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## SECOND MORTGAGE

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THIS MORTGAGE is made this 11 day of November, 1985, by Terry Fouks, (hereinafter referred to as the "Mortgagor"), having its principal office at 639 W. Oakdale, Chicago, Illinois 60640, in favor of Lyons Savings and Loan Association, a state chartered savings and loan association, having its principal office at 911 Elm Street, Hinsdale, Illinois 60521 (hereinafter referred to as the "Mortgagee").

WITNESSETH, that to secure the payment of an indebtedness in the amount of FOUR HUNDRED SIXTY THOUSAND AND NO/100 (\$460,000.00) DOLLARS lawful money of the United States, to be paid with interest thereon according to a certain note bearing even date herewith, and any amendments, modifications, renewals or replacements thereof (hereinafter referred to as the "Note"), the Mortgagor hereby mortgages, conveys, transfers and grants a security interest in the Mortgaged Premises (as defined herein) to the Mortgagee.

And the Mortgagor covenants, represents and warrants with the Mortgagee as follows:

### I

#### DEFINED TERMS

1.1 Definitions. Whenever used in this Mortgage, the following terms, when capitalized, shall have the following respective meanings unless the context shall clearly indicate otherwise:

A. "Default Rate" shall mean the Prime Rate plus six (6%) percent per annum and shall be charged on any amount payable herein unless promptly paid, and shall constitute additional indebtedness secured by this Mortgage and shall be immediately due and payable.

B. "Event of Default" shall mean those occurrences described in paragraph 14.1 hereof.

C. "Fixtures" shall mean all materials, supplies, equipment, apparatus and other items now or hereafter attached to, installed in or used in connection with, temporarily or permanently, the Mortgaged Premises, including but not limited to any and all partitions, window screens and shades, drapes, rugs and other floor

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coverings, motors, engines, boilers, furnaces, pipes, plumbing, cleaning, call and sprinkler systems, fire extinguishing apparatus and equipment, water tanks, swimming pools, heating, ventilating, plumbing, laundry, incinerating, air conditioning and air cooling equipment and systems, gas and electric machinery, appurtenances and equipment, disposals, dishwashers, refrigerators and ranges, freezers, storm shutters and awnings, whether detached or detachable, and recreational equipment and facilities of all kinds.

D. **"Full Insurable Value"** shall mean replacement cost, exclusive of costs of excavation, foundations and footings below the lowest basement floor, or the original principal balance on the Note, whichever is greater.

E. **"Impositions"** shall mean all real estate and personal property taxes, water, gas, sewer, electricity, and other utility rates and charges, charges for any easement, license or agreement maintained for the benefit of the Mortgaged Premises, and all other liens with respect thereto, of any kind and nature whatsoever which at any time prior to or after the execution hereof may be assessed, levied or imposed upon the Mortgaged Premises or the rents, issues and profits or the ownership, use, occupancy or enjoyment thereof.

F. **"Loan Documents"** shall mean those documents as defined in the Loan and Security Agreement.

G. **"Mortgaged Premises"** shall mean all of the Mortgagor's present or future estates in the Property, together with any buildings and improvements located thereon, rights of way, privileges, rights, easements and mineral rights appertaining thereto, and all tenements, hereditaments and appurtenances thereto, the Personalty, and all rents, issues and profits of such Mortgaged Premises.

H. **"Mortgagee"** shall mean Lyons Savings and Loan Association and its successors and assigns.

I. **"Mortgagor"** shall mean the owner of the Mortgaged Premises.

J. **"Permitted Encumbrances"** shall mean this Mortgage and other matters (if any) as set forth in the Schedule of Permitted Encumbrances attached hereto as Exhibit "B" and incorporated herein, and the lien and security interests created by the Loan Documents.

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K. **"Personalty"** shall mean all of the right, title and interest of, in and to all fixtures, furniture, furnishings, and all other personal property of any kind or character, temporary or permanent, now or hereafter located upon, within or about the Mortgaged Premises which are necessary for the operation of the Mortgaged Premises, (excluding personal property owned by tenants in possession), together with any and all accessions, replacements, substitutions, and additions thereto or therefor and the proceeds thereof.

L. **"Prime Rate"** shall mean that rate announced and published from time to time by Chase Manhattan Bank, N.A. and in effect on the last business day of each month. At the election of Mortgagee, the Prime Rate shall be that rate announced and published from time to time by Chase Manhattan Bank, N.A. and in effect daily. In the event that the Prime Rate of the Chase Manhattan Bank, N.A. is not available, the Prime Rate of the Citibank, N.A. shall be used.

M. **"Prohibited Transfer"** shall mean a transfer as defined in paragraph 9.1 herein.

N. **"Property"** shall mean that real property commonly known as 738 W. Briar, Chicago, Illinois and legally described on Exhibit "A" which is attached hereto and made a part hereof.

2.1 Payment of Indebtedness. The Mortgagor will pay the indebtedness as provided in the Note and will otherwise duly comply with the terms thereof.

3.1 Representations as to the Mortgaged Premises. Mortgagor represents and covenants that: A. Mortgagor is the holder of the fee simple title to the Mortgaged Premises subject only to the Permitted Encumbrances; B. Mortgagor has full legal power, right and authority to mortgage and convey the Mortgaged Premises; C. this Mortgage creates a valid lien on the Mortgaged Premises.

4.1 Imposition. The Mortgagor shall, subject to the provisions of this Mortgage, pay all Impositions when due, and in default thereof the Mortgagee may, at its option, pay the same. Any sums paid by Mortgagee on account of Impositions shall bear interest at the Default Rate.

5.1 Maintenance of Mortgaged Premises;  
Changes and Alterations.

A. The Mortgagor shall maintain or cause to be maintained the Mortgaged Premises in good repair, working order, and condition and make or cause to be made, when

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necessary, all repairs, renewals, and replacements, structural, non-structural, exterior, interior, ordinary and extraordinary. The Mortgagor shall refrain from and shall not permit the commission of waste in or about the Mortgaged Premises and shall not remove, demolish, alter, change or add to the structural character of any improvement at any time erected on the Mortgaged Premises without the prior written consent of the Mortgagee, except as hereinafter otherwise provided.

B. The Mortgagor may, in its discretion and without the prior written consent of the Mortgagee, from time to time, make or cause to be made reasonable changes, alterations or additions, structural or otherwise, in or to the Mortgaged Premises, which do not adversely affect the Mortgaged Premises.

C. The Mortgagor may, in its discretion and without the prior written consent of the Mortgagee, any time and from time to time, remove and dispose of any Personalty, now or hereafter constituting part of the Mortgaged Premises which becomes inefficient, obsolete, worn out, unfit for use or no longer useful in the operation of the Mortgaged Premises or the business conducted thereon, if any, provided the Mortgagor promptly replaces such Personalty, with title to such replacements subject only to the Permitted Encumbrances.

## 6.1 Insurance.

A. The Mortgagor shall maintain the following insurance coverage with respect to the Mortgaged Premises:

(i) Insurance against loss of or damage to the Mortgaged Premises by fire and such other risks, including but not limited to, risks insured against under extended coverage policies with all risk and difference in conditions endorsements, in each case in amounts at all times sufficient to prevent the Mortgagor from becoming a co-insurer under the terms of applicable policies and, in any event, in amounts not less than the greater of (a) the principal balance remaining outstanding from time to time on the Note, and (b) ninety percent (90%) of the Full Insurable Value (as hereinafter defined) of the Mortgaged Premises, as determined from time to time;

(ii) Comprehensive general liability insurance against any and all claims (including all costs and expenses of defending the same) for bodily injury or death and for property damage occurring upon, in or about the Mortgaged Premises and the

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adjoining streets or passageways in amounts not less than FIVE HUNDRED THOUSAND AND NO/100 (\$500,000.00) DOLLARS or such other respective amounts which the Mortgagee shall from time to time reasonably require, having regard to the circumstances and usual practice at the time of prudent owners of comparable properties in the area in which the Mortgaged Premises are located;

(iii) Rental or business interruption insurance in amounts sufficient to pay, for a period of six (6) months, all amounts required to be paid by Mortgagor pursuant to the Note and other Loan Documents;

(iv) Explosion insurance in respect of boilers, heating apparatus or other pressure vessels, if any, located on the Mortgaged Premises in such amounts as shall from time to time be reasonably satisfactory to the Mortgagee;

(v) Such other insurance as is customarily purchased in the area for similar types of business, in such amounts and against such insurable risks as from time to time may reasonably be required by the Mortgagee, including but not limited to flood insurance, if the Mortgaged Premises is located in a Flood Hazard Zone.

B. Any insurance purchased by Mortgagor relating to the Mortgaged Premises, whether or not required under this Mortgage, shall be for the benefit of the Mortgagee and the Mortgagor, as their interests may appear, and shall be subject to the provisions of this Mortgage.

C. If the Mortgagor fails to keep the Mortgaged Premises insured in accordance with the requirements of the Loan Documents, the Mortgagee shall have the right, at its option, to provide for such insurance and pay the premiums thereof, and any amounts paid thereon by the Mortgagee shall bear interest at the Default Rate from the date of payment.

D. All policies of insurance required by the Loan Documents shall be in forms and with companies reasonably satisfactory to the Mortgagee, with standard mortgage clauses attached to or incorporated in all policies in favor of the Mortgagee, including a provision requiring that coverage evidenced thereby shall not be terminated or materially modified without thirty (30) days' prior written notice to the Mortgagee. Such insurance may be provided for under a blanket policy or policies and may provide that any loss or damage to the Mortgaged Premises not exceeding FIVE

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COOK COUNTY CLERK'S OFFICE  
100 N. LAUREL STREET, CHICAGO, IL 60601  
TEL: (773) 399-3000 FAX: (773) 399-3001

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THOUSAND AND NO/100 (\$5,000.00) DOLLARS shall be adjusted by and paid to the Mortgagor and any such loss exceeding FIVE THOUSAND AND NO/100 (\$5,000.00) DOLLARS shall be adjusted by the Mortgagor and the Mortgagee and paid to the Mortgagee and held by Mortgagee in a non-interest bearing Escrow Account. All such insurance proceeds shall be applied in accordance with Paragraph 7.1 below, and any amounts not so applied shall be paid to the Mortgagor.

E. The Mortgagor shall deliver to the Mortgagee the originals of all insurance policies or certificates of coverage under blanket policies, including renewal or replacement policies, and in the case of insurance about to expire shall deliver renewal or replacement policies as to the issuance thereof or certificates in the case of blanket policies not less than thirty (30) days prior to their respective dates of expiration.

F. In all insurance policies of the character required of this Paragraph 6.1, Mortgagee shall be named as Mortgagee in the standard mortgage clause or as an additional loss payee where appropriate and such insurance shall be for the benefit of the Mortgagor and the Mortgagee, as their interests may appear.

G. Notwithstanding any damage, loss or casualty and in any event, the Mortgagor shall continue to pay the principal and interest on the Note.

## 7.1 Damage or Destruction.

A. In case of any damage to or destruction of the Mortgaged Premises or any part thereof from any cause whatsoever, other than a Taking (as defined in paragraph 11), the Mortgagor shall promptly give written notice thereof to the Mortgagee, unless such damage or destruction involved less than FIVE THOUSAND AND NO/100 (\$5,000.00) DOLLARS. In any event, but subject to the provisions of Paragraph 7.1 A hereof, Mortgagor shall restore, repair, replace, or rebuild the same or cause the same to be restored, repaired, replaced or rebuilt to substantially the same value, condition and character as existed immediately prior to such damage or destruction or with such changes, alterations and additions as may be made at the Mortgagor's election pursuant to Paragraph 5.1. Such restoration, repair, replacement or rebuilding (herein collectively called "Restoration") shall be commenced promptly and completed with diligence by the Mortgagor, subject only to delays beyond the control of the Mortgagor.

B. Subject to Paragraph 7.1 E hereof, all net insurance proceeds received by the Mortgagee pursuant to Paragraph 6.1 shall be made available to the Mortgagor for

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the Restoration required hereby in the event of damage or destruction on account of which such insurance proceeds are paid. If at any time the net insurance proceeds which are payable to the Mortgagor in accordance with the terms of this Mortgage shall be insufficient to pay the entire cost of the Restoration, the Mortgagor shall pay the deficiency. In such an event, Mortgagor shall make all payments from its own funds to the contractor making such Restoration until the amount of said deficiency has been satisfied; thereafter, Mortgagee shall make subsequent payments from the insurance proceeds to Mortgagor or to the contractor, whichever is appropriate. All payments hereunder shall be made only upon a certificate or certificates of a supervising architect appointed by the Mortgagor and reasonably satisfactory to the Mortgagee that payments, to the extent approved by such supervising architect, are due to such contractor for the Restoration, that the Mortgaged Premises are free of all liens of record for work labor or materials, and that the work conforms to the legal requirements therefor.

C. Upon completion of the Restoration, the excess net insurance proceeds, if any, shall be paid to the Mortgagor.

D. Mortgagor, in case of damage or destruction to all or substantially all of the Mortgaged Premises, shall, at the option of Mortgagee, prepay the remaining balance of the Note together with accrued interest thereon with the same prepayment premium, if any, as provided in the Loan Documents. In such an event, any insurance proceeds received and held by Mortgagee pursuant to Paragraph 6.1 herein, shall be applied by Mortgagee to the portion of the remaining balance due hereunder. To exercise this option Mortgagee shall give written notice to Mortgagor of its intent to do so within thirty (30) days of any such damage or destruction.

E. If an Event of Default shall occur, all insurance proceeds received by the Mortgagee may be retained by the Mortgagee and applied, at its option, in payment of the mortgage indebtedness and any excess repaid to or for the account of Mortgagor.

8.1 Indemnification. Mortgagor agrees to indemnify and hold the Mortgagee 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 Mortgagor, or any of its officers, directors, agents, subagents, or employees, in connection with this Mortgage or

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the other Loan Documents 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, vaults and vault space, if any, the adjacent parking areas, streets or ways; D. any failure on the part of the Mortgagor to perform or comply with any of the terms of this Mortgage; 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. Any amounts payable to the Mortgagee under this Paragraph which are not paid within ten (10) days after written demand therefor by the Mortgagee shall bear interest at the Default Rate. The obligations of the Mortgagor under this paragraph shall survive any termination or satisfaction of this Mortgage.

9.1 Prohibited Transfer; Due on Sale. Mortgagor shall not create, effect, contract for, agree to, consent to, suffer, or permit any conveyance, sale, lease other than in the normal course of business, assignment, transfer, lien, pledge, mortgage, grant of security interest, or other encumbrance or alienation of any interest in the following properties, rights or interests without the prior written consent of Mortgagee ("Prohibited Transfer"):

- A. the Mortgaged Premises or any part thereof or interest therein, excepting only sales or other dispositions of Personalty pursuant to paragraph 5.1 herein;
- B. all or any portion of the beneficial interest or power of direction in or to the trust under which Mortgagor is acting, if Mortgagor is a Trustee;
- C. any shares of capital stock of a corporate Mortgagor, a corporation which is a beneficiary of a trustee Mortgagor, a corporation which is a general partner in a partnership Mortgagor, a corporation which is a general partner in a partnership beneficiary of a trustee Mortgagor, or a corporation which is the owner of substantially all of the capital stock of any corporation described in this subparagraph (other than the shares of capital stock of a corporate trustee or a corporation whose stock is publicly traded on national securities exchange or on the

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National Association of Securities Dealer's Automated Quotation System);

- D. any general or limited partner's interest, if Mortgagor is a general or limited partnership;

in each case whether any such Prohibited Transfer is effected directly, indirectly, voluntarily or involuntarily, by operation of law or otherwise; provided, however, that the foregoing provisions of this Paragraph 9.1 shall not apply (i) to this Mortgage, and (ii) to the lien of current taxes and assessments not in default.

## 10.1 Priority of Lien; After-Acquired Property.

A. Subject to the Permitted Contests granted under Paragraph 2.1, the Mortgagor will keep and maintain the Mortgaged Premises free from all liens for moneys due and payable to persons supplying labor for and providing materials used in the construction, modification, repair or replacement of the Mortgage Premises.

B. In no event shall Mortgagor do or permit to be done, or omit to do or permit the omission of any act or thing the doing or omission of which would impair the lien of this Mortgage. The Mortgagor shall not initiate, join in or consent to any change in any private restrictive covenant, zoning ordinance or other public or private restriction or agreement materially changing the uses which may be made of the Mortgaged Premises or any part thereof without the express written consent of the Mortgagee.

C. All property of every kind acquired by the Mortgagor after the date hereof which, by the terms hereof, is required or intended to be subjected to the lien of this Mortgage shall, immediately upon the acquisition thereof by Mortgagor, and without any further mortgage, conveyance, assignment or transfer, become subject to the lien and security of this Mortgage. Nevertheless, Mortgagor will do such further acts and execute, acknowledge and deliver such further conveyances, mortgages, loan documents, financing statements and assurances as Mortgagee shall reasonably require for accomplishing the purpose of this Mortgage.

## 11.1 Condemnation.

A. The term "Taking" as used herein shall mean a taking of all or part of the Mortgaged Premises under the power of condemnation or eminent domain. Promptly upon the receipt by Mortgagor of notice of the institution of any proceeding for the Taking of the Mortgaged Premises or any part thereof, Mortgagor shall give written notice thereof to Mortgagee and Mortgagee may, at its option, appear in any

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such proceeding. Mortgagor will promptly give to Mortgagee copies of all notices, pleadings, awards, determinations and other papers received by Mortgagor in any such proceeding. Mortgagor shall not adjust or compromise any claim for award or other proceeds of a Taking without having first given at least thirty (30) days' prior written notice to Mortgagee of the proposed basis of adjustment or compromise and without first having received the written consent thereto of Mortgagee. Any award or other proceeds of a Taking, after allowance for expenses incurred in connection therewith, are herein referred to as "Condemnation Proceeds".

B. In the event of a Taking of all or substantially all of the Mortgaged Premises, or a Taking of less than all or substantially all of the Mortgaged Premises and the Mortgaged Premises are not susceptible to restoration, the Condemnation Proceeds shall be paid to Mortgagee and applied, at its option, to payment of the mortgage indebtedness.

C. Subject to subparagraph D below, in the event of a Taking of less than all or substantially all of the Mortgaged Premises which leaves the Mortgaged Premises susceptible and suitable to restoration, the Condemnation Proceeds shall be applied as follows: (i) If the Condemnation Proceeds shall amount to **FIVE THOUSAND AND NO/100 (\$5,000.00) DOLLARS** or less, such amount shall be paid to Mortgagor for application by Mortgagor to the repair or restoration to the extent practicable for any damage to the Mortgaged Premises resulting from the Taking, and (ii) if the Condemnation Proceeds shall amount to more than **FIVE THOUSAND AND NO/100 (\$5,000.00) DOLLARS** such amount shall be paid to Mortgagee and shall be held by Mortgagee in a non-interest bearing Escrow Account, and shall be applied to reimburse the Mortgagor for such repair or restoration in conformity with and subject to the conditions specified in Paragraph 7.1 hereof relating to damage or destruction. In either of the foregoing events Mortgagor, whether or not the Condemnation Proceeds which are applicable thereto shall be sufficient for the purpose, shall promptly repair or restore the Mortgaged Premises as nearly as practicable to substantially the same value, condition and character as existed immediately prior to the Taking, with such changes and alterations as may be made at Mortgagor's election in conformity with Paragraph 5.1 hereof and as may be required by such Taking.

D. If an Event of Default shall occur, any Condemnation Proceeds to which Mortgagee is entitled pursuant to the Loan Documents, shall be retained by Mortgagee and, at its option, applied in payment of the Principal Balance.

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12.1 Right to Inspect. Mortgagee, its agents and representatives, may at all reasonable times make such inspections of the Mortgaged Premises as Mortgagee may deem necessary or desirable.

## 13.1 Books and Records; Financial Statements.

A. Mortgagor shall maintain or cause to be maintained books of account and records relating to the Mortgaged Premises and operation thereof, which books of account and records shall, at all reasonable times, be open to the inspection of Mortgagee and its accountants and other duly authorized representatives of Mortgagee. Mortgagor shall enter in such books of account and records on a timely and consistent basis full, true and correct entries in accordance with generally accepted accounting principles, consistently applied, of all dealings and transactions relative to the Mortgaged Premises.

B. As soon as practicable after the end of each fiscal year of Mortgagor, and in any event no less than ninety (90) days after the end of each fiscal year, the Mortgagor shall submit and deliver to Mortgagee financial information on said Mortgagor. Financial information, as used herein, shall mean a balance sheet, statement of income and expenses, statement of changes in financial position, and tax returns, both consolidated and consolidating, plus a budget for the next year. In addition, the Mortgagor is required to submit quarterly operating statements for the Mortgaged Premises, including rent roll. For purposes of this paragraph only, Mortgagor shall also mean beneficiary of Mortgagor.

14.1 Events of Default. If the occurrence of any one or more of the following events ("Events of Default") shall occur, to wit:

- A. failure to make prompt payment, when due, of any payment of principal or interest or any other monetary obligation due under the Note, and such failure continues for ten (10) days after Mortgagee gives written notice thereof to Mortgagor;
- B. subject to Paragraph 23.1 herein, if Mortgagor fails to make prompt payment, when due, of any Impositions, and such failure continues for ten (10) days after Mortgagee gives written notice thereof to Mortgagor;
- C. failure to promptly perform or observe any other covenant, promise or agreement contained in the Loan Documents, and such failure continues for

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thirty (30) days after Mortgagee gives written notice thereof to Mortgagor;

- D. failure to make prompt payment, when due, of any payment of principal or interest or any other monetary obligation due under any other agreement or instrument now or hereafter delivered to Mortgagee;
- E. the occurrence of a Prohibited Transfer;
- F. if Mortgagor shall make a further assignment of the rents, issues or profits of the Mortgaged Premises, or any part thereof, without the prior written consent of Mortgagee;
- G. failure to promptly perform or observe any other covenant, promise or agreement contained in this Mortgage, and such failure continues for thirty (30) days after Mortgagee gives written notice;

Then, at any time thereafter, at the sole option of the Mortgagee, without notice to Mortgagor, the principal balance and accrued interest in the Note shall become immediately due and payable, and any other sums secured hereby shall become immediately due and payable. All sums coming due and payable hereunder shall bear interest after acceleration at the Default rate. After any such Event of Default, Mortgagee may institute, or cause to be instituted, proceedings for the realization of its rights under this Mortgage or the other Loan Documents.

## 15.1 Rights, Powers and Remedies of Mortgagee.

A. If an Event of Default shall occur, Mortgagee may, at its election and to the extent permitted by law:

- (i) Advertise the Mortgaged Premises or any part thereof for sale and thereafter sell, assign, transfer and deliver the whole, or from time to time any part, of the Mortgaged Premises, or any interest in any part thereof, at any private sale or at public auction, with or without demand upon Mortgagor, for cash, on credit or in exchange for other property, for immediate or future delivery, and for such price and on such other terms as Mortgagee may, in its discretion, deem appropriate or as may be required by law. The exercise of this power of sale by Mortgagee shall be in accordance with the provisions of any statute or any applicable law now or hereafter in effect which authorizes the enforcement of a mortgage by power of sale;

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- (ii) Make application for the appointment of a receiver for the Mortgaged Premises whether such receivership be incident to a proposed sale of the Mortgaged Premises or otherwise, and Mortgagor hereby consents to the appointment of such receiver and agrees not to oppose any such appointment. Further, Mortgagor agrees that Mortgagee shall be appointed the receiver without bond or surety of the Mortgaged Premises at Mortgagee's option.

B. Mortgagee may, without order of Court or notice to or demand upon Mortgagor, take possession of the Mortgaged Premises. Should Court proceedings be instituted, Mortgagor hereby consents to the entry of an order by agreement to effect and carry out the provisions of this subparagraph. While in possession of the Mortgaged Premises, Mortgagee shall have the following powers:

- (i) To collect the rents and manage, lease, alter and repair the Mortgaged Premises, cancel or modify existing leases, obtain insurance and in general have all powers and rights customarily incident to absolute ownership; and
- (ii) To pay out of the rents so collected the management and repair charges, taxes, insurance, commissions, fees and all other expenses and, after creating reasonable reserves, apply the balance (if any) on account of the indebtedness secured hereby.

C. Mortgagee may remain in possession of the Mortgaged Premises, in the event of a foreclosure, until the foreclosure sale and thereafter during the entire period of redemption (if any), if a deficiency exists. Mortgagee shall incur no liability for, and Mortgagor shall not assert any claim, set-off or recoupment as a result of any action taken while Mortgagee is in possession of the Mortgaged Premises, except only for Mortgagee's own gross negligence or willful misconduct. In the event no foreclosure proceedings are commenced, Mortgagee may remain in possession as long as there exists an Event of Default.

D. In order to facilitate Mortgagee's exercise of the rights, powers and remedies granted herein, Mortgagor hereby irrevocably appoints Mortgagee its true and lawful attorney to act in its name and stead for the purpose of effectuating any sale, assignment, transfer or delivery authorized above, whether pursuant to power of sale or otherwise, and to execute and deliver all such deeds, bills

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of sale, leases, assignments and other instruments as Mortgagee may deem necessary and appropriate. Notwithstanding the foregoing, if requested by Mortgagee or any purchaser from Mortgagee, Mortgagor shall ratify and confirm any such sale, assignment, transfer or delivery by executing and delivering to Mortgagee or such purchaser all appropriate deeds, bills of sale, leases, assignments and other instruments as may be designated in such request. Further, Mortgagor agrees that Mortgagee may be a purchaser of the Mortgaged Premises or any part thereof or any interest therein at any sale, whether pursuant to power of sale or otherwise, and may apply upon the purchase price the indebtedness secured hereby.

E. The proceeds of any sale of the Mortgaged Premises or part thereof or any interest therein, whether pursuant to power of sale or otherwise hereunder, and all amounts received by Mortgagee by reason of any holding, operation or management of the Mortgaged Premises or any part thereof, together with any other moneys at the time held by Mortgagee, shall be applied in the following order to the extent that funds are so available:

- (i) First, to the payment of the costs and expenses of taking possession of the Mortgaged Premises and of holding, using, leasing, repairing, improving and selling the same, including, without limitation, (a) trustees' and receivers' fees, (b) court costs, (c) attorneys' and accountants' fees, (d) costs of advertisement, and (e) the payment of any and all Impositions, liens, security interests or other rights, titles or interests equal or superior to the lien and security interest of this Mortgage (except those subject to which the Mortgaged Premises has been sold and without in any way implying Mortgagee's prior consent to the creation thereof);
- (ii) Second, to the payment of all amounts, other than the Principal Balance and accrued but unpaid interest, which may be due to Mortgagee under the Loan Documents, together with interest thereon as provided therein;
- (iii) Third, to the payment of all accrued but unpaid interest due on the Note;
- (iv) Fourth, to the payment of the Principal Balance of the Note;
- (v) Fifth, to the extent funds are available therefor out of the sale proceeds or the rents

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and, to the extent known by Mortgagee, to the payment of any indebtedness or obligations secured by a subordinate mortgage on or security interest in the Mortgaged Premises; and

(vi) Sixth, to the Mortgagor.

16.1 Change in Tax Laws. If, by the laws of the United States of America, or of any state or municipality having jurisdiction over Mortgagee, Mortgagor or the Mortgaged Premises, any tax is imposed or becomes due in respect of the issuance of the Note or the recording of this Mortgage, Mortgagor shall pay such tax in the manner required by such law. In the event that any law, statute, rule, regulation, order or court decree has the effect of deducting from the value of the Mortgaged Premises for the purpose of taxation any lien thereon, or imposing upon Mortgagee the payment of the whole or any part of the taxes required to be paid by the Mortgagor, or changing in any way the laws relating to the taxation of mortgages or debts secured by mortgages or the interest of Mortgagee in the Mortgaged Premises, or the manner of collection of taxes, so as to affect this Mortgage, the indebtedness hereby secured or Mortgagee, then, and in any such event, Mortgagor, upon demand by Mortgagee, shall pay such taxes, or reimburse Mortgagee therefor on demand and any amounts paid thereon by Mortgagee shall bear interest at the Default Rate, unless Mortgagee determines, in Mortgagee's sole and exclusive judgment, that such payment or reimbursement by Mortgagor is unlawful; in which event the indebtedness hereby secured shall be due and payable within thirty (30) days after written demand by Mortgagee to Mortgagor. Nothing in this paragraph shall require Mortgagor to pay any income, franchise or excise tax imposed upon Mortgagee, excepting only such which may be levied against the income of Mortgagee as a complete or partial substitute for taxes required to be paid by Mortgagor pursuant hereto.

17.1 Waivers. To the extent permitted under applicable law,

A. Mortgagor hereby waives all rights of redemption and/or equity of redemption which exist by statute or common law for sale under any order or decree of foreclosure of this Mortgage on its own behalf and on behalf of each and every person, beneficiary or any other entity, except decree or judgment creditors of Mortgagor who may acquire any interest in or title to the Mortgaged Premises or the trust estate subsequent to the date hereof.

B. Mortgagor hereby waives the benefit of all appraisement, valuation, stay, or extension laws now or hereafter in force and all rights of marshalling in the

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event of any sale hereunder of the Mortgaged Premises or any part thereof or any interest therein.

C. Mortgagor hereby waives the benefit of any rights or benefits provided by the Homestead Exemption laws, if any, now or hereafter in force.

18.1 Remedies are Cumulative. Each right, power and remedy of Mortgagee now or hereafter existing at law or in equity shall be cumulative and concurrent and shall be in addition to every right, power and remedy provided for in the Loan Documents, and the exercise of any right, power or remedy shall not preclude the simultaneous or later exercise of any other right, power or remedy.

19.1 Compromise of Actions. Any action, suit or proceeding brought by Mortgagee pursuant to the Loan Documents, or otherwise, and any claim made by Mortgagee under the Loan Documents, or otherwise, may be compromised, withdrawn or otherwise settled by Mortgagee without any notice to or approval of Mortgagor, except as otherwise provided in this Mortgage.

20.1 No Waiver. No delay or failure by Mortgagee to insist upon the strict performance of any term hereof or of the Note or of any of the other Loan Documents or to exercise any right, power or remedy provided for herein or therein as a consequence of an Event of Default hereunder or thereunder, and no acceptance of any payment of the principal, interest or premium if any, on the Note during the continuance of any such Event of Default, shall constitute a waiver of any such term, such Event of Default or such right, power or remedy. The exercise by Mortgagee of any right, power or remedy conferred upon it by this or any other Loan Document or by law or equity shall not preclude any other or further exercise thereof or the exercise of any other right, power or remedy. No waiver of any Event of Default hereunder shall affect or alter this Mortgage, which shall continue in full force and effect with respect to any other then existing or subsequent Events of Default.

21.1 Further Assurances. The Mortgagor, at his expense, will execute, acknowledge and deliver such instruments and take such actions as Mortgagee from time to time may reasonably request to carry out the intent and purpose of this Mortgage and the other Loan Documents.

22.1 Defeasance. If Mortgagor shall pay the principal, interest and premium, if any, due under the Note and other Loan Documents in accordance with the terms thereof, then this Mortgage and the estate and rights hereby created shall cease, terminate and become void, and

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thereupon Mortgagee, upon the written request and at the expense of Mortgagor, upon payment to Mortgagee of a reasonable release fee, shall execute and deliver to Mortgagor such instruments as shall be required to evidence of record the satisfaction of this Mortgage and the lien hereof, and any sums at the time held by Mortgagee for the account of Mortgagor pursuant thereto shall be paid to the Mortgagor or as Mortgagor may direct.

## 23.1 Permitted Contests.

A. Mortgagor may contest, at its own expense, by appropriate legal actions or proceedings conducted in good faith and with all due diligence, the amount, validity or enforceability in whole or in part of any Imposition or lien thereof or the validity of any instrument of record affecting the Mortgaged Premises or any part thereof, provided that:

- (i) Such legal actions or proceedings are commenced within 30 days after Mortgagor receives notice of the lien or charge; and
- (ii) Mortgagor's legal counsel forwards to Mortgagee and Mortgagee's legal counsel, on a quarterly basis, detailed status reports describing the nature of the action or proceeding; the progress of such action or proceeding to date; describing pleadings filed and any settlement negotiations; evaluating the likelihood of an unfavorable outcome and estimating the amount or range of possible loss; and
- (iii) No adverse judgment, decree or other final adjudication be entered or rendered against Mortgagor; and
- (iv) Mortgagor sets aside on its books adequate reserves; and
- (v) Neither Mortgagor nor Mortgagee would be in any danger of any additional civil or criminal liability for failure to comply therewith.

B. In the event that such legal actions or proceedings are not concluded or resolved within one (1) year after Mortgagor received notice of the lien or charge, then, at the sole option of Mortgagee, Mortgagee shall have those rights set forth in paragraphs 14.1 and 15.1 herein.

24.1 Amendment. This Mortgage cannot be amended, modified or terminated orally but may only be amended,



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modified or terminated pursuant to written agreement between Mortgagor and Mortgagee.

## 25.1 Tax and Insurance Escrow.

A. In addition to the rights, powers and remedies granted Mortgagee under Paragraph 16.1, Mortgagor shall be required to (i) pay Mortgagee monthly, in addition to each monthly payment required under the Note, an amount equal to 1/12th of the annual amount reasonably estimated by Mortgagee to be sufficient to enable Mortgagee to pay all Impositions, (ii) pay Mortgagee monthly 1/12th of the annual insurance premiums necessary to maintain the insurance policies required pursuant to Paragraph 6.1 A hereto (iii) pay Mortgagee the amount of all Impositions accrued but not due as of the date that this Paragraph becomes operative, based upon one hundred ten (110%) percent of the previous years tax bill and insurance premium, as well as an additional two (2) months withheld to assure Mortgagee that sufficient funds are available to pay same when due, and (iv) pay Mortgagee such sums as may be necessary, from time to time, to make up any deficiency in the amount required to fully pay all annual Impositions and insurance premiums.

B. The Mortgagee hereby waives the requirement for tax and insurance escrows at the time of closing, but it is expressly understood that Mortgagee shall retain the right to require reinstatement of said requirement if:

- (i) Mortgagor shall at any time (a) fail to pay any Imposition prior to the last day on which such Imposition may be paid without penalty or fail to furnish Mortgagee proof, if such proof shall have been requested by Mortgagee, of payment of premiums payable for the insurance required pursuant to Paragraph 6.1 A and (b) Mortgagee shall have given Mortgagor written notice of such default specifying in such notice that Mortgagee intends to require the foregoing monthly payments if such default is not cured, and (c) such default shall not be cured within ten (10) calendar days after receipt of such notice; or
- (ii) Any one of the Events of Default provided for in Paragraph 14.1 hereof shall occur;
- (iii) It is expressly understood that all amounts set forth in this Paragraph 25.1 shall be held by Mortgagee in an escrow account which does not bear interest.
- (iv) The prior Mortgagee as defined in Paragraph 31.1(J) waives said requirement.

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26.1 Notices. Any notice, demand, requests or other communication desired to be given or required pursuant to the terms hereof shall be in writing and shall be delivered by personal service or sent by registered or certified mail, return receipt requested, postage prepaid, addressed as follows or to such other address as the parties hereto may designate in writing from time to time:

Mortgagor: Terry Fouks  
c/o Avenue Management  
639 W. Oakdale - A  
Chicago, Illinois 60640

Copy to: Phillip I. Rosenthal, Esq.  
5695 North Lincoln Avenue  
Chicago, Illinois 60659

Mortgagee: Lyons Savings & Loan Association  
911 Elm Street  
Monsdale, Illinois 60521  
ATTN: William E. Hale, Esq.

Copy to: Guerard & Drenk, Ltd.  
100 West Roosevelt Road, A-1  
Wheaton, Illinois 60187  
ATTN: Richard M. Guerard, Esq.

Any such notice, demand, request or other communications shall be deemed given when mailed.

27.1 Expense of Enforcement. When the indebtedness hereby secured shall become due whether by acceleration or otherwise, Mortgagee shall have the right to foreclose the lien hereof. In any suit to foreclose the lien hereof, there shall be allowed and included as additional indebtedness in the decree for all expenditures and expenses which may be paid or incurred by or on behalf of Mortgagee for attorneys' fees, appraiser's fees, outlays for documentary and expert evidence, stenographers charges, publication costs and costs (which may be estimated as to items to be expended after entry of the decree) of procuring all such abstracts of title, title searches and examinations, guarantee policies, Torrens certificates, and similar data and assurances with respect to title as Mortgagee may deem to be reasonably necessary either to prosecute such suit or to evidence to bidders at any sale which may be had pursuant to such decree the true condition of the title to or the value of the Mortgaged Premises. All expenditures and expenses of the nature in this paragraph mentioned shall bear interest at the Default Rate, when paid or incurred by Mortgagee in connection with (a) any proceeding, including probate and bankruptcy proceedings, to which either of them shall be a party, either as plaintiff,

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claimant or defendant, by reason of this Mortgage or any indebtedness hereby secured; or (b) preparations for the commencement of any suit for the foreclosure hereof after accrual of such right to foreclose whether or not actually commenced; or (c) preparations for the defense of any threatened suit or proceeding which might affect the Mortgaged Premises or the security hereof, whether or not actually commenced.

28.1 Cross-Default Clause. Any default by Mortgagor in the performance or observance of any covenant, promise, condition or agreement hereof shall be deemed an Event of Default under each of the Loan Documents, entitling Mortgagee to exercise all or any remedies available to Mortgagee under the terms of any or all Loan Documents, and any default or Event of Default under any other Loan Document shall be deemed a default hereunder, entitling Mortgagee to exercise any or all remedies provided for herein. Failure by Mortgagee to exercise any right which it may have hereunder shall not be deemed a waiver thereof unless so agreed in writing by Mortgagee, and the waiver by Mortgagee of any default by Mortgagor hereunder shall not constitute a continuing waiver or a waiver of any other default or of the same default on any future occasion.

29.1 Incorporation by Reference. The terms of the Loan Documents are incorporated herein and made a part hereof by reference.

30.1 Disclaimer by Mortgagee.

Mortgagee shall not be liable to any party for services performed or obligations due in connection with this Loan. Mortgagee shall not be liable for any debts or claims accruing in favor of any parties against Mortgagor or against the Mortgaged Premises. The Mortgagor is not and shall not be an agent of Mortgagee for any purposes, and Mortgagee is not a venture partner with Mortgagor in any manner whatsoever. Approvals granted by Mortgagee for any matters covered under this Mortgage shall be narrowly construed to cover only the parties and facts identified in any written approval or if not in writing such approvals shall be solely for the benefit of Mortgagor.

31.1 Intentionally Omitted

32.1 Miscellaneous.

A. Upon request, Mortgagor shall confirm in writing to Mortgagee, or its designee, the amount then due hereunder and under the Note.

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B. If the time of payment of all indebtedness secured hereby or any part thereof be extended at any time or times, if the Note be renewed, modified or replaced, or if any security for the Note be released, Mortgagor and any other parties now or hereafter liable for payment of such indebtedness in whole or in part or interested in the Mortgaged Premises shall be held to consent to such extensions, renewals, modifications, replacements and releases, and their liability and the lien hereof and the Loan Documents and the rights created hereby and thereby shall continue in full force, the right of recourse against all such parties being reserved by Mortgagee.

C. The Loan proceeds are to be used, along with Mortgagor's other funds, for the acquisition of the Mortgaged Premises and the remodeling of improvements thereon and for no other purposes, which shall occur contemporaneously with the disbursement of the Loan proceeds.

D. This Mortgage shall be binding upon Mortgagor and its successors and assigns, and all persons claiming under or through Mortgagor or any such successor or assign, and shall inure to the benefit of and be enforceable by Mortgagee and its successors and assigns.

E. The various headings used in this Mortgage as headings for sections or otherwise are for convenience only and shall not be used in interpreting the text of the section in which they appear and shall not limit or otherwise affect the meanings thereof.

F. If any provision in this Mortgage is held by a court of law to be in violation of any applicable local, state or federal ordinance, statute, law, administrative or judicial decision, or public policy, and if such court should declare such provision of this Mortgage to be illegal, invalid, unlawful, void, voidable, or unenforceable as written, then such provision shall be given full force and effect to the fullest possible extent that it is legal, valid and enforceable, that the remainder of this Mortgage shall be construed as if such illegal, invalid, unlawful, void, voidable or unenforceable provision was not contained therein, and that the rights, obligations and interest of the Mortgagor and the holder hereof under the remainder of this Mortgage shall continue in full force and effect;

G. If any action or proceeding shall be instituted to recover possession of the Mortgaged Premises or any part thereof or to accomplish any other purpose which would materially affect this Mortgage or the Mortgaged Premises, Mortgagor will immediately, upon service of notice thereof, deliver to Mortgagee a true copy of each petition, summons,



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complaint, notice of motion, order to show cause, and all other process, pleadings and papers however designated, served in any such action or proceeding;

H. Regardless of their form, all words shall be deemed singular or plural and shall have such gender as required by the text. Whenever applicable, the term "mortgage" shall also mean "trust deed" or "deed of trust". If there is more than one Mortgagor of this Mortgage, the liability of the undersigned shall be joint and several;

I. Mortgagor waives any right, if any, it now or in the future may have to remove any claim or dispute arising herefrom to the Courts of the United States of America;

J. The Mortgage and the rights of the Mortgagee hereunder are subject and subordinate to a Trust Deed dated June 14, 1972 and recorded July 6, 1972 as Document 21965792 made by Michigan Avenue National Bank of Chicago as Trustee under Trust Agreement dated May 23, 1972 and known as Trust Number 2137 to Chicago Title and Trust Company.

IN WITNESS WHEREOF, Mortgagor has caused this Mortgage to be executed and attested by its officers thereunto duly authorized.

  
\_\_\_\_\_  
TERRY FOUKS

684/CMN:11785

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## EXHIBIT "A"

### LEGAL DESCRIPTION

LOTS 26, 27 AND THE WEST 22 FEET OF LOT 28 IN RAILROAD CLARKS ADDITION TO LAKE VIEW, SAID ADDITION BEING A SUBDIVISION OF PART OF LOT 1 IN BICKERDICKE STEELE'S SUBDIVISION OF THE WEST 1/2 OF THE NORTH WEST 1/4 OF SECTION 28, TOWNSHIP 40 NORTH, RANGE 14 EAST OF THE THIRD PRINCIPAL MERIDIAN, IN COOK COUNTY, ILLINOIS.

P.I.N. 14-28-100-016 *J.A.W.*  
738 W. BRIAR  
CHICAGO, ILLINOIS

*Prepared by: Karen Gussinger*  
*& mail to: Guernsey + Frank*  
*100 W. Roosevelt Rd A-1*  
*Wheaton, IL 60187*

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## EXHIBIT "B"

### SCHEDULE OF PERMITTED ENCUMBRANCES

LYONS SAVINGS AND LOAN ASSOCIATION TAKES SUBJECT ONLY TO THE FOLLOWING CHICAGO TITLE INSURANCE COMPANY TITLE COMPANY NO. 70-15-285 DATED SEPTEMBER 16, 1985 SCHEDULE B EXCEPTIONS:

3. 1985 REAL ESTATE TAXES.
5. EXISTING UNRECORDED LEASES AND ALL RIGHTS THEREUNDER OF THE LEASES AND OF ANY PERSON CLAIMING BY, THROUGH OR UNDER THE LESSEES.
6. TRUST DEED DATED JUNE 14, 1972 AND RECORDED JULY 6, 1972 AS DOCUMENT 21965792 MADE BY MICHIGAN AVENUE NATIONAL BANK OF CHICAGO, A NATIONAL BANKING ASSOCIATION, AS TRUSTEE UNDER TRUST AGREEMENT DATED MAY 23, 1972 AND KNOWN AS TRUST NUMBER 2137 TO CHICAGO TITLE AND TRUST COMPANY, A CORPORATION OF ILLINOIS, TO SECURE A NOTE FOR \$225,000.00.
7. ASSIGNMENT OF RENTS MADE BY MICHIGAN AVENUE NATIONAL BANK OF CHICAGO, A NATIONAL BANKING ASSOCIATION, AS TRUSTEE UNDER TRUST AGREEMENT DATED MAY 23, 1972 AND KNOWN AS TRUST NUMBER 2137 TO THE NORTH AND RECORDED AS DOCUMENT 21965793.

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