

NOTE and MORTGAGE

1121980 1/2

THIS NOTE and MORTGAGE is given January 13, 1999.



Between AEA, Inc., the Mortgagor; NT Industries, Inc., James A. MacLagan and Nancy M. MacLagan, the Guarantor(s)

and

Property Holding Corp., the Mortgagee,

Witnesseth, that to secure the payment of an indebtedness in the sum of One Hundred Ninety-Five Thousand (\$195,000.00) Dollars, lawful money of the United States, to be paid to the Mortgagee; or at such other place as the holder hereof shall designate in writing with interest from the above date on the unpaid balance at the rate of Fifteen (15.0%) Percent per annum with monthly payments in the amount of Two Thousand Four Hundred Ninety Seven and 62/100 Dollars (\$2,497.62) payable commencing February 13, 1999, and to continue on the 13th day of each month thereafter with the entire remaining principal balance plus interest coming due and payable on January 13, 2007.

Description of Property

The Mortgagor hereby mortgages to the Mortgagee:

- A) All that certain plot(s): See Attached Schedule "A" (commonly known as 4534 West North Avenue, Chicago, Illinois);
- B) All buildings and other improvements that are located on the Property described in subparagraph (A) of this section;
- C) All rights in other property that I have as owner of the Property described in subparagraph (A) of this section. These rights are known as "easements and appurtenances of the Property";
- D) All rights that I have in the land which lies in the streets or roads in front of, or next to, the Property described in subparagraph (A) of this section;
- E) All fixtures that are now or in the future will be on the Property described in subparagraphs (A) and (B) of this section;
- F) All of the rights and property described in subparagraphs (B) through (E) of this section that I acquire in the future; and
- G) All replacements of, improvements or additions to the Property described in subparagraphs (B) through (F) of this section.

And the Mortgagor covenants with the Mortgagee as follows on the Note & Mortgage:

1. Late Fees: Any payment that is not paid within ten (10) days of its due date shall bear a late fee from such date at a rate of 5% of the payment (including balloon payment). Mailing, or otherwise dispatching the payment within ten (10) days of its due date, is not sufficient to avoid a late charge if the payment is not received by the Mortgagee within ten (10) days of its due date. In the event six or more payments are paid after the grace period the interest rate will increase to 18%.

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2. Estoppel Certification: The Mortgagor hereby acknowledges and agrees that the payment terms and collateral of the Note and Mortgage described in Section One above are true and accurate and that there are no defenses or offsets.

3. Warranty of Title: The Mortgagor warrants title to all mortgaged premises', and confirms and ratifies that the full amount owed as described is secured by the Mortgage. This means that I will be fully responsible for any losses which Mortgagee suffers because someone other than myself has some of the rights in the Property which I promise that I have. I promise that I will defend my ownership of the Property against any claims of such rights.

4. Insurance: The Mortgagor will keep the buildings and improvements on the mortgaged premises insured against loss by fire and the perils covered by the usual "extended coverage" endorsement, in amount equal to \$300,000.00 naming the Mortgagee as the sole first Mortgagee ("Standard Mortgage Clause" to protect Mortgagee). The Mortgagor will on demand deliver the policy or policies of such insurance to the Mortgagee. The Mortgagor must provide the Mortgagee with an original policy at the anniversary date each year. The policy must be entirely prepaid (receipt supplied) or the Mortgagee supplied with a payment schedule from the insurance company and the Mortgagee to receive copies of receipts of each payment made on or before the due date. The Mortgagor will also be responsible for increasing the insurance amount to cover any replacements, improvements or additions to the Property.

In the event of any claim under the insurance it will be the sole discretion of the Mortgagee to hold all monies in escrow. In such event the Mortgagee will provide disbursements based on a schedule of work to be completed that is agreed to by the Mortgagor and Mortgagee. Upon the completion of work in the schedule the Mortgagee will inspect the property (at an expense of \$250.00 plus all traveling expenses to the Mortgagor) for completeness and quality of work. At their sole discretion they will make the disbursement. Upon all renovations/repairs being completed any excess monies can be applied to principal reduction by the Mortgagee.

In addition, the Mortgagor should have a minimum of \$1,000,000.00 of liability insurance covering the premises, buildings and improvements.

5. Due on Sale: If all or any part of the collateral or any interest in it is sold, transferred, or assigned; including lease options, contracts for deed, or assignments of beneficial interest (even if not a natural person) of the mortgaged premises; the entire indebtedness will immediately become due and payable. The Mortgagor will have 15 days from the date the Mortgagee mails notice of requiring immediate payment in full to last known address. The Mortgagor will not have the right to have the Mortgagee's enforcement of this debt instrument discontinued if Mortgagee has required immediate payment in full.

6. No Alterations: No building or improvements on the mortgaged premises shall be removed, demolished or altered without the prior written consent of the Mortgagee.

7. Taxes and Escrow: The Mortgagor will pay 1/12 of the taxes with each monthly mortgage payment to be held in a non-interest bearing account by the Mortgagee. The Mortgagee will pay the taxes upon receipt of the tax bill from the Mortgagor. In the event of any shortage in escrow the Mortgagor will provide that to the Mortgagee within two business days or be considered in default.

8. Estoppel Certificate: The Mortgagor, within five (5) days upon request in person or by mail will furnish a written statement duly acknowledged of the amount due on the Note & Mortgage and whether any offsets or defenses exist against the indebtedness.

9. **Liens:** The Mortgagor will not, without the prior written consent of the Mortgagee grant or permit any lien or encumbrance thereon junior hereto.
10. **Right to Cure:** That the Mortgagor will pay all insurance premiums, taxes, assessments, sewer rents, water rates, etc., and in default thereof, the Mortgagee may pay the same. If the Mortgagee does advance payment the amount will be added to the balance of the indebtedness and accrue at a rate of eighteen (18%) percent.
11. **Default:** The Mortgagee shall be entitled, at its option, to declare the Mortgagor in default and the whole of the indebtedness and interest, late fees, penalties and advances due and payable in the event the Mortgagor fails to pay an installment of principal and interest, tax payment or insurance payment within thirty (30) days of due date; or if the Mortgagor fails to keep any agreement herein contained and shall not have fully performed or corrected within thirty (30) days. The Mortgagee's failure to immediately exercise this option shall not constitute a waiver of the right to exercise the same at any time in the future or in the event of any subsequent default.
12. **Rents in the Event of Default:** The holder of the Mortgage, in any action to foreclose the same or in the event of any default or act to cure a default, shall be entitled to continue collecting the rents as per the Collateral Assignment of Leases and Rents executed herewith without the appointment of a receiver. In the event the Collateral Assignment of Leases and Rents is canceled for any reason the Mortgagee will still have the right to have a receiver appointed, which will receive all rents and profits of the mortgaged premises without notice, as a matter of right, without consideration of the value of the mortgaged premises as security for the amounts due the Mortgagee, or the solvency of any person or persons liable for the payment of such amounts.
13. **Interest Rate in the Event of Default:** In the event of any default the Mortgagor agrees to pay a rate equal to eighteen (18%) percent on the entire unpaid balance until paid in full.
14. **Fees and Expenses:** The Mortgagor hereby agrees that if the Mortgagee is required to bring any action against the Mortgagor to enforce the obligation of the Mortgagor to pay any amount herein or correct any other agreement herein the Mortgagor will pay all costs and expenses incurred by the Mortgagee in collecting or attempting to collect any amount due under the Note & Mortgage or enforce any other agreement herein, including, without limitation, reasonable attorneys' fees and court costs. If any action or proceeding is commenced, to which action or proceeding the Mortgagee is made a party, or in which it becomes necessary to defend or uphold the lien of the Mortgagee, all sums paid by the Mortgagee for fees, expenses and/or costs of any litigation to prosecute or defend the rights and liens created by the Note & Mortgage shall be paid by the Mortgagor or become a lien on the mortgaged premises, prior to any right, or title to, interest in or claim upon said premises attaching or accruing subsequent to the lien of the Mortgage and shall be secured by the Note & Mortgage.
15. **Prepayment:** This note may be prepaid, in whole or in part, at any time without penalty or premium. Any payment made hereon shall be applied first to interest and penalties then accrued and unpaid, and the balance shall be applied on account of principal.
16. **Annual Tax Returns:** The Mortgagor will provide the Mortgagee with copies of annual tax returns within 10 business days of written notice of the Mortgagee. In the event they are not provided it will be considered a default under the terms of the note and mortgage.
17. **Books and Records, Financial Statements:** The Mortgagor will keep and maintain at the Mortgagor's address books of accounts and records adequate to correctly reflect the results of the operation of the Property and copies of all written contracts, leases, and other instruments which affect the Property. Such books, records, contracts, leases and other instruments shall be subject

to examination, inspection and copying at any reasonable time by Mortgagee. Mortgagor will furnish to the Mortgagee, within ten (10) days after Mortgagee's request therefor, the following documents, each certified to Mortgagee by Mortgagor as being true, correct and complete: (a) a copy of all leases and other agreements for the occupancy or use of all or any part of the Property, (b) a rent roll for the Property, showing the name of each tenant, and for each tenant, the suite occupied, the number of square feet rented, the lease expiration date, the rent payable, the date through which rent has been paid, the amount of any renewal options, (c) a copy of the most recent real and personal property tax statements for the Property, (d) a copy of the most recent statements for insurance coverage maintained under paragraph 5 of this debt instrument, and (e) a statement of income and expenses of the Property for the most recently ended fiscal year of the Mortgagor. In addition, Mortgagor and any general partner therein and any guarantor of the loan will furnish to Mortgagee, within ten (10) days after Mortgagee's request therefor, a complete and current financial statement, in reasonable detail and certified as correct by Mortgagor or such partners of guarantor, together with a true and correct copy of such person's most recent federal income tax return.

18. Right to Inspect: The Mortgagee at any time, with reasonable notice, may inspect the collateral property.

19. Notice of Litigation: In the event the Mortgagor is involved in any litigation that may effect the collateral property or the Mortgagors ability to repay the indebtedness the Mortgagee will be immediately notified.

20. Bank Statements: In the event of any late payments or a default the Mortgagee may request copies of the last twelve (12) months of bank statements for any and all of the Mortgagor's accounts along with canceled checks. The Mortgagor must provide these within ten (10) business days.

21. Updated Due Diligence: In the event of any default the Mortgagee may update credit, title, and/or appraisal (including inspection by Mortgagee or designated agent) at the sole expense of the Mortgagor. Any such costs will be added to the balance of the note and accrue at 18%.

22. Loan Charges: If the loan secured by this Debt Instrument is subject to a law which sets maximum loan charges, and that law is finally interpreted so that the interest or other loan charges collected or to be collected in connection with the loan exceed permitted limits: (A) any such loan charge shall be reduced by the amount necessary to reduce the charge to the permitted limit; and (B) any sums already collected from Mortgagor which exceeded permitted limits will be refunded to Mortgagor. Mortgagee may choose to make this refund by reducing the principal owed under the Note or by making a direct payment to the Mortgagor. If a refund reduces principal, the reduction will be treated as a partial prepayment without any prepayment charge under the Note.

23. Right to Redemption: In the event of a default, if allowable by law, the Mortgagee at its sole discretion may require that the only right to redemption is the full payment of the entire unpaid balance of the indebtedness.

24. Assignable by Note Holder: The Mortgagee has the right to assign, sell the note or an interest in the note (one or more times) without any prior notice of these sales to the Mortgagor.

25. Waiver of Statute of Limitations: The pleading of the statute of limitations as a defense to enforcement of this debt instrument, or any and all obligations referred to herein or secured hereby, is hereby waived to the fullest extent permitted by applicable law.

26. Reimbursement: To the extent permitted by applicable law, Mortgagor shall reimburse Mortgagee for any and all costs, fees and expenses which either may incur, expend or sustain in

the performance of any act required or permitted hereunder or by law or in equity or otherwise arising out of or in connection with this debt instrument, the Note, any other note secured by this debt instrument or any other instrument executed by the Mortgagor in connection with the Note and Mortgage. To the extent permitted by applicable law, Mortgagor shall pay to Mortgagee their fees in connection with Mortgagee providing documents or services arising out of or in connection with this debt instrument, the Note, or any other note secured by this debt instrument or any other instrument executed by Mortgagor in connection with the Note and Mortgage.

27. Clerical Error: In the event Mortgagee at any time discovers that the Note, or any other note secured by this debt instrument, the Mortgage, or any other document or instrument executed in connection with this Note and Mortgage contains an error that was caused by a clerical mistake, calculation error, computer malfunction, printing error or similar error, Mortgagor agrees, upon notice from Mortgagee, to re-execute any documents that are necessary to correct any such error(s). Mortgagor further agrees that Mortgagee will not be liable to Mortgagor for any damages incurred by Mortgagor that are directly or indirectly caused by any such error.

28. Lost, Stolen, Destroyed or Mutilated Security Instrument and Other Documents: In the event of the loss, theft or destruction of the Note, any other note secured by this debt instrument, the debt instrument or any other documents or instruments executed in connection with the debt instrument, note or notes (collectively the "Loan Documents"), upon Mortgagor's receipt of an indemnification executed in favor of Mortgagor by Mortgagee, or, in the event of mutilation of any Loan Documents, upon Mortgagee's surrender to Mortgagor of the mutilated Loan Document(s), Mortgagor shall execute and deliver to Mortgagee a Loan Document(s) in form and content identical to, and to serve as a replacement of, the lost, stolen, destroyed, or mutilated Loan Document, and such replacement shall have the same force and effect as the lost, stolen, destroyed, or mutilated Loan Document(s), and may be treated for all purposes as the original copy of such Loan Document(s).

29. Continuation of Borrower's Obligations to Maintain and Protect the Property: The federal laws and the laws of the jurisdiction where the Property is located that relate to health, safety or environmental protection are called "Environmental Laws". I will not do anything affecting the Property that violates Environmental Laws, and I will not allow anyone else to do so. Environmental Laws classify certain substances as toxic or hazardous. There are other substances that are considered hazardous for purposes of this Paragraph 29. These are gasoline, kerosene, other flammable or toxic petroleum products, toxic pesticides and herbicides, volatile solvents, materials containing asbestos or formaldehyde, and radioactive materials. The substances defined as toxic or hazardous by Environmental Laws and the substances considered hazardous for purposes of this Paragraph 29 are called "Hazardous Substances".

I will not permit Hazardous Substances to be present on the Property. I will not use or store Hazardous Substances on the Property, and I will not allow anyone else to do so. I also will not dispose of Hazardous Substances on the Property, or release any Hazardous Substance on the Property, and I will not allow anyone else to do so. However, I may permit the presence on the Property of small quantities of Hazardous Substances that are generally recognized as appropriate for normal residential/commercial use and maintenance of the Property, and I may use or store these small quantities on the Property. In addition, unless the law requires removal or other action, the buildings, the improvements and the fixtures on the Property are permitted to contain asbestos and asbestos-containing materials if the asbestos and asbestos-containing materials are undisturbed and "non-friable" (that is, not easily crumbled by hand pressure).

If I know of any investigation, claim, demand, lawsuit or other action by the government or by a private party involving the Property and any Hazardous Substance or Environmental Laws; I will promptly notify the Mortgagee in writing. If the government notifies me (or I otherwise learn) that it is necessary to remove a Hazardous Substance affecting the Property or to take other remedial actions, I will promptly take all necessary remedial actions as required by Environmental Laws.

30. Servicing Agent: Any notice to Mortgagor provided for in this Debt Instrument, Irrevocable Assignment of Leases and Rents and Agreement to Escrow a Deed in Lieu of Foreclosure shall be given by mailing such notice by registered or certified mail return receipt requested, (or by sending such notice by Federal Express) addressed to Mortgagor c/o Attorney David Lloyd, 11 E. Adams Street, Suite 1100, Chicago, Illinois 60603.

31. Updated Personal/Financial Information: The Mortgagor will provide the Mortgagee with an updated information worksheet in the form the Mortgagee provides on an annual basis. The Mortgagor will return said form completed in full to Mortgagee within five (5) days of receipt of said form.

32. Relief From Automatic Stay: The undersigned debtor knowingly and expressly agrees that in the event of any subsequent bankruptcy proceeding under any Chapter of the Bankruptcy Code, that the Note Holder, Property Holding Corp. and/or their respective successors and/or assigns shall be able to enforce their right herein without the requirement of any further relief from the Bankruptcy Court. In particular, the debtor waives any rights it may assert for an automatic stay pursuant to 11 U.S.C. 362.

33. Time is of the Essence in the performance of each provision in this debt instrument.

34. The Mortgagor(s) and Guarantor(s) are severally and jointly responsible for the indebtedness. In the event of a default Nancy M. MacLagan will only become personally liable in the event the collateral is not substantial to cover all outstanding debt including all accrued interest, late fees, attorney's fees and expenses.

AEA, Inc., Mortgagor
By: James A. MacLagan President

11/31/99
Date

NT Industries, Inc., Guarantor
By: Nancy M. MacLagan President

11/31/99
Date

James A. MacLagan
James A. MacLagan, Guarantor

11/31/99
Date

Nancy M. MacLagan
Nancy M. MacLagan, Guarantor

11/31/99
Date

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99150006

State of Illinois)
County of Cook) ss:

On 1/3/99, 1999 before me personally appeared James A. Madagan to me known, who being by me duly sworn, did depose and say that he/she resides at Cook, Chicago; that he/she is the Vice president of AEA, Inc.; the corporation described in and which executed the foregoing instrument; that she knows the seal of said corporation; that the seal affixed to said instrument is such corporation seal; that it was affixed by order of the board of said corporation; and she signed her name hereto by like order.

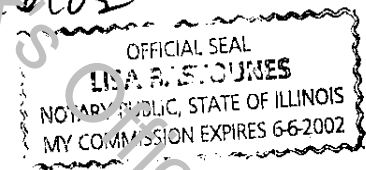
Lisa Pastounes
Notary Public
My Commission Expires: 6/6/02



State of Illinois)
County of Cook) ss:

On 1/3/99, 1999 before me personally appeared James A. Madagan to me known, who being by me duly sworn, did depose and say that he resides at Cook, Chicago; that he is the President of NT Industries, Inc.; the corporation described in and which executed the foregoing instrument; that he knows the seal of said corporation; that the seal affixed to said instrument is such corporation seal; that it was affixed by order of the board of said corporation; and he signed his name hereto by like order.

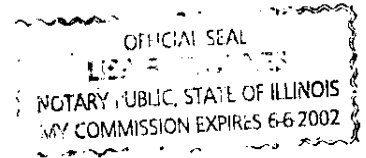
Lisa Pastounes
Notary Public
My Commission Expires: 6/6/02



State of Illinois)
County of Cook) ss:

On 1/3/99, 1999 before me personally appeared James A. MacLagan to me known and known to me to be the same person(s) in and who executed the foregoing instrument and acknowledged to me that he executed said instrument for the purpose herein expressed and acknowledged said execution to be his free act and deed.

Lisa Pastounes
Notary Public
My Commission Expires: 6/6/02

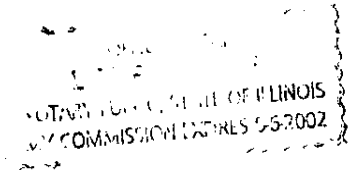


State of Illinois)

County of Cook) ss:

On 1/13/99, 1999 before me personally appeared Nancy M. MacLagan to me known and known to me to be the same person(s) in and who executed the foregoing instrument and acknowledged to me that he executed said instrument for the purpose herein expressed and acknowledged said execution to be his free act and deed.

[Signature]
Notary Public
My Commission Expires: 6/6/02



Property of Cook County Clerk's Office

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Lots 12 and 13, except the South 5.10 Feet of said Lots; Lots 14 and 21, except the North 0.43 Feet of said Lots; Lots 15-20 in Block 3 in Calland's North Avenue and Grand Avenue Subdivision of that part of Blocks 2 and 3 in Hamilton's Subdivision of the South 60 Acres of the East $\frac{1}{2}$ of the South West $\frac{1}{4}$ of Section 34, Township 40 North, Range 13 East of the Third Principal Meridian, Lying West of East Line of the West $\frac{1}{2}$ of the East $\frac{1}{2}$ of South West $\frac{1}{4}$ of Section 34 aforesaid in Cook County Illinois; together with the East and West Vacated Alley, Vacated by Ordinance Passed November 17, 1953 as Document Number 13187977, East of the Third Principal Meridian, In Cook County, Illinois.

PERMANENT INDEX NUMBERS: 13-34-317-052 and 13-34-317-054

4534 W. North Ave
Chicago, IL 60639

PROPERTY OF COOK COUNTY CLERK'S OFFICE