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Residence Mortgage

This Document Prepared By
and After Recording Return To:

Chuhak & Teeson, P.C.
225 West Washington Street
Suite 1300
Chicago, Illinois 60606

98054081

12/31/97 11:00 AM

SPACE ABOVE THIS LINE RESERVED FOR
RECORDER'S USE ONLY

MORTGAGE

THIS MORTGAGE is made as of the 31st day of December, 1997, between Jerome Latos and Donna Latos, his wife, whose address is 14526 Short Street, Posen, Illinois 60455, (the "**Mortgagor**"), and Presidential Financial Corporation of Illinois, an Illinois corporation, with an address of 1460 Renaissance Drive, Suite 215, Park Ridge, Illinois, 60068 ("**Mortgagee**").

Jerome Latos (sometimes also referred to as "Guarantor") is a guarantor of certain liabilities, obligations, indebtedness of Latos Leasing, Inc., an Illinois corporation ("**Borrower**") to Mortgagee pursuant to a Guaranty dated this date (the "**Guaranty**") by Mortgagor to and in favor of Mortgagee.

The liabilities, obligations, indebtedness of Borrower to Mortgagee is evidenced by a Demand Secured Promissory Note (as amended, modified, supplemented or renewed from time to time, the "**Note**") of Borrower dated this date in the principal sum of Two Hundred Thousand Dollars (\$200,000.00) and made payable to the order of Mortgagee and by a certain Loan Agreement and Security Agreement also dated this date between Borrower and Mortgagee (as amended, modified, supplemented or renewed from time to time, the "**Loan Agreement**", and herein with the Note, and the Guaranty, collectively called the "**Agreements**"). Pursuant to the Agreements, Borrower promises to pay the principal sum and interest and service charges on the balance of principal remaining from time to time unpaid at the rates and on the dates set forth in the Agreements, until the Agreements are fully paid. All payments on account of the obligations evidenced by the Agreements shall be first applied to interest and service charges on the unpaid principal balance and the remainder to principal; provided, that the principal unless paid when due shall accrue interest and service charges at the rate set forth in the

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Agreements. All of said principal and interest and service charges shall be payable at the address set forth above, or as otherwise directed by Mortgagee.

In order to induce the Mortgagee to enter into the Agreements and to extend credit to the Borrower thereunder and to secure (i) the payment of the principal of and interest and service charges on the Agreements in accordance with the terms and provisions of the Agreements, (ii) the payment of any and all obligations, indebtedness and liabilities, now or at any time hereafter owing or to become due from Mortgagor, Guarantor and/or Borrower to Mortgagee, whether under the Guaranty, the Loan Agreement, the Note, this Mortgage or otherwise, however evidenced, created or incurred, whether direct, indirect, primary, secondary, fixed or contingent, including future advances, and (iii) to secure the performance of the covenants and agreements contained in this Mortgage, to be performed by Mortgagor (collectively referred to as the "Liabilities"); provided, however, that in no event shall the amount of the Liabilities secured hereby exceed the sum of Five Hundred Thousand Dollars (\$500,000.00) plus (a) all costs and expenses incurred by Mortgagee to enforce this Mortgage and preserve the lien of Mortgagee, including but not limited to the expenditures and expenses referred to in Paragraph 13 below and (b) all interest and service charges provided for in the Loan Agreement and Note which accrue and are unpaid, and also in consideration of the sum of Ten and 00/100 Dollar (\$10.00), the receipt of which is acknowledged, Mortgagor GRANTS, CONVEYS, WARRANTS and MORTGAGES and grants a security interest to Mortgagee and its successors and assigns the following described real estate and all of Mortgagor's right, title and interest in such real estate, being located in the COUNTY OF COOK and STATE OF ILLINOIS, and legally described on Exhibit A attached to this Mortgage, which real estate together with the property described below, is referred to as the "premises."

TOGETHER with all improvements, tenements, easements, fixtures, and appurtenances now or hereafter located on or belonging to the premises, together with all building or construction materials, equipment, appliances, machinery, plant equipment, fittings, apparatus, fixtures and other articles of any kind or nature whatsoever now or hereafter affixed to or attached to the premises and owned by the Mortgagor, and all rents, issues and profits of the premises for so long and during all such times as Mortgagor may be entitled to them (which are pledged primarily and on a parity with said real estate and not secondarily), including (without restricting the foregoing), screens, window shades, storm doors and windows, floor coverings, awnings, stoves and water heaters and all furniture, furnishings, equipment (including, without limitation, telephone and other communications equipment, window cleaning, building cleaning, monitoring, garbage, air conditioning, pest control and other equipment) and all other tangible property of any kind or character now or hereafter owned by the Mortgagor and used in connection with the premises and all intangible property owned by the Mortgagor and related to the premises including, without limitation, all rights of the Mortgagor under contracts or leases relating to the premises (collectively, the "Collateral"). All of the foregoing are declared to be a part of said real estate whether physically attached to it or not, and it is agreed that all similar apparatus, equipment or articles placed in or on the premises by Mortgagor or its successors or assigns after this date shall be considered as constituting part of the real estate.

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TO HAVE AND TO HOLD the premises unto the Mortgagee and its successors and assigns, forever for the purposes and uses set forth in this Mortgage, free from all rights and benefits under and by virtue of the Homestead Exemption Laws of the State of Illinois, which said rights and benefits Mortgagor expressly releases and waives.

Mortgagor also covenants and agrees as follows:

1. Maintenance, Repair and Restoration; Payment of Prior Liens. Mortgagor shall (a) promptly repair, restore or rebuild any buildings or improvements now or after this date located on the premises that may become damaged or be destroyed; (b) keep the premises in good condition and repair, without waste, and free from mechanic's or other liens or claims for lien not expressly subordinated to the lien of this Mortgage; (c) pay when due any indebtedness which may be secured by a lien or charge on the premises superior to the lien of this Mortgage, and upon request exhibit satisfactory evidence of the discharge of such prior lien to Mortgagee; (d) complete within a reasonable time any building or buildings now or at any time in process of erection upon said premises; (e) comply with all requirements of law or municipal ordinances with respect to the premises and the use of the premises; (f) make no material alterations in the premises except as required by law or municipal ordinance.

2. Title. Mortgagor hereby covenants with and warrants to the Mortgagee that at the execution and delivery hereof he is well seized of the premises, and of a good, indefeasible estate therein, except for (a) real estate taxes not yet due and payable and (b) certain senior mortgages existing on the date hereof, (collectively, the "Senior Mortgage").

Mortgagor covenants and agrees to comply with all of the terms and provisions of the Senior Mortgage. If Mortgagor shall default in the performance of any term or provision contained in this Mortgage or in the Note, the owner or holder of the Note may, but shall not be obligated to, pay any principal or interest under the Senior Mortgage or the note secured by the Senior Mortgage. To the extent the owner and holder of the Note pays any installment of principal or interest or any other sums due under the Senior Mortgage, the owner and holder shall become entitled to a lien on the premises covered by this Mortgage and by the Senior Mortgage, equal in rank and priority to the Senior Mortgage, and in addition to the extent necessary to make effective such rank and priority (a) the Mortgagee shall become subrogated to receive and enjoy all of the rights, liens, powers and privileges granted to the mortgagee under the Senior Mortgage, and (b) the Senior Mortgage shall remain in existence for the benefit of and to further secure the debt and other sums secured, or hereafter to become secured under this Mortgage.

In the event Mortgagor defaults with respect to any requirement of the Senior Mortgage or the note secured by the Senior Mortgage, Mortgagor agrees that such default shall constitute a default under this mortgage. In the event of such a default, in addition to any other rights or remedies available to the Mortgagee, the Mortgagee may, but need not, make any payment or perform any act required to cure or attempt to cure any said default under the Senior Mortgage in any manner and form deemed expedient by Mortgagee. Mortgagee shall not be

Residence Mortgage

responsible for determining the validity or accuracy of any claim of default made by the Mortgagee under the Senior Mortgage, and the payment of any sum by Mortgagee in curing or attempting to cure any alleged default or omission shall be conclusively presumed to have been reasonable, justified and authorized. Mortgagor grants to Mortgagee an irrevocable power of attorney, which power of attorney is coupled with an interest, for the term of this Mortgage to cure any default or forfeiture which may occur under the Senior Mortgage. Mortgagor further agrees to execute a formal and recordable power of attorney granting such right at any time during the existence of this Mortgage if requested by Mortgagee. All monies paid by Mortgagee in curing any default of this Mortgage under the Senior Mortgage, including attorneys' fees and costs, shall bear interest from the date or dates of such payment at the Default Rate, shall be paid by Mortgagor to Mortgagee upon demand, and shall be deemed a part of the debt secured by this Mortgage and recoverable as such in all respects. Any inaction on the part of the Mortgagee shall not be construed as a waiver of any right accruing to Mortgagee on account of any default.

In the event of a default or in the event Mortgagee feels that its security is in jeopardy it may prepay the entire balance due under the Senior Mortgage, and any prepayment fees or penalty incurred by Mortgagee in connection with such prepayment shall bear interest from the date of such payment at the Default Rate, shall be paid by Mortgagor to Mortgagee upon demand, and shall be deemed a part of the debt secured by this Mortgage and recoverable in all respects.

3. Payment of Taxes. Mortgagor shall pay before any penalty attaches all general taxes, and shall pay special taxes, special assessments, water charges, sewer service charges, and other charges against the premises when due, and shall, upon written request, furnish to Mortgagee duplicate receipts for such charges. To prevent default under this Mortgage, Mortgagor shall pay in full under protest, in the manner provided by statute, any tax or assessment which Mortgagor may desire to contest.

4. Insurance. Mortgagor shall keep all buildings and improvements now or after this date situated on the premises insured against loss or damage by fire, lightning or windstorm (and flood damage, where the Mortgagee is required by law to have its loan so insured) under policies providing for payment by the insurance companies of moneys sufficient either to pay the cost of replacing or repairing the same or to pay in full the indebtedness secured by this Mortgage, all with companies satisfactory to the Mortgagee, under insurance policies payable, in case of loss or damage, to Mortgagee, such rights to be evidenced by a standard mortgage clause to be attached to each policy, and shall deliver all policies, including additional and renewal policies, to Mortgagee, and in case of insurance about to expire, shall deliver renewal policies not less than 30 days prior to the respective dates of expiration. **If Mortgagor does not provide Mortgagee with evidence of insurance coverage, then Mortgagee may purchase insurance at Mortgagor's expense. This insurance may, but need not, protect Mortgagor's interests in the premises. The coverage purchased by Mortgagee may not pay any claim that Mortgagor makes or any claim that is made**

against Mortgagor in connection with the premises. Mortgagor may later cancel any insurance purchased by Mortgagee, but only after providing Mortgagee with evidence that Mortgagor has obtained insurance, as required by this Mortgage. If Mortgagee purchases insurance for the premises, Mortgagor will be responsible for the costs of that insurance, including interest and any other charges Mortgagee may impose in connection with the placement of the insurance, until the effective date of the cancellation or expiration of the insurance. The costs of the insurance may be added to Mortgagor's Liabilities to Mortgagee. The costs of the insurance may be more than the cost of insurance which Mortgagor may be able to obtain on its own.

Adjustment of Losses with Insurer and Application of Proceeds of Insurance.

(a) In case of loss or damage by fire or other casualty, Mortgagee is authorized to (i) settle and adjust any claim under insurance policies which insure against such risks, or (ii) allow Mortgagor to agree with the insurance company or companies on the amount to be paid in regard to such loss. In either case, the Mortgagee is authorized to collect and issue a receipt for any such insurance money. Subject to the provisions of Section 5(b), at the option of the Mortgagee, such insurance proceeds may be applied in the reduction of the Liabilities, whether due or not, or may be held by the Mortgagee and used to reimburse Mortgagor for the cost of the rebuilding or restoration of the premises. Irrespective of whether such insurance proceeds are used to reimburse Mortgagor for the cost of said rebuilding or restoration, and irrespective of whether such insurance proceeds are adequate for such purpose, unless otherwise agreed by Mortgagee in its discretion, the premises shall be so restored or rebuilt so as to be of at least equal value and substantially the same character as prior to such damage or destruction. If the cost of rebuilding, repairing or restoring the premises can reasonably exceed the sum of Ten Thousand and no/100 Dollars (\$10,000.00), then the Mortgagor shall obtain Mortgagee's approval of plans and specifications for such work before such work shall be commenced. In any case, where the insurance proceeds are made available for rebuilding and restoration, such proceeds shall be disbursed in the manner and under the conditions that the Mortgagee may reasonably require and upon Mortgagee being furnished with satisfactory evidence of the estimated cost of completion thereof and with architect's certificates, waivers of lien, contractor's and subcontractors' sworn statements and other evidence of cost and payments so that Mortgagee can verify that the amounts disbursed from time to time are represented by completed and in place work and that said work is free and clear of mechanics' lien claims. If the estimated cost of completion exceeds the amount of the insurance proceeds available, the Mortgagor immediately shall, on written demand of the Mortgagee, deposit with the Mortgagee in cash the amount of such estimated excess cost. No payment made prior to the final completion of the work shall exceed ninety percent (90%) of the value of the work performed from time to time, and at all times the undisbursed balance of such proceeds remaining in the hands of the disbursing party shall be at least sufficient to pay for the cost of completion of the work free and clear of liens. Any surplus which may remain out of said insurance proceeds after payment of such cost of building or restoration shall, at the option of

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Residence Mortgage

the Mortgagee, be applied on account of the Liabilities or be paid to any party entitled thereto without interest.

(b) Any provision of this Section 5 to the contrary notwithstanding, provided that (i) the insurance carrier does not deny liability as to the insured and Mortgagor demonstrates to Mortgagee's satisfaction that Mortgagor has the financial capacity (taking into account any projected receipts from the premises and any proceeds from applicable insurance policies) to fulfill its obligations under the Note, this Mortgage and any other related documents during the process of rebuilding or restoration, (ii) no default exists under this Mortgage, (iii) the proceeds of such casualty insurance are used solely for rebuilding or restoration and are sufficient to rebuild or restore the premises as required hereunder (or, if there is a deficiency in an amount which does not exceed at the time of deposit hereunder the sum of \$20,000, Mortgagor deposits the amount of such deficiency with Mortgagee or deposits a letter of credit or other security satisfactory to Mortgagee in its absolute discretion to cover such deficiency), (iv) the funds are released under escrow or construction funding arrangements satisfactory to Mortgagee, and (v) the rebuilding or restoration can in Mortgagee's judgment be expected to be substantially completed at least six (6) months prior to the expiration of the term as set forth in the Note, Mortgagee agrees to make such insurance proceeds available, after deducting therefrom any reasonable expenses incurred in the collection thereof, in accordance with the other provisions of this Section 5 for the rebuilding or restoration of the premises. Any excess proceeds remaining after completion of the rebuilding or restoration of the premises may be retained by Mortgagee at its option, for application against the Liabilities as set forth above or paid to any party entitled thereto, without interest.

6. Tax and Insurance Escrows. Subject to the rights of the Senior Mortgage, if any, if required by Mortgagee, Mortgagor shall deposit with Mortgagee on the first day of each month amounts sufficient in the opinion of Mortgagee to create and maintain an adequate reserve fund from which to pay all taxes, assessments and other charges involving the premises and all insurance premiums as they become due. Upon the occurrence of an event of default in Mortgagor's obligations, Mortgagee may, but shall not be obligated to, make such payments.

Such amounts shall be held by Mortgagee without liability for the payment of interest and may be commingled with other assets of Mortgagee. If Mortgagee retains such reserve funds, then Mortgagor shall deliver to mortgagee all bills for such taxes, assessments or other charges and insurance premiums received by Mortgagor and Mortgagee, upon receipt of the bills, shall pay from such fund all taxes, assessments and other charges and insurance premiums as they become due. Mortgagee shall not be required to determine the accuracy of any bill or the validity of any such taxes, assessments, other charges and insurance premiums. To the extent such fund is insufficient, Mortgagor shall pay before any penalty or interest accrues all such taxes, assessments, other charges and insurance premiums and deliver to Mortgagee at least ten days prior to the due dates of such taxes, assessments and other charges and twenty days prior to the due date of such insurance premiums receipts evidencing such payments. Nothing contained in this Mortgage shall prevent Mortgagor, so long as there has

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been no event of default under Mortgagor's obligations, from contesting the amount of any such taxes, assessments and other charges, provided Mortgagor deposits with Mortgagee an amount which, in the sole discretion of Mortgagee, is sufficient to pay the entire amount of such contested taxes, assessments and other charges plus any and all penalties or interest which may be added. Mortgagor hereby grants a security interest to Mortgagee in all such deposits held by Mortgagor in order to further secure the prompt payment and performance of the Liabilities.

7. Mortgagee's Interest in and Use of Deposits. In case of default under the Note or this Mortgage, Mortgagee may, but need not, make any payment or perform any act required of Mortgagor in any form and manner deemed expedient, and may, but need not, make full or partial payments of principal or interest on prior encumbrances, if any, and purchase, discharge, compromise or settle any tax lien or other prior lien or title or claim thereof, or redeem from any tax sale or forfeiture affecting said premises or contest any tax or assessment. All moneys paid for any of the purposes authorized in this Mortgage and all expenses paid or incurred in connection with such actions, including attorneys' fees, and any other moneys advanced by Mortgagee to protect the premises and the lien of this Mortgage shall be so much additional indebtedness secured by this Mortgage and shall become immediately due and payable without notice and with interest on such sums at the Default Rate. Inaction of Mortgagee shall never be considered a waiver of any right accruing to it on account of any default under this Mortgage on the part of Mortgagor.

8. Reliance on Statements. Mortgagee, in making any payment authorized by this Mortgage and relating to taxes or assessments, may do so according to any bill, statement or estimate procured from the appropriate public office without inquiry into the accuracy of such bill, statement or estimate or into the validity of any tax, assessment, sale, forfeiture, tax lien or title or claim of title.

9. Due on Sale. If the Mortgagor shall sell, assign, convey, lease, transfer or encumber all or any portion of the premises or the beneficial interest of any trust holding title to the premises, or contract to sell, assign, convey, transfer or encumber all or any portion of the premises or the beneficial interest of any trust holding title to the premises, whether by operation of law or otherwise, without the prior written consent of Mortgagee which may be withheld in the absolute discretion of Mortgagee, then and in every such case the whole of the indebtedness evidenced by the Note shall, at once, at the option of Mortgagee, become immediately due and payable, together with accrued interest, without notice to Mortgagor.

10. Eminent Domain and Condemnation. Mortgagor assigns, transfers and sets over unto Mortgagee the entire proceeds of any claim for damages for any of the premises taken or damaged under the power of eminent domain or by condemnation. So long as: (a) any applicable lease is in full force and effect and each tenant thereunder is not in default and such taking shall not result in the termination or cancellation of any of those leases or give any tenant thereunder the right to cancel its lease; (b) the premises require repair, rebuilding or restoration; and (c) this Mortgage is not in default; then any award, after deducting therefrom any expenses incurred in the collection thereof, shall be made available by the Mortgagee for

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the repair, rebuilding or restoration of the premises in accordance with plans and specifications to be submitted to and approved by the Mortgagee.

In all other cases, the Mortgagee may elect to apply the proceeds of the award upon or in reduction of the indebtedness secured by this Mortgage, whether due or not, or make those proceeds available for repair, restoration or rebuilding of the premises in accordance with plans and specifications to be submitted to and approved by the Mortgagee. Any surplus which may remain out of said award after payment of such cost of repair, rebuilding, restoration and the reasonable charges of the disbursing party shall, at the option of Mortgagee, be applied on account of the indebtedness secured by this Mortgage or paid to any part entitled thereto as the same appear on the records of Mortgagee. No interest shall be allowed to Mortgagor on account of any proceeds of any award held by Mortgagee.

11. Hazardous Materials. The premises and its present use comply, and at all times shall comply, with all Federal, state and local statutes, laws, ordinances, codes, rules, regulations, orders or decrees regulating, relating to or imposing liability or standards of conduct concerning, any Hazardous Material (hereinafter defined) now, or at any time hereafter, in effect, including without limitation, the Comprehensive Environmental Response, Compensation and Liability Act, the Resource Conservation and Recovery Act and any so-called "Superfund" or "Superlien" law, all as amended or hereafter amended (all of the foregoing are hereinafter called the "Environmental Laws"). Neither the Mortgagor nor, to the knowledge of Mortgagor, any other party has ever caused or permitted any Hazardous Material to be generated or disposed of on, under or at the premises or any part thereof and no such real property has ever been used (whether by the Mortgagor or by any other party) as (i) a dump site or permanent storage site for any Hazardous Material or (ii) a temporary storage site for Hazardous Material, except in accordance with the Mortgagor's or the lessees' under the Leases ordinary business practices and in compliance with the Environmental Laws.

Mortgagor hereby covenants that it will not use, generate, manufacture, produce, store, release, discharge, or dispose of on, under or about the premises or transport to or from the premises any Hazardous Materials or allow any other person or entity to do so, other than those materials and in substantially the same amounts now used by Mortgagor in the ordinary course of its business.

In the event that any investigation, site monitoring, containment, clean-up, removal, restoration or other remedial work of any kind or nature (the "Remedial Work") is required by any of the Environmental Laws in connection with, the current or future presence, suspected presence, release or suspected release of any Hazardous Materials in or about the air, soil, ground water, surface water or soil vapor at, on, about, under or within the premises (or any portion thereof), Mortgagor shall within thirty (30) days after written demand for performance thereof by Mortgagee (or such shorter period of time as may be required under any of the Environmental Laws), commence and thereafter diligently prosecute to completion, all such Remedial Work. All Remedial Work shall be performed by contractors approved in advance by Mortgagee, and under the supervision of a consulting engineer approved by

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Residence Mortgage

Mortgagee. All costs and expenses of such Remedial Work shall be paid by Mortgagor including, without limitation, Mortgagee's reasonable attorneys' fees, paralegal fees and costs incurred in connection with monitoring or review of such Remedial work. In the event Mortgagor shall fail to timely prosecute to completion such Remedial Work, Mortgagee may, but shall not be required to, cause such Remedial Work to be performed and all costs and expenses thereof, or incurred in connection therewith, shall become part of the Liabilities.

The Mortgagor hereby indemnifies the Mortgagee and agrees to hold the Mortgagee harmless from and against any and all losses, liabilities, damages, injuries, costs, expenses and claims of any and every kind whatsoever paid, incurred or suffered by, or asserted against, the Mortgagee for, with respect to, or as a direct or indirect result of, the presence on or under, or the escape, seepage, leakage, spillage, discharge, emission or release from the premises of any Hazardous Material (including, without limitation, any losses, liabilities, damages, injuries, costs, expenses or claims asserted or arising as a result of Hazardous Materials otherwise permitted hereunder and those asserted or arising under any of the Environmental Laws, regardless of whether or not caused by, or within the control of, the Mortgagor). This indemnity shall survive the reconveyance or release of the lien of this Mortgage, the extinguishment of the lien by foreclosure or action and reconveyance or extinguishment, or the delivery of a deed in lieu of foreclosure. Mortgagor shall not, by this Mortgage, be deemed to have indemnified Mortgagee for any acts or omissions of Mortgagee or its agents.

For purposes of this Mortgage, "Hazardous Material" means and includes (i) any petroleum or crude oil products, asbestos, PCB's or dioxins, or insulation or other material composed of or containing asbestos, PCBs or dioxins, or (ii) any hazardous, toxic, radioactive or dangerous waste, substance or material defined as such in (or for purposes of) any of the Environmental Laws.

12. Acceleration upon Default. Mortgagor shall pay each item of indebtedness mentioned in this Mortgage, including principal and interest, when due according to the terms of the Note. At the option of Mortgagee, and without notice to Mortgagor, all unpaid indebtedness secured by this Mortgage shall, notwithstanding anything in the Note or in this Mortgage to the contrary, become due and payable (a) immediately in the case of default in making payment of any installment of principal or interest on the Note, (b) when default shall occur and continue under the Loan Agreement, (c) upon the occurrence of an event of default under a senior mortgage, if any, which is not cured within any applicable notice or grace period, or (d) when default shall occur and continue for three days in the performance of any other agreement of the Mortgagor contained in this Mortgage.

13. Foreclosure. When the indebtedness secured by this Mortgage becomes due, whether by acceleration or otherwise, Mortgagee shall have the right to foreclose the lien of this Mortgage. In any suit to foreclose such lien, there shall be allowed and included as additional indebtedness in the decree for sale all expenditures and expenses which may be paid or incurred by or on behalf of Mortgagee for attorneys' fees, appraiser's fees, outlays for

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98054081

Residence Mortgage

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, title insurance 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 premises. All expenditures and expenses of the nature described in this paragraph shall become additional indebtedness secured by this Mortgage and shall become immediately due and payable, with interest on such indebtedness 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, claimant or defendant, by reason of this Mortgage or any indebtedness secured by it; or (b) preparations for the commencement of any suit for the foreclosure of this Mortgage 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 premises or the security of this Mortgage, whether or not actually commenced.

14. Proceeds of Foreclosure. The proceeds of any foreclosure sale of the premises shall be distributed and applied in the following order of priority: First, to all costs and expenses incident to the foreclosure proceedings, including all such items as are mentioned in the preceding paragraph of this Mortgage; second, to all other items which under the terms of this Mortgage constitute secured indebtedness additional to that evidenced by the Note, with interest on such indebtedness as provided in this Mortgage; third, to all principal and interest remaining unpaid on the Note; fourth, any overplus to Mortgagor, its heirs, legal representatives or assigns, as their rights may appear.

15. Appointment of Receiver. Upon or at any time after the filing of a bill to foreclose this Mortgage, the court in which such bill is filed may appoint a receiver of the premises. Such appointment may be made either before or after sale, without notice, without regard to the solvency or insolvency of Mortgagor, at the time of application for such receiver and without regard to the then value of the premises or whether the same shall be then occupied as a homestead or not, and Mortgagee may be appointed as such receiver. Such receiver shall have power to collect the rents, issues and profits of the premises during the pendency of such foreclosure suit and, in case of a sale and a deficiency, during the full statutory period of redemption, whether there be redemption or not, as well as during any further times when Mortgagor, except for the intervention of such receiver, would be entitled to collect such rents, issues and profits. Such receiver shall also have all other powers which may be necessary or are usual in such cases for the protection, possession, control, management and operation of the premises during the whole of said period. The court from time to time may authorize the receiver to apply the net income in his hands in payment in whole or in part of: (a) the indebtedness secured by this Mortgage, or by any decree foreclosing this Mortgage, or any tax, special assessment or other lien which may be or become superior to the lien of this Mortgage or of such decree, provided such application is made prior to any foreclosure sale; and (b) the deficiency in case of a sale and deficiency.

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Residence Mortgage

16. Defenses. No action for the enforcement of the lien or of any provision of this Mortgage shall be subject to any defense which would not be good and available to the party interposing same in an action at law upon the Note.

17. Release of Mortgage. Mortgagee shall release this Mortgage and the lien of it by proper instrument when all indebtedness secured by this Mortgage has been fully paid and upon payment of a reasonable fee to Mortgagee for the execution of such release.

18. No Liability on Mortgagee.

(a) Notwithstanding anything contained herein, the Mortgagee shall not be obligated to perform or discharge, and does not hereby undertake to perform or discharge, any obligation, duty or liability of the Mortgagor, whether hereunder, under any related loan documents or otherwise. Mortgagor shall and does hereby agree to indemnify against and hold the Mortgagee harmless of and from any and all liabilities, losses or damages which the Mortgagee may incur (i) with respect to any of the Collateral or under or by reason of its exercise of rights hereunder or under the Note; (ii) by reason of any alleged obligations or undertakings on its part to perform or discharge any of the terms, covenants or agreements contained in any of the Collateral or in any of the contracts, documents or instruments evidencing or creating any of the Collateral; (iii) by reason of any negligence or willful misconduct of Mortgagor or any event of default by Mortgagor hereunder or under the Note; or (iv) by reason of any accident, injury, death or damage to any person or property occurring in, on or about the premises or any street, drive, sidewalk, curb or passageway adjacent thereto, except for the willful misconduct or gross negligence of the indemnified person. The Mortgagee shall not have responsibility for the control, care, management or repair of the premises or be responsible or liable for any negligence in the management, operation, upkeep, repair or control of the premises resulting in loss, injury or death to any lessee, licensee, employee, stranger or other party. No liability shall be enforced or asserted against the Mortgagee in its exercise of the powers granted to it under this Mortgage, and the Mortgagor expressly waives and releases any such liability. Should the Mortgagee incur any liability, loss or damage under any of the loan documents or under or by reason of the matters in which Mortgagor does hereby indemnify Mortgagee, the Mortgagor agrees to reimburse the Mortgagee immediately upon demand for the full amount thereof, including costs, expenses and reasonable attorneys' fees.

(b) Mortgagor's obligations under this Section 18 shall not be affected by the absence or unavailability of insurance covering the same or by the failure or refusal by any insurance carrier to perform any obligation on its part under any such policy of covering insurance. If any claim, action or proceeding is made or brought against Mortgagor and/or Mortgagee which is subject to the indemnity set forth in this Section 18, Mortgagor shall resist or defend against the same, if necessary in the name of Mortgagee, by attorneys for Mortgagor's insurance carrier (if the same is covered by insurance) or otherwise by attorneys approved by Mortgagee. Notwithstanding the foregoing, Mortgagee, in its discretion, may engage its own attorneys to resist or defend, or assist therein, and Mortgagor shall pay, or, on demand, shall

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Residence Mortgage

reimburse Mortgagee for the payment of, the reasonable fees and disbursements of said attorneys.

19. Binding on Successors and Assigns. This Mortgage and all provisions of it shall extend to and be binding upon Mortgagor and all persons claiming under or through Mortgagor, and the word "Mortgagor" shall include all such persons and all persons liable for the payment of the indebtedness or any part of it, whether or not such persons shall have executed the Note or this Mortgage.

20. Governing Law; Severability. This Mortgage shall be governed by the laws of the state in which the premises are located. In the event that any provision or clause of this Mortgage or the Note conflicts with applicable law, such conflict shall not affect other provisions of this Mortgage or the Note which can be given effect without the conflicting provision. To this end the provisions of this Mortgage and the Note are declared to be severable.

21. Giving of Notice. Unless otherwise provided in this Mortgage, all notices or demands shall be in writing and (except for financial statements and other informational documents which may be sent by first-class mail) shall be personally delivered or sent by registered or certified mail, postage prepaid, return receipt requested, or by prepaid telex, TWX or telegram (with messenger delivery specified) to Mortgagor or to Mortgagee, as the case may be, at their addresses set forth at the beginning of this Mortgage.

The Mortgagor and Mortgagee may change the address at which they are to receive notices hereunder by notice in writing in the foregoing manner given to the other. All notices or demands sent in accordance with this Section 21 shall be deemed to have been received the earlier of the date of actual receipt or five (5) calendar days after the deposit thereof in the mail.

22. Inspection of Premises. Mortgagee shall have the right to inspect the premises at all reasonable times and access to the premises shall be permitted for that purpose.

23. Waiver of Statutory Rights. Mortgagor shall not apply for or avail itself of any appraisal, valuation, stay, extension or exemption laws, or any so-called "Moratorium Laws," now existing or hereafter enacted, in order to prevent or hinder the enforcement or foreclosure of this Mortgage, but hereby waives the benefit of such laws to the extent now or hereinafter permitted by law. Mortgagor, for itself, and all who may claim through or under it, waives any and all right to have the property and estates comprising the Collateral marshaled upon any foreclosure of the lien hereof and agrees that any court having jurisdiction to foreclose such lien may order the Collateral sold as an entirety. Mortgagor does hereby expressly waive any and all rights of redemption from any order, judgment or decree of foreclosure of this Mortgage on behalf of Mortgagor and each and every person acquiring any interest in or title to the Collateral subsequent to the date of this Mortgage. Mortgagor does hereby further

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Residence Mortgage

expressly waive, to the extent now or hereafter permitted by law, all rights of reinstatement of this Mortgage.

24. Security Agreement: Fixture Filing. In the event of a default under this Mortgage, the Mortgagee, pursuant to the appropriate provisions of the UCC, shall have the option of proceeding as to both real property and personal property in accordance with its rights and remedies with respect to the real property, in which event the default provisions of the UCC shall not apply. The parties agree that, in the event the Mortgagee shall elect to proceed with respect to the personal property Collateral securing the Liabilities separately from the real property, five (5) days notice of the sale of the personal property Collateral shall be reasonable notice. The reasonable expenses of retaking, holding, preparing for sale, selling and the like incurred by the Mortgagee shall include, but not be limited to, reasonable attorneys' fees and legal expenses incurred by Mortgagee. The Mortgagor agrees that, without the written consent of the Mortgagee, the Mortgagor will not remove or permit to be removed from the premises any of the personal property or fixtures securing the Liabilities except that so long as no default has occurred and is continuing, Mortgagor shall be permitted to sell or otherwise dispose of such property when obsolete, worn out, inadequate, unserviceable or unnecessary for use in the operation of the premises, upon replacing the same or substituting for the same other property at least equal in value to the initial value to that disposed of and in such a manner so that said other property shall be subject to the security interest created hereby and so that the security interest of the Mortgagee shall always be perfected and first in priority, it being expressly understood and agreed that all replacements, substitutions and additions to the property securing the Liabilities shall be and become immediately subject to the security interest of this Mortgage and covered hereby. The Mortgagor shall, from time to time, on request of the Mortgagee, deliver to the Mortgagee in reasonable detail an inventory of the personal property securing the Liabilities. The Mortgagor covenants and represents that the all personal property securing the Liabilities now are, and that all replacements thereof, substitutions therefor or additions thereto, unless the Mortgagee otherwise consents, which consent shall not be unreasonably withheld or delayed, will be free and clear of liens, encumbrances or security interest of others. Nothing in this Section 24 shall be deemed to prohibit Mortgagor from acquiring equipment or fixtures (but in no event inventory) which may be subject to a purchase money security interest so long as the incurrence of such debt is otherwise permitted hereunder.

25. Future Advances. This Mortgage is given to secure payment of the Liabilities in accordance with the Agreements, regardless of whether the entire amount of any loan or advance proceeds shall have been advanced or issued to Borrower on the date hereof, or at a later date, and to secure the payment and performance of all other obligations and Liabilities under the Agreements, and any other amount or amounts that may be added to the Liabilities under the terms of the Agreements or this Mortgage. The parties intend that the lien of this Mortgage shall secure any sums advanced in accordance with the Loan Agreement after the date of recording of this Mortgage, and pursuant to and in accordance with the terms and provisions of the Loan Agreement, to the same extent and with the same priority as if such advances were made or issued on the date of recordation of this Mortgage, even though there

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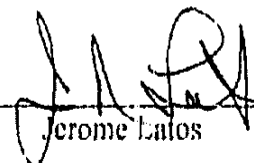
Residence Mortgage

may be no principal amount outstanding under the Loan Agreement at the time any such advance is made, all to the fullest extent permitted under applicable state law.

26. Rights Cumulative. No right, power or remedy herein conferred upon or reserved to Mortgagee is intended to be exclusive of any other right, power or remedy, and each right, power and remedy herein conferred upon the Mortgagee is cumulative and in addition to every other right, power or remedy, express or implied, given now or hereafter existing, at law or in equity, and each and every right, power and remedy herein set forth or otherwise so existing may be exercised from time to time as often and in such order as may be deemed expedient by the Mortgagee, and the exercise or the beginning of the exercise of one right, power or remedy shall not be a waiver of the right to exercise at the same time or thereafter any other right, power or remedy, and no delay or omission of the Mortgagee in the exercise of any right, power or remedy accruing hereunder or arising otherwise shall impair any such right, power or remedy, or be construed to be a waiver of any default or acquiescence therein.

27. Non-recourse Obligation of Donna Latos. Donna Latos mortgages to Mortgagee, without personal recourse, her interest in the premises as provided in this Mortgage, and nothing contained in this Mortgage shall create any personal liability by Donna Latos to Mortgagee under any of the affirmative covenants of this Mortgage or under the other Agreements. Donna Latos further signs this Mortgage for the purpose of expressly releasing and waiving all rights and benefits of the home exemption laws of the State of Illinois as to all indebtedness, liabilities and obligations secured by this Mortgage.

WITNESS the hand and seal of Mortgagor on the date written above.

x 

Jerome Latos

x 

Donna Latos

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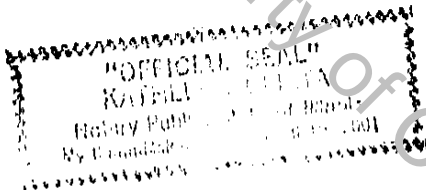
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Residence Mortgage

INDIVIDUAL ACKNOWLEDGMENT

STATE OF ILLINOIS)
) SS.
COUNTY OF COOK)

I, Kathleen Smith, a Notary Public in and for said County, in the State aforesaid, do certify that Jerome Latos who is personally known to me to be the same person whose name is subscribed to the foregoing instrument, appeared before me this day in person and acknowledged that she signed and delivered the said instrument as his free and voluntary act, for the uses and purposes therein set forth.

GIVEN under my hand and Notarial Seal this 14 day of January, 1997.



Kathleen Smith
Notary Public

Typed Name: KATHLEEN SMITH

Notarial Seal

My commission expires:

April 19 01

STATE OF ILLINOIS)
) SS.
COUNTY OF COOK)

I, Diana K. Smith, a Notary Public in and for said County, in the State aforesaid, do certify that Donna Latos who is personally known to me to be the same person whose name is subscribed to the foregoing instrument, appeared before me this day in person and acknowledged that she signed and delivered the said instrument as her free and voluntary act, for the uses and purposes therein set forth.

GIVEN under my hand and Notarial Seal this 16 day of January, 1997.

Diana K. Smith
Notary Public

Typed Name: Diana K. Smith

Notarial Seal

My commission expires:

7-27-01

Diana K. Smith, Notary Public
My Commission Expires: 07-27-01
County of De Kalb: HENDRICKS

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Residence Mortgage
38834061

EXHIBIT A

LEGAL DESCRIPTION

Lot 2 in Koppals Resubdivision of Lot 9 of Robertson and Youngs Subdivision in that part of the North Fractional Half North of the Indian Boundary Line of Section 7, Township 36 North, Range 14 East of the Third Principal Meridian, commencing at the North East Corner of the South 1026.96 Feet of the North East 1/4 of Section 12, Township 36 North, Range 13 East of the Third Principal Meridian and Running South along the East Line of Said Section 12 a Distance of 130 Feet; Thence East at Right Angles with Said East Line a Distance of 332 Feet; Thence North Parallel with the East Line of Said Section 12 a Distance of 140.3 Feet; Thence Westerly 332.25 Feet to the Place of Beginning (Except the East 33 Feet and the West 33 Feet Thereof) in Cook County, Illinois.

P.I.N.: 29-07-110-034
Property Address: 14526 Short Street, Posen, Illinois 60455