

5

REAL ESTATE MORTGAGE

**NOTICE TO BORROWER: THIS MORTGAGE CONTAINS
A PROVISION THAT THE MORTGAGE SECURES OBLIGATORY
FUTURE ADVANCES NOT TO EXCEED \$20,000.00**

THIS INDENTURE WITNESSETH that MICHAEL SWANSON AND JUDITH ANN SWANSON, husband and wife, of 3903 West 109th Avenue, Crown Point, Indiana 46307 as "Borrower" mortgage and warrant to HFS BANK, F.S.B., 555 East Third Street, Hobart, Indiana 46342 as "Lender", the following real estate in Lake County, State of Indiana, to wit:

PART OF THE WEST HALF OF THE NORTHEAST QUARTER OF SECTION 7, TOWNSHIP 34 NORTH, RANGE 8 WEST OF THE 2ND PRINCIPAL MERIDIAN, DESCRIBED AS FOLLOWS: COMMENCING AT A POINT 16 RODS EAST OF THE NORTHEAST CORNER OF SAID 80 ACRES TRACT RUNNING THENCE SOUTH 100 RODS, THENCE EAST 24 RODS, THENCE NORTH 100 RODS, THENCE WEST 24 RODS TO THE PLACE OF BEGINNING, IN LAKE COUNTY, INDIANA.

and all the rents and profits therefrom, to secure the payment when the same shall become due, of the following indebtedness:

(a) All such amounts as are paid out by Lender, but in no event more than Twenty Thousand Dollars (\$20,000.00), as the result of the issuance by Lender of an Irrevocable Letter of Credit dated September 26, 1997, which indebtedness is evidenced by Mortgagor's Note dated September 26, 1997, providing that the outstanding principal plus accrued interest and charges are to be payable upon demand by Lender, and all renewals, extensions and modifications thereof, and

(b) The payment of all sums with interest thereon advanced in accordance herewith to protect the security of this mortgage; and

(c) The performance of the covenants and agreements of Borrower herein contained; and

(d) Any and all sums due and owing from Borrower to Lender.

Borrower covenants that Michael Swanson and Judith Ann Swanson, is lawfully seized of the estate hereby conveyed and has the right to mortgage, grant or convey the Property, that the Property is encumbered currently only to Centier Bank by a mortgage dated April 23, 1993 in the principal sum of \$87,000.00, and that Borrower will warrant and defend generally the title to the Property against all claims and demands, subject to any easements or restrictions specifically listed in a schedule of special exceptions to coverage in any Lender's title insurance policy insuring Lender's interest in the Property.

Until said indebtedness is paid, the Borrower will keep all legal taxes and charges against the real estate paid as they become due, and will keep the buildings thereon insured against fire and other casualties and liabilities in an amount at least equal to the indebtedness from time to time owing, with a loss payable clause in favor of the Lender, and will, upon request, furnish evidence of such insurance to the Lender, and failing to do so, the Lender may pay said taxes or insurance, and the amount so paid with eighteen percent (18%) interest thereon, shall become a part of the indebtedness secured by this mortgage.

If all or any part of the real estate mortgaged herein is sold, transferred, assigned, or conveyed in any manner without prior approval of Lender, all sums secured by this mortgage shall become immediately due and payable if full.

Borrower (a) shall not commit waste or permit impairment or deterioration of the Property, (b) shall not abandon the Property, (c) shall restore or repair promptly and in a good and workmanlike manner all or any part of the Property to the equivalent of its original condition, or such other condition as Lender may approve in writing, in the event of any

97068120
STATE OF INDIANA
LAKE COUNTY
RECORDER
OCT-9 AM 9:00
CORNER
NORTHEAST QUARTER

1800
482-5016082
482-5015137

damage, injury or loss thereto, whether or not insurance proceeds are available to cover in whole or in part the costs of such restoration or repair, (d) shall comply with all laws, ordinances, regulations and requirements of any governmental body applicable to the Property.

If Borrower fails to perform the covenants and agreements contained in this Mortgage, or if any action or proceeding is commenced which materially affects Lender's interest in the Property, including, but not limited to, eminent domain, insolvency, code enforcement, or arrangements or proceedings involving a bankrupt or decedent, then Lender at Lender's option, upon notice to Borrower may make such appearance, disburse such sums and take such action as necessary to protect Lender's interest, including, but not limited to, disbursement of reasonable attorney's fees. In addition, Borrower shall reimburse Lender the cost of any additional appraisals of the property or any environmental testing required by any of the following: the Lender, the Office of Thrift Supervision, the FDIC or its successors. Any amounts disbursed by Lender pursuant to this paragraph with interest thereon, shall become additional indebtedness of Borrower secured by this Mortgage. Unless Borrower and Lender agree to other terms of payment, such amounts shall be payable upon notice from Lender to Borrower requesting payment thereof, and shall bear interest from the date of disbursement at the rate payable from time to time on outstanding principal under the Note unless payment of interest at such rate would be contrary to applicable law, in which event such amounts shall bear interest at the highest rate permissible under applicable law. Nothing contained in this paragraph shall require Lender to incur any expense or take any action hereunder.

Borrower shall promptly notify Lender of any action or proceeding relating to any condemnation or other taking, whether direct or indirect, of the property, or part thereof, and Borrower shall appear in and prosecute any such action or proceeding unless otherwise directed by Lender in writing. Borrower authorizes Lender, at Lender's option, as attorney-in-fact for Borrower, to commence, appear in and prosecute, in Lender's or Borrower's name, any action or proceeding relating to any condemnation or other taking of the property, whether direct or indirect, and to settle or compromise any claim in connection with such condemnation or other taking. The proceeds of any award, payment or claim for damages, direct or consequential, in connection with any condemnation or other taking, whether direct or indirect, of the property, or part thereof, or for conveyances in lieu of condemnation, are hereby assigned to and shall be paid to Lender.

Except for any notice required under applicable law to be given in another manner, (a) any notice to Borrower provided for in this Mortgage shall be given by mailing such notice by certified mail, return receipt requested, addressed to Borrower at the Property Address or at such other address as Borrower may designate by notice to Lender as provided herein, and (b) any notice to Lender shall be given by certified mail, return receipt requested, to Lender's address stated herein or to such other address as Lender may designate by notice to Borrower as provided herein. Any notice provided for in this Mortgage shall be deemed to have been given to Borrower or Lender when given in the manner designated herein.

This Mortgage shall be governed by the laws of the State of Indiana. In the event that any provision or clause of this Mortgage or the Note conflicts with applicable law, such conflict shall not affect other provisions of this Mortgage or the Note which can be given effect without the conflicting provision, and to this end the provisions of the Mortgage and the Note are declared to be severable.

Upon Borrower's breach of any covenant or agreement of Borrower in this Mortgage or the Note, including, but not limited to, the covenants to pay when due any sums secured by this Mortgage, Lender, at Lender's option, may declare all of the sums secured by this Mortgage to be immediately due and payable without further demand and may foreclose this Mortgage by judicial proceeding and may invoke any other remedies permitted by applicable law or provided herein. Lender shall be entitled to collect all costs and expenses incurred in pursuing such remedies, including, but not limited to, attorney's fees, cost of documentary

evidence, abstracts and title reports. Any forbearance by Lender in exercising any right or remedy herein or otherwise provided by law or in the procurement or insurance or payment by Lender of taxes or other liens or charges shall not be a waiver of or preclude the exercise of any such rights or remedies. Borrower waives all rights of valuation and appraisal.

If Borrower shall voluntarily file a petition under the Federal Bankruptcy Act, as such Act may from time to time be amended, or under any similar or successor Federal statute relating to bankruptcy, insolvency, arrangements or reorganization, or under any state bankruptcy or insolvency act, or file an answer in an involuntary proceeding admitting insolvency or inability to pay debts, or if Borrower shall fail to obtain a vacation or stay of involuntary proceedings brought for the reorganization, dissolution or liquidation of Borrower, or if Borrower shall be adjudged a bankrupt, or if a trustee or receiver shall be appointed for Borrower of Borrower's property, or if the Property shall become subject to the jurisdiction of a Federal bankruptcy court or similar state court, or if Borrower shall make an assignment for the benefit of Borrower's creditors, or if there is an attachment, execution or other judicial seizure of any portion of Borrower's assets and such seizure is not discharged within ten days, then Lender may, at Lender's option, declare all of the sums secured by this Mortgage to be immediately due and payable without prior notice to Borrower, and Lender may invoke any remedies permitted by this Mortgage. Any attorney's fees and other expenses incurred by Lender in connection with Borrower's bankruptcy or any of the other aforesaid events shall be additional indebtedness of Borrower secured by this Mortgage.

Upon acceleration as herein provided or abandonment of the Property, and at any time prior to the expiration of any period of redemption following judicial sale, Lender, in person, by agent or by judicially appointed receiver, shall be entitled to enter upon, take possession of and manage the Property and to collect the rents of the Property including those past due. All rents collected by Lender or the receiver shall be applied first to payment of the costs of management of the Property and collection of rents, including, but not limited to receiver's fees, premiums on receiver's bonds and reasonable attorney's fees, and then to sums secured by this Mortgage. Lender and the receiver shall be liable to account only for those rents actually received.

The Borrower further covenants and agrees not to further encumber the property without the written consent of Lender, nor commit, permit, or suffer any waste, impairment, or depreciation of said property and, in the event of any breach of this covenant, at any time after such breach, without limiting the foregoing, the Lender may, at its option, declare all of the remainder of the indebtedness immediately due and collectible, whether or not any other default exists; this covenant shall run with the land and remain in full force and effect until said indebtedness is liquidated.

If enactment or expiration of applicable laws has the effect of rendering any provision of the Note or this Mortgage unenforceable according to its terms, Lender, at its option, may require immediate payment in full of all sums secured by this Mortgage and may invoke remedies permitted by hereinabove.

To induce Lender to fund the Note, Borrower represents, acknowledges and warrants to Lender, and agrees with Lender, as follows:

(a) The Premises, and the use and operation thereof, are currently in compliance and will remain in compliance with all applicable laws and regulations (including all environmental, health and safety laws and regulations).

(b) There are and will be no environmental, health or safety hazards that pertain to any of the Premises or the business or operations conducted thereon. No storage, treatment or disposal of hazardous waste or material (collectively, "Hazardous Materials") has or will occur on the Premises (for purposes of these representations and warranties, the term "Hazardous

Materials" shall include substance defined as "hazardous substance" or "toxic substances" in the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, 42 U.S.C. Sec. 9061 et seq.; Hazardous Material Transportation Act, 42 U.S.C. Sec. 1802 et seq.; The Resources Conservation and Recovery Act, 42 U.S.C. Sec. 6901 et seq.; and the regulations adopted and publications promulgated pursuant to said laws). The business and all operations conducted on the Premises have and will lawfully dispose of their Hazardous Materials.

(c) Any fees, costs and expenses imposed upon or incurred by Lender on account of any breach of paragraphs (a) and (b) shall be immediately due and payable by Borrower to Lender upon demand, and shall become part of the Indebtedness. Borrower shall keep, save and protect, defend, indemnify and hold Lender harmless from and against any and all claims, loss, costs, damages, liability or expense, including reasonable attorneys' fees, sustained or incurred by Lender by reason of any Environmental Proceedings or the breach or default by Borrower of any representation, warranty or covenant contained in this Paragraph.

The CROWN COLLEGE OF COSMETOLOGY, INC., an Indiana Corporation; MICHAEL SWANSON AND JUDITH ANN SWANSON, who are all the makers of the Adjustable Rate Mortgage Note which this real estate mortgage secures, by execution of this real estate mortgage, are all agreeing to be individually, jointly and collectively liable and responsible for the performance of all the covenants and agreements of Borrower expressed in said Mortgage.

IN WITNESS WHEREOF, Borrower has executed this Mortgage the 26th day of September, 1997.

CROWN COLLEGE OF COSMETOLOGY, INC., an
Indiana Corporation

BY: Judith Ann Swanson, Sep 26/97
Judith Ann Swanson

Attest:

Janette C. Kasper

BY: Michael Swanson
MICHAEL SWANSON, INDIVIDUALLY

BY: Judith Ann Swanson
JUDITH ANN SWANSON, INDIVIDUALLY

STATE OF INDIANA)
) SS:
COUNTY OF LAKE)

Before me, the undersigned, a Notary Public in and for said County and State, this 26th day of September, 1997 personally appeared Crown College of Cosmetology, Inc., an Indiana Corporation, as the _____ and _____ of said corporation and acknowledged the execution of the above and foregoing Real Estate Mortgage on behalf of said Corporation.

WITNESS my hand and Notarial Seal.

M. Gail Replin
Notary Public

My Commission Expires: _____
COUNTY OF INDIANA
LAKE COUNTY
County of Residence: _____
MY COMMISSION EXP. NOV 20, 1999

STATE OF INDIANA)
) SS:
COUNTY OF LAKE)

Before me, the undersigned, a Notary Public in and for said County and State, this 26th day of September, 1997 personally appeared Michael Swanson and Judith Ann Swanson, and acknowledge the execution of the above and foregoing Real Estate Mortgage aforesaid and as their voluntary act and deed.

WITNESS my hand and Notarial Seal.

M. Gail Replin
Notary Public

My Commission Expires: _____
M GAIL REPLIN
NOTARY PUBLIC STATE OF INDIANA
LAKE COUNTY
County of Residence: _____
MY COMMISSION EXP. NOV 20, 1999