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99 JUN - 1 1998  
MORTGAGE

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# MORTGAGE

THIS MORTGAGE ("Security Instrument") is given on June 23, 1998  
The Mortgagor is KENNETH J. LUCHON

9539 Prairie Ave. Apt #22 Hammond, IN. 46322

whose address is

MILO CORPORATION,  
which is organized and existing under the laws of NEW YORK

("Borrower"). This Security Instrument is given to

103 Kelly Ave., Middleport, NY 14105

, and whose address is

One Hundred Eighty-Four Thousand Dollars and No Cents  
Dollars (U.S.\$184,000.00). This Debt is evidenced by Borrower's note dated the same date as this Security  
Instrument ("Note"), which provides for monthly payments, with the full debt, if not paid earlier, due and payable  
on  
December 23, 1998

("Lender"). Borrower owes Lender the principal sum of

. This Security Instrument secured to Lender: (a) the repayment of the debt  
evidenced by the Note, with interest, and all renewals, extensions and modifications of the Note; (b) the payment of all other  
sums, with interest, advanced under paragraph 7 to protect the security of this Security Instrument; and (c) the performance of  
Borrower's covenants and agreements under this Security Instrument and the Note. For this purpose, Borrower does hereby  
mortgage, warrant, grant and convey to Lender, with power of sale, the following described property located in

LAKE

County, Indiana:

SEE SCHEDULE A, ATTACHED HERETO

**HOLD FOR:  
THE TITLE SEARCH CO.**

which has the address of 7443 ~~Hamilton~~ Street  
Hamlin [Street]

Schererville [City]

Indiana 46375 ("Property Address");  
[Zip Code]

TOGETHER WITH all the improvements now or hereafter erected on the property, and all easements, appurtenances,  
and fixtures now or hereafter a part of the property. All replacements and additions shall also be covered by this Security  
Instrument. All of the foregoing is referred to in this Security Instrument as the "Property."

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✓ # 15794

**BORROWER COVENANTS** that Borrower is lawfully seized of the estate hereby conveyed and has the right to mortgage, grant and convey the Property and that the Property is unencumbered, except for encumbrances of record. Borrower warrants and will defend generally the title to the Property against all claims and demands, subject to any encumbrances of record.

**THIS SECURITY INSTRUMENT** combines uniform covenants for national use and non-uniform covenants with limited variations by jurisdiction to constitute a uniform security instrument covering real property.

**UNIFORM COVENANTS.** Borrower and Lender covenant and agree as follows:

**1. Payment of Principal and Interest; Prepayment and Late Charges.** Borrower shall promptly pay when due the principal of and interest on the debt evidenced by the Note and any prepayment and late charges due under the Note.

**2. Funds for Taxes and Insurance.** Subject to applicable law or to a written waiver by Lender, Borrower shall pay to Lender on the day monthly payments are due under the Note until the Note is paid in full, a sum ("Funds") for: (a) yearly taxes and assessments which may attain priority over this Security Instrument as a lien on the Property; (b) yearly leasehold payments or ground rents on the Property, if any; (c) yearly hazard or property insurance premiums; (d) yearly flood insurance premiums, if any; (e) yearly mortgage insurance premiums, if any; and (f) any sums payable by Borrower to Lender, in accordance with the provisions of paragraph 8, in lieu of the payment of mortgage insurance premiums. These items are called "Escrow Items." Lender may, at any time, collect and hold Funds in an amount not to exceed the maximum amount a lender for a federally related mortgage loan may require for Borrower's escrow account under the federal Real Estate Settlement Procedures Act of 1974 as amended from time to time, 12 U.S.C. § 2601 *et seq.* ("RESPA"), unless another law that applies to the Funds sets a lesser amount. If so, Lender may, at any time, collect and hold Funds in an amount not to exceed the lesser amount. Lender may estimate the amount of Funds due on the basis of current data and reasonable estimates of expenditures of future Escrow Items or otherwise in accordance with applicable law.

The Funds shall be held in an institution whose deposits are insured by a federal agency, instrumentality, or entity (including Lender, if Lender is such an institution) or in any Federal Home Loan Bank. Lender shall apply the Funds to pay the Escrow Items. Lender may not charge Borrower for holding and applying the Funds, annually analyzing the escrow account, or verifying the Escrow Items, unless Lender pays Borrower interest on the Funds and applicable law permits Lender to make such a charge. However, Lender may require Borrower to pay a one-time charge for an independent real estate tax reporting service used by Lender in connection with this loan, unless applicable law provides otherwise. Unless an agreement is made or applicable law requires interest to be paid, Lender shall not be required to pay Borrower any interest or earnings on the Funds. Borrower and Lender may agree in writing, however, that interest shall be paid on the Funds. Lender shall give to Borrower, without charge, an annual accounting of the Funds, showing credits and debits to the Funds and the purpose for which each debit to the Funds was made. The Funds are pledged as additional security for all sums secured by this Security Instrument.

If the Funds held by Lender exceed the amounts permitted to be held by applicable law, Lender shall account to Borrower for the excess Funds in accordance with the requirements of applicable law. If the amount of the Funds held by Lender at any time is not sufficient to pay the Escrow Items when due, Lender may so notify Borrower in writing, and, in such case Borrower shall pay to Lender the amount necessary to make up the deficiency. Borrower shall make up the deficiency in no more than twelve monthly payments at Lender's sole discretion.

Upon payment in full of all sums secured by this Security Instrument, Lender shall promptly refund to Borrower any Funds held by Lender. If, under paragraph 21, Lender shall acquire or sell the Property, Lender, prior to the acquisition or sale of the Property, shall apply any Funds held by Lender at the time of acquisition or sale as a credit against the sums secured by this Security Instrument.

**3. Application of Payments.** Unless applicable law provides otherwise, all payments received by Lender under paragraphs 1 and 2 shall be applied: first, to any prepayment charges due under the Note; second, to amounts payable under paragraph 2; third, to interest due; fourth, to principal due; and last, to any late charges due under the Note.

**4. Charges; Liens.** Borrower shall pay all taxes, assessments, charges, fines and impositions attributable to the Property which may attain priority over this Security Instrument, and leasehold payments or ground rents, if any. Borrower shall pay these obligations in the manner provided in paragraph 2, or if not paid in that manner, Borrower shall pay them on time directly to the person owed payment. Borrower shall promptly furnish to Lender all notices of amounts to be paid under this paragraph. If Borrower makes these payments directly, Borrower shall promptly furnish to Lender receipts evidencing the payments.

Borrower shall promptly discharge any lien which has priority over this Security Instrument unless Borrower: (a) agrees in writing to the payment of the obligation secured by the lien in a manner acceptable to Lender; (b) contests in good faith the lien by, or defends against enforcement of the lien in, legal proceedings which in the Lender's opinion operate to prevent the enforcement of the lien; or (c) secures from the holder of the lien an agreement satisfactory to Lender subordinating the lien to this Security Instrument. If Lender determines that any part of the Property is subject to a lien which may attain priority over this Security Instrument, Lender may give Borrower a notice identifying the lien. Borrower shall satisfy the lien or take one or more of the actions set forth above within 10 days of the giving of notice.

**5. Hazard or Property Insurance.** Borrower shall keep the improvements now existing or hereafter erected on the Property insured against loss by fire, hazards included within the term "extended coverage" and any other hazards, including floods or flooding, for which Lender requires insurance. This insurance shall be maintained in the amounts and for the periods that Lender requires. The insurance carrier providing the insurance shall be chosen by Borrower subject to Lender's approval which shall not be unreasonably withheld. If Borrower fails to maintain coverage described above, Lender may, at Lender's option, obtain coverage to protect Lender's rights in the Property in accordance with paragraph 7.

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All insurance policies and renewals shall be acceptable to Lender and shall include a standard mortgage clause. Lender shall have the right to hold the policies and renewals. If Lender requires, Borrower shall promptly give to Lender all receipts of paid premiums and renewal notices. In the event of loss, Borrower shall give prompt notice to the insurance carrier and Lender. Lender may make proof of loss if not made promptly by Borrower.

Unless Lender and Borrower otherwise agree in writing, insurance proceeds shall be applied to restoration or repair of the Property damaged, if the restoration or repair is economically feasible and Lender's security is not lessened. If the restoration or repair is not economically feasible or Lender's security would be lessened, the insurance proceeds shall be applied to the sums secured by this Security Instrument, whether or not then due, with any excess paid to Borrower. If Borrower abandons the Property, or does not answer within 30 days a notice from Lender that the insurance carrier has offered to settle a claim, then Lender may collect the insurance proceeds. Lender may use the proceeds to repair or restore the Property or to pay sums secured by this Security Instrument, whether or not then due. The 30-day period will begin when the notice is given.

Unless Lender and Borrower otherwise agree in writing, any application of proceeds to principal shall not extend or postpone the due date of the monthly payments referred to in paragraphs 1 and 2 or change the amount of the payments. If under paragraph 21 the Property is acquired by Lender, Borrower's right to any insurance policies and proceeds resulting from damage to the Property prior to the acquisition shall pass to Lender to the extent of the sums secured by this Security Instrument immediately prior to the acquisition.

**6. Occupancy, Preservation, Maintenance and Protection of the Property; Borrower's Loan Application; Leaseholds.** Borrower shall occupy, establish, and use the Property as Borrower's principal residence within sixty days after the execution of this Security Instrument and shall continue to occupy the Property as Borrower's principal residence for at least one year after the date of occupancy, unless Lender otherwise agrees in writing, which consent shall not be unreasonably withheld, or unless extenuating circumstances exist which are beyond Borrower's control. Borrower shall not destroy, damage or impair the Property, allow the Property to deteriorate, or commit waste on the Property. Borrower shall be in default if any forfeiture action or proceeding, whether civil or criminal, is begun that in Lender's good faith judgment could result in forfeiture of the Property or otherwise materially impair the lien created by this Security Instrument or Lender's security interest. Borrower may cure such a default and reinstate, as provided in paragraph 18, by causing the action or proceeding to be dismissed with a ruling that, in Lender's good faith determination, precludes forfeiture of the Borrower's interest in the Property or other material impairment of the lien created by this Security Instrument or Lender's security interest. Borrower shall also be in default if Borrower during the loan application process, gave materially false or inaccurate information or statements to Lender (or failed to provide Lender with any material information) in connection with the loan evidenced by the Note, including, but not limited to, representations concerning Borrower's occupancy of the Property as a principal residence. If this Security Instrument is on a leasehold, Borrower shall comply with all the provisions of the lease. If Borrower acquires fee title to the Property, the leasehold and the fee title shall not merge unless Lender agrees to the merger in writing.

**7. Protection of Lender's Rights in the Property.** If Borrower fails to perform the covenants and agreements contained in this Security Instrument, or there is a legal proceeding that may significantly affect Lender's rights in the Property (such as a proceeding in bankruptcy, probate, for condemnation or forfeiture or to enforce laws or regulations), then Lender may do and pay for whatever is necessary to protect the value of the Property and Lender's rights in the Property. Lender's actions may include paying any sums secured by a lien which has priority over this Security Instrument, appearing in court, paying reasonable attorneys' fees and entering on the Property to make repairs. Although Lender may take action under this paragraph 7, Lender does not have to do so.

Any amounts disbursed by Lender under this paragraph 7 shall become additional debt of Borrower secured by this Security Instrument. Unless Borrower and Lender agree to other terms of payment, these amounts shall bear interest from the date of disbursement at the Note rate and shall be payable, with interest, upon notice from Lender to Borrower requesting payment.

**8. Mortgage Insurance.** If Lender required mortgage insurance as a condition of making the loan secured by this Security Instrument, Borrower shall pay the premiums required to maintain the mortgage insurance in effect. If, for any reason, the mortgage insurance coverage required by Lender lapses or ceases to be in effect, Borrower shall pay the premiums required to obtain coverage substantially equivalent to the mortgage insurance previously in effect, at a cost substantially equivalent to the cost to Borrower of the mortgage insurance previously in effect, from an alternate mortgage insurer approved by Lender. If substantially equivalent mortgage insurance coverage is not available, Borrower shall pay to Lender each month a sum equal to one-twelfth of the yearly mortgage insurance premium being paid by Borrower when the insurance coverage lapsed or ceased to be in effect. Lender will accept, use and retain these payments as a loss reserve in lieu of mortgage insurance. Loss reserve payments may no longer be required, at the option of Lender, if mortgage insurance coverage (in the amount and for the period that Lender requires) provided by an insurer approved by Lender again becomes available and is obtained. Borrower shall pay the premiums required to maintain mortgage insurance in effect, or to provide a loss reserve, until the requirement for mortgage insurance ends in accordance with any written agreement between Borrower and Lender or applicable law.

**9. Inspection.** Lender or its agent may make reasonable entries upon and inspections of the Property. Lender shall give Borrower notice at the time of or prior to an inspection specifying reasonable cause for the inspection.

**10. Condemnation.** The proceeds of any award or claim for damages, direct or consequential, in connection with any condemnation or other taking of any part of the Property, or for conveyance in lieu of condemnation, are hereby assigned and shall be paid to Lender.

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In the event of a total taking of the Property, the proceeds shall be applied to the sums secured by this Security Instrument, whether or not then due, with any excess paid to Borrower. In the event of a partial taking of the Property in which the fair market value of the Property immediately before the taking is equal to or greater than the amount of the sums secured by this Security Instrument immediately before the taking, unless Borrower and Lender otherwise agree in writing, the sums secured by this Security Instrument shall be reduced by the amount of the proceeds multiplied by the following fraction: (a) the total amount of the sums secured immediately before the taking, divided by (b) the fair market value of the Property immediately before the taking. Any balance shall be paid to Borrower. In the event of a partial taking of the Property in which the fair market value of the Property immediately before the taking is less than the amount of the sums secured immediately before the taking, unless Borrower and Lender otherwise agree in writing or unless applicable law otherwise provides, the proceeds shall be applied to the sums secured by this Security Instrument whether or not the sums are then due.

If the Property is abandoned by Borrower, or if, after notice by Lender to Borrower that the condemnor offers to make an award or settle a claim for damages, Borrower fails to respond to Lender within 30 days after the date the notice is given, Lender is authorized to collect and apply the proceeds, at its option, either to restoration or repair of the Property or to the sums secured by this Security Instrument whether or not then due.

Unless Lender and Borrower otherwise agree in writing, any application of proceeds to principal shall not extend or postpone the due date of the monthly payments referred to in paragraphs 1 and 2 or change the amount of such payments.

**11. Borrower Not Released; Forbearance By Lender Not a Waiver.** Extension of the time for payment or modification of amortization of the sums secured by this Security Instrument granted by Lender to any successor in interest of Borrower shall not operate to release the liability of the original Borrower or Borrower's successors in interest. Lender shall not be required to commence proceedings against any successor in interest or refuse to extend time for payment or otherwise modify amortization of the sums secured by this Security Instrument by reason of any demand made by the original Borrower or Borrower's successors in interest. Any forbearance by Lender in exercising any right or remedy shall not be a waiver of or preclude the exercise of any right or remedy.

**12. Successors and Assigns Bound; Joint and Several Liability; Co-signers.** The covenants and agreements of this Security Instrument shall bind and benefit the successors and assigns of Lender and Borrower, subject to the provisions of paragraph 17. Borrower's covenants and agreements shall be joint and several. Any Borrower who co-signs this Security Instrument but does not execute the Note: (a) is co-signing this Security Instrument only to mortgage, grant and convey that Borrower's interest in the Property under the terms of this Security Instrument; (b) is not personally obligated to pay the sums secured by this Security Instrument; and (c) agrees that Lender and any other Borrower may agree to extend, modify, forbear or make any accommodations with regard to the terms of this Security Instrument or the Note without that Borrower's consent.

**13. Loan Charges.** If the loan secured by this Security 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 the permitted limits, then: (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 Borrower which exceeded permitted limits will be refunded to Borrower. Lender may choose to make this refund by reducing the principal owed under the Note or by making a direct payment to Borrower. If a refund reduces principal, the reduction will be treated as a partial prepayment without any prepayment charge under the Note.

**14. Notices.** Any notice to Borrower provided for in this Security Instrument shall be given by delivering it or by mailing it by first class mail unless applicable law requires use of another method. The notice shall be directed to the Property Address or any other address Borrower designates by notice to Lender. Any notice to Lender shall be given by first class mail to Lender's address stated herein or any other address Lender designates by notice to Borrower. Any notice provided for in this Security Instrument shall be deemed to have been given to Borrower or Lender when given as provided in this paragraph.

**15. Governing Law; Severability.** This Security Instrument shall be governed by federal law and the law of the jurisdiction in which the Property is located. In the event that any provision or clause of this Security Instrument or the Note conflicts with applicable law such conflict shall not affect other provisions of this Security Instrument or the Note which can be given effect without the conflicting provision. To this end the provisions of this Security Instrument and the Note are declared to be severable.

**16. Borrower's Copy.** Borrower shall be given one conformed copy of the Note and of this Security Instrument.

**17. Transfer of the Property or a Beneficial Interest in Borrower.** If all or any part of the Property or any interest in it is sold or transferred (or if a beneficial interest in Borrower is sold or transferred and Borrower is not a natural person) without Lender's prior written consent, Lender may, at its option, require immediate payment in full of all sums secured by this Security Instrument. However, this option shall not be exercised by Lender if exercise is prohibited by federal law as of the date of this Security Instrument.

If Lender exercises this option, Lender shall give Borrower notice of acceleration. The notice shall provide a period of not less than 30 days from the date the notice is delivered or mailed within which Borrower must pay all sums secured by this Security Instrument. If Borrower fails to pay these sums prior to the expiration of this period, Lender may invoke any remedies permitted by this Security Instrument without further notice or demand on Borrower.

**18. Borrower's Right to Reinstate.** If Borrower meets certain conditions, Borrower shall have the right to have enforcement of this Security Instrument discontinued at any time prior to the earlier of: (a) 5 days (or such other period as

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applicable law may specify for reinstatement) before sale of the Property pursuant to any power of sale contained in this Security Instrument; or (b) entry of a judgment enforcing this Security Instrument. Those conditions are that Borrower: (a) pays Lender all sums which then would be due under this Security Instrument and the Note as if no acceleration had occurred; (b) cures any default of any other covenants or agreements; (c) pays all expenses incurred in enforcing this Security Instrument, including, but not limited to, reasonable attorneys' fees; and (d) takes such action as Lender may reasonably require to assure that the lien of this Security Instrument, Lender's rights in the Property and Borrower's obligation to pay the sums secured by this Security Instrument shall continue unchanged. Upon reinstatement by Borrower, this Security Instrument and the obligations secured hereby shall remain fully effective as if no acceleration had occurred. However, this right to reinstate shall not apply in the case of acceleration under paragraph 17.

**19. Sale of Note; Change of Loan Servicer.** The Note or a partial interest in the Note (together with this Security Instrument) may be sold one or more times without prior notice to Borrower. A sale may result in a change in the entity (known as the "Loan Servicer") that collects monthly payments due under the Note and this Security Instrument. There also may be one or more changes of the Loan Servicer unrelated to a sale of the Note. If there is a change of the Loan Servicer, Borrower will be given written notice of the change in accordance with paragraph 14 above and applicable law. The notice will state the name and address of the new Loan Servicer and the address to which payments should be made. The notice will also contain any other information required by applicable law.

**20. Hazardous Substances.** Borrower shall not cause or permit the presence, use, disposal, storage, or release of any Hazardous Substances on or in the Property. Borrower shall not do, nor allow anyone else to do, anything affecting the Property that is in violation of any Environmental Law. The preceding two sentences shall not apply to the presence, use, or storage on the Property of small quantities of Hazardous Substances that are generally recognized to be appropriate to normal residential uses and to maintenance of the Property.

Borrower shall promptly give Lender written notice of any investigation, claim, demand, lawsuit or other action by any governmental or regulatory agency or private party involving the Property and any Hazardous Substance or Environmental Law of which Borrower has actual knowledge. If Borrower learns, or is notified by any governmental or regulatory authority, that any removal or other remediation of any Hazardous Substance affecting the Property is necessary, Borrower shall promptly take all necessary remedial actions in accordance with Environmental Law.

As used in this paragraph 20, "Hazardous Substances" are those substances defined as toxic or hazardous substances by Environmental Law and the following substances: gasoline, kerosene, other flammable or toxic petroleum products, toxic pesticides and herbicides, volatile solvents, materials containing asbestos or formaldehyde, and radioactive materials. As used in this paragraph 20, "Environmental Law" means federal laws and laws of other jurisdiction where the Property is located that relate to health, safety or environmental protection.

**NON UNIFORM COVENANTS.** Borrower and Lender further covenant and agree as follows:

**21. Acceleration; Remedies.** Lender shall give notice to Borrower prior to acceleration following Borrower's breach of any covenant or agreement in this Security Instrument (but not prior to acceleration under paragraph 17 unless applicable law provides otherwise). The notice shall specify: (a) the default; (b) the action required to cure the default; (c) a date, not less than 30 days from the date the notice is given to Borrower, by which the default must be cured; and (d) that failure to cure the default on or before the date specified in the notice may result in acceleration of the sums secured by this Security Instrument, foreclosure by judicial proceeding and sale of the Property. The notice shall further inform Borrower of the right to reinstate after acceleration and the right to assert in the foreclosure proceeding the non-existence of a default or any other defense of Borrower to acceleration and foreclosure. If the default is not cured on or before the date specified in the notice, Lender at its option may require immediate payment in full of all sums secured by this Security Instrument without further demand and may foreclose this Security Instrument by judicial proceeding. Lender shall be entitled to collect all expenses incurred in pursuing the remedies provided in this paragraph 21, including, but not limited to, reasonable attorneys' fees and costs of title evidence.

**22. Release.** Upon payment of all sums secured by this Security Instrument, Lender shall prepare and file a discharge of this Security Instrument without charge to Borrower.

**23. Waiver of Valuation and Appraisalment.** Borrower waives all right of valuation and appraisalment.

**24. Riders to this Security Instrument.** If one or more riders are executed by Borrower and recorded together with this Security Instrument, the covenants and agreements of each such rider shall be incorporated into and shall amend and supplement the covenants and agreements of this Security Instrument as if the rider(s) were a part of this Security Instrument. [Check applicable box(es)]

- |  |   |   |
|--|---|---|
| <input type="checkbox"/> Adjustable Rate Rider                                   | <input type="checkbox"/> Condominium Rider              | <input type="checkbox"/> 1-4 Family Rider       |
| <input type="checkbox"/> Graduated Payment Rider                                 | <input type="checkbox"/> Planned Unit Development Rider | <input type="checkbox"/> Biweekly Payment Rider |
| <input type="checkbox"/> Balloon Rider   | <input type="checkbox"/> Rate Improvement Rider         | <input type="checkbox"/> Second Home Rider      |
| <input checked="" type="checkbox"/> Other(s) [specify] - Building Loan Agreement |   |   |

BY SIGNING BELOW, Borrower accepts and agrees to the terms and covenants contained in pages 1 through 6 of this Security Instrument and in any rider(s) executed by Borrower and recorded with it.

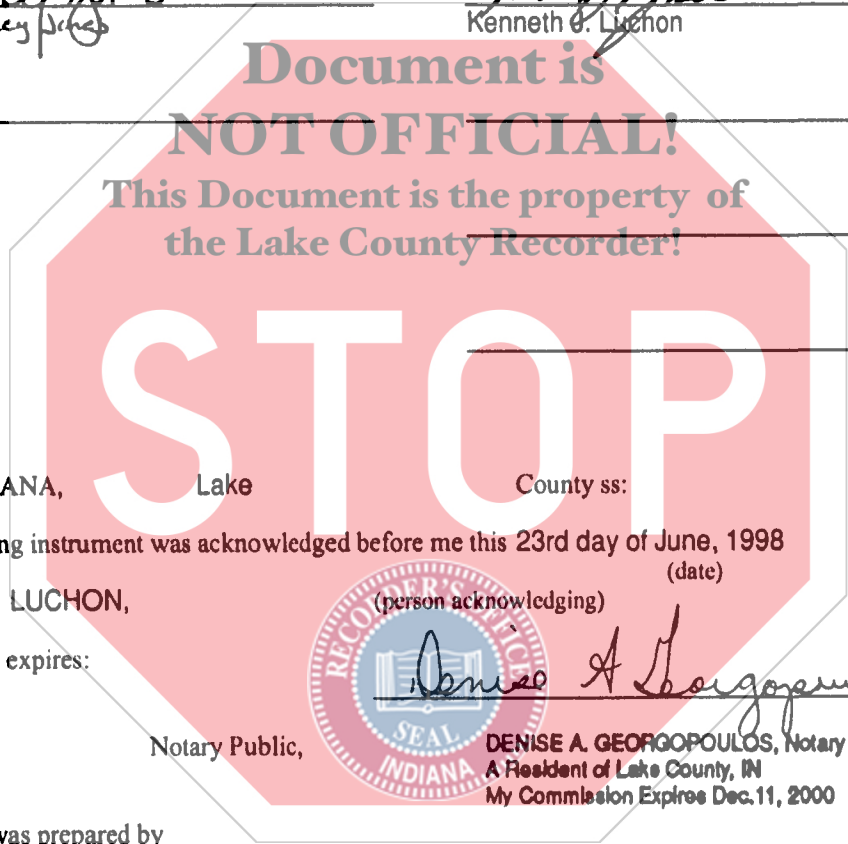
Witnesses:

*Nancy Jones* \_\_\_\_\_ (Seal)  
*Nancy Jones* Kenneth E. Luchon -Borrower

\_\_\_\_\_ (Seal)  
 \_\_\_\_\_ -Borrower

\_\_\_\_\_ (Seal)  
 \_\_\_\_\_ -Borrower

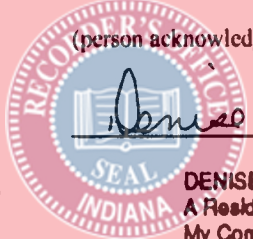
\_\_\_\_\_ (Seal)  
 \_\_\_\_\_ -Borrower



STATE OF INDIANA, Lake County ss:

The foregoing instrument was acknowledged before me this 23rd day of June, 1998 (date) by KENNETH J. LUCHON, (person acknowledging)

My Commission expires:



*Denise A. Georgopoulos* \_\_\_\_\_  
 Notary Public

Notary Public, DENISE A. GEORGOPOULOS, Notary Public  
 A Resident of Lake County, IN  
 My Commission Expires Dec. 11, 2000  
 County, Indiana

This instrument was prepared by



## BUILDING LOAN AGREEMENT

THIS AGREEMENT made this date **June 23, 1998**, between **MILO CORPORATION**, a New York corporation with offices at 103 Kelly Ave., Middleport, NY 14105 (hereinafter LENDER), and

**KENNETH J. LUCHON, 9539 Prairie Ave. Apt #22 Hammond, IN. 46322**

hereinafter referred to as BORROWER,

WHEREAS the LENDER agrees to lend to the Borrower the sum of **One Hundred Eighty-Four Thousand Dollars and No Cents (\$184,000.00)**, to be advanced as hereinafter provided, and to be evidenced by the Bond of the BORROWER for the payment of said sum, or so much thereof as shall at any time be advanced thereon, and to be secured by the Mortgage of the BORROWER, said mortgage to cover the premises described as follows:

### SEE ATTACHED EXHIBIT "A"

THIS IS A MORTGAGE ON A SINGLE FAMILY HOME TO BE CONSTRUCTED.

WHEREAS the BORROWER has made, executed and delivered to the said LENDER his Note in the sum of **One Hundred Eighty-Four Thousand Dollars and No Cents (\$184,000.00)**, which Note bears even date herewith; and

WHEREAS said BORROWER has delivered as security for said Note and Mortgage for the premises described above, which is made a part hereof and incorporated by reference, and

WHEREAS the LENDER has agreed to make said loan upon the terms, covenants and conditions hereinafter set forth and the BORROWER has agreed to take said loan and expressly covenants to comply with and perform all the terms, covenants and conditions of this Agreement,

NOW, THEREFORE, it is agreed between the parties as follows:

1. The BORROWER expressly covenants to make on said premises the improvements described below in accordance with the plans and specifications therefor which, before the making of the first advance hereunder, the BORROWER agrees to file with all governmental authorities having jurisdiction and to obtain all necessary approvals of said plans and specifications and all necessary building permits from said authorities. The said plans and specifications shall first be submitted to and approved by the LENDER in writing; and no changes or amendments thereto shall be made without first obtaining the written approval of the LENDER. The said improvements to be made shall be as follows:

Single family residence with all necessary utilities, including but not limited to sewer, water and power facilities.

2. With the approval of the LENDER the Note or Mortgage may, for the convenience of the BORROWER, be written for a sum larger than the amount of the loan above specified, but in no case will the LENDER be obligated to advance more than the loan so specified.

3. The BORROWER at the time of the execution of this Agreement shall pay all fees and charges agreed to be paid, including the fees, if any, for the procuring and making of said loan, the charges for the examination of title and preparation of legal documents by the LENDER's attorney, surveys, appraisals, inspections and redates to certify draws, and shall also pay the recording fees and mortgage recording tax and cost of revenue stamps, if any.

4. The said loan is to be advanced at such times and in such amounts as the LENDER shall determine based upon the extent of work completed. If there are any outstanding invoices for materials due to Barden & Robeson Corporation, or unpaid interest, said amounts shall be deducted from the respective draws, and an explanatory accounting to accompany the draw.

Payment for the Barden Homes material package shall be invoiced, and paid for, on the second draw. If you are due a credit due to a change order before payment for the Barden Package, this will adjusted on the second draw. If you are due a credit due to a change order after payment for the Barden Package, this adjustment will come directly from Barden.

5. No advance shall be due unless, in the judgment of the LENDER, all work usually done at the stage of construction when the advance is made payable be done in a good and workmanlike manner, and all materials and fixtures usually furnished and installed at that time are furnished and installed, and unless all construction be approved by any such professionals or other personnel satisfactory to the LENDER, but the LENDER may advance parts or the whole of any

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installments before they become due, if the LENDER believes it is advisable to do so. The making of any advance or any part of an advance shall not be deemed an approval or acceptance by the LENDER of the work done. Any advance or installment or any part or parts thereof may be postponed or deferred by mutual consent of the BORROWER and the LENDER and such postponement or postponements shall be deemed to be in pursuance of this Agreement and not in modification thereof. A receipt for any advance shall be binding on the BORROWER although signed by any one of the individual parties constituting the BORROWER, any one partner, if the BORROWER is a partnership, any one officer, if the BORROWER is a corporation. Endorsement of the payment draft shall be a receipt.

6. The LENDER may require five days notice in writing from the BORROWER, before an advance shall be called for. All advances are to be made at the office of the LENDER or at such other place as the LENDER shall designate.

7. The LENDER may at any time release portions of the Mortgaged premises from the provisions of this Agreement and from the Mortgage executed and delivered pursuant thereto upon such terms and conditions as the LENDER shall deem fit.

8. The LENDER may at any time extend the payment of the principal secured by said Note and Mortgage, and any extensions so granted shall be deemed in pursuance of this Agreement and not in modification thereof.

9. The BORROWER shall furnish to the LENDER, on or before the making of the any advance, the final certificates of approval, including certificate of occupancy, of the various governmental authorities having jurisdiction and the certificate of the Board of Fire Underwriters acting in and for the locality in which the said premises are situated.

10. The BORROWER shall furnish to the LENDER, or the LENDER may procure at the expense of the BORROWER, surveys made by a surveyor satisfactory to the LENDER whenever required by the LENDER.

11. The BORROWER shall furnish to the LENDER, premiums prepaid, or the LENDER may procure at the expense of the BORROWER, insurance policies in companies, forms and amounts satisfactory to such LENDER insuring the premises against loss or damage by fire with the usual extended coverage endorsement, and other hazards as may reasonably be required by the LENDER, including but not limited to vandalism insurance.

12. The LENDER may at the expense of the BORROWER employ a watchman to protect the buildings and their contents from depredations or injury.

13. If the construction of the said buildings be at any time discontinued or not carried on with reasonable dispatch in the judgment of the LENDER, said LENDER may purchase materials and employ workman to protect said buildings so that the same will not suffer from depredation or the weather, or to complete said buildings, so that they may be used for the purposes for which they are designed under the said plans and specifications.

14. All sums paid or expended in accordance with any of the foregoing provisions shall be deemed advances to the BORROWER and secured by said Note and Mortgage and may be applied, at the option of the LENDER, to any advances thereafter becoming due.

15. The LENDER may deduct from any payment to be made under this Agreement any amount necessary for the payment of any fees and expenses relating to the examination of title to said premises including costs of surveys, appraisals, inspections, drawing of papers and attorneys fees, mortgage recording tax, revenue stamps, if any and architects', engineers' and building loan service fees, and any expenses incurred in the procuring or the making of the said loan, and in the payment of any insurance premiums, mortgages, tax, assessment, water rate, sewer rents and other charges, liens and encumbrances upon the said premises whether before or after the making of said loan and any other amounts necessary for the payment of the costs of improvement as defined by the Lien Law, and apply such amounts in making said payments, and all sums so applied shall be deemed advances under this Agreement and secured by the Note and Mortgage.

16. The LENDER may cause said loan to be made by some other person or corporation. The Note and Mortgage shall then run to said person or corporation. The provisions of this Agreement shall apply to such Note and Mortgage, and if the loan be so made, it shall be deemed a compliance by the LENDER with this Agreement. The LENDER may assign this Agreement and the Note and Mortgage and cause the assignee or any subsequent assignee to make any advances not made at the time of the assignment, and all the provisions of this Agreement shall continue to apply to said loan and Note and Mortgage. In case the loan is made in accordance with any of the methods mentioned in this paragraph, it shall be deemed a compliance by the LENDER with this Agreement and to have been made pursuant thereto and not to be a modification thereof, and the advances so made shall be secured by said Note and Mortgage.

17. In the event of death of BORROWER while still holding title to the Mortgaged premises, the LENDER may, at the option of the LENDER, in case the work upon the said improvement is continued as provided in the Agreement, continue to made advances under this Agreement and subject to all its terms and conditions to the BORROWER'S executors or administrators; and all sums so advanced by the LENDER shall be deemed advances under this Agreement, and not to be modifications thereof, as if made to the BORROWER in his/her lifetime, and shall be secured by the Note and Mortgage.



18. The BORROWER will not assign this contract or the moneys due thereunder or convey or encumber the property without the written consent of the LENDER, but in such event the LENDER may nevertheless at the option of the LENDER continue to make advances under the Agreement to the BORROWER or those who succeed to the BORROWER'S title; and all sums so applied shall be deemed advances under this Agreement and secured by the Note and Mortgage.

19. The BORROWER covenants and agrees not to do any act or thing prohibited by the terms of this Agreement, and it is expressly agreed that in any of the following events all obligation on the part of the LENDER to make said loan or to make any further advance shall, if the LENDER so elects, cease and terminate, and said Note and Mortgage shall at the option of the LENDER become immediately due and payable, but the LENDER may make any advances or parts of advances after the happening of any of the following events without thereby waiving the right to demand payment of the Mortgage debt and without becoming liable to make any other or further advances to the BORROWER:

(a) If the Mortgage offered by the BORROWER does not give to the LENDER a good and sufficient lien for the indebtedness to be secured thereby on said premises satisfactory to the LENDER'S attorney.

(b) If at any time payment is due to the BORROWER the title is not satisfactory to the LENDER'S attorney, regardless of whether the lien, encumbrance or other question existed at the time of any prior advance.

(c) If a BORROWER assigns this contract or any of said advances or any interest hereon, or if said premises are conveyed or encumbered in any way without the written consent of the LENDER, or if the BORROWER dies before receiving the final advance hereunder.

(d) If a survey shows that the improvement on said premises encroaches upon the street or upon adjoining property, or any adjoining structure encroaches upon said premises to an extent deemed material by the LENDER'S attorney.

(e) If the BORROWER does not take the loan or the advances within thirty days after they are made payable, or in case where the payment of advances is dependent upon the erection of a new building, the building be not fully enclosed within one month from the date hereof or in any event if the improvements be not fully completed and ready for occupancy within six months from the date hereof.

(f) If the improvement on said premises is, in the judgment of the LENDER, materially injured or destroyed by fire or otherwise.

(g) If a petition in bankruptcy is filed by or against the BORROWER or a receiver or trustee of the property of the BORROWER is appointed; or if the BORROWER files a petition for reorganization under any of the provisions of the Bankruptcy Act or of any other law, state or federal, or makes an assignment for the benefit of creditors or is adjudged insolvent by any state or federal court of competent jurisdiction.

(h) If the BORROWER does not make said improvement in accordance with plans and specifications which are previously furnished to and approved in writing by LENDER and which have been filed with and approved by all governmental authorities having jurisdiction, in accordance with all laws, rules, regulations and requirements of such governmental authorities existing at the commencement of the improvement and any amendments thereof and additions thereto made with the written approval of the LENDER during the construction of the improvement or fails to file amended or supplemental plans and specifications, if required, because of such amendments and additions after first obtaining the written approval thereof by the LENDER and the approval of such governmental authorities; or if the BORROWER fails to furnish the LENDER with a written certificate issued by the department of the governmental authority in the locality in which the property is situated having jurisdictions thereof approving said plans and specifications and any amended and supplemented plans and specifications where such department has jurisdiction.

(i) If the owner of said premises does not permit the LENDER or representatives of the LENDER to enter upon said premises and inspect the improvement thereon at all reasonable time and examine all detailed plans, shop drawings, and specifications which are kept at the work, or fails to furnish to them, when requested, copies of such plans, drawings and specifications.

(j) If for any cause whatever the construction of said improvement is at any time discontinued or not carried on with reasonable dispatch in the judgment of the LENDER.

(k) If the BORROWER executes any chattel mortgage on any materials, fixtures or articles used in the construction or operation of the improvement or appurtenant thereto, or articles of personal property placed in said premises, or if any such materials, fixtures or articles are not satisfactory to the LENDER or are purchased on conditional bill of sale or otherwise so that the ownership thereof will not vest unconditionally in the BORROWER, free from encumbrance, on delivery at the premises; and if the BORROWER does not furnish to, or fails to furnish to the LENDER, if requested, the contracts, bills of sale, statements, recited vouchers and agreements, or any of them, under which the BORROWER claims title to such materials, fixtures and articles.

(l) If the BORROWER fails to comply with any requirement of any governmental authority having jurisdiction within thirty days after notice in writing of such requirement shall have been given to said BORROWER; or fails to furnish to the LENDER when requested, official searches made by governmental authorities having jurisdiction.

(m) If the BORROWER does not disclose to the LENDER, upon demand, the names of all persons with whom the BORROWER contracted or intends to contract for the construction of said improvement or the furnishing of labor or materials therefore.

(n) If the BORROWER permits any purchaser or prospective purchaser to occupy the premises before this Agreement shall have been fully performed and the final advance made thereon.

(o) If the BORROWER fails to keep, observe or perform any of the conditions, stipulations, agreements or covenants contained in this agreement or in the said Note and Mortgage.

20. In the event that more than one mortgage is executed pursuant to this Agreement and there should be any default by the BORROWER in the performance of any of the conditions, stipulations, agreements and covenants contained in this Agreement or in any of the Notes and Mortgages given in connection therewith, then, at the option of the LENDER, the principal indebtedness secured by all or any of such Notes and Mortgages shall be immediately become due and payable and all or any such mortgages may be foreclosed in either one or more actions, and any judgments of foreclosure and sale obtained therein may direct that the mortgaged premises covered by all the Mortgages sought to be foreclosed in such action(s) be sold in one parcel.

21. And it is mutually understood and agreed by and between the parties hereto on behalf of themselves and their respective personal representatives or successors in interest that the Note and Mortgage executed, acknowledged and delivered pursuant to this Agreement shall be made subject to all the conditions, terms and agreements contained in this Agreement to the same force and effect as if set forth fully herein until this agreement is terminated by the completion of the improvement described herein and the making of the final advance hereunder as provided for herein.

22. This Agreement may not be changed or terminated orally.

23. Interest will accrue only on the money that is borrowed (or drawn down). If at the time of a draw there is any unpaid interest, the full amount of that interest will be deducted from the draw. At such time that the full principal of the loan is drawn, the monthly interest-only payment will be **\$1,686.66.**

IN WITNESS WHEREOF the parties have hereunto set their hands on the day of the date first stated.

  
\_\_\_\_\_  
Kenneth J. Luchon

MILO CORPORATION

  
\_\_\_\_\_  
By: Darlene K. Farnham

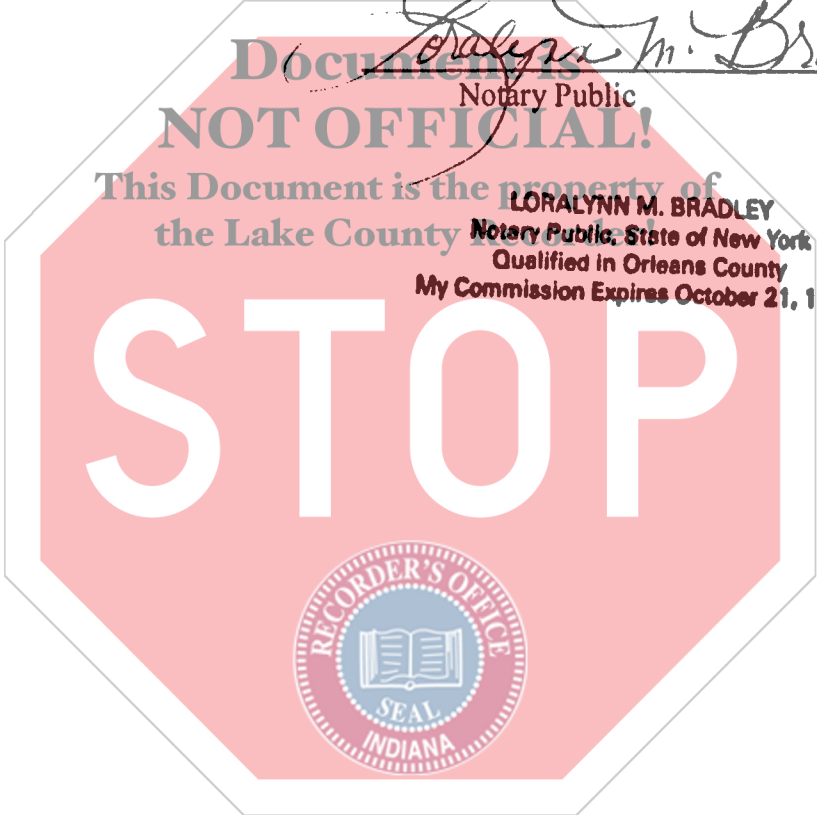
STATE OF INDIANA) COUNTY OF LAKE) ss: Before me this June 23, 1998 appeared KENNETH J. LUCHON, who resides at 9539 Prairie Ave. Apt #22 Hammond, IN, 46322, and who executed the foregoing, and acknowledged execution of the same.

*Emise A. Georgopoulos*  
Notary Public

EMISE A. GEORGOPOULOS, Notary Public  
Resident of Lake County, IN  
Commission Expires Dec. 11, 2000

STATE OF NEW YORK) COUNTY OF ORLEANS) ss: On this June 23, 1998, before me personally appeared DARLENE K. FARNHAM, who, being duly sworn, deposed and said that she resided at Hindsburg Road, Albion, New York and was a Junior Vice President of Milo Corporation, and authorized to act on behalf of the corporation, and who executed the foregoing, and acknowledged execution of the same in her corporate capacity.

*Loralynn M. Bradley*  
Notary Public



*KJ*



Situated in Lake County, in the State of Indiana:

Lot Numbered Four (4) as shown on the recorded Plat of Autumn Creek, Block One, recorded September 17, 1997 in Plat Book 83, page 35, in the Office of the Recorder of Lake County, Indiana.

Commonly known as: 7443 Hamlin St., Schererville, IN 46375

