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MICHAEL A. BROWN  
RECORDER

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**MORTGAGE, SECURITY AGREEMENT  
AND FINANCING STATEMENT  
(INCLUDES WAIVER OF RIGHT OF REDEMPTION  
AND PROVISION FOR DUE ON SALE OR  
FURTHER ENCUMBRANCE)**

THIS MORTGAGE, SECURITY AGREEMENT AND FINANCING STATEMENT (the "Mortgage") is made as of the 18th day of September, 2006, by and between Adrian M. Daugherty (the "Mortgagor"), and SMITH-ROTHCHILD FINANCIAL COMPANY, an Illinois corporation (the "Mortgagee"), with offices at 221 N. LaSalle Street, Suite 1850, Chicago, Illinois 60601.

WITNESSETH:

WHEREAS the Mortgagor is justly indebted to the Mortgagee in the principal sum of Fifty Nine Thousand Nine Hundred and no/100ths dollars Dollars (\$59,900.00) evidenced by that certain Acquisition and Construction Note of Mortgagor of even date herewith and with a maturity date of April 1, 2007 (the "Note"), made payable to the order of and delivered to the Mortgagee, pursuant to which the Mortgagor promises to pay the said principal sum, late charges, and interest at the rate and in installments, all as provided in the Note. All payments on account of the Indebtedness Secured Hereby (as that term is defined in this Mortgage) shall be applied (a) first to interest on the unpaid principal balance, (b) secondly to any other sums due thereunder, (c) thirdly to all other advances and sums secured hereby, and (d) finally, the remainder to principal. Principal and interest due pursuant to the Note shall be made payable at such place as the holder of the Note may from time to time in writing appoint, and in the absence of such appointment, at the office of the Mortgagee; and

WHEREAS, to secure the Indebtedness Secured Hereby, the Mortgagee has required that the Mortgagor cause this Mortgage to be duly executed and recorded in favor of Mortgagee.

NOW, THEREFORE, the Mortgagor, to secure: (i) the payment of all sums of money due pursuant to the Note, this Mortgage and any documents evidencing or securing the same, inclusive of principal, interest and late charges, and the performance of the covenants and agreements herein contained by the Mortgagor to be performed, and (ii) the payment and performance of all other obligations of Mortgagor or of any Affiliate of Mortgagor to Mortgagee (collectively, the "Indebtedness Secured Hereby") does by these presents MORTGAGE, GRANT, REMISE, RELEASE, ALIEN AND CONVEY unto the Mortgagee and its successors and assigns, the following described real estate and all of its present and hereafter-acquired estate, rights, title and interest therein, situated, lying and being in the [County of Lake] and [State of IN], without any relief whatsoever from valuation or appraisal laws of the [State of IN] to-wit:

SEE LEGAL DESCRIPTION ATTACHED HERETO AS EXHIBIT A AND MADE A PART HEREOF

which, with the property hereinafter described, is collectively referred to herein as the "Premises." The common address of the Premises is 3425 Buchanan St, Gary, IN 46408.

Return to  
INDIANA TITLE NETWORK COMPANY  
325 NORTH MAIN 2538975-1  
CROWN POINT, IN 46307  
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TOGETHER with all improvements, tenements, reversions, remainders, easements, fixtures and appurtenances now or hereafter thereto belonging, and all rents, issues and profits thereof for so long and during all such times as Mortgagor may be entitled thereto (which are pledged primarily and on a parity with said real estate and not secondarily); all tenant security deposits, utility deposits and insurance premium rebates to which Mortgagor may be entitled or which Mortgagor may be holding. All of the land, estate and property hereinabove described, real, personal and mixed, whether affixed or annexed or not (except where otherwise hereinabove specified) and all rights hereby conveyed and mortgaged are intended so to be as a unit and are hereby understood, agreed and declared (to the maximum extent permitted by law) to form part and parcel of the real estate and to be appropriated to the use of the real estate, and shall be, for the purposes of this Mortgage, deemed to be real estate and conveyed and mortgaged hereby.

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

IT IS FURTHER UNDERSTOOD AND AGREED THAT:

1. **Operating Covenants of Mortgagor.** Mortgagor shall: (a) promptly repair, restore or rebuild any buildings and other improvements now or hereafter on the Premises which may become damaged or destroyed to substantially the same character as prior to such damage or destruction, without regard to the availability or adequacy of any casualty insurance proceeds or eminent domain awards; (b) keep the Premises constantly in at least the condition and repair as of the date hereof, without waste; (c) keep the Premises free from mechanics' liens or other liens or claims for liens (collectively called "Liens"); (d) make no material structural alterations in or on the Premises without Mortgagee's prior written consent (other than as contemplated by Paragraph 24, below).

2. **Payment of Taxes.** Mortgagor shall pay all general taxes, special assessments and other charges before any penalty or interest attaches. Mortgagor shall, upon written request, furnish to Mortgagee duplicate receipts therefor within thirty (30) days following the date of payment. Mortgagor shall pay in full "under protest" any tax or assessment which Mortgagor may desire to contest, in the manner provided by law.

3. **Intentionally Omitted.**

4. **Insurance.**

Mortgagor shall keep all improvements and the Collateral now or hereafter situated on, or used in connection with, said Premises insured against loss or damage by fire on a so-called "All Risks" basis and against such other hazards as may reasonably be required by Mortgagee. Mortgagor shall also provide insurance coverage with such limits for personal injury and death and property damage as Mortgagee may from time-to-time require. Mortgagor shall also carry Builders Risk Insurance on an "all risks" basis for 100 percent of the full insurable value of all construction work in place or in progress from time to time insuring the Premises, including materials in storage and while in transit, against loss or damage by fire or other casualty, with extended coverage, vandalism and malicious mischief coverage, bearing a replacement cost agreed amount endorsement. All policies of insurance to be furnished hereunder shall be in forms, companies and amounts satisfactory to Mortgagee, with waiver of subrogation and replacement cost endorsements and a standard non-contributory Mortgagee clause attached to all policies, including a provision requiring that the coverage evidenced thereby shall not be terminated or materially modified without thirty (30) days' prior written notice to the Mortgagee. Mortgagor shall deliver all original policies, including additional and renewal policies, to Mortgagee and, in the case of insurance about to expire, shall deliver renewal policies not less than thirty (30) days prior to their respective dates of expiration.

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

(a) In case of loss or damage by fire or other casualty, Mortgagee is authorized to settle and adjust any claim under insurance policies which insure against such risks. Mortgagee is authorized to collect and receipt for any such insurance monies. Such insurance proceeds may, at the option of the Mortgagee be: (x) applied in reduction of the Indebtedness, whether due or not; or (y) held by the Mortgagee and applied to pay for the cost of repair, rebuilding or restoration of the buildings and other improvements on the Premises. If the Mortgagee shall allow the insurance proceeds to be used for repair, restoration or rebuilding, then the Mortgagee agrees to make said proceeds available to reimburse Mortgagor for the cost of repair, rebuilding or restoration of buildings or other

improvements on the Premises, provided that such proceeds shall be made available in the manner and under the conditions that the Mortgagee may require, including a right to approve all plans and specifications of such work before such work shall be commenced. If the proceeds are made available by the Mortgagee to reimburse the Mortgagor or any lessee for the cost of repair, rebuilding or restoration, any surplus, after payment of the cost of repair, rebuilding, restoration and the reasonable charges of the Disbursing Party, as that term is hereinafter defined, shall, at the option of the Mortgagee, be applied on account of the Indebtedness Secured Hereby or paid to any party entitled thereto as the same appear on the records of the Mortgagee. No interest shall be allowed to Mortgagor on any proceeds of insurance held by the Disbursing Party.

(b) As used in this Paragraph 5, the term "Disbursing Party" refers to the Mortgagee and to any responsible trust or title insurance company selected by the Mortgagee.

**6. Stamp Tax; Effect of Changes in Laws Regarding Taxation.** If, by the laws of the United States of America or of any state or subdivision thereof having jurisdiction over the Mortgagor, Mortgagee or the Premises, any tax is due or becomes due in respect of the issuance of the Note or any document securing same, the Mortgagor covenants and agrees to pay such tax in the manner required by any such law. The Mortgagor further covenants to reimburse the Mortgagee for any sums which Mortgagee may expend by reason of the imposition of any such tax.

**7. Observance of Lease Assignment.**

(a) As additional security for the payment of the Note and the payment and performance of any other Indebtedness Secured Hereby, Mortgagor has assigned to the Mortgagee all of its right, title and interest as landlord in and to all current and future leases of the Premises.

(b) Mortgagor will not, without Mortgagee's prior written consent: (i) execute any assignment or pledge of any rents or any leases of all or any portion of the Premises except an assignment or pledge securing the Indebtedness Secured Hereby; (ii) accept any payment of any installment of rent more than thirty (30) days before the due date thereof; (iii) modify, alter, amend or in any way change the terms and provisions of any lease; or (iv) waive the obligation of any tenant under any of the leases to fully and timely perform in strict accordance with the terms thereof.

(c) Nothing in this Mortgage or in any other documents relating to the Note shall be construed to obligate Mortgagee, expressly or by implication, to perform any of the covenants of any landlord under any of the leases assigned to Mortgagee or to pay any sum of money or damages therein provided to be paid by the landlord, each and all of which covenants and payments Mortgagor agrees to perform and pay or cause to be performed and paid.

**8. Mortgagee's Performance of Defaulted Acts.**

In case of default herein by Mortgagor and same not being cured within the period, if any, hereinbelow provided, Mortgagor may, but need not, make any payment or perform any act herein required of Mortgagor in any form and manner Mortgagee deems expedient. All monies paid for any of the purposes herein authorized and all expenses paid or incurred to protect the Premises or the lien hereof, shall be so much additional Indebtedness Secured Hereby, and shall become immediately due and payable without notice and with interest thereon at the rate of interest set forth in the Note applicable to a period when a default exists thereunder. 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.

**9. Acceleration of Indebtedness in Case of Default.**

(a) Each of the following shall be deemed to be events of default pursuant to this Mortgage: (i) failure of Mortgagor to make any due and punctual payment of principal or interest on the Note, or any other payment due in accordance with the terms thereof or hereof; or (ii) the Mortgagor shall; (A) file a petition of liquidation, reorganization or adjustment or debt under Title 11 of the United States Code (11 U.S.C. §§ 101 et seq.) or any similar law, state or federal, whether now or hereafter existing, or (B) file any answer admitting insolvency or inability to pay its debts, or (C) fail to obtain a vacation or stay of involuntary proceedings within thirty (30) days, as hereinafter provided; or (iii) any order for relief of the Mortgagor shall be entered in any case under Title 11 of the



United States Code, or a trustee or a receiver shall be appointed for the Mortgagor, or for all or the major part of the property of Mortgagor in any voluntary or involuntary proceeding, or any court shall have taken jurisdiction of all or the major part of the property of the Mortgagor in any voluntary or involuntary proceeding for the reorganization, dissolution, liquidation, adjustment of debt or winding up of the Mortgagor and such trustee or receiver shall not be discharged or such jurisdiction not be relinquished or vacated or stayed on appeal or otherwise stayed within ten (10) days; or (iv) the Mortgagor shall make an assignment for the benefit of creditors, or shall admit in writing its inability to pay its debts generally as they become due, or shall consent to the appointment of a receiver or trustee or liquidator of all or any major part of its property; or (v) default shall be made in the due observance or performance of any other covenant, agreement or condition hereinbefore or hereinafter contained and required to be kept or performed or observed by the Mortgagor and same is not cured within twenty (20) days after written notice thereof from Mortgagee to Mortgagor, or (vi) default shall be made in the due observance or performance of any covenant, agreement or condition required to be kept or observed by Mortgagor in the loan documents executed in connection herewith ("Loan Documents") or in any other instrument given at any time to secure the payment of the Note, or (vii) Mortgagor or an Affiliate shall default in the payment or performance of any other obligation owed by Mortgagor or such Affiliate to Mortgagee.

(b) Upon the occurrence of any of the events described in Paragraph (a) above, then and in any such event, the whole of the Indebtedness Secured Hereby shall at once, at the option of the Mortgagee, become immediately due and payable without further notice to Mortgagor. If, while any insurance proceeds or condemnation awards are held by or for the Mortgagee to reimburse Mortgagor or any lessee for the cost of repair, rebuilding or restoration of building(s) or other improvement(s) or other improvement(s) on the Premises, the Mortgagee shall be or become entitled to accelerate the maturity of the Indebtedness Secured Hereby, then and in such event, the Mortgagee shall be entitled to apply all such insurance proceeds and condemnation awards then held by or for it in reduction of the Indebtedness Secured Hereby, and any excess held by it over the amount of the Indebtedness Secured Hereby shall be paid to Mortgagor or any party entitled thereto, without interest, as the same appear on the records of the Mortgagee.

#### 10. Foreclosure; Expense of Litigation.

(a) When the Indebtedness Secured Hereby or any part thereof becomes due, whether by acceleration or otherwise, Mortgagee shall have the right to foreclose the lien hereof for such Indebtedness Secured Hereby or any part thereof. In any civil action to foreclose the lien hereof, there shall be allowed and included as additional Indebtedness Secured Hereby in the order or judgment for foreclosure and sale all reasonable expenditures and expenses which may be paid or incurred by or on behalf of Mortgagee for attorneys' fees, appraiser's fees, outlays for documentary and expert evidence, stenographers' charges, publication costs, and costs (which may be estimated as to items to be expended after entry of said order or judgment) of procuring all such abstracts of title, title searches and examinations, title insurance policies, and similar data and assurances with respect to the title as Mortgagee may deem reasonably necessary either to prosecute such civil action or to evidence to bidders at any sale which may be had pursuant to such order or judgment the true condition of the title to, or the 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 the Premises and the maintenance of the lien of this Mortgage, including the fees of any attorneys employed by Mortgagee in any litigation or proceeding affecting this Mortgage, the Note or the Premises, including probate, appellate and bankruptcy proceedings, or in preparations for the commencement or defense of any action or proceeding or threatened action or proceeding, shall be immediately due and payable by Mortgagor, with interest thereon at the rate set forth in the Note applicable to a period when a default exists thereunder, and shall be secured by this Mortgage.

(b) At all times the Mortgagee shall appear in and defend any suit, action or proceeding that might in any way in the sole judgment of Mortgagee affect the value of the Premises, the priority of this Mortgage or the rights and powers of Mortgagee hereunder or under any document given at any time to secure the Indebtedness Secured Hereby, Mortgagor shall, at all times, indemnify, hold harmless and reimburse Mortgagee on demand for any and all loss, damage, expense or cost, including cost of evidence of title and reasonable attorneys' fees, arising out of or incurred in connection with any such suit, action or proceeding, and the sum of such expenditures shall be secured by this Mortgage and shall bear interest after demand at the rate specified in the Note applicable to a period when a default exists thereunder, and such interest shall be secured hereby and shall be due and payable on demand.

**11. Application of Proceeds of Foreclosure Sale.**

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; second, all principal and interest remaining unpaid on the Note; third, all other items which may, under the terms hereof, constitute Indebtedness Secured Hereby additional to that evidenced by the Note, with interest thereon as herein provided; and fourth, any overplus to any party entitled thereto as their rights may appear on the records of the Mortgagee.

**12. Appointment of Receiver or Mortgagee-In-Possession.**

Upon, or at any time after, the commencement of an action to foreclose this Mortgage, the court in which such action was commenced may, upon request of the Mortgagee, appoint a receiver of the Premises either before or after foreclosure sale, without notice and without regard to the solvency or insolvency of Mortgagor at the time of application for such receiver and without regard to the then value of the Premises, the Mortgagee or any holder of the Note may be appointed as such receiver or as mortgagee in possession. Such receiver, or the mortgagee-in-possession, shall have power to collect the rents, issues and profits of the Premises during the pendency of such foreclosure action and, in case of a sale and a deficiency, during the full statutory period of redemption, if any, whether there be redemption or not, as well as during any further times, if any, when Mortgagor, except for the intervention of such receiver or mortgagee-in-possession, would be entitled to collect such rents, issues and profits, and all other powers which may be necessary or are usual in such cases for the protection, possession, control, management and operation of the Premises during the whole of said period. The court from time to time may authorize the receiver or mortgagee-in-possession to apply the net income in its hands in payment in whole or in part of: (a) the Indebtedness Secured Hereby or the indebtedness secured by a decree foreclosing the lien of this Mortgage, or any tax, special assessment or other lien which may be or become superior to the lien hereof or the lien of such order or judgment, provided such application is made prior to the foreclosure sale; (b) the deficiency in case of a sale and deficiency.

**13. Rights Cumulative.**

Each right, power and remedy conferred upon the Mortgagee by this Mortgage and by all other documents evidencing or securing the Indebtedness Secured Hereby and conferred by law and in equity is cumulative and in addition to every other right, power and remedy, express or implied, given now or hereafter existing, at law and in equity.

**14. Mortgagee's Right of Inspection.**

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

**15. Condemnation.**

Mortgagor hereby assigns, transfers and sets over unto the Mortgagee the entire proceeds of any award and any claim for damages for any of the Premises taken or damaged under the power of eminent domain or by condemnation. The Mortgagee may elect at its option: (a) to apply the proceeds of the award or claim upon or in reduction of the Indebtedness Secured Hereby or (b) to make those proceeds available to Mortgagor or any lessee for repair, restoration or rebuilding of the Premises, in the manner and under the conditions that the Mortgagee may require. In any event, if the improvement(s) are repaired, restored or rebuilt, it shall be accomplished in accordance with plans and specifications to be submitted to and approved by the Mortgagee. If the proceeds are made available by the Mortgagee, any surplus which may remain out of said award after payment of such cost of repair, rebuilding, restoration and the reasonable charges of the Disbursing Party shall, at the option of the Mortgagee, be applied on account of the Indebtedness Secured Hereby or paid to any party entitled thereto as the same appear on the records of the Mortgagee. If, as a result of the condemnation or eminent domain, the balance of the Premises do not, in Mortgagee's judgment, result in a complete economic unit having equivalent value to the Premises as it existed before the taking, Mortgagee can immediately demand repayment of the entire Indebtedness Secured Hereby.

**16. Release Upon Payment and Discharge of Mortgagor's Obligations.**

Mortgagee shall release this Mortgage and the lien hereof by proper instrument upon indefeasible payment and discharge of all Indebtedness Secured Hereby and upon payment of a reasonable fee to Mortgagee for the execution of such proper instrument.

**17. Giving of Notice.**

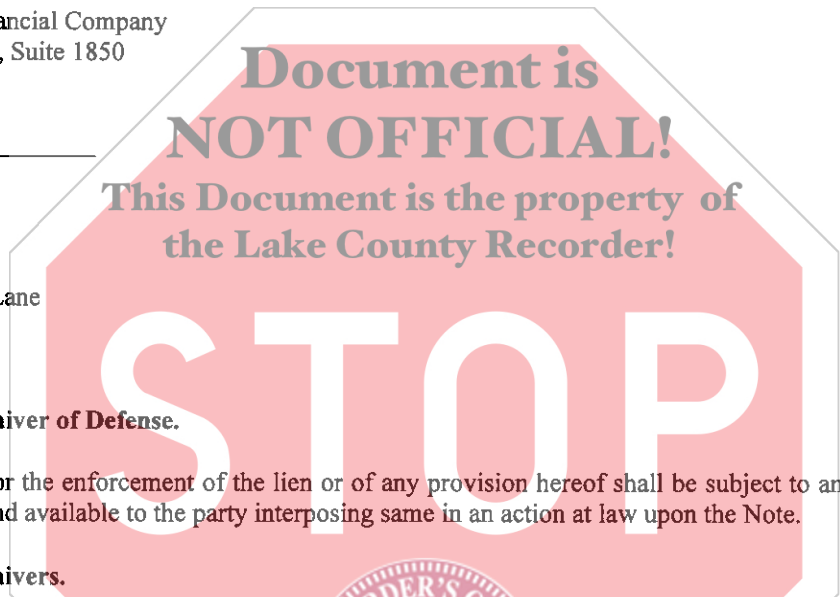
Any notice or other communication which any party hereby may desire or may be required to give to any party hereto shall be in writing, and shall be deemed given (i) when personally delivered, (ii) upon receipt if sent by a nationally recognized overnight courier service (e.g. Federal Express), addressed to a party at its address set forth below, or (iii) on the second business day after being deposited with the United States Postal Service, certified mail, postage prepaid, addressed to a party at its address set forth below, or to such other address as the party to receive such notice may have designated to all other parties by notice in accordance herewith:

***If to Mortgagee:***

Smith-Rothchild Financial Company  
221 N LaSalle Street, Suite 1850  
Chicago, IL 60601

Attn: \_\_\_\_\_

***If to Mortgagor:***  
Adrian Daughtery  
9748 Crimson Tree Lane  
Munster, IN 46321



**18. Waiver of Defense.**

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

**19. Waivers.**

**19.1 Waiver of Statutory Rights Including Right of Redemption.** Mortgagor shall not and will not apply for or avail itself of any appraisalment, valuation, stay, extension or exemption laws or any so-called "Moratorium Laws", now existing or hereafter enacted, in order to prevent or hinder the enforcement or foreclosure of the lien of this Mortgage, but hereby waives the benefit of such laws. 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 marshalled 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 does hereby expressly waive any and all rights of redemption from sale under any order or judgment of foreclosure of the lien of this Mortgage on behalf of the Mortgagor, the trust estate and all persons beneficially interested therein and each and every person, except judgment creditors of the Mortgagor in its representative capacity and of the trust estate, acquiring any interest in or title to the Premises subsequent to the date of this Mortgage. To the fullest extent permitted by law, Mortgagor agrees that it will not, by invoking or utilizing any applicable law or laws or otherwise, hinder, delay or impede the exercise of any right, power or remedy herein or otherwise granted or delegated to Mortgagee, but will suffer and permit the exercise of every such right, power and remedy as though no such law or laws have been or will have been made or enacted. To the fullest extent permitted by law, (i) Mortgagor hereby agrees that no action for the enforcement of the lien or any provision hereof shall be subject to any defense which would not be good and valid in an action at law upon the Loan Documents executed in connection herewith; and (ii) to the extent not prohibited by law, Mortgagor does hereby waive any right to a jury trial in any action or proceeding to enforce or defend any rights of the Mortgagee under this Mortgage or any of the Loan Documents, or relating thereto or arising therefrom and agrees that any such action or proceeding shall be tried before a court and not before a jury.

**19.2 Waiver of Marshalling.** Notwithstanding the existence of any other security interests in



the Premises and/or Collateral held by Mortgagee or by any other party, Mortgagee shall have the right to determine the order in which any or all portions of the Indebtedness Secured Hereby are satisfied from the proceeds realized upon the exercise of the remedies provided herein. Mortgagor and any other party who consents to this Mortgage and any party who now or hereafter acquires a security interest in the Premises and/or Collateral hereby waives any and all right to require the marshalling of assets in connection with the exercise of any of the remedies permitted by applicable law or provided herein.

**20. Furnishing of Financial Statements, Operating Statements and Leasing Reports to Mortgagee.**

(a) Mortgagor covenants and agrees that it will keep and maintain books and records of account in which full, true and correct entries shall be made of all dealings and transactions relative to the Premises, which books and records of account shall, at reasonable times and on reasonable notice, be open to the inspection of the Mortgagee and its accountants and other duly authorized representatives. Such books and records of account shall be kept and maintained: (i) in accordance with generally accepted accounting principles consistently applied; and (ii) at the principal place of business of the Mortgagor.

(b) Mortgagor covenants and agrees to furnish to the Mortgagee, within ninety (90) days following the end of each calendar year, financial statements of the Mortgagor and each guarantor of the loan secured by this Mortgage as well as annual operating statements of the Premises and any other financial information relating to Mortgagor as Lender may request.

(c) If Mortgagor fails to furnish promptly any report required by Paragraph 20, it shall be an event of default hereunder.

**21. MISCELLANEOUS.**

**21.1 Severability and Applicable Law.** In the event one or more of the provisions contained in this Mortgage or in the Note or in any other document given at any time to secure the payment of the Note shall, for any reason, be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall, at the option of the Mortgagee, not affect any other provision of this Mortgage, the Note or other document and this Mortgage, the Note or other document shall be construed as if such invalid, illegal or unenforceable provision had never been contained herein or therein. The validity and interpretation of this Mortgage and the Note it secures and any other document given at any time to secure the payment of the Note are to be construed in accordance with and governed by the laws of the [State of IN].

**21.2 Estoppel Certificate.** Mortgagor, within fifteen (15) days of a request by the Mortgagee, agrees to furnish from time to time a signed statement setting forth the amount of the Indebtedness Secured Hereby and whether or not any default, offset or defense therein is alleged to exist against the Indebtedness Secured Hereby and, if so, specifying the nature thereof and such other items reasonably requested by Mortgagee.

**21.3 Regulation G and Regulation U Clause.** Mortgagor covenants that no portion of the proceeds evidenced by the Note will be used for the purchase or carrying of registered equity securities within the purview and operation of Regulation G or Regulation U issued by the Board of Governors of the Federal Reserve System.

**21.4 Indemnity** The Mortgagor hereby indemnifies, protects, saves and holds forever harmless the Mortgagee, and its directors, officers, employees, agents and independent contractors, (for the purposes of this paragraph, the "Indemnified Parties") from and against all liabilities, obligations, claims, damages, penalties, causes of action, costs and expenses, including, without limitation, court costs and reasonable attorneys' fees and expenses, imposed upon, incurred by or asserted against the Indemnified Parties, or any of them, as a result of, in connection with or arising from (a) the ownership or operation of the Premises or any interest therein or receipt by the Mortgagor of any rent or other sum therefrom; (b) any accident, injury to or death of persons or loss or damage to property occurring in, on or about the Premises or any part thereof or on the adjoining sidewalks, curbs, vaults and vault space, if any, adjacent parking areas, streets or ways, (c) the condition of the Premises or any part thereof or the adjoining sidewalks, curbs, vaults and vault space, if any, the adjacent parking areas, streets or ways; (d) any failure on the part of the Mortgagor to perform or comply with any of the terms, covenants, conditions and

provisions of the loan documents; or (e) the performance of any labor or services or the furnishing of any materials or other property in respect of the Premises or any part thereof. Any amounts payable to the Indemnified Parties, or any of them, under this paragraph which are not paid within three (3) business days after written demand therefor by the Indemnified Parties shall be so much additional Indebtedness Secured Hereby and shall bear interest from the date of such demand to the date of receipt by the Indemnified Parties of payment at the rate set forth in the Note applicable to a period when a default exists thereunder, and the Mortgagee shall, in addition to any other right, power or remedy available to the Mortgagee, have the same rights, powers and remedies in the event of nonpayment of any such sum by the Mortgagor as in the case of a default by the Mortgagor in the payment of any other Indebtedness Secured Hereby. The obligations of the Mortgagor under this paragraph shall survive any termination, release or satisfaction of this Mortgage.

## **22. Security Agreement and Financing Statement.**

(a) Mortgagor and Mortgagee agree: (i) that this Mortgage shall constitute a Security Agreement within the meaning of the Uniform Commercial Code (the "Code") of the [State of IN] with respect to all sums on deposit with the Mortgagee (the "Deposits") and with respect to any personal property included in the definition herein of the word "Premises", which personal property may not be deemed to form a part of the real estate described in Exhibit "A" or may not constitute a "fixture" (within the meaning of the Code), and all replacements of such property, substitutions for such property, additions to such property, and the proceeds thereof (said property, replacements, substitutions, additions and the proceeds thereof being sometimes herein collectively referred to as the "Collateral"); and (ii) that a security interest in and to the Collateral and the Deposits is hereby granted to the Mortgagee; and (iii) that the Deposits and all of the Mortgagor's right, title and interest therein are hereby assigned to the Mortgagee; all to secure payment of the Indebtedness Secured Hereby and to secure performance by the Mortgagor of the terms, covenants and provisions hereof.

(b) In the event of a default under this Mortgage, and such is not cured within the period, if any, so provided hereinabove, the Mortgagee, pursuant to the appropriate provisions of the Code, shall have an option to proceed with respect to both the real property and the improvements thereon and Collateral in accordance with its rights, powers and remedies with respect to the real property and the improvements thereon, in which event the default provisions of the Code shall not apply. The parties agree that if the Mortgagee shall elect to proceed with respect to the Collateral separately from the real property and the improvements thereon, ten (10) days notice of the sale of the Collateral shall be reasonable notice. The reasonable expenses of retaking, holding, preparing for sale, selling and the like incurred by the Mortgagee shall include, but not be limited to, reasonable attorneys' fees and legal expenses incurred by Mortgagee, including, but not limited to, equitable actions and all appeals. The Mortgagor shall, from time to time, on request of the Mortgagee, deliver to the Mortgagee at the cost of the Mortgagor: (i) such further financing statements and security documents and assurances as Mortgagee may require, to the end that the liens and security interests created hereby shall be and remain perfected and protected in accordance with the requirements of any present or future law; and (ii) an inventory of the Collateral in reasonable detail. The Mortgagor covenants and represents that all Collateral now is, and that all replacements thereof, substitutions therefor or additions thereto, unless the Mortgagee otherwise consents, will be free and clear of liens, encumbrances, title retention devices and security interests of others.

(c) The Mortgagor and Mortgagee agree, to the extent permitted by law, that: (i) all of the goods described within the definition of the word "Premises" herein are or are to become fixtures on the land described in Exhibit A; (ii) this instrument, upon recording or registration in the real estate records of the proper office, shall constitute a "fixture filing" within the meaning of the Code; and (iii) Mortgagor is a record owner of the land described in Exhibit A.

(d) If the Collateral is sold in connection with a sale of the Premises, Mortgagor shall notify the Mortgagee prior to such sale and shall require as a condition of such sale that the purchaser specifically agree to assume Mortgagor's obligations as to the security interests herein granted and to execute whatever agreements and filings are deemed necessary by the Mortgagee to maintain Mortgagee's first perfected security interest in the Collateral, Deposits and the deposits described in Paragraph 3 above.

## **23. Due on Sale or Further Encumbrance Clause.**

(a) In determining whether or not to make the loan evidenced by the Note and secured



hereby, Mortgagee examined the credit-worthiness of Mortgagor found it acceptable and relied and continues to rely upon same as the means of repayment of the Note. Mortgagee also evaluated the background and experience of Mortgagor in owning and operating property such as the Premises, found same acceptable and relied and continues to rely upon same as the means of maintaining the value of the Premises. Mortgagor is an entity/person well-experienced in borrowing money and owning, renovating and/or operating property such as the Premises, was ably represented by a licensed attorney at law in the negotiation and documentation of the loan evidenced by the Note and secured hereby and bargained at arm's length and without duress of any kind for all of the terms and conditions of the loan, including this provision. Mortgagor recognizes that Mortgagee is entitled to keep its loan portfolio at current interest rates by either making new loans at such rates or collecting assumption fees and/or increasing the interest rate on a loan, if the security for which is purchased by a party other than the original Mortgagor. Mortgagor further recognizes that any secondary or junior financing placed upon the Premises or any interest in the Mortgagor, (i) may divert funds which would otherwise be used to pay the Indebtedness Secured Hereby; (ii) could result in acceleration and foreclosure by any such junior encumbrance which would force Mortgagee to take measures and incur expenses to protect its security; (iii) would detract from the value of the Premises should Mortgagee come into possession thereof with the intention of selling same; and (iv) could impair Mortgagee's right to accept a deed in lieu of foreclosure, as a foreclosure by Mortgagee would be necessary to clear the title to the Premises.

(b) In accordance with the foregoing and for the purposes of: (i) protecting Mortgagee's security, both of repayment and of the value of the Premises; (ii) giving Mortgagee the full benefit of its bargain and contract with Mortgagor; (iii) allowing Mortgagee to raise the interest rate and/or collect assumption fees; and (iv) keeping the Premises free of subordinate financing liens, Mortgagor agrees that if this paragraph be deemed a restraint on alienation, that it is a reasonable one and that any sale, conveyance, assignment, further encumbrance or other transfer of title to the Premises or any interest therein (whether voluntary or by operation of law) without the Mortgagee's prior written consent shall be a default hereunder for which no notice need be given and no cure period shall be permitted. For the purpose of, and without limiting the generality of, the preceding sentence, the occurrence at any time of any of the following events shall be deemed to be an unpermitted transfer of title to the Premises and therefore a default hereunder:

- (A) any sale, conveyance, assignment or other transfer of, or the grant of a security interest in all or any part of the title to the Premises; or
- (B) any sale, conveyance, assignment or other transfer of, or the grant of a security interest in, any (i) share of stock of any corporation, (ii) membership interests of any limited liability company, (iii) partnership interests in any partnership, or (iv) other equity interests in any entity which holds title to the Premises or of any corporation or limited liability company, partnership or other legal entity directly or indirectly controlling such entity;

Any consent by the Mortgagee, or any waiver of an event of default, under this paragraph shall not constitute a consent to, or waiver of any right, remedy or power of the Mortgagee upon a subsequent event of default under this Paragraph.

#### **24. Construction Loan.**

Mortgagor has executed and delivered to Mortgagee an Acquisition and Construction Loan Agreement ("Loan Agreement") of even date herewith relating to the construction of certain improvements upon the Premises and the disbursement of all or part of the Indebtedness Secured Hereby for the purpose of financing a portion of the costs thereof. The Loan Agreement is hereby incorporated herein by this reference as fully and with the same effect as if set forth herein at length. The Mortgagee secures all funds advanced pursuant to the Loan Agreement (which advances shall constitute part of the Indebtedness Secured Hereby, whether more or less than the principal amount stated in the Note) and the punctual performance, observance and payment by Mortgagor of all of the requirements of the Loan Agreement to be performed, observed or paid by Mortgagor. In the event of express and direct contradiction between any of the provisions of the Loan Agreement and any of the provisions contained herein, then the provisions contained in the Loan Agreement shall control. Any warranties, representations and agreements made in the Loan Agreement by Mortgagor shall survive the execution and recording of this Mortgage and shall not merge herein.

**25. Hazardous Substances - Status and Indemnity.**

(a) As a material inducement to Mortgagee to disburse the funds evidenced by the Note secured hereby, the Mortgagor does hereby represent and covenant that to the best of Mortgagor's knowledge (i) there is no presence of any Hazardous Substances, as that term is hereinafter defined, on, at, in or affecting the Premises or the groundwater underlying same; (ii) no spills, releases, discharges, or disposal of Hazardous Substances have occurred or are presently occurring on, in, at or onto the Premises; (iii) no spills or disposal of Hazardous Substances have occurred or are occurring off the Premises as a result of any construction on, at, in or the operation and use of the Premises; (iv) there is no presence of any equipment containing polychlorinated biphenyl ("PCB") at the Premises; and (v) there is no presence of any asbestos in use or on the Premises.

(b) In connection with construction in, at or on the Premises or the operation and use of the Premises, there has been no failure to comply with all applicable local, state, and federal environmental laws, regulations, ordinances, and administrative and judicial orders relating to the generation, recycling, reuse, sale, storage, handling, transport, and disposal of any Hazardous Substances.

(c) In addition to all other obligations of the Mortgagor to indemnify the Mortgagee, Mortgagor agrees to indemnify and hold Mortgagee harmless from and against any and all claims, demands, damages, losses, liens, liabilities, penalties, fines, lawsuits, and other proceedings, costs, and expenses (including without limitation reasonable attorney's fees) arising directly or indirectly from, out of, or in any way connected with (i) the presence of any Hazardous Substances in, at, on or off the Premises or (ii) any violation or alleged violation of any local, state, or federal environmental law, regulation, ordinance, or administrative or judicial order relating to Hazardous Substances, whether attributable to events occurring before or after Mortgagor's acquisition of the Premises. The obligations of Mortgagor under this paragraph shall survive any termination, release or satisfaction of this Mortgage.

(d) Mortgagor covenants that it shall not create, store, or release or allow the creation, storage or release of any Hazardous Substances on the Premises and, at Mortgagor's sole cost and expense, it shall remove or cause to be removed any Hazardous Substances on, at or in the Premises or the groundwater underlying same.

(e) As used in this Mortgage, "Hazardous Substances" shall mean: Any substance or material defined or designated as hazardous or toxic waste, hazardous or toxic material, a hazardous or toxic substance, or other similar term by any federal, state, or local environmental statute, regulation, or ordinance presently in effect or that may be promulgated in the future as such statutes, regulations, or ordinances may be amended from time to time.

**26. Future Advance.**

At all times, regardless of whether any loan proceeds have been disbursed, this Mortgage secures, as part of the Indebtedness Secured Hereby, the payment of all loan commissions, service charges, liquidated damages, attorneys' fees, expenses and advances due to or incurred by Lender in connection with the Indebtedness Secured Hereby, all in accordance with the Note, this Mortgage, and the Loan Agreement, and all other obligations of the Mortgagor or any Affiliate of the Mortgagor to Mortgagee; provided, however, that in no event shall the total amount of the Indebtedness Secured Hereby, including loan proceeds disbursed plus any additional charges, exceed two hundred percent (200%) of the face amount of the Note. Mortgagor acknowledges that Mortgagee has bound itself to make advances pursuant to the Loan Agreement and that all such future advances shall be a lien from the time this Mortgage is recorded, as provided in the Act.

*[Remainder of Page Intentionally Left Blank]*

IN WITNESS WHEREOF, the Mortgagor has executed this instrument as of the day and year first above written.

*[Handwritten Signature]*  
Adrian M. Daugherty  
*of Daugherty AD-*

STATE INDIANA )  
COUNTY LAKE )

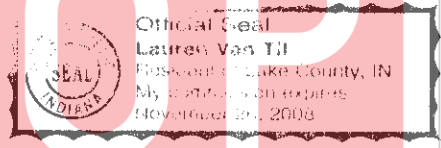
SS

I, the undersigned, a Notary Public, in and for the County and State aforesaid, DO HEREBY CERTIFY, that Adrian M. Daugherty, personally known to me to be the same person whose name is subscribed to the foregoing instrument, appeared before me this day in person and acknowledged that as such he signed and delivered the said instrument as his/her free and voluntary act, for the uses and purposes therein set forth.

Given under my hand and official seal this 18<sup>th</sup> day of September, 2006

My Commission expires: 11/26/08

*[Handwritten Signature]*  
Notary Public Lauren Van Til

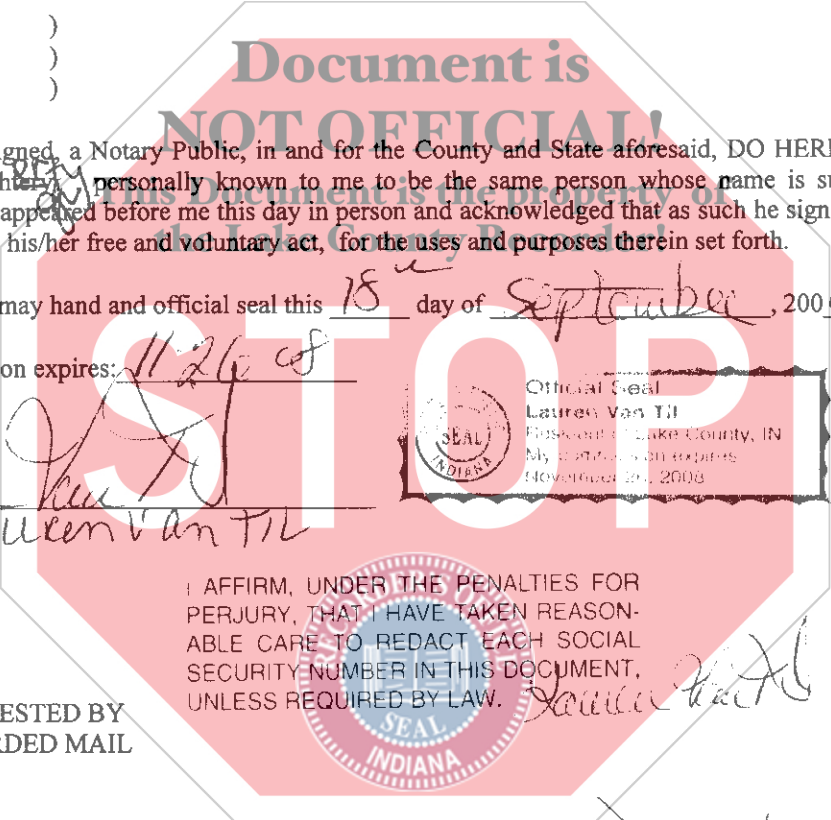


I AFFIRM, UNDER THE PENALTIES FOR PERJURY, THAT I HAVE TAKEN REASONABLE CARE TO REDACT EACH SOCIAL SECURITY NUMBER IN THIS DOCUMENT, UNLESS REQUIRED BY LAW.

RECORDING REQUESTED BY AND WHEN RECORDED MAIL TO:

Smith-Rothchild Financial Company  
Suite 1850  
221 North LaSalle Street  
Chicago, Illinois 60601  
Attention: \_\_\_\_\_

Prepared By: DOUGLAS R. KVACHKOFF





**EXHIBIT A**

**LEGAL DESCRIPTION**

LOT 8, BLOCK 4, GOLFMOR, IN THE CITY OF GARY, AS SHOWN IN PLAT  
BOOK 18, PAGE 35, IN LAKE COUNTY, INDIANA.

KEY No. 25-43-0293-0008

ADDRESS: 3425 BUCHANAN ST, GARY, IN 46408

