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Cook County Recorder 73.00

MORTGAGE

This MORTGAGE is made January 30, 1998 between BANCO POPULAR, ILLINOIS, as Trustee, not personally, but under a Trust Agreement dated January 26, 1998 and known as Trust 20010 (hereinafter referred to as "Mortgagor"), and BANCO POPULAR, ILLINOIS, an Illinois banking corporation, having an office at 4801 W. Fullerton Avenue Chicago, IL 60639 (hereinafter referred to as "Mortgagee").

WITNESS:

WHEREAS, Mortgagor, Mortgagor's beneficiary and Mortgagee have entered into a Construction Loan Agreement (the "Agreement") of even date herewith pursuant to which Mortgagee has agreed to lend to Mortgagor and its beneficiary the sum not to exceed in the aggregate \$3,400,000.00; and

WHEREAS, Mortgagor and Mortgagor's beneficiary are indebted to Mortgagee in the principal amount not to exceed \$3,400,000.00 together with interest thereon from and after the date hereof at the rates provided in that certain Mortgage Note of even date herewith ("Mortgage Note"), a copy of which is attached hereto and made a part hereof as Exhibit "1"; and

WHEREAS, as a condition of making the loan evidenced by the aforesaid Mortgage Note, Mortgagee has required that Mortgagor mortgage the "Premises" (as hereinafter defined) to the Mortgagee, and Mortgagor has executed, acknowledged, and delivered this Mortgage to secure any indebtedness existing at the date hereof and evidenced by the Mortgage Note and any modifications, renewals or extensions thereof, and any indebtedness represented by future advances from Mortgagee to Mortgagor or the other maker of the Mortgage Note, whether such advances are obligatory or to be made within twenty (20) years from the date hereof to the same extent as if such future advances were made on the date hereof, provided, however, that although the amount of indebtedness that may be secured by this Mortgage may increase or decrease from time to time, the total unpaid balance so secured at any one time shall not exceed a maximum principal amount of \$3,400,000.00, plus interest thereon, late charges and any disbursements made for the payment of taxes, special

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assessments, insurance on the Premises, or other items deemed necessary by Mortgagee to be made to protect the lien hereof, together with interest at the Default Interest Rate herein specified on any such disbursements under the aforesaid Mortgage Note or pursuant to the Agreement.

Mortgagor does, by these presents, grant, convey, pledge, hypothecate, and mortgage unto Mortgagee, its successors and assigns forever, the Real Estate and all of its estates, rights, titles, and interests therein situated in the County of Cook, State of Illinois, legally described on as follows:

LOTS 1, 2, 3 AND 4 AND THE EAST 11 INCHES OF LOT 5 IN BLOCK 2 IN EDGAR M. SNOW AND COMPANY'S SUBDIVISION BEING CHARLES MORRIS' NEW SUBDIVISION OF PART OF BLOCK 2 IN BORDEN'S SUBDIVISION OF THE WEST 1/2 OF THE SOUTH EAST 1/4 OF SECTION 36, TOWNSHIP 40 NORTH, RANGE 13, EAST OF THE THIRD PRINCIPAL MERIDIAN, IN COOK COUNTY, ILLINOIS.

P.I.N.: 13-36-400-000

Address: 2735 W. Armitage, Chicago, Illinois

(sometimes herein referred to as the "Real Estate"), which Real Estate, together with the following described property, is collectively referred to as the "Premises", together with:

A. All right, title, and interest of Mortgagor, including any after-acquired title or reversion, in and to the beds of the ways, streets, avenues, and alleys adjoining the Premises;

B. All and singular the tenements, hereditaments, easements, appurtenances, passages, liberties, and privileges thereof or in any way now or hereafter appertaining, including homestead and any other claim at law or in equity as well as any after-acquired title, franchise, or license, and the reversion and reversions and remainder and remainders thereof;

C. In accordance with the Collateral Assignment of Lease(s) and Rent(s) dated of even date herewith, all rents, issues, proceeds, and profits accruing and to accrue from the Premises; and

D. All buildings and improvements of every kind and description now or hereafter erected or placed thereon and all materials intended for construction, reconstruction, alteration, and repairs of such improvements now or hereafter erected thereon, all of which materials shall be deemed to be included within the Premises immediately upon the delivery thereof to the Premises, and all fixtures, equipment, materials and other types of personal property (other than that belonging to tenants) used in the ownership and operation of the improvement situated thereon with parking and other related facilities, in possession of Mortgagor now or hereafter located in, on, or upon, or installed in or affixed to, the Real

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Estate legally described herein, or any improvements or structures thereon, together with all accessories and parts now attached to or used in connection with any such equipment, materials and personal property or which may hereafter, at any time, be placed in or added thereto, and also any and all replacements and proceeds of any such equipment, materials and personal property, together with the proceeds of any of the foregoing; it being mutually agreed, intended, and declared, that all the aforesaid property shall, so far as permitted by law, be deemed to form a part and parcel of the Real Estate and for the purpose of this Mortgage to be Real Estate, and covered by this Mortgage; and as to any of the property aforesaid which does not so form a part and parcel of the Real Estate or does not constitute a "fixture" (as such term is defined in the Uniform Commercial Code), this Mortgage is hereby deemed to be, as well, a Security Agreement under the Uniform Commercial Code for the purpose of creating hereby a security interest in such property, which Mortgagee hereby grants to the Mortgagee as the Secured Party (as such term is defined in the Uniform Commercial Code).

TO HAVE AND TO HOLD, the same unto the Mortgagee and its successors and assigns forever, for the purposes and uses herein set forth.

Provided, however, that if the Mortgagor shall pay the principal and all interest as provided by the Mortgage Note and any modifications, renewals or extensions thereof, and shall pay all other sums herein provided for, or secured hereby, and shall well and truly keep and perform all of the covenants herein contained, then this Mortgage shall be released at the cost of the Mortgagor as provided in the Agreement, otherwise to remain in full force and effect.

1. MORTGAGOR'S COVENANTS. To protect the security of this Mortgage, Mortgagor agrees and covenants with the Mortgagee that Mortgagor shall:

A. PAYMENT OF PRINCIPAL AND INTEREST. Pay promptly when due the principal and interest on the indebtedness evidenced by the Mortgage Note at the times and in the manner herein and in the Mortgage Note provided.

B. TAXES AND DEPOSITS THEREFOR. Pay immediately when first due and owing, all general taxes, special taxes, special assessments, water charges, sewer charges, and other charges which may be levied against the Premises, and to furnish to Mortgagee upon request therefor, duplicate receipts therefor within thirty (30) days after payment thereof. Mortgagor may, in good faith and with reasonable diligence, contest the validity or amount of any such taxes or assessments provided: (a) that such contest shall have the effect of preventing the collection of the tax or assessment so contested and the sale or forfeiture of said Premises or any part thereof, or any interest therein, to satisfy the same; (b) that Mortgagee has notified Mortgagee in writing of the intention of Mortgagor to contest the same, before any tax or assessment has been increased by any interest, penalties, or costs; and (c) that Mortgagor shall have deposited with Mortgagee at such place as Mortgagee may from time to

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time in writing appoint, a sum of money, bond, Letter of Credit or other security reasonably acceptable to Mortgagee which shall be sufficient in the reasonable judgment of the Mortgagee to pay in full such contested tax and assessment and all penalties and interest that might become due thereon, and shall keep said money on deposit or keep in effect said bond or Letter of Credit in an amount sufficient, in the reasonable judgment of the Mortgagee, to pay in full such contested tax and assessment; and all penalties and interest that might become due thereon, and shall keep on deposit an amount so sufficient at all times, increasing such amount to cover additional penalties and interest whenever, in the reasonable judgment of the Mortgagee, such increase is advisable. In case the Mortgagor, after demand is made upon it by Mortgagee, shall fail to prosecute such contest with reasonable diligence or shall fail to maintain sufficient funds on deposit as hereinabove provided, the Mortgagee may, at its option upon notice to Mortgagor, apply the monies and/or liquidate the securities deposited with Mortgagee, in payment of, or on account of, such taxes and assessments, or any portion thereof then unpaid, including the payment of all penalties and interest thereon. If the amount of the money and/or security so deposited shall be insufficient as aforesaid for the payment in full of such taxes and assessments, together with all penalties and interest thereon, the Mortgagor shall forthwith upon demand deposit with the Mortgagee a sum which, when added to the funds then on deposit, shall be sufficient to make such payment in full. Provided Mortgagor is not then in default hereunder, the Mortgagee shall, upon the final disposition of such contest and upon Mortgagor's delivery to Mortgagee of an official bill for such taxes, apply the money so deposited in full payment of such taxes and assessments or that part thereof then unpaid, together with all penalties and interest due thereon and return on demand the balance of said deposit, if any, to Mortgagor.

C. INSURANCE. (1) Hazard. Keep the improvements now existing or hereafter erected on the Premises insured under a replacement cost form of insurance policy against loss or damage resulting from fire, windstorm, and other hazards as may be required by Mortgagee, and to pay promptly, when due, any premiums on such insurance, provided however, Mortgagee may make such payments on behalf of Mortgagor. All insurance shall be in form and content as reasonably approved by the Mortgagee (which shall be carried in companies reasonably acceptable to Mortgagee) and the policies and renewals marked "PAID", shall be delivered to the Mortgagee at least thirty (30) days before the expiration of the old policies and shall have attached thereto standard noncontributing mortgage clause(s) in favor of and entitling Mortgagee to collect any and all of the proceeds payable under such insurance, as well as standard waiver of subrogation endorsement, if available. Mortgagor shall not carry separate insurance, concurrent in kind or form and contributing in the event of loss, with any insurance required hereunder. In the event of any casualty loss, Mortgagor will give immediate notice by mail to the Mortgagee.

(2) Liability, Flood and Business Interruption Insurance. Carry and maintain comprehensive public liability insurance, flood insurance and business interruption (or loss of rentals) insurance as may be required from time to time by the Mortgagee in forms, amounts, and with companies reasonably satisfactory to the Mortgagee. Such liability policy, flood

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insurance and business interruption insurance shall name Mortgagee as an additional insured party thereunder. Certificates of such insurance, premiums prepaid, shall be deposited with the Mortgagee and shall contain provision for thirty (30) days' notice to the Mortgagee prior to any cancellation thereof.

D. PRESERVATION AND RESTORATION OF PREMISES AND COMPLIANCE WITH GOVERNMENTAL REGULATIONS. Not permit any building or other improvement on the Premises to be materially altered, removed, or demolished, nor shall any fixtures or appliances on, in, or about said buildings or improvements be severed, removed, sold, or mortgaged, without the prior written consent of Mortgagee, and in the event of the demolition or destruction in whole or in part of any of the fixtures, chattels, or articles of personal property covered hereby or by any separate security agreement given in conjunction herewith, the same shall be replaced promptly by similar fixtures, chattels, and articles of personal property at least equal in quality and condition to those replaced, free from any security interest in or encumbrances thereon or reservation of title thereto. Subject to the provisions of Paragraph 19 hereof, Mortgagor shall promptly repair, restore, or rebuild any buildings or improvements now or hereafter on the Premises which may become damaged or be destroyed. The buildings and improvements 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.

Mortgagor further agrees to permit, commit, or suffer no waste, impairment, or deterioration of the Premises or any part or improvement thereof; to keep and maintain the Premises and every part thereof in good repair and condition, subject to ordinary wear and tear, to effect such repairs as the Mortgagee may reasonably require, and, from time to time, to make all needful and proper replacements and additions thereto so that said buildings, fixtures, machinery, and appurtenances will, at all times, be in good condition, fit and proper for the respective purposes for which they were originally erected or installed; to comply with all statutes, orders, requirements or decrees relating to said Premises as provided in any notice given by any federal, state, or municipal authority; and to observe and comply with all conditions and requirements necessary to preserve and extend any and all rights, licenses, permits (including, but not limited to, zoning variances, special exceptions, and nonconforming uses) privileges, franchises, and concessions which are applicable to the Premises or which have been granted to or contracted for by Mortgagor in connection with any existing or presently contemplated use of the said Premises.

E. CREATION OF LIENS AND TRANSFER OF OWNERSHIP. (1) Not create, suffer, or permit to be created or filed against the Premises, any mortgage lien or other lien whether superior or inferior to the lien of this Mortgage; or

(2) Neither permit the Premises, the beneficial interest in Mortgagor, nor the shares of stock, ownership or other equity interests in Mortgagor's beneficiary, in whole or in part, to be alienated, transferred, conveyed or assigned to any person or entity.

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Any waiver by Mortgagee of the provisions of this Paragraph shall not be deemed to be a waiver of the right of Mortgagee to insist upon strict compliance with the provisions of this Paragraph in the future.

F. (1) 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 substance (as defined herein) or allow any other person or entity to do so.

(2) Keep and maintain the Premises in compliance with, and shall not cause or permit the premises to be in violation of any Environmental law (as defined herein) or allow any other person or entity to do so.

(3) Give prompt written notice to Mortgagee of:

(i) any proceedings or inquiry by a governmental authority whether federal, state, or local, with respect to the presence of any hazardous substance on the Premises or the migration thereof from or to other property;

(ii) all claims made or threatened by any third party against Mortgagor or any entity affiliated with it or the Premises relating to any loss or injury resulting from any hazardous substance; and

(iii) the discovery by Mortgagor of any occurrence or condition on any real property adjoining or in the vicinity of the Premises that could cause the Premises or any part thereof to be subject to any restriction on the ownership, occupancy, transferability or use of the Premises under any Environmental law.

(4) Recognize Mortgagee's right to join and participate in, as a party if it so elects, any legal proceedings or actions initiated in connection with any Environmental law and Mortgagor hereby agrees to pay any attorneys' fees thereby incurred by the Mortgagee in connection therewith.

(5) Indemnify, defend, and hold harmless Mortgagee, its directors, officers, employees, agents, contractors, attorneys, other representatives, successors and assigns from and against any and all loss, damage, cost, expense or liability, including by way of illustration and not limitation, reasonable attorneys' fees and court costs, directly or indirectly, arising out of or attributable to the use, generation, manufacture, production, storage, release, threatened release, discharge, disposal, or presence of hazardous substance on, under, or about the Premises, including without limitation; (a) all foreseeable consequential damages; and (b) the costs of any required or necessary repair, cleanup, or detoxification of the premises, and the preparation and implementation of any closure, remedial or other required plans. This indemnity and covenant shall survive the reconveyance of the lien of this Mortgage, or the extinguishment of such lien by foreclosure or action in lieu thereof.

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(6) In the event that any investigation, site monitoring, containment, cleanup, removal, restoration or other remedial work of any kind or nature whatsoever (the "Remedial Work") is reasonably necessary or desirable under any applicable local, state, or federal law or regulation, any judicial order, or by any governmental or nongovernmental entity or person because of, or in connection with, the current or future presence, suspected presence, release or suspected release of a hazardous substance in or into 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 other party or governmental entity or agency (or such shorter period of time as may be required under any applicable law, regulation, order, or agreement), commence to perform, or cause to be commenced, and thereafter diligently prosecuted to completion, all such Remedial Work. All Remedial Work shall be performed by one or more contractors, approved in advance in writing by Mortgagee, and under the supervision of a consulting engineer approved in advance in writing by Mortgagee. All costs and expenses of such Remedial Work shall be paid by Mortgagor, including, without limitation, the charges of such contractor and the consulting engineer, and Mortgagee's reasonable attorney's fees and costs incurred in connection with the monitoring or review of such Remedial Work. In the event that Mortgagor shall fail to timely commence, or cause to be commenced, or fail to diligently 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 incurred in connection therewith shall become part of the indebtedness secured hereby.

(7) Without Mortgagee's prior written consent, which shall not be unreasonably withheld, Mortgagor shall not take any remedial action in response to the presence of any hazardous substance on, under, or about the Premises, nor enter into any settlement agreement, consent decrees, or other compromise in respect to any hazardous substance claims. Said consent may be withheld, without limitation, if Mortgagor in its reasonable judgment, determines that said remedial action, settlement, consent, or compromise might impair the value of Mortgagee's security hereunder and the Loan Documents specified in the Agreement; provided, however, that Mortgagee's prior consent shall not be necessary in the event that the presence of hazardous substances in, on, under, or about the Premises, either poses an immediate threat to the health, safety, or welfare of any individual or is of such a nature that an immediate remedial response is necessary, and it is not possible to obtain Mortgagee's consent before taking such action, provided that in such event Mortgagor shall notify Mortgagee as soon as practicable of any action so taken. Mortgagee agrees not to withhold its consent, when such consent is required hereunder, if either (a) a particular remedial action is ordered by a court of competent jurisdiction; or (b) Mortgagor establishes to the reasonable satisfaction of the Mortgagee that there is no reasonable alternative to such remedial action that would result in materially less impairment of Mortgagee's security under this Mortgage, the Mortgage Note and the Loan Documents specified therein.

For the purposes of this Paragraph, the following terms shall have the meanings as set forth below:

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(a) "Environmental Laws" shall mean any federal, state, or local law, statute, ordinance, or regulation pertaining to health, industrial hygiene, or the environmental conditions on, under, or about the premises, including, without limitation, the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended, ("CERCLA"), 42 U.S.C. Section 9601 et seq., and the Resource Conservation and Recovery Act of 1976, as amended, ("RCRA"), 42 U.S.C. Section 6901 et seq.

(b) The term "Hazardous Substance" shall include without limitation:

(i) Those substances included within the definitions of any one or more of the terms "hazardous substances", "hazardous materials", "toxic substances", and "solid waste" in CERCLA, RCRA, and the Hazardous Materials Transportation Act, as amended, 49 U.S.C. Section 1801 et seq., and in the regulations promulgated pursuant to said laws or under applicable state law;

(ii) Those substances listed in the United States Department of Transportation Table (49 CFR 172.010 and amendments thereto) or by the Environmental Protection Agency (or any successor agency) as hazardous substances (40 CFR, Part 302 and amendments thereof);

(iii) Such other substances, materials and wastes which are or become regulated under applicable local, state, or federal laws, or which are classified as hazardous or toxic under federal, state, or local laws or regulations; and

(iv) Any material, waste, or substance which is (A) petroleum, (B) asbestos, (C) polychlorinated biphenyls, (D) designated as a "hazardous substance" pursuant to Section 311 of the Clean Water Act, 33 U.S.C. Section 1251, et seq. (33 U.S.C. Section 1321), or listed pursuant to Section 307 of the Clean Water Act (33 U.S.C. Section 1317); (E) flammable explosives; or (F) radioactive materials.

G. Provide Mortgagee, within fourteen (14) days after Mortgagee's written request therefor, with (i) a written history of the use of the Premises, including in particular but not in limitation, any past military, industrial, or landfill use of the Premises, and specifically indicating in such response the presence, if any, of underground storage tanks; (ii) if such underground storage tanks do exist, evidence of maintenance and repair thereof, copies of any and all clean-up or removal orders issued by any federal, state, or local governmental agency, and, if needed in Mortgagee's judgment, evidence of removal of such underground storage tanks; and (iii) written indications from the regional office of the federal Environmental Protection Agency, and any state Environmental Protection Agency whether the Premises have been used for the storage of oil, hazardous waste, any toxic substance, or any Hazardous substance.

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H. ADDITIONAL COVENANTS. (a) By January 30 of each year (or more frequently, if in the reasonable opinion of Mortgagee, Mortgagee requires the financial information specified in this subparagraph) while any portion of the indebtedness evidenced by the Mortgage Note is outstanding, Mortgagor shall provide Mortgagee with personal financial statements on forms to be prescribed by Mortgagee, for each of the makers of the Mortgage Note and the persons who have guaranteed the repayment of the indebtedness evidenced by the Mortgage Note secured hereby and performance of the Mortgage covenants contained herein.

(b) While any portion of the indebtedness evidenced by the Mortgage Note is outstanding, Mortgagor shall provide Mortgagee with leasing status reports on or before each January 30 (as of the year just immediately ended) which leasing status reports shall indicate the name of each tenant, annual and monthly rent for each leased space, percentage rent, if any, amount of space being leased, and the lease expiration date.

(c) By January 30 of each year for the year just immediately ended, Mortgagor shall provide Mortgagee with an annual operating statement (to be prepared in accordance with generally accepted accounting principles consistent with the previous year's operating statements) for the Premises, which annual operating statements will indicate the total rental income for the Premises, the annual expenses therefor, and debt service payments made thereon.

(d) Mortgagor and its beneficiary shall maintain on deposit with Mortgagee all accounts relative to the ownership or operation of the Premises, including without limitation the operating account.

2. MORTGAGEE'S PERFORMANCE OF DEFAULTED ACTS. Upon the occurrence of an Event of Default, Mortgagee may, but need not, at any time after the giving of any notice and the lapse of any time thereafter which may be required by Paragraph 11 hereof, and subject to the provisions of this Mortgage make any payments or perform any act herein required of Mortgagor in any form and manner deemed expedient by Mortgagee, and Mortgagee 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 or junior lien or title or claim thereof, or redeem from any tax sale or forfeiture affecting the Premises or contest any tax or assessment. All monies paid for any of the purposes herein authorized and all expenses paid or incurred in connection therewith, including attorneys' fees, and any other monies advanced by Mortgagee to protect the Premises and the lien hereof, shall be so much additional indebtedness secured hereby, and shall become immediately due and payable by Mortgagor to Mortgagee without notice and with interest thereon at the Default Interest Rate as defined herein. Inaction of Mortgagee shall never be considered as a waiver of any right accruing to it on account of any default on the part of Mortgagor.

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3. **EMINENT DOMAIN.** So long as any portion of the principal balance evidenced by the Mortgage Note remains unpaid, any and all awards heretofore or hereafter made or to be made to the present and all subsequent owners of the Premises, by any governmental or other lawful authority for taking, by condemnation or eminent domain, of the whole or any part of the Premises or any improvement located thereon, or any easement therein or appurtenant thereto (including any award from the United States Government at any time after the allowance of the claim therefor, the ascertainment of the amount thereof and the issuance of the warrant for payment thereof), are hereby assigned by Mortgagor to Mortgagee, to the extent of the unpaid indebtedness evidenced by the Mortgage Note, which award Mortgagee is hereby authorized to give appropriate receipts and acquittances therefore, and Mortgagee shall apply the proceeds of such award as a credit upon any portion of the indebtedness secured hereby or, at its option, permit the same to be used to repair and restore the improvements in the same manner as set forth in Paragraph 19 hereof with regard to insurance proceeds received subsequent to a fire or other casualty to the Premises. Mortgagor shall give Mortgagee immediate notice of the actual or threatened commencement of any such proceedings under condemnation or eminent domain, affecting all or any part of the said Premises or any easement therein or appurtenance thereof, including severance and consequential damage and change in grade of streets, and will deliver to Mortgagee copies of any and all papers served in connection with any such proceedings. Mortgagor shall make, execute, and deliver to Mortgagee, at any time or times upon request, free, clear, and discharged of any encumbrances of any kind whatsoever, any and all further assignments and/or instruments deemed necessary by Mortgagee for the purpose of validly and sufficiently assigning all awards in accordance with and subject to the provisions hereof, and other compensation heretofore and hereafter to be made to Mortgagor for any taking, either permanent or temporary, under any such proceeding.

4. **ACKNOWLEDGMENT OF DEBT.** Mortgagor shall furnish, from time to time, within thirty (30) days after Mortgagee's request, a written statement of the amount due upon this Mortgage and whether any alleged offsets or defenses exist against the indebtedness secured by this Mortgage.

5. **INSPECTION OF PREMISES AND BOOKS AND RECORDS.** Mortgagor shall permit Mortgagee to inspect the Premises at all reasonable times and from time to time. Mortgagor shall keep and maintain full and correct books and records showing in detail the income and expenses of the Premises and within ten (10) days after demand therefore to permit Mortgagee, at normal business hours, to examine such books and records and all supporting vouchers and data, at any time and from time to time, on request at Mortgagor's offices, hereinbefore identified or at such other location as may be mutually agreed upon.

6. **ILLEGALITY OF TERMS HEREOF.** Nothing herein or in the Mortgage Note contained nor any transaction related thereto shall be construed or shall so operate either presently or prospectively, (a) to require Mortgagor to pay interest at a rate greater than is now lawful in such case to contract for, but shall require payment of interest only to the extent

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of such lawful rate; or (b) to require Mortgagor to make any payment or do any act contrary to law, and if any clause and provision herein contained shall otherwise so operate to invalidate this Mortgage, in whole or in part, then such clause or clauses and provisions only shall be held for naught as though not herein contained and the remainder of this Mortgage shall remain operative and in full force and effect, and Mortgagee shall be given a reasonable time to correct any such error.

7. SUBROGATION. In the event the proceeds of the loan made by the Mortgagee to the Mortgagor, or any part thereof, or any amount paid out or advanced by the Mortgagee, be used directly or indirectly to pay off, discharge, or satisfy, in whole or in part, any prior lien or encumbrance upon the Premises or any part thereof, then the Mortgagee shall be subrogated to such other lien or encumbrance and to any additional security held by the holder thereof and shall have the benefit of the priority of all of same.

8. EXECUTION OF SECURITY AGREEMENT AND FINANCING STATEMENT. Mortgagor, within five (5) days after request by mail, shall execute, acknowledge, and deliver to Mortgagee a Security Agreement, Financing Statement, or other similar security instrument, in form satisfactory to the Mortgagee, and reasonably satisfactory to Mortgagor, and conforming to the terms hereof covering all property of any kind whatsoever owned by Mortgagor which, in the sole opinion of Mortgagee, is essential to the operation of the Premises and concerning which there may be any doubt as to whether the title to same has been conveyed by or a security interest therein perfected by this Mortgage under the laws of the State of Illinois and will further execute, acknowledge, and deliver any financing statement, affidavit, continuation statement or certificate, or other documents as Mortgagee may request in order to perfect, preserve, maintain, continue, and extend the security instrument. Mortgagor further agrees to pay Mortgagee, on demand, all costs and expenses incurred by Mortgagee in connection with the recording, filing, and refiling of any such document.

9. MORTGAGEE'S PAYMENT OF GOVERNMENTAL, MUNICIPAL, OR OTHER CHARGES OR LIENS. Upon the occurrence of an Event of Default hereunder Mortgagee is hereby authorized subject to the terms and provisions of this Mortgage, to make or advance, in place and stead of the Mortgagor, any payment relating to taxes, assessments, water rates, sewer rentals, and other governmental or municipal charges, fines, impositions, or liens asserted against the Premises and may do so according to any bill, statement, or estimate procured from the appropriate public office without inquiry into the adequacy of the bill, statement, or estimate, or into the validity of any tax, assessment, sale, forfeiture, tax lien, or title or claim thereof, and the Mortgagee is further authorized to make or advance in the place and stead of the Mortgagor any payment relating to any apparent or threatened adverse title, lien, statement of lien, encumbrance, claim, or charge; or payment otherwise relating to any purpose herein and hereby authorized but not enumerated in this Paragraph, and may do so whenever, in its reasonable judgment and discretion, such advance or advances shall seem necessary or desirable to protect the full security intended to be created by this

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instrument, and, provided further, that in connection with any such advance, Mortgagee, in its option, may, and is hereby authorized to obtain a continuation report of title or title insurance policy prepared by a title insurance company of Mortgagee's choosing.

All such advances and indebtedness authorized by this Paragraph shall be repayable by Mortgagor upon demand with interest at the Default Interest Rate.

10. BUSINESS LOAN. Mortgagor represents and agrees, and the beneficiary of Mortgagor by execution and delivery of the direction to Mortgagor to execute this Mortgage, warrants, represents, and agrees that the proceeds of the Mortgage Note will be used for business purposes, and that the indebtedness evidenced by the Mortgage Note constitutes a business loan.

11. DEFAULT AND FORECLOSURE.

(a) **Events of Default and Remedies.** The following shall constitute an Event of Default under this Mortgage:

(i) any failure to provide the insurance specified in Paragraph 1(C)(1) and 1(C)(2) herein;

(ii) any default in the monthly interest payments under the Mortgage Note secured hereby, which default or failure remains uncured for a period of fifteen (15) days, or a default in making the final principal and accrued interest payment required under the Mortgage Note; or

(iii) any default in the performance or observance of any other term, covenant, or condition in the Agreement, this Mortgage, or in any other instrument now or hereafter evidencing or securing said indebtedness which default continues for thirty (30) days or such lesser time as may be specified herein or in any other document for such default; or

(iv) if the Mortgagor, any beneficiary thereof, or any Guarantor of the Mortgage Note secured hereby, shall file a petition in voluntary bankruptcy or under Chapter VII or Chapter XI of the Federal Bankruptcy Code or any similar law, state or federal, whether now or hereafter existing, which action is not dismissed within sixty (60) days; or

(v) if the Mortgagor, or any beneficiary thereof, or any Guarantor of the Mortgage Note secured hereby, shall file an answer admitting insolvency or inability to pay their debts or fail to obtain a vacation or stay of involuntary proceedings within sixty (60) days after the filing thereof; or

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(vi) if the Mortgagor, or any beneficiary thereof, or any Guarantor of the Mortgage Note secured hereby, shall be adjudicated a bankrupt, or a trustee or a receiver shall be appointed for the Mortgagor or its beneficiary, or any Guarantor of the Mortgage Note secured hereby, which appointment is not relinquished within sixty (60) days for all or any portion of the Premises or its or their property in any involuntary proceeding; or

(vii) any Court shall have taken jurisdiction of all or any portion of the Premises or the property of the Mortgagor, or any beneficiary thereof, or any Guarantor of the Mortgage Note secured hereby, in any involuntary proceeding for the reorganization, dissolution, liquidation, or winding up of the Mortgagor or any beneficiary thereof, or any Guarantor of the Mortgage Note secured hereby, and such trustees or receiver shall not be discharged or such jurisdiction relinquished or vacated or stayed on appeal or otherwise stayed within the sixty (60) days after appointment; or

(viii) the Mortgagor, or any beneficiary thereof, or any Guarantor of the Mortgage Note secured hereby, shall make an assignment for the benefit of creditors, or shall admit in writing its or their insolvency or shall consent to the appointment of a receiver or trustee or liquidator of all or any portion of the Premises; or

(ix) the untruth or falsity of any of the warranties contained herein, the Collateral Assignment of Lease(s) and Ten(s) or the Collateral Assignment of Beneficial Interest given to secure the payment of the Mortgage Note; or

(x) an Event of Default shall occur under any note, mortgage or other loan document evidencing or securing any indebtedness owned by Mortgagee and made or guaranteed by persons who have made or guaranteed payment of the indebtedness secured hereby; or

(xi) any material adverse change in the financial condition of any maker or guarantor of the indebtedness evidenced by the Mortgage Note or any material adverse change in the value of any collateral given or pledged as security for the indebtedness evidenced by the Mortgage Note.

(b) Upon the occurrence of an Event of Default, the entire indebtedness secured hereby, including, but not limited to, principal and accrued interest shall, at the option of the Mortgagee and without demand or notice to Mortgagor, become immediately due and payable with interest accruing thereafter on the unpaid principal balance of the Mortgage Note at the Default Interest Rate, (as hereinafter defined) and, thereupon, or at any time after the occurrence of any such Event of Default, the Mortgagee may:

(i) impose upon Mortgagor a penalty of \$500 which, when imposed, shall become additional indebtedness due and owing to Mortgagee, for Mortgagor's failure

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to produce the financial statements and reports required under Paragraph 1 (H) hereunder within ten (10) days after the due date therefor.

(ii) proceed to foreclose this Mortgage by judicial proceedings according to the statutes in such case provided, and any failure to exercise said option shall not constitute a waiver of the right to exercise the same at any other time.

(iii) advance cash, insofar as the Mortgagee deems practicable, to protect its security for payment to such persons or entities and for such purposes as Mortgagee deems necessary or desirable under the circumstances, either out of the proceeds of the Mortgage Loan, or, if the proceeds of the Mortgage Loan remaining undisbursed are insufficient for such purposes out of additional funds, and without limitation on the foregoing, (a) to pay any lien; (b) contest the validity thereof; (c) and (d) to make or advance, in the place and stead of the Mortgagor, any payment relating to taxes, assessments, water rates, sewer rentals, and other governmental or municipal charges, fines, impositions or liens asserted against the Premises and may do so according to any bill, statement, or estimate procured from the appropriate public office without inquiry into the accuracy of the bill, statement, or estimate or into the validity of any tax, assessment, sale, forfeiture, tax lien, or title or claim thereof, and the Mortgagee is further authorized to make or advance in the place and stead of the Mortgagor any payment relating to any apparent or threatened adverse title, lien, statement of lien, encumbrance, claim, or charge; or payment otherwise relating to any other purpose herein and hereby authorized but not enumerated in this Paragraph, and may do so whenever, in its reasonable judgment and discretion, such advance or advances shall seem necessary or desirable to protect the full security intended to be created by this instrument, and, provided further, that in connection with any such advance, Mortgagee, in its option, may, and is hereby authorized to obtain a continuation report of title or title insurance policy prepared by a title insurance company of Mortgagee's choosing.

All such advances and indebtedness authorized by this Paragraph shall be repayable by Mortgagor upon demand with interest at the Default Interest Rate.

(iv) take such action and require such performance as it deems necessary.

The authority granted by this Paragraph 11 shall not, however, be construed as creating an obligation on the part of Mortgagee to complete the Improvements described in the Agreement or to prosecute or defend actions in connection with the Premises or the construction of the Improvements or to do any other act which it is empowered to do hereunder.

(c) Expense of Litigation. In any suit to foreclose the lien of this Mortgage or enforce any other remedy of the Mortgagee under this Mortgage, the Mortgage Note, or any other

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document given to secure the indebtedness represented by the Mortgage Note, there shall be allowed and included as additional indebtedness in the judgment or decree, all expenditures and expenses which may be paid or incurred by or on behalf of Mortgagee for reasonable attorney's fees, appraiser's fees, outlays for documentary and expert evidence, stenographers' charges, publication costs, survey costs, and cost (which may be estimated as to items to be expended after entry of the decree), of procuring all abstracts of title, title searches and examinations, title insurance policies, and similar data and assurances with respect to title as Mortgagee may deem 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 value of the Premises. All expenditures and expenses of the nature in this Paragraph mentioned, and such expenses and fees as may be incurred in the protection of said Premises and the maintenance of the lien of this Mortgage, including the fees of any attorney affecting this Mortgage, the Mortgage Note or the Premises, or in preparation for the commencement or defense of any proceeding or threatened suit or proceeding, shall be immediately due and payable by Mortgagor, with interest thereon at the Default Interest Rate.

(d) Mortgagee's Right of Possession in Case of Event of Default. In any case in which, under the provisions of this Mortgage, the Mortgagee has a right to institute foreclosure proceedings whether or not the entire principal sum secured hereby is declared to be immediately due as aforesaid, or whether before or after the institution of legal proceedings to foreclose the lien hereof, or before or after sale thereunder, forthwith upon demand of Mortgagee, Mortgagor shall surrender to Mortgagee, and Mortgagee shall be entitled to take, actual possession of the Premises or any part thereof, personally or by its agent or attorneys, as for condition broken and Mortgagee, in its discretion, may enter upon and take and maintain possession of all or any part of said Premises, together with all documents, books, records, papers, and accounts of the Mortgagor, or the then owner of the Premises relating thereto, and may exclude the Mortgagor, and their agents or servants, wholly therefrom, and may, in its own name as Mortgagee and under the powers herein granted:

(i) hold, operate, manage and control the Premises and conduct the business, if any thereof, either personally or by its agents, and with full power to use such measures, legal or equitable, as in its discretion or in the discretion of its successors or assigns may be deemed proper or necessary to enforce the payment or security of the avails, rents, issues, and profits of the Premises including actions for recovery of rent, actions in forcible detainer, and actions in distress for rent, hereby granting full power and authority to exercise each and every of the rights, privileges, and powers herein granted at any and all times hereafter, without notice to the Mortgagor;

(ii) cancel or terminate any lease or sublease or management agreement for any cause or on any ground which would entitle Mortgagor to cancel the same;

(iii) extend or modify any then existing lease(s) or management agreement(s) and make new lease(s) or management agreement(s), which extensions, modifications,

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and new lease(s) or management agreement(s) may provide for terms to expire, or for options to extend or renew terms to expire, beyond the maturity date of the indebtedness hereunder and the issuance of a deed or deeds to a purchaser or purchasers at a foreclosure sale, it being understood and agreed that any such lease(s) and management agreement(s) and the options or other such provisions to be contained therein, shall be binding upon Mortgagor and all persons whose interests in the Premises are subject to the lien hereof and shall also be binding upon the purchaser or purchasers at any foreclosure sale, notwithstanding any redemption from sale, discharge or the mortgage indebtedness, satisfactory of any foreclosure decree, or issuance of any certificate of sale or deed to any purchaser;

(iv) make all necessary or proper repairs, decorations, renewals, replacements, alterations, additions, betterments, and improvements to the Premises as to Mortgagee may seem judicious, to insure and reinsure the Premises and all risks incidental to Mortgagee's possession, operation and management thereof, and to receive all avails, rents, issues and profits.

(c) Mortgagee's Determination of Priority of Payments. Any avails, rents, issues, and profits of the Premises received by the Mortgagee after having taken possession of the Premises, or pursuant to any assignment thereof to the Mortgagee under the provisions of this Mortgage or of any separate security documents or instruments shall be applied in payment of or on account of the following, in such order as the Mortgagee (or in case of a receivership) as the Court may determine:

(i) to the payment of the operation expenses of the Premises, which shall include reasonable compensation to the Mortgagee or the receiver and its agent or agents, if management of the Premises has been delegated to an agent or agents, and shall also include lease commissions and other compensation and expenses of seeking and procuring tenants and entering into leases, established claims for damages, if any, and premiums on insurance hereinabove authorized;

(ii) to the payment of taxes, special assessments, and water taxes now due or which may hereafter become due on the Premises, or which may become a lien prior to the lien of this Mortgage;

(iii) to the payment of all repairs and replacements, of said Premises and of placing said property in such condition as will, in the judgment of Mortgagee or receiver, make it readily rentable;

(iv) to the payment of any indebtedness secured hereby or any deficiency which may result from any foreclosure sale;

(v) any overplus or remaining funds to the Mortgagor, their successors or

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assigns, as their rights may appear.

(f) Appointment of Receiver. Upon or at any time after the filing of any complaint to foreclose this Mortgage, the Court may, upon application, appoint a receiver of the Premises. Such appointment may be made either before or after sale upon appropriate notice as provided by law and without regard to the solvency or insolvency, at the time of application for such receiver, of the person or persons, if any, liable for the payment of the indebtedness secured hereby and without regard to the then value of the Premises, and without bond being required of the applicant. Such receiver shall have the power to take possession, control, and care of the Premises and 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 (provided that the period of redemption has not been waived by the Mortgagor), as well as during any further times when the Mortgagor, its heirs, administrators, executors, successors, or the assigns, except for the intervention of such receiver, would be entitled to collect such rents, issues, and profits, and all other powers which may be necessary or are useful in such cases for the protection, possession, control, management, and operation of the Premises during the whole of said period, to extend or modify any then new lease(s) or management agreement(s), and to make new lease(s) or management agreement(s), which extensions, modifications, and new lease(s) or management agreement(s) may provide for terms to expire, or for options to lease(s) to extend or renew terms to expire, beyond the maturity date of the indebtedness hereunder, it being understood and agreed that any such lease(s) and management agreement(s) and the options or other such provisions to be contained therein, shall be binding upon Mortgagor and all persons whose interests in the Premises are subject to the lien hereof and upon the purchaser or purchasers at any foreclosure sale, notwithstanding any redemption from sale, discharge of the mortgage indebtedness, satisfaction of any foreclosure decree, or issuance of any certificate of sale or deed to any purchaser.

(g) Application Of Proceeds of Foreclosure Suit. The proceeds of any foreclosure sale of the Premises shall be distributed and applied in the following order of priority: FIRST, on account of all costs and expenses incident to the foreclosure proceedings, including all such items as are mentioned in Paragraph (b) hereof; SECOND, all other items which, under the terms hereof, constitute secured indebtedness additional to that evidenced by the Mortgage Note, with interest thereon at the Default Interest Rate; THIRD, all principal and interest (calculated at the Default Interest Rate) remaining unpaid on the Mortgage Note; and, FOURTH, any overplus to Mortgagor, its successors or assigns, as their rights may appear.

(h) Rescission of or Failure to Exercise. The failure of the Mortgagee to exercise the option for acceleration of maturity and/or foreclosure following any Event of Default as aforesaid, or to exercise any other option granted to the Mortgagee hereunder in any one or more instances, or the acceptance by Mortgagee of partial payments hereunder, shall not constitute a waiver of any such Event of Default nor extend or affect any cure period, if any, but such option shall remain continuously in force. Acceleration of maturity, once claimed

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hereunder by Mortgagee, may, at the option of Mortgagee, be rescinded by written acknowledgment to that effect by the Mortgagee and shall not affect the Mortgagee's right to accelerate the maturity for any future Event of Default.

(i) Sale of Separate Parcels, Right of Mortgagee to Purchase. In the event of any foreclosure sale of said Premises, the same may be sold in one or more parcels. Mortgagee may be the purchaser at any foreclosure sale of the Premises or any part thereof.

(j) Waiver of Statutory Rights. 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 Premises marshaled upon any foreclosure of the lien hereof and agrees that any Court having jurisdiction to foreclose such lien may order the Premises sold as an entirety. Mortgagor hereby waives any and all rights of redemption from sale under any order or decree of foreclosure, pursuant to rights herein granted, on behalf of the Mortgagor and on behalf of each and every person, except decree or judgment creditors of Mortgagor acquiring any interest in or title to the Premises described herein subsequent to the date of this Mortgage.

MORTGAGOR HEREBY WAIVES TO THE FULLEST EXTENT PERMITTED BY THE PROVISIONS OF THE STATUTES AND LAWS OF THE STATE OF ILLINOIS, ANY AND ALL RIGHTS OF REDEMPTION FROM SALE OR OTHERWISE UNDER ANY ORDER OR DECREE OF FORECLOSURE AND DISCLAIMS ANY STATUS AND RIGHTS WHICH IT MAY HAVE AS AN "OWNER OF REDEMPTION" AS THAT TERM MAY BE DEFINED IN SECTION 15-1212 OF THE ILLINOIS MORTGAGE FORECLOSURE LAW ("IMFL"). ON BEHALF OF THE MORTGAGOR, AND EACH AND EVERY PERSON ACQUIRING ANY INTEREST IN, OR TITLE TO, THE PREMISES SUBSEQUENT TO THE DATE OF THIS MORTGAGE, AND ON BEHALF OF ALL OTHER PERSONS TO THE FULLEST EXTENT PERMITTED BY LAW, INCLUDING IMFL, MORTGAGOR HEREBY WAIVES ANY AND ALL RIGHT TO REINSTATE THIS MORTGAGE OR TO CURE ANY DEFAULTS, EXCEPT SUCH RIGHTS OF REINSTATEMENT AND CURE AS MAY BE EXPRESSLY PROVIDED BY THE TERMS OF THIS MORTGAGE, THE MORTGAGE NOTE AND THE OTHER LOAN DOCUMENTS SPECIFIED THEREIN.

(k) Default Interest Rate. The term "Default Interest Rate" shall be Six and One-Half percent (6.50%) in excess of the Mortgagee's prime rate of interest (as defined in the Mortgage Note) in effect from time to time.

12. RIGHTS AND REMEDIES ARE CUMULATIVE. All rights and remedies herein provided are cumulative and the holder of the Mortgage Note secured hereby and of every other obligation secured hereby may recover judgment hereon, issue execution therefor, and resort to every other right or remedy available at law or in equity, without first exhausting and without affecting or impairing the security of any right afforded by this Mortgage.

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13. GIVING OF NOTICE. Any notice or demands which either party hereto may desire or be required to give to the other party, shall be in writing and shall be hand delivered or mailed by certified mail, return receipt requested, addressed to such other party at the addresses, hereinbefore or hereinafter set forth, or at such other address as either party hereto may, from time to time, by notice in writing, designate to the other party, as a place for service of notice. All such notices and demands which are mailed shall be effectively given three (3) business days after the date of post marking. All such notices and demands which are hand delivered, shall be effectively given on the date of such delivery. In case no other address has been so specified, notices and demands hereunder shall be sent to the following address:

Mortgagee: BANCO POPULAR, ILLINOIS
4801 W. Fullerton Avenue
Chicago, IL 60639
Attention: Sonia Vale Gonzalez, Vice President

Mortgagor: A.K. Acquisitions, Inc.
3740 W. North Ave.
Chicago, IL 60647
Attn: Martin Grossman

14. TIME IS OF THE ESSENCE. It is specifically agreed that time is of the essence of this Mortgage. The waiver of the options or obligations secured hereby shall not at any time thereafter be held to be abandonment of such rights. Except as otherwise specifically required, notice of the exercise of any option granted to the Mortgagee herein, or in the Mortgage Note secured hereby is not required to be given.

15. COMMITMENT LETTER AND CONSTRUCTION LOAN AGREEMENT. (a) The indebtedness evidenced by the Mortgage Note and secured hereby has been extended to Mortgagor by Mortgagee pursuant to the terms of a Commitment Letter dated December 16, 1997 from Mortgagee to Mortgagor's beneficiary and Guarantors of the Mortgage Note and subsequently accepted by such beneficiary and Guarantors. All terms and conditions of such Commitment Letter are incorporated hereby by reference as if fully set forth.

(b) The Mortgage Note evidences indebtedness to be made by Mortgagee for the purposes described in the Agreement, which Agreement, as the same hereafter, from time to time, may be amended, supplemented or modified, is incorporated herein by reference. All advances and indebtedness, from time to time, arising and accruing under the Agreement, shall be secured hereby to the same extent as though the Agreement and all its terms and provisions were fully set forth in this Mortgage and the occurrence of any "Event of Default" under the Agreement, as said term is therein defined, shall without notice to Mortgagor constitute an Event of Default under this Mortgage entitling Mortgagee to all of the rights and remedies conferred upon Mortgagee by the terms of the Agreement or by the terms of this Mortgage, or

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by law or by equity, as in the case of any other Event of Default hereunder.

The Agreement provides, in part, for a construction loan from Mortgagee to Mortgagor. Accordingly, the amount of the indebtedness evidenced by the Mortgage Note may fluctuate. Thus, this Mortgage secures any indebtedness existing at the date hereof and evidenced by the Mortgage Note and any indebtedness represented by future advances from Mortgagee to or for the benefit of Mortgagor, whether such advances are obligatory or to be made at the option of Mortgagee, or otherwise, as are made within twenty (20) years from the date hereof to the same extent as if such future advances were made as of the date hereof, provided, however, that although the amount of indebtedness that may be secured by this Mortgage may increase or decrease from time to time, the total unpaid balance so secured at any one time shall not exceed a maximum amount equal to the aggregate face amount of the Mortgage Note plus interest thereon, late charges and any disbursements made for the payment of taxes, special assessments, insurance on the Premises, or other items deemed reasonably necessary by Mortgagee to be made to protect the lien hereof, together with interest at the Default Interest Rate specified herein and in the Mortgage Note.

16. COVENANTS TO RUN WITH THE LAND. All the covenants hereof shall run with the land.

17. CAPTIONS. The captions and headings of various Paragraphs are for convenience only, and are not to be construed as defining or limiting in any way the scope or intent of the provisions hereof.

18. GOVERNING LAW. Mortgagor does hereby acknowledge that all negotiations relative to the loan evidenced by the Mortgage Note, this Mortgage, and all other documents and instruments securing the Mortgage Note, took place in the State of Illinois. Mortgagor, and Mortgagee (by making the loan evidenced by the Mortgage Note) do hereby agree that the Mortgage Note, this Mortgage and all other documents securing the Mortgage Note shall be construed and enforced according to the laws of the State of Illinois.

19. APPLICATION OF INSURANCE PROCEEDS AND EMINENT DOMAIN AWARDS. (a) In the event of any such loss or damage to the Premises, as described in Paragraph 1(c)(1) hereof, Mortgagee may use or apply the proceeds of insurance, at its option in its sole discretion, as follows: (i) as a credit upon any portion of the indebtedness secured hereby; or (ii) to reimbursement to Mortgagor for repairing and restoring the improvements in which event the Mortgagee shall not be obliged to see to the proper application thereof nor shall the amount so released or used for restoration be deemed a payment on the indebtedness secured hereby; or (iii) to deliver same to the Mortgagor.

(b) In the event that Mortgagee elects to make the proceeds of insurance available to Mortgagor for the restoration of the improvements so damaged, no disbursement of insurance proceeds shall occur unless Mortgagor is in compliance with each of the following conditions:

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(i) No Event of Default, or conditions which with the mere passage of time could become an Event(s) of Default shall then exist under any of the terms, covenants and conditions of the Mortgage Note, this Mortgage, or any other documents or instruments evidencing or securing the Mortgage Note;

(ii) Mortgagee shall first be given satisfactory proof that such improvements have been fully restored or that by the expenditure of the proceeds of insurance, and any sums deposited by Mortgagor pursuant to the terms of subparagraph (iii) hereof, will be fully restored, free and clear of all mechanic's and materialmen's liens;

(iii) In the event such proceeds shall be insufficient to restore the improvements, Mortgagor shall deposit promptly with Mortgagee funds which, together with the insurance proceeds, would be sufficient to restore the improvements.

(c) The excess of the insurance proceeds above the amount necessary to complete any necessary restoration shall, after completion of the repair and restoration, be applied as a credit upon any portion, as selected by Mortgagee, of the indebtedness secured hereby, but the funds released by Mortgagee for restoration shall in no event, be deemed a payment of the indebtedness secured hereby.

(d) In the event Mortgagee shall elect to permit Mortgagor to use such proceeds for the restoring of the improvements, such proceeds shall be made available, from time to time, upon Mortgagee being furnished with satisfactory evidence of the estimated cost of such restoration and with architect's certificates, partial or final waivers of lien, as the case may be, contractors' sworn statements, and if the estimated cost of the work exceeds ten (10%) percent of the original principal amount of the indebtedness secured hereby, with all plans and specifications for such rebuilding or restoration as Mortgagee may reasonably require and approve. No payment made prior to the final completion of the work shall exceed ninety (90%) percent of the value of the work performed, from time to time, and at all times the undisbursed balance of said proceeds remaining in the hands of the Mortgagee shall be at least sufficient to pay for the cost of completion of the work, free and clear of any liens. In the event of foreclosure of this Mortgage, or other transfer of title to the Premises, or extinguishment of the indebtedness secured hereby, all right, title, and interest of the Mortgagor, in and to any insurance policies then in force, and any claims or proceeds thereunder shall to the extent of the indebtedness, pass to the Mortgagee or any purchaser or grantee.

(2) In the event that Mortgagee elects to make available to the Mortgagor the proceeds of any award for eminent domain to restore any improvements on the Premises, no disbursement thereof shall occur unless Mortgagor is in compliance with each of the following conditions:

(i) No Event of Default shall then exist under any of the terms, covenants, and

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conditions of the Mortgage Note, this Mortgage, or any other documents or instruments evidencing or securing the Mortgage Note;

(ii) Mortgagee shall first be given satisfactory proof that such improvements have been fully restored or that by the expenditure of such award and any sums deposited with Mortgagee pursuant to the terms of subparagraph (iii) hereof, will be fully restored, free and clear of all mechanic's and materialmen's liens;

(iii) In the event such award shall be insufficient to restore the improvements, Mortgagor shall deposit promptly with Mortgagee funds which, together with the award proceeds, would be sufficient to restore the improvements;

(iv) The rental income to be derived from the improvements, subsequent to such taking by eminent domain, shall not adversely affect the Mortgagors' ability to pay the indebtedness evidenced by the Mortgage Note;

(v) The disbursement of the award will be made according to those provisions of Paragraph 19(d) which relate to the disbursement of insurance proceeds for repair and restoration of the improvements and the conditions precedent to be satisfied by the Mortgagor with regard thereto.

(vi) The excess of the proceeds of the award, above the amount necessary to complete such restoration, shall be applied as a credit upon any portion, as selected by Mortgagee, of the indebtedness secured hereby, but the proceeds of the award released by Mortgagee for restoration shall, in no event, be deemed a payment of the indebtedness secured hereby.

20. BINDING ON SUCCESSOR AND ASSIGNS. This Mortgage and all provisions hereof shall extend and be binding upon Mortgagor, and all persons claiming under or through Mortgagor, and the words "Mortgagor", when used herein, shall include all such persons and all persons liable for the payment of the indebtedness or any part thereof, whether or not such persons shall have executed the Mortgage Note or this Mortgage. The word "Mortgagee" when used herein, shall include the successors and assigns of the Mortgagee named herein, and the holder or holders, from time to time, of the Mortgage Note secured hereby. Whenever used, the singular number shall include the plural, and the plural the singular, and the use of any gender shall include all genders.

21. This Mortgage is executed by BANCO POPULAR, ILLINOIS, not personally, but as Trustee as aforesaid in the exercise of the power and authority conferred upon and vested in it as such Trustee, and insofar as Mortgagor only is concerned is payable only out of the property specifically described in this Mortgage and other documents securing the payment of the Mortgage Note secured hereby, by the enforcement of the provisions contained in this Mortgage and other documents or any thereof. No personal liability shall be asserted to be

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enforceable against the Mortgagor, because or in respect to said Mortgage Note or this Mortgage, or the making, issue or transfer thereof, all such liability, if any, being expressly waived by such taker and holder hereof, but nothing herein contained shall modify or discharge the personal liability expressly assumed by the Guarantor of said Mortgage Note, and each original and successive holder of said Mortgage Note accepts the same upon the express condition that no duty shall rest upon the undersigned to sequester the rents, issues, and profits arising from the property described in this Mortgage or the proceeds arising from the sale or other disposition thereof.

IN WITNESS WHEREOF, Mortgagor has caused these presents to be signed the day and year first above written.

BANCO POPULAR, ILLINOIS, as Trustee aforesaid
under Trust 26610

By: _____
Title: Laura Hughes

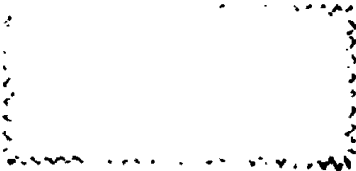
✓ MAIL TO:

This document prepared by:
Timothy S. Breems
One N. LaSalle Street
Chicago, IL 60602

STATE OF ILLINOIS)
) SS
COUNTY OF COOK)

I, the undersigned, a Notary Public in and for said county, in the State aforesaid, DO HEREBY CERTIFY that Laura Hughes of BANCO POPULAR, ILLINOIS, personally known to me to be the same person whose name is subscribed to the foregoing instrument as such Trust Officer appeared before me this day in person and acknowledged that he/she signed and delivered the said instrument as his/her own free and voluntary act and as the free and voluntary act of said BANCO POPULAR, ILLINOIS, as Trustee, and not personally, for the uses and purposes therein set forth.

Given under my hand and notarial seal this 21 day of February, 1999.



[Signature]
Notary Public
(Notary Seal)

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MORTGAGE NOTE

\$3,400,000.00

January __, 1998

FOR VALUE RECEIVED, the undersigned, BANCO POPULAR, ILLINOIS, as Trustee, and not personally, under a Trust Agreement dated January 26, 1998, and known as Trust 26610 ("Trust 26610") and A.K. ACQUISITIONS, INC., an Illinois corporation (the "Corporation") hereby, jointly and severally, promise to pay to Banco Popular, Illinois, an Illinois banking corporation (the "Bank"), having an office at 4801 W. Fullerton Avenue, Chicago, IL 60639 the principal sum of THREE MILLION FOUR HUNDRED THOUSAND DOLLARS (\$3,400,000.00) and interest at the times and at the interest rate specified below. Trust 26610 and the Corporation are hereinafter collectively referred to as the "Makers".

The interest payable hereunder shall be calculated on the basis of a year consisting of 360 days and paid for the actual number of days elapsed.

The Interest Rate shall be One and One-Half percent (1.50%) in excess of the Bank's prime rate of interest in effect from time to time. The Interest Rate shall change if and when the Bank's prime rate of interest changes, and any such change in the Interest Rate shall be effective as of the date of the respective change in the Bank's prime rate of interest. The term "prime rate" as used herein shall mean at any time the prime rate of the Bank as announced from time to time in effect by the Bank at its main office. It is expressly agreed that the use of the term "prime rate" is not intended to mean, nor does it imply, that said prime rate of interest is a preferred prime rate of interest or one which is offered by the Bank to its most credit worthy customers.

Makers shall pay interest at the Interest Rate specified above on the outstanding principal balance of this Mortgage Note on the first (1st) day of each month hereafter except that the final payment of the entire outstanding principal balance and accrued interest thereon shall be paid by Makers to the Bank on the first (1st) day of August, 1999. All payments hereunder shall first be applied to interest due and the remainder, if any, to the outstanding principal balance due hereunder.

After maturity, whether by acceleration or otherwise, the Default Interest Rate on the outstanding principal balance shall be Six and One-Half percent (6.0%) in excess of the Bank's prime rate of interest in effect from time to time.

THIS IS A BALLOON NOTE AND ON THE MATURITY DATE (AUGUST 1, 1999) THE ENTIRE OUTSTANDING PRINCIPAL AMOUNT OF THIS MORTGAGE NOTE WILL REMAIN UNPAID AFTER THE APPLICATION OF THE ABOVE REQUIRED MONTHLY INSTALLMENTS OF INTEREST AND WILL THEN BECOME DUE AND PAYABLE.

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The Bank may impose a late charge of five (5%) per cent of the amount of the monthly interest payment due in any month in which payment of the monthly installment is received more than fifteen (15) days after its due date.

Payments of both principal and interest are to be made at such place as the legal holders of this Mortgage Note may from time to time appoint and in the absence of such appointment, at the office of the Bank noted above.

Provided that no Event of Default exists hereunder, Makers reserve the privilege to prepay the entire unpaid principal balance with accrued interest thereon to date of payment on any monthly installment date upon giving thirty (30) days written notice to the holder hereof of Makers' intentions to make such prepayment, without premium or penalty.

The indebtedness evidenced by this Mortgage Note has been issued to Makers pursuant to the provisions of a Construction Loan Agreement (the "Agreement") of even date herewith between Makers and the Bank. This Construction Mortgage Note evidences a construction loan pursuant to the terms of the Agreement provided that the Bank shall not be obligated to make any disbursements hereunder which would cause the outstanding principal balance of this Construction Mortgage Note to exceed **THREE MILLION FOUR HUNDRED THOUSAND DOLLARS (\$3,400,000.00)**. Accordingly, this Construction Mortgage Note evidences not only the indebtedness due and owing from Makers to the Bank at the date hereof but also indebtedness represented by future advances from the Bank to Makers pursuant to the Agreement, whether such advances are obligatory or to be made at the Bank's option, as if such future advances were made at the date hereof. Interest shall begin to accrue at the Interest Rate aforesaid on the amount of any advance under the loan indebtedness evidenced by this Mortgage Note as of the date at which the Bank disburses such advance. Although the amount of the indebtedness evidenced by this Mortgage Note may increase, the Bank shall not be obligated to disburse any advance which would cause the total unpaid outstanding principal balance of this Mortgage Note to exceed **THREE MILLION FOUR HUNDRED THOUSAND DOLLARS (\$3,400,000.00)**.

The payment of this Mortgage Note is secured by (i) a Mortgage bearing even date herewith to the Bank on real estate in Cook County, Illinois commonly known as 2735 W. Armitage, Chicago, IL (the "Mortgage"); (ii) a Collateral Assignment of Lease(s) and Rent(s) on said real estate; (iii) a Collateral Assignment of Beneficial Interest in Trust 26610; (iv) a Security Agreement; and (viii) a Guaranty executed by the Corporation, Martin Grossman, and Adolfo Castellanos and delivered to the Bank (the "Loan Documents"). Said Loan Documents and the Agreement, including each of their provisions, are incorporated herein as if fully set forth.

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It shall be an Event of Default under this Mortgage Note if

- (i) There shall be a failure to provide the insurance specified in the Mortgage; or if
- (ii) There shall be a default in making any monthly interest payment which default continues for fifteen (15) days or a default in making the final principal and accrued interest payment required hereunder; or if
- (iii) There shall be a default in the performance or observance of any other term, covenant, or condition in this Mortgage Note, the Mortgage, the Agreement or any other Loan Documents which default continues for thirty (30) days (or such lesser time as any of the aforesaid Agreement or Loan Documents may specify).

In the Event of Default, the Bank shall have the right to

- (i) Demand from Makers and the Guarantors of this Mortgage Note, the principal balance, unpaid interest, and other charges due under this Mortgage Note;
- (ii) Foreclose the Mortgage;
- (iii) Pursue any other remedies available to it under the provisions of this Mortgage Note, the Mortgage, the Agreement or other Loan Documents.

The holder of this Mortgage Note may grant to Makers, or any Guarantors of this Mortgage Note, any extension or extensions of time of payment hereof, in whole or in part; may grant a renewal or renewals of this Mortgage Note in whole or in part; may enter into a modification agreement or agreements with respect to the Mortgage or other Loan Documents which secure the payment of this Mortgage Note and may release a portion or portions of the real estate described in the Mortgage which secures the payment of this Mortgage Note, and no such extension, renewal, modification agreement or release shall in any way affect Makers' or Guarantors' obligations and liability upon this Mortgage Note except to the extent that for any such releases, payments are made to reduce the principal amount of this Mortgage Note.

If this Mortgage Note is placed in the hands of an attorney for consultation relating to or in connection with collection or collection or is collected by legal proceedings because of the occurrence of an Event of Default, Makers agree to pay all costs of such consultation or collection including reasonable attorney's fees.

The makers, endorsers, guarantors, sureties and all other parties liable for the payment of any sum due or to become due under the terms of this Mortgage Note severally waive presentment for payment, notice of dishonor and protest.

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This Mortgage Note is executed by BANCO POPULAR, ILLINOIS, not personally, but as Trustee under a Trust Agreement dated January 26, 1998 and known as Trust 26610, and in the exercise of the power and authority conferred upon and vested in it as such Trustee and said BANCO POPULAR, ILLINOIS hereby warrants that it possesses full power and authority to execute this instrument. No personal liability shall be asserted or be enforceable against BANCO POPULAR, ILLINOIS all such liability, if any, being expressly waived by each holder hereof, and each original and successive holder of this Mortgage Note accepts the same upon the express condition that no duty shall rest upon BANCO POPULAR, ILLINOIS to sequester the rents, issues, and profits arising from the property described in said Mortgage or the proceeds arising from the sale or other disposition thereof.

BANCO POPULAR, ILLINOIS, not personally, but as Trustee under a Trust Agreement dated January 26, 1998 and known as Trust 26610

By: _____
Title: _____

A.K. ACQUISITIONS, INC., an Illinois corporation,

By: _____
Title: _____

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