

THIS INSTRUMENT PREPARED
BY AND RETURN TO
DAVID J. O'KEEFE
Schain, Finsel & Burney, Ltd.
222 North LaSalle Street
Suite 1910
Chicago, Illinois 60601

3085

MERCURY TITLE COMPANY

Susan McAtee

2011174

JUNIOR MORTGAGE

THIS JUNIOR MORTGAGE ("Mortgage") is made as of the 24th day of December, 1997 between DEARBORN RIDGE, L.L.C., an Illinois limited liability company ("Mortgagor"), and FRANK J. JOHNSEN, SR. and MILDRED R. JOHNSEN individually, having a mailing address of 940 Busse Highway, Park Ridge, Illinois 60068 ("Mortgagee").

WHEREAS, Mortgagor is indebted to Mortgagee in the principal sum of TWO HUNDRED EIGHTY THOUSAND AND 00/100 DOLLARS (\$280,000.00), which indebtedness ("Loan") is evidenced by Mortgagor's note dated of even date herewith and all modifications, substitutions, extensions and renewals thereof ("Note") providing for repayment of principal and interest and providing for a final payment of all sums due thereunder, if not sooner paid, on December 23, 1999.

WHEREAS, as a precondition to Mortgagee disbursing the Loan to Mortgagor, Mortgagee has required that Mortgagor pledge the Property (as defined below) as and for security for the repayment of the Note.

NOW, THEREFORE, TO SECURE to Mortgagee the repayment of the indebtedness evidenced by the Note, the payment of all charges provided herein and all other sums, and the performance of the covenants and agreements contained herein and in the Note, (collectively the "Indebtedness") and also in consideration of Ten Dollars (\$10.00), the receipt and sufficiency of which are hereby acknowledged, Mortgagor does hereby convey, grant, mortgage and warrant to Mortgagee the real estate ("Property") located in the County of Cook, State of Illinois and described on Exhibit "A" attached hereto, subject only to covenants, conditions, easements and restrictions set forth on Exhibit "B", if any ("Permitted Encumbrances");

To have and to hold the Property unto the Mortgagee, its successors and assigns forever, for the purposes and uses set forth herein, free from all rights and benefits under any Homestead Exemption laws of the state in which the Property is located, which rights and benefits Mortgagor does hereby expressly release and waive.

Mortgagor and Mortgagee covenant and agree as follows:

1. Payment of Principal and Interest. Mortgagor shall promptly pay or cause to be paid when due all Indebtedness.

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2. Application of Payments. All payments received by Mortgagee under this Mortgage and the Note shall be applied by Mortgagee first to interest payable on the Note, then to Note principal.

3. Prior Encumbrances; Liens. Mortgagor shall perform all of Mortgagor's obligations under any mortgage, deed of trust or other security agreement (collectively "Prior Encumbrances") creating a lien having priority over this Mortgage, including Mortgagor's covenants to make payments when due. Any act or omission of Mortgagor which, with the giving of notice or the passage of time would constitute a default or event of default under any Prior Encumbrance shall be an Event of Default under this Mortgage. Mortgagor shall promptly deliver to Mortgagee all notices given or received of any defaults or events of default under any Prior Encumbrance or any ground lease. Mortgagor shall keep the Property free from mechanics' and all other liens and encumbrances, except Permitted Encumbrances and statutory liens for real estate taxes and assessments not yet due and payable.

4. Taxes and Assessments. Mortgagor shall pay or cause to be paid when due all real estate taxes and assessments attributable to the Property. Mortgagor shall provide evidence satisfactory to Mortgagee of compliance with these requirements promptly after the respective due dates for payment. Mortgagor shall pay, in full, but under protest in the manner provided by Statute, any tax or assessment Mortgagor desires to contest.

5. Insurance. Mortgagor, at its sole cost and expense, shall keep insured the Property with All-Risk Insurance against loss to the Property and Workers' Compensation Insurance during the construction of or making of any improvements to the Property; and General Public Liability Insurance against death, bodily injury and property damage arising in connection with the Property. The All-Risk and General Public Liability Insurance shall name Mortgagee as a mortgagee-loss payee and shall be in amount not less than the fair market value of the Property. The insurance shall be evidenced by certificates of insurance.

6. Use, Preservation and Maintenance of Property. Mortgagor shall keep the Property in good condition and repair and shall not commit waste or permit impairment or deterioration of the Property. Mortgagor shall not allow store, treat or dispose of Hazardous Material, nor permit the same to exist or be stored, treated or disposed of, from or upon the Property. Mortgagor shall comply with all requirements of law or municipal ordinances with respect to the use, operation, and maintenance of the Property, including all environmental, health and safety laws and regulations, and shall make no material alterations in the Property, except as required by law, without the prior written consent of Mortgagee.

7. Successors and Assigns Bound; Joint and Several Liability; Co-signers. The covenants and agreements contained herein shall bind, and the rights hereunder shall inure to, the respective heirs, executors, legal representatives, successors and assigns of Mortgagee and Mortgagor. If this Mortgage is executed by more than one Mortgagor, each Mortgagor shall be jointly and severally liable hereunder.

8. Notice. Except for any notice required under applicable law to be given in another manner, any notices required or given under this Mortgage shall be given by personal delivery, by nationally-recognized overnight courier service, or by certified mail-return receipt requested. Notices shall be given to Mortgagor at the address provided below and to Mortgagee at Mortgagee's address stated above. A copy of any notice to Mortgagee shall also be delivered to Katherine Barr Tyler, Esq., Suite 725, 53 West Jackson Boulevard, Chicago, Illinois 60604. Notices shall be deemed to have been given and effective on the date of delivery if hand-delivered, the next business day after delivery to the nationally-recognized overnight courier service if by such courier service, or two (2)

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business days after the date of mailing shown on the certified receipt, if mailed. Any party hereto may change the address to which notices are given by notice as provided herein. Notices to Mortgagor shall be sent to:

Dearborn Ridge, L.L.C.
2337 North Commonwealth Avenue, Unit 5E
Chicago, Illinois 60614
Attn: Mr. Christopher F. Coleman

With a copy to:

David J. O'Keefe
Schain, Finsel & Burney, Ltd.
222 North LaSalle Street, Suite 1910
Chicago, Illinois 60601

9. Governing Law; Severability. The state and local laws applicable to this Mortgage shall be the laws of the jurisdiction in which the Property is located. The foregoing sentence shall not limit the applicability of federal law to this Mortgage. In the event that any provision or clause of this Mortgage, the Note or any of the other Loan Documents conflicts with applicable law, or is adjudicated to be invalid or unenforceable same shall not affect other provisions of this Mortgage or the Note which can be given effect without the conflicting provision, and to this end the provisions of this Mortgage or the Note are deemed to be severable and the validity or enforceability of the remainder of the document in question shall be construed without reference to the conflicting, invalid or unenforceable clause or provision.

10. Prohibitions on Transfer of the Property or of an Interest in Mortgagor. It shall be an immediate default if, without the prior written consent of Mortgagee, Mortgagor shall create, effect or consent to or shall suffer or permit any conveyance or sale of the Property or any part thereof or interest therein (other than sales of individual Units as described below) or any transfer of membership interests Mortgagor that results or could result in a material change in the identity of the person(s) in control of Mortgagor (each of the foregoing a "Prohibited Transfer"). In the event of such default, Mortgagee may declare the entire unpaid balance, including interest, immediately due and payable.

11. Event of Default. Each of the following shall constitute an event of default ("Event of Default") under this Mortgage:

(a) Mortgagor's failure to pay any amount due herein or secured hereby, or any installment of principal or interest when due and payable, whether at maturity or by acceleration or otherwise under the Note, or any other Loan Document or Mortgagor's failure to pay any amount due under this Mortgage, which failure continues for more than five (5) days after written notice by Mortgagee to Mortgagor of such failure;

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(b) Mortgagor's failure to perform or observe any other covenant, agreement, representation, warranty or other provision contained in the Note, this Mortgage (other than an Event of Default described elsewhere in this Paragraph 11) or any other document or instrument evidencing, guarantying or securing the Indebtedness, and such failure continues for more than thirty (30) days after written notice from Mortgagee; provided, however, that if such Default or Event of Default is not capable of being cured within said thirty (30) days, Mortgagor commences to cure such Default or Event of Default within said thirty (30) days and thereafter Mortgagor diligently prosecutes the cure of such Default or Event of Default, Mortgagor shall have such additional time as is reasonably necessary to cure such Default or Event of Default;

(c) The occurrence of any breach of any representation or warranty contained in this Mortgage;

(d) The occurrence of a Prohibited Transfer;

(e) The dissolution or termination of existence of Mortgagor, voluntarily or involuntarily, or the amendment or modification in any respect of Mortgagor's Articles of Organization or Operating Agreement that would affect Mortgagor's performance of its obligations under the Note or this Mortgage;

(f) The abandonment of the Property by Mortgagor; or

(g) A default or event of default under the terms and conditions of the Prior Encumbrances.

12. Acceleration; Remedies. At any time after an Event of Default, Mortgagee, at Mortgagee's option, may declare all sums secured by this Mortgage to be immediately due and payable without further demand and may foreclose this Mortgage by judicial proceeding. Lender shall be entitled to collect in such proceeding all expenses of foreclosure, including, but not limited to, reasonable attorneys' fees and costs including abstracts and title reports, all of which shall become a part of the secured indebtedness and immediately due and payable, with interest at the Default Rate. The proceeds of any foreclosure sale of the Property shall be applied as follows: first, to all costs, expenses and fees incident to the foreclosure proceedings; second, as set forth in Paragraph 2 of this Mortgage; and third, any balance to Mortgagor.

13. Release. The parties hereby acknowledge that Mortgagor intends to construct on the Property two (2) townhome buildings containing a total of nine (9) townhome units (each individual unit of which is hereinafter referred to individually as a "Unit"). Provided Mortgagor is not then in Default, nor has there occurred a fact or circumstance which, with the giving of notice or passage of time would constitute a Default, each Unit will be released from the lien of this Mortgage upon the closing of the sale of such Unit to a third party, (i) in the event there is outstanding at the time of any such sale any amounts due and owing to LaSalle Bank FSB ("LaSalle") under the terms of that certain Mortgage Note made by Borrower in favor of LaSalle dated December ____, 1997 that certain Mortgage, Security Agreement, Assignment of Leases and Rents and Fixture Financing Statements made by Borrower to Lender to secure the repayment of said Note, any and all other documents (collectively the "Mortgage Loan Documents") executed and delivered by or on behalf of Borrower in connection with that certain construction mortgage loan in the amount One Million Six Hundred Eighty Five Thousand and 00/100 Dollars (\$1,685,000.00) (the "LaSalle Loan") or in the event LaSalle continues to have a commitment to advance any funds to Mortgagor under the terms of the LaSalle Loan Documents, upon payment by Borrower to LaSalle of all amounts required to be paid under the LaSalle Loan Documents; and (ii)

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in the event there is at the time of such sale no amounts due and owing from Mortgagor to LaSalle, and no commitment on the part of LaSalle to advance any funds, under the terms of the LaSalle Loan Documents, upon payment by Mortgagor to Lender of (a) principle in an amount equal to the then-outstanding principle balance of the Note divided by the number of Units (including the Unit then being sold) remaining to be sold to third parties, and (b) interest, on the principle payment determined in accordance with subparagraph (a) only, calculated at the Interest Rate from the date of the Note to the date of such payment.

14. Environmental Compliance. Mortgagor hereby covenants and agrees with Mortgagee that the Property and Mortgagor shall comply with all Environmental Laws. All required governmental permits and licenses shall be obtained and maintained, and Mortgagor shall comply therewith. All Hazardous Material on the Property will be disposed of in a lawful manner without giving rise to liability under any Environmental Laws. Other than Disclosed Material, no Hazardous Material shall be introduced to or used, exposed, released, emitted, discharged, generated, manufactured, sold, transported, handled, stored, treated, reused, presented, disposed of or recycled on the Property without thirty (30) days' prior written notice to Mortgagee, except for *de minimis* amounts used in the ordinary course of construction.

15. Interpretation. This Mortgage shall be construed pursuant to the laws of the State of Illinois. The headings of sections and paragraphs in this Note are for convenience only and shall not be construed in any way to limit or define the content, scope, or intent of the provisions. The use of singular and plural nouns, and masculine, feminine, and neuter pronouns, shall be fully interchangeable, where the context so requires. If any provision of this Mortgage, or any paragraph, sentence, clause, phrase or word, or the application thereof, in any circumstances, is adjudicated to be invalid, the validity of the remainder of this Mortgage shall be construed as if such invalid part were never included. Time is of the essence of the payment and performance of this Mortgage.

IN WITNESS WHEREOF, Mortgagor has executed this Mortgage.

DEARBORN RIDGE L.L.C., an Illinois limited liability company

By: Sotocole, Inc. an Illinois corporation
Its: Managing Member

By: 
Name: ABEL T. SOTOLONGO, PRESIDENT

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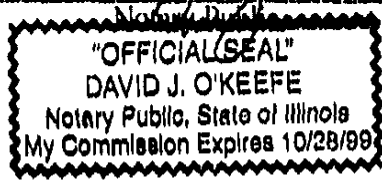
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STATE OF ILLINOIS)
) SS.
COUNTY OF COOK)

I, DAVID J. O'KEEFE, a Notary Public in and for said county and state, do hereby certify that ADEL T. SOTOLONGO, PRESIDENT of Sotocole, Inc., an Illinois corporation, Managing Member of DEARBORN RIDGE, L.L.C., whose name is subscribed to the foregoing instrument, appeared before me this day in person, and acknowledged that he signed and delivered the said instrument as his free and voluntary act and as the free and voluntary act of said Corporation and Company, for the uses and purposes therein set forth.

Given under my hand and official seal, this 24TH day of December, 1997.

David J. O'Keefe



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EXHIBIT "B"

PERMITTED ENCUMBRANCES

1. General real estate taxes not yet due and payable.
2. Mortgage, Assignment of Leases and Rents, Security Agreement and Fixture Financing Statement made by Borrower to LaSalle Bank FSB dated December ~~23rd~~, 1997 and recorded Dec 29, 1997 as Document Number 97975507e
3. Declaration of Easement made by Borrower and recorded _____, 19____ as Document Number _____.

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