otherwise) which would in anyway prohibit the Borrower from carrying out the agreements to be kept and performed by it as set forth in this Agreement, in any of the Loan Documents or in connection with the completion of the construction of the Mortgaged Premises. This Agreement and the other Loan Documents and any other documents and instruments to be executed and delivered in connection therewith all constitute the duly authorized, valid and legally binding obligations of Borrower and will be enforceable strictly in accordance with their respective terms and applicable law.

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(c) To the best of Borrower's knowledge, there are no actions, suits or proceedings pending or threatened against or affecting the Mortgaged Premises before any Court or any governmental, administrative, regulatory, adjudicatory or arbitrational body or agency of any kind. Without limitation of the foregoing, to the best of Borrower's knowledge, there are no pending or threatened proceedings or actions to revoke, attach, challenge the validity of, rescind or modify the present zoning of the Mortgaged Premises.

(d) The Borrower has not received notice from any governmental or quasi-governmental body or agency or from any person or entity with respect to (and the Borrower does not know of) any actual or threatened taking of the Mortgaged Premises or any portion thereof, for any public or quasi-public purpose by the exercise of the right of condemnation or eminent domain.

(e) To the best of Borrowers' knowledge at the present time neither this Agreement nor any documents, certificate or statement required herein to be furnished or furnished to Lender by Borrower contains any untrue statement of a fact, or omits to state a fact material to this Agreement or to the Lender's decision to enter into this Agreement or the transaction contemplated hereunder.

(f) All utility services necessary and sufficient for the intended use of the Mortgaged Premises are presently available for and adjacent and contiguous to or are in and upon the property, including water, sanitary sewer, storm drainage, electric (which shall be deemed sufficient upon issuance of certificates of occupancy for each completed unit) and telephone facilities. No easement or other rights over, under or across any land other than the Mortgaged Premises is required or useful in connection with such utility services, or if same are so required, such easements have been obtained and will be included in the definition of the Mortgaged Premises hereunder and subject to Lender's Mortgage.

(g) There are no leases or agreements affecting the Mortgaged Premises, except those agreements directly relating to this Loan transaction, and except those leases previously disclosed to the Lender.

(h) Borrower will duly and punctually perform, observe and comply with all of the terms, provisions, conditions, covenants and agreements on their part to be performed, observed and complied with hereunder and under the Loan Documents and any other documents and instrument delivered by Borrower in connection herewith or pursuant hereto and will not suffer or permit any default or event of default to exist hereunder or thereunder, which remains uncured after any applicable grace or cure periods.

(i) In the representations and warranties of Borrower as contained in this Agreement are true and complete as of the date hereof and shall remain true and complete as of the date of closing and during the term of the Loan, as may be extended, as though said representations and warranties were made at and as of such time, and this shall be a condition of Lender's obligation to disburse the Loan Proceeds.

(j) All representations, warranties and agreements made herein or in any certificate or other document delivered to Lender by or on behalf of Borrower pursuant to or in connection with this Agreement shall be deemed to have been relied upon by Lender notwithstanding any

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investigation heretofore or hereafter made by Lender or in its held, and shall survive the making of any or all of the disbursements contemplated hereby.

(k) That the improvements will be constructed in a good and workmanlike manner with materials of high quality and in accordance with the approved plans and specifications and all applicable laws, ordinances and regulations. Borrower shall construct the improvements with due diligence. If Lender disapproves any portion of the construction on the Property, Borrower shall, within thirty (30) days after such disapproval, commence to correct the condition so disapproved, and thereafter will diligently complete such correction. Borrower agrees that all materials contracted for or purchased for construction on the Property and all labor hired or contracted for with respect to construction on the Property and paid for with Loan Proceeds will be used solely on the Property and for no other purpose.

(l) That no material changes will be made in the plans and specifications except upon the written approval of Lender.

(m) That no substantial extras other than those which are usual and customary shall be allowed to any contractor or subcontractor or material change made in any construction contracts without the Lender's prior written approval and consent and that Borrower will furnish Lender, promptly after execution thereof, executed copies of all construction contracts, which were not furnished at the time of the Loan Opening and that said contracts shall be subject to Lender's approval as to form and content.

(n) That Borrower shall cooperate with Lender in arranging for inspection by Lender or any appraiser, or other representative designated by Lender of the progress of construction from time to time.

(o) That it will not suffer or permit any mechanics' lien claims to be filed or otherwise asserted against the Mortgaged Premises or any funds due the contractor and will promptly discharge the same in case of the filing of any claims for lien or proceedings for the enforcement thereof provided, however, that Borrower shall have the right to contest in good faith and with reasonable diligence the validity of any such lien or claim upon furnishing to the Title Company such security or indemnity as it may require to induce said Title Company to issue its interim certification or its Mortgage Title Insurance Policy insuring against all such claims or liens.

(p) Borrower will comply with all restrictive covenants affecting the Mortgaged Premises. Borrower will not record or permit to be recorded any document, instrument, agreement or other writing against the Mortgaged Premises without the prior written consent of Lender or as otherwise permitted hereunder or under the other Loan Documents.

(q) All governmental permits and licenses required by applicable law to construct, occupy and operate the Property have been applied for, or issued and are in full force;

(r) The storm and sanitary sewage disposal system, water system and all mechanical systems of the Property when constructed will comply with all applicable environmental, pollution control and known ecological laws, ordinances, rules and regulations, and the applicable environmental protection agency, pollution control board and/or other governmental agencies

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having jurisdiction of the Property have issued their permits for the construction, tap-on and operation of those systems;

(s) When completed, there will not be an encroachment upon any building line, set back line, side yard line, or any recorded or visible easement for other easement of which Borrower is aware or have reason to believe may exist) which exists with respect to the Mortgaged Premises;

(t) Borrower is and will be the lawful owner of all Mortgaged Premises, free of any and all liens and claims whatsoever, other than the security interest hereunder and the lien of the Mortgage, with full power to subject the Mortgaged Premises to the security interest hereunder;

(u) All information furnished to Lender concerning the Mortgaged Premises and financial affairs of Borrower, and all other written information heretofore or hereafter furnished by Borrower to Lender, is and will be true and correct;

(v) The Borrower does not have any contingent liabilities not disclosed by said financial statements, and at the present time there are no unrealized or anticipated losses from any commitments or obligations of Borrower;

(w) Anything contained in this Agreement to the contrary notwithstanding, it is expressly understood and agreed that the Loan shall at all times be "in balance." The Loan shall be deemed to be "in balance" only at such time and from time to time, as Lender may determine, in its sole discretion, that the then undisbursed portion of the loan, equals or exceeds the amount necessary to pay for (i) all work done and not theretofore paid for or to be done in connection with the completion of the construction in accordance with the Plans and Specifications (based on Lender's estimate of the cost of construction), including completion and installation of all fixtures and equipment required for operation of the Project, and (ii) all other costs (including interest on the Loan) incurred and not theretofore paid for or to be incurred in connection with the Project (to the extent Project revenues will not in Lender's sole judgment be sufficient to pay such costs and expenses) until the Construction Loan Maturity Date.

Borrower agrees that prior to the Loan opening date, Lender shall have the right to make (and thereafter from time to time Lender shall have the right to revise), in its sole discretion, an estimate of the cost of construction of the improvements, which estimate is herein sometimes called "Lender's Estimate of the Cost of Construction." In the first instance, Lender's Estimate of the Cost of Construction shall be made upon the basis of the owner's sworn statements, executed subcontracts and purchase orders, or, in those instances where subcontracts or purchase orders have not yet been let, upon the basis of either written bids with responsible contractors, tradesmen and material suppliers satisfactory to Lender or Lender's estimate of such costs, and shall take into account such allowances for reserves and contingencies as Lender shall deem appropriate. Thereafter, Lender's Estimate of the cost of construction will take into account, in addition to the owner's sworn statements, subcontracts and purchase orders, other considerations which Lender, in its sole discretion, deems relevant or likely to have an impact upon the cost of construction, including current costs for and availability of materials and supplies, the provisions of construction contracts, subcontracts and purchase orders, the ability of the general contractor to perform under the owner's sworn statements, and the ability of parties to perform under and in accordance with the terms of the contracts, subcontracts and purchase orders. If there is an "identity of interest" between the Borrower and any of Borrower's

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contractors, any contract between parties having such "identity of interest" shall be regarded solely as an estimate for the purpose of this Section 3.1(w). There shall be deemed to be an "identity of interest" if Borrower shall act as a contractor in its own name or through a separate person or entity in which it or any entity related to it has a substantial interest or control.

Borrower agrees that if for any reason the Loan at any time is not in balance, regardless of how such condition may have been brought about, Borrower shall, within ten (10) days after written request by Lender, deposit from its own funds the amount of the deficiency with Lender (the "Deficiency Deposit"), which Deficiency Deposit shall first be exhausted before any further disbursement of the proceeds of the Loan shall be made. Lender shall not be obligated to make any Loan disbursements if the Loan is not in balance.

3.2 Indemnification

Borrower shall indemnify and hold the Lender harmless from any and all claims, demands, losses, liabilities, actions, lawsuits and other proceedings, judgments, awards, decrees, costs and expenses (including reasonable attorney's fees), arising directly or indirectly, in whole or in part, out of the acts and omissions whether negligent, willful or otherwise, of Borrower, or any of its officers, directors, agents, subagents, employees, contractors and subcontractors in connection with the Mortgaged premises, the Loan and the Loan Documents including but not limited to any claims, demands, losses, liabilities, actions, lawsuits and other proceedings, judgments, awards, decrees, costs and expenses (including reasonable attorneys fees) relating to any warranty (expressed, implied or otherwise) of habitability or warranty of fitness regarding the construction on the Mortgaged Premises or as a result of (a) ownership of the Mortgaged Premises or any interest therein or receipt of any rent or other sum therefrom, (b) any accident, injury to or death of persons or loss of or damage to property occurring in, on or about the Mortgaged Premises or any part thereof or on the adjoining sidewalks, curbs, vaults and vault space, if any, adjacent parking areas, streets or ways, (c) any use, non-use or condition of the Mortgaged Premises or any part thereof or the adjoining sidewalks, curbs, the adjacent parking areas, streets or ways, (d) any failure on the part of the Borrower to perform or comply with any of the terms of the Loan Documents, or (e) the performance of any labor or services or the furnishing of any materials or other property with respect to the Mortgaged Premises or any part thereof.

IV ADDITIONAL CONDITIONS TO LOAN CLOSING

4.1 Fees

Borrower agrees to and shall pay all fees and charges now or hereafter connected with and relating to this Loan, including without limitation the fees and disbursements of Lender's counsel now or hereafter required to be expended by Lender, including without limitation the charges and assessments of governmental bodies that may be assessed in connection with Loan Documents and the costs and expenses of Lender in the implementation of the provisions of the Loan Documents. All of the foregoing fees, costs and charges Borrower expressly represents are its obligations and not the obligation of the Lender and may be advanced by the Lender from the Loan proceeds simultaneously with the execution of the Loan Documents notwithstanding the provisions of Section 5.1 or any other provisions of this Agreement to the contrary.

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4.2 Illinois Uniform Commercial Filings

Any future financing statements made in accordance with the Illinois Uniform Commercial Code shall be recorded, which shall reflect a security interest in the furniture, furnishings, fixtures and equipment now or hereafter located in or upon the Mortgaged Premises and on all contract rights which may now or hereafter be a charge upon, arise out of or result from all of any portion of the Mortgaged Premises and the rents, issues, profits, results and proceeds resulting therefrom, and all licenses or permits appurtenant to said Mortgaged Premises and all leases which may now or hereafter encumber all or any of the Mortgaged Premises, together with all results and proceeds therefrom.

4.3 Loan Documents

As a condition to the initial disbursement of funds under this Agreement, there shall be delivered to Lender or Lender's counsel for Lender's approval, properly executed copies of the Loan Documents, as well as the instruments and documents below enumerated and there shall have been compliance and performance with the applicable provisions set forth below. Any of the below enumerated provisions, may now or hereafter be modified, amended, substituted, released or waived in whole or in part by mutual written agreement of the parties.

(a) Prepaid Mortgagee's Policy of Title Insurance, in form and substance as approved by Lender's counsel, insuring in the amount of the Loan and the Lender's interest in the Mortgaged Premises. The policy shall reflect that the mortgagee in favor of the Lender shall be a first lien mortgage, further, the policy shall reflect that fee simple title to the Mortgaged Premises is vested in Borrower. All standard exceptions, including the survey and mechanics lien exceptions, except those permitted by Lender, shall be deleted from the policy.

(b) Evidence of payment of the first installment 2001 real estate taxes and all prior years property taxes.

(c) A sworn Affidavit(s) from Borrower reflecting that no Mechanic or Materialmen's Liens are threatened or pending against the Mortgaged Premises.

(d) Insurance

(1) Evidence that such hazard, liability and flood insurance as Lender may require, as set forth below, together with evidence that the premiums therefore have been paid.

(2) A policy or policies of comprehensive liability insurance obtained by Borrower covering the Mortgaged Premises, with liability under the comprehensive liability insurance to be not less than a minimum of a \$100,000.00 with amounts, terms and companies approved by Lender, to protect Lender and Borrower against liability incident to the use of, or resulting from any accident occurring on or about the Mortgaged Premises or relating to any construction thereon, and such other insurance as may be required by the terms of the Lender's Mortgage. Said policies shall be in such amounts as approved by Lender and shall have premiums prepaid and shall name Lender as an additional insured. Such insurance policies shall be with companies, with coverage and in amounts and shall contain a mortgagee's loss payable clause, all satisfactory to Lender, and each such policy shall



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provide that the same may not be cancelled or amended by any party for any reason whatsoever without first giving Lender at least thirty (30) days prior written notice of any proposed cancellation or amendment.

(3) Insurance policies covering the Mortgaged Premises naming Lender as insured with issuing companies, coverages and amounts satisfactory to Lender insuring the Mortgaged Premises against loss or damage by fire when improved or such other hazards as may be reasonable requested by Lender, including, but not limited to, extended coverage, vandalism, malicious mischief, together with insurance against flood if required by the Federal Flood Disaster Protection Act of 1973 and regulations issued thereunder, as well as builder's risk protection at the time construction begins. Each policy shall contain a mortgagee clause satisfactory to Lender and provided that the policy may not be cancelled by any party for any reason whatsoever without giving the Lender at least thirty (30) days prior written notice of any proposed cancellation.

(e) Execution and delivery to Lender, in form and substance as approved by Lender's counsel, of the Note and Loan Documents by the Borrower as required by said documents, including cross-collateralizing of the Note, Mortgage on real property and security interest in any personal property.

(f) Evidence that there are no prohibitions, limitations or moratoriums now in effect, threatened or pending by any governmental agency or regulatory body having jurisdiction over the Mortgaged Premises that would in any way limit or prohibit the present and intended use of the Mortgaged Premises.

(g) Delivery of such other documentation as counsel for Lender may require, consistent with normal lending practices.

V DEFAULT

5.1 Events Constituting Default

The happening of any of the following events shall constitute a default on the part of the Borrower hereunder:

(a) During the terms of the Loan, as may be extended, if Borrower fails to comply with or otherwise becomes in breach or default of any of the terms, covenants and agreements contained in this Loan Agreement to be kept and performed by Borrower or if the Loan, at any time in Lender's sole discretion, is not "in balance" as set forth in paragraph 3.1(w) above.

(b) If Borrower should breach or otherwise become in default of the Note described herein or the Mortgage securing same or any other of the Loan Documents of which the Borrower is a party thereto.

(c) If at any time, during the term of the Loan, should a material representation or warranty made by Borrower in this Loan Agreement be incorrect.

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(d) If a lien for the performance of work or materials supplied be filed against the Mortgaged Premises encumbered by Lender's mortgage and is not satisfied or removed from said Mortgaged Premises by bond or otherwise within a period of sixty (60) days after the filing thereof.

(e) If any claim or action be brought against the Lender arising out of this transaction by any person (natural or otherwise) and indemnification therefrom, in form and substance satisfactory to Lender or its counsel, is not furnished to Lender within sixty (60) days from the date of notice of or service upon Lender of such claim or action.

(f) The filing of a new proceeding in bankruptcy by or against Borrower, initiation of insolvency proceedings by or against Borrower, if Borrower makes an assignment for the benefit of Borrowers' creditors, or if a trustee or receiver is appointed in any Court of competent jurisdiction to take charge of any of Borrower's assets or the Mortgaged Premises.

(g) Failure to comply with the requirements of any governmental or municipal authorities having jurisdiction over the Mortgaged Premises encumbered by Lender's mortgage within thirty (30) days after the notice in writing of such requirements has been given.

(h) If Borrower encumbers, transfers or conveys the Mortgaged Premises, or any part thereof (excluding the sale of the Condominium Units to bona fide third party Purchasers), without the prior written consent of Lender.

(i) Should Borrower fail to comply within the time provided in their agreements to be kept and performed by it, as herein set forth.

(j) If proceedings are threatened or commenced by any public or quasi-public body to acquire the Mortgaged Premises or any interest therein or part thereof (other than a part which, in Lender's reasonable judgment, is immaterial, or a dedication of utilities or roads) by eminent domain or condemnation proceedings and such commenced proceedings are not dismissed within thirty (30) days or, in the case of threatened proceedings, such threat is not eliminated, to Lender's reasonable satisfaction, within sixty (60) days.

5.2 Costs

Borrower agrees to pay any reasonable costs or expenses incurred or expended by Lender, including without limitation attorney's fees, in the exercise of the rights or remedies granted Lender under the and pursuant to this Loan Agreement, the Note and the Loan Documents whether suit is filed or not filed.

5.3 Default

Upon the happening of any default under this Agreement, Lender shall have the right, without notice to Borrower, do any or all of the following:

(a) Declare the Note in default, and the Note shall thereupon become immediately due and payable in its entirety notwithstanding the tenor thereof, without presentment, demand, protest

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or notice of any kind, all of which are expressly waived, anything contained herein or in the Note to the contrary notwithstanding.

(b) Terminate the Lender's obligations under this Agreement to extend credit of any kind or to make any disbursement, whereupon the commitment and obligations of Lender to extend credit or to make disbursements hereunder shall be terminated.

(c) Exercise all rights or remedies under the Mortgage and all of the other Loan Documents given by Borrower to Lender to secure the indebtedness then owing by the Borrower to the Lender.

(d) Subject to the provisions and limitations of the Illinois Mortgage Foreclosure Act, enter upon and take possession of the Mortgaged Premises and all material, equipment and supplies thereon and therein, and do anything necessary or desirable to fulfill the obligations of Borrower hereunder, and to sell, manage, maintain, repair and protect the Mortgaged Premises. Without restricting the generality of the foregoing and for the purposes aforesaid, Borrower hereby appoints and constitutes Lender its lawful attorney-in-fact with full power of substitution (i) to pay, settle or compromise all existing bills and claims which may be liens or security interests, or to avoid such bills and claims becoming liens or security interests against the Mortgaged Premises or any fixtures or equipment thereon, or as may be necessary or desirable for the clearance of title or otherwise, (ii) to execute all applications and certificates in the name of the Borrower which may be required to carry out the intent and purpose hereof, (iii) to employ such contractors, subcontractors, architects and others as Lender may deem appropriate and/or to avail itself or and procure performance of existing prime contracts and subcontracts in the name of Borrower or, at its election, on its own behalf, (iv) to do any and every act which the Borrower might do in their own behalf, including, without limitation, to enter into contracts for the sale or lease of, and to sell or lease and convey title to the Mortgaged Premises or any portion thereof, and Borrower agrees to execute and deliver such deeds and other instruments of this Section, to prosecute or defend any and all actions or proceedings involving the Mortgaged Premises or any fixtures, equipment or other installations thereon, it being understood and agreed that this Power of Attorney shall be a power coupled with an interest and cannot be revoked. The Lender and its designees, representatives, agents, licensees and contractors shall be entitled to the entry, possession and use contemplated herein without the consent of any party and without any legal process or other condition precedent whatsoever. The Borrower acknowledges that any denial of such entry, possession and use by the Lender will cause irreparable injury and damage to the Lender.

VI MISCELLANEOUS

6.1 All notices hereunder shall be in writing and shall be deemed to have been sufficiently given or served for all purposes when presented personally or deposited for mailing by certified mail to any party hereto at its address below stated, or at such other address of which it will have notified the party given notice in writing.

6.2 Neither this Loan Agreement, nor any provision hereunder, may be changed, waived, discharged or terminated orally, except by an instrument in writing, duly executed by the parties.

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6.3 Lender, or its representative, shall at reasonable times subject to rights of existing tenants, if any, be permitted to enter upon the Mortgaged Premises encumbered by the Mortgage for the purpose of inspecting the Mortgaged Premises. All leases and financial books and records relating to the Mortgaged Premises encumbered by the Mortgage shall be kept and maintained at the office of the Borrower and the Lender, or its representative, shall have reasonable rights to inspect and copy same during the term of this Loan.

6.4 All rights acquired by Lender under this Loan Agreement and all of the other agreements given by the Borrower to secure the payment of the indebtedness now or that may hereafter become due Lender are cumulative. In connection with the foregoing, Lender may exercise all or any such rights separately or concurrently. Lender may also elect not to exercise such rights or any of them and nothing herein shall be construed as obligating Lender to exercise any such rights nor shall the exercise of any such right or rights be deemed as an election of rights and remedies. No failure by the Lender to exercise, or delay by the Lender in exercising any right, power or privilege hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any right, power or privilege hereunder preclude any other right, power or privilege. The rights and remedies provided in this Agreement are cumulative and not exclusive of any right or remedy provided by law. No notice or demand on Borrower in any case shall, in itself, entitle Borrower to any other or further notice or demand in similar or other circumstances or constitute a waiver of the rights of the lender to any other or further action in any circumstances without notice or demand.

6.5 The parties to whom notice shall be provided are as follows:

If to the Lender: Washington Federal Bank for savings
2869 South Archer Avenue
Chicago, IL 60608
Attn: Vice President Lending

If to the Borrower: Republic Property Development II, Inc.
425 Quadrangle Drive
Bolinbrook, Illinois 60440

6.6 Borrower hereby agrees to indemnify Lender against any and all liability, damages, penalties, loss or expense, including reasonable attorney's fees, which may be suffered, incurred or expended by Lender by reason of breach or failure of any of Borrowers' warranties, representations or agreements as set forth in this Loan Agreement or the Loan Documents.

6.7 Should a Court of competent jurisdiction declare any of the terms, covenants, conditions, and provisions of this Agreement to be void or unenforceable, then and in such event, all of the other terms, covenants, conditions and provisions of this Loan Agreement shall be and remain in full force and effect. Wherever the provisions of this Agreement vary from or are in conflict with the terms or conditions contained in the Loan Commitment or any of the other Loan Documents, the provisions of such Loan Document(s) other than this Loan Agreement shall supersede, govern and prevail.

6.8 Lender may assign, negotiate, pledge or otherwise hypothecate all or any portion of this Agreement or grant participation herein, or in any of its rights and security hereunder, including,

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without limitation, the Note and Mortgage, and in case of such assignment, Borrower will accord full recognition thereto and agrees that all rights and remedies of Lender in connection with the interest so assigned shall be enforceable against Borrower by such assignee with the same force and effect and to the same extent as the same would have been enforceable by Lender but for such assignment.

6.9 Borrower shall not assign or attempt to assign its rights under this Agreement, either voluntarily or by operation of law.

6.10 Borrower acknowledges that a material consideration of Lender in the making and funding of the Loan hereunder is Borrowers' agreement to keep, comply and perform in accordance with this Agreement and any other agreement which may now or hereafter create a charge, lien or encumbrance upon or against the Mortgaged Premises. Accordingly, should Borrower fail or refuse to perform in accordance with such agreements, or breach or otherwise default under any of the terms, covenants, conditions and provisions of such agreements, then and in such event, Lender shall have, in addition to all other rights and remedies as provided herein, the right:

A. To execute and deliver such instruments and documents required thereunder to be executed and delivered on behalf of Borrower.

B. To do any and every act with respect to the properties referred to herein, which Borrower may do in its own behalf; in connection therewith;

(1) to enter into possession of the Mortgaged Premises and to use any of the funds of Borrower.

(2) to pay, settle or compromise all bills or claims.

(3) to exercise all rights of the Borrower with respect to the Mortgaged Premises including, without limitation to, the exercise by Lender of all rights of Borrower under any and all agreements executed by Borrower relating to or pertaining to the Mortgaged Premises as though Lender, its agents, servants or employees, were the original, person stipulated as being the Borrower; nothing herein contained shall obligate Lender to exercise the rights herein granted.

For the foregoing purposes, Borrower hereby constitutes and appoints Lender its true and lawful attorney-in-fact, with full power of substitution, and it is a power coupled with an interest which cannot be revoked. Said attorney-in-fact shall also have power to prosecute and defend all actions or proceedings in connection with the Mortgaged Premises and to take such action and required such performance as is deemed necessary.

6.10 During the term of the Loan, Borrower shall promptly furnish Lender a written notice of any litigation in which Borrower is named as defendant or affecting or relating to its Mortgaged Premises.

6.11 This Agreement is made for the sole benefit of the Borrower and the Lender, and no other person shall be deemed to have any privity of contract hereunder, nor any right to rely hereon to any

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EXHIBIT A

LEGAL DESCRIPTION

LEGAL: LOT 6 IN BLOCK 110 IN CORNELL, IN SECTIONS 26 AND 35, TOWNSHIP 38 NORTH, RANGE 14, EAST OF THE THIRD PRINCIPAL MERIDIAN, IN COOK COUNTY, ILLINOIS

Commonly Known As : 7914 SOUTH GREENWOOD, CHICAGO, ILLINOIS 60649

Permanent Index Number: 20-35-105-026-0000

Loan # 02-00352-3

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