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CONSTRUCTION LOAN MORTGAGE AND SECURITY AGREEMENT

from

SOUTH CAMPUS DEVELOPMENT TEAM, L.L.C.,
an Illinois limited liability company

to

LASALLE BANK NATIONAL ASSOCIATION,
a national banking association

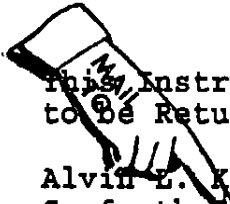
Dated as of October 1, 2001

Permanent Tax Index Numbers: This Instrument Prepared By and
to Be Returned After Recording to:

See Exhibit A

Address of Premises:

See Exhibit A


Alvin E. Kruse
Seyfarth Shaw
Suite 4200
55 East Monroe Street
Chicago, Illinois 60603

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CONSTRUCTION LOAN MORTGAGE AND SECURITY AGREEMENT

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CONSTRUCTION LOAN MORTGAGE AND SECURITY AGREEMENT

THIS CONSTRUCTION LOAN MORTGAGE AND SECURITY AGREEMENT dated as of October 1, 2001, from SOUTH CAMPUS DEVELOPMENT TEAM, L.L.C., an Illinois limited liability company (the "Mortgagor"), to LASALLE BANK NATIONAL ASSOCIATION, a national banking association (the "Mortgagee");

W I T N E S S E T H:

WHEREAS, SCDT-ONE L.L.C., an Illinois limited liability company (the "Borrower"), is a wholly owned subsidiary of the Mortgagor; and

WHEREAS, the Borrower has, concurrently herewith, executed and delivered to the Mortgagee its Construction Loan Mortgage Note (the "Note"), bearing even date herewith, payable to the order of the Mortgagee, the terms of which are described in Section 2.1 hereof; and

WHEREAS, the Mortgagor and the Borrower desire and intend to improve the real estate described in Exhibit A attached hereto by constructing certain improvements thereon; and

WHEREAS, the Note evidences a construction loan being made by the Mortgagee to the Borrower for the purpose of providing financing for such improvements; and

WHEREAS, the Borrower is also executing and delivering to the Mortgagee the "Letter of Credit Documents" (as defined in Article I hereof), pursuant to which the Mortgagee will issue one or more Irrevocable Standby Letters of Credit for the account of the Borrower, to assure the completion of certain public improvements related to the said real estate; and

WHEREAS, the Mortgagor will indemnify the Mortgagee against with respect to certain matters pursuant to the "Indemnity Agreement" (as defined in Article I hereof) and will guaranty obligations of the Borrower pursuant to the "Guaranty" (as defined in Article I hereof); and

WHEREAS, the Borrower and the Mortgagor have entered into the "Phase 1C-1 Loan Documents" (as defined in Article I hereof) with the Mortgagee;

NOW, THEREFORE, FOR GOOD AND VALUABLE CONSIDERATION, including the indebtedness hereby secured, the receipt and sufficiency of which are hereby acknowledged, the Mortgagor hereby grants, bargains, sells, conveys and mortgages to the Mortgagee and its successors and assigns forever, under and subject to the terms and conditions hereinafter set forth, all of the Mortgagor's right, title and interest in and to the real property located in the City of Chicago, County of Cook, State of Illinois, described in Exhibit A attached hereto and by this reference incorporated herein, including all improvements now and hereafter located thereon;

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TOGETHER WITH all right, title and interest of the Mortgagor, now owned or hereafter acquired, in and to the following:

(a) All rents, issues, profits, royalties and income with respect to the said real estate and improvements and other benefits derived therefrom, subject to the right, power and authority given to the Mortgagor to collect and apply same; and

(b) All leases or subleases covering the said real estate and improvements or any portion thereof now or hereafter existing or entered into, including, without limitation, all cash or security deposits, advance rentals, and deposits or payments of similar nature, and any and all guarantees of the lessee's obligations under any of such leases and subleases; and

(c) All privileges, reservations, allowances, hereditaments and appurtenances belonging or pertaining to the said real estate and improvements and all rights and estates in reversion or remainder and all other interests, estates or other claims, both in law and in equity, which the Mortgagor now has or may hereafter acquire in the said real estate and improvements; and

(d) All easements, rights-of-way and rights used in connection with the said real estate and improvements or as a means of ingress and egress thereto, and all tenements, hereditaments and appurtenances thereof and thereto, and all water rights and shares of stock evidencing the same; and

(e) Any land lying within the right-of-way of any street, open or proposed, adjoining the said real estate and improvements, and any and all sidewalks, alleys and strips and gores of land adjacent to or used in connection with the said real estate and improvements; and

(f) Any and all buildings and improvements now or hereafter erected on the said real estate, including, but not limited to, all the fixtures, attachments, appliances, equipment, machinery, and other articles attached to said buildings and improvements; and

(g) All materials intended for construction, reconstruction, alteration and repairs of the said real estate and improvements, all of which materials shall be deemed to be included within the said real estate and improvements immediately upon the delivery thereof to the said real estate; and

(h) All fixtures attached to or contained in and used in connection with the said real estate and improvements, including, but not limited to, all machinery, motors,

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elevators, fittings, radiators, awnings, shades, screens, and all plumbing, heating, lighting, ventilating, refrigerating, incinerating, air-conditioning and sprinkler equipment and fixtures and appurtenances thereto; and all items of furniture, furnishings, equipment and personal property used or useful in the operation of the said real estate and improvements; and all renewals, substitutions and replacements for any or all of the foregoing, and all proceeds therefrom, whether or not the same are or shall be attached to the said real estate and improvements in any manner; it being mutually agreed, intended and declared that all the aforesaid property placed by the Mortgagor on and in the said real estate and improvements shall, so far as permitted by law, be deemed to form a part and parcel of the real estate and for the purpose of this Mortgage to be real estate and covered by this Mortgage; and as to any of the aforesaid property which does not so form a part and parcel of the real estate or does not constitute a "fixture" (as such term is defined in the "Code" (as defined in Article I hereof), this Mortgage is intended to be a security agreement under the Code for the purpose of creating hereby a security interest in such property, which the Mortgagor hereby grants to the Mortgagee as secured party; and

(i) All the estate, interest, right, title or other claim or demand, including claims or demands with respect to any proceeds of insurance related thereto, which the Mortgagor now has or may hereafter acquire in the said real estate and improvements or personal property and any and all awards made for the taking by eminent domain, or by any proceeding or purchase in lieu thereof, of the whole or any part of the said real estate and improvements or personal property, including without limitation any awards resulting from a change of grade of streets and awards for severance damages; and

(j) All right, title and interest of the Mortgagor in, to and under all contracts for the sale of Units (as defined in Article I hereof) and all proceeds thereof, subject to the rights of the purchasers thereunder; and

(k) All proceeds of all of the foregoing;

the said real estate and improvements and the property and interests described in (a) through (k) above being collectively referred to herein as the "Premises;" and as to any portion of the Premises constituting property subject to the Code, this Mortgage is intended to be a security agreement under the Code for the purpose of creating hereby a security interest in such portion of the Premises, which the Mortgagor hereby grants to the Mortgagee as secured party.

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

FOR THE PURPOSE OF SECURING the following (but not exceeding \$50,000,000 in the aggregate):

(a) Payment of the indebtedness evidenced by the Note, and including the principal thereof and interest thereon and any and all modifications, extensions and renewals thereof, and performance of all obligations of the Borrower under the Note; and

(b) Payment of all amounts due under the Letter of Credit Documents and performance of all obligations of the Borrower under the Letter of Credit Documents; and

(c) Payment and performance of all obligations of the Mortgagor under the Indemnity Agreement and the Guaranty; and

(d) Payment of all indebtedness of the Borrower from time to time outstanding under the Phase 1C-1 Loan Documents, and including the principal thereof and interest thereon and any and all modifications, extensions and renewals thereof, and payment and performance of all other obligations of the Borrower and the Mortgagor under the Phase 1C-1 Loan Documents; and

(e) Performance and observance by the Mortgagor of all of the terms, covenants and provisions of this Mortgage; and

(f) Performance and observance by the parties thereto of all of the terms, covenants and provisions of the other "Loan Documents" (as defined in Article I hereof); and

(g) Payment of all sums advanced by the Mortgagee to perform any of the terms, covenants and provisions of this Mortgage or any of the other Loan Documents, or otherwise advanced by the Mortgagee pursuant to the provisions hereof or any of such other documents to protect the property hereby mortgaged and pledged; and

(h) Performance and observance of all of the terms, covenants and provisions of any other instrument given to evidence or further secure the payment and performance of any indebtedness hereby secured or any obligation secured hereby; and

(i) Payment of any future or further advances which may be made by the Mortgagee at its sole option to and for the benefit of the Borrower or the Mortgagor, or their successors, assigns and legal representatives, relating to the Premises.

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PROVIDED, HOWEVER, that if the Borrower shall pay the principal and all interest as provided in the Note, and all obligations of the Borrower under the Letter of Credit Documents shall be paid and performed, and if the Letter of Credit is outstanding, it is returned to the Mortgagee for cancellation, and if the Mortgagor shall pay all obligations of the Mortgagor that have become due and payable under the Indemnity Agreement, and if the Mortgagor shall pay and perform all obligations of the Mortgagor under the Guaranty, and if the Borrower and the Mortgagor shall pay all indebtedness and obligations from time to time outstanding under the Phase 1C-1 Loan Documents, and if the Mortgagor shall pay all other sums herein provided for, or secured hereby, and if the Mortgagor shall well and truly keep and perform all of the covenants herein contained, and if all other obligations secured hereby shall be fully paid and performed, then this Mortgage shall be released at the cost of the Mortgagor, otherwise to remain in full force and effect.

TO PROTECT THE SECURITY OF THIS CONSTRUCTION LOAN MORTGAGE AND SECURITY AGREEMENT, THE MORTGAGOR HEREBY COVENANTS AND AGREES AS FOLLOWS:

ARTICLE I

DEFINITIONS

Section 1.1. Definitions. The terms defined in this Section (except as otherwise expressly provided or unless the context otherwise requires) for all purposes of this Mortgage shall have the respective meanings specified in this Section.

"Assignment of Plans, Permits and Contracts" means the Assignment of Plans, Permits and Contracts dated as of October 1, 2001, from the Mortgagor to the Mortgagee.

"Assignment of Rents" means the Construction Loan Assignment of Rents and Leases dated as of October 1, 2001, from the Mortgagor to the Mortgagee.

"Borrower" means SCDT-ONE L.L.C., an Illinois limited liability company.

"Borrower Loan Documents" means those Loan Documents under which the Borrower is an obligor.

"Code" means the Uniform Commercial Code of the State of Illinois as from time to time in effect.

"Default" means, when used in reference to this Mortgage or any other document, or in reference to any provision of or obligation under this Mortgage or any other document, the occurrence of an event or the existence of a condition which, with the passage of time or the giving of notice, or both, would

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constitute an Event of Default under this Mortgage or such other document, as the case may be.

"Environmental Law" means the Comprehensive Environmental Response, Compensation, and Liability Act, any so-called "Superfund" or "Superlien" law, and any other federal, state or local statute, law, ordinance, code, rule, regulation, order or decree regulating, relating to, or imposing liability or standards of conduct concerning any Hazardous Material, in each case as now or hereafter in force and effect.

"Event of Default" means --

(i) when used in reference to this Mortgage, an Event of Default specified in Section 4.1 hereof; and

(ii) when used in reference to any other document, a default or event of default under such document that has continued after the giving of any applicable notice and the expiration of any applicable grace or cure periods.

"Guarantors" means the Mortgagor, William Cellini, Michael Marchese and Mesirov Realty Services, Inc., an Illinois corporation.

"Guaranty" means the Construction Loan Guaranty of Payment and Performance dated as of October 1, 2001, from the Guarantors to the Mortgagee.

"Hazardous Material" means any hazardous substance or any pollutant or contaminant defined as such in, or for purposes of, any federal, state or local statute, law, ordinance, code, rule, regulation, order or decree, in each case as now or hereafter in force and effect; asbestos or any substance or compound containing asbestos; polychlorinated biphenyls or any substance or compound containing any polychlorinated biphenyl; petroleum and petroleum products; pesticides; and any other hazardous, toxic or dangerous waste, substance or material.

"Impositions" means Impositions as defined in Section 2.6(a) hereof.

"Improvements" means the townhome and condominium buildings to be constructed on the Premises in accordance with the Loan Agreement.

"Indemnity Agreement" means the Construction Loan Indemnity Agreement dated as of October 1, 2001, from the Borrower and the Guarantors to the Mortgagee.

"Letter of Credit" means one or more Irrevocable Standby Letters of Credit in the maximum aggregate amount of \$250,000, to be issued by the Mortgagee in favor of the City of

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Chicago, Illinois, as beneficiary, for the account of the Borrower.

"Letter of Credit Documents" means (i) the Master Letter of Credit Agreement dated as of August 1, 2001, from the Borrower to the Mortgagee, and (ii) any Application for the issuance of a Letter of Credit executed by the Borrower in favor of the Mortgagee.

"Loan" means the loan to be made by the Mortgagee to the Borrower in accordance with the terms and conditions of the Loan Agreement.

"Loan Agreement" means the Construction Loan Agreement dated as of October 1, 2001, by and between the Borrower and the Mortgagee.

"Loan Documents" means the Loan Agreement, the Letter of Credit Documents, the Note, this Mortgage, the Assignment of Rents, the Assignment of Plans, Permits and Contracts, the Security Agreement, the Indemnity Agreement, the Guaranty, and all other documents and instruments at any time evidencing and securing the indebtedness secured by this Mortgage, including, without limitation, the Phase 1C-1 Loan Documents.

"Mortgage" means this Construction Loan Mortgage and Security Agreement dated as of October 1, 2001, from the Mortgagee to the Borrower.

"Mortgagee" means LaSalle Bank National Association, a national banking association.

"Mortgagor" means South Campus Development Team, L.L.C., an Illinois limited liability company.

"Note" means the Construction Loan Mortgage Note of the Borrower dated October 1, 2001, in the principal amount of \$12,750,000 made payable to the order of the Mortgagee, issued under the Loan Agreement to evidence the Loan.

"Permitted Encumbrances" means Permitted Encumbrances as defined in the Loan Agreement.

"Phase 1C-1 Loan Documents" means the Construction Loan Agreement dated as of August 1, 2001, by and between the Borrower and the Mortgagee, and the other Loan Documents, as defined in said Construction Loan Agreement, and all other documents at any time evidencing or securing any indebtedness outstanding under any of the foregoing, and all as heretofore and hereafter modified, amended, restated, increased, renewed and extended.

"Premises" means the real estate described in Exhibit A attached hereto and all improvements now and hereafter located

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thereon, and all other property, rights and interests described in the foregoing granting clauses of this Mortgage.

"Qualified Contract" means a Qualified Contract as defined in the Loan Agreement.

"Security Agreement" means the Security Agreement dated as of October 1, 2001, from the Borrower to the Mortgagee.

"Unit" or "Units" means any one or more of the residential townhome and condominium units to be constructed pursuant to the Loan Agreement.

ARTICLE II

COVENANTS AND AGREEMENTS OF MORTGAGOR

Section 2.1. Payment of Indebtedness. The Mortgagor covenants and agrees that the principal of and interest on the indebtedness hereby secured evidenced by the Note, all amounts payable under the Letter of Credit Documents, all other sums which may become due pursuant thereto or hereto, all amounts payable by the Mortgagor under the Indemnity Agreement and the Guaranty, the indebtedness and obligations hereby secured from time to time outstanding under the Phase 1C-1 Loan Documents, and all other indebtedness hereby secured as described in the foregoing granting clauses of this Mortgage, including, but not limited to, all charges, fees and all other sums to be paid by the Mortgagor as provided in the Loan Documents and the Phase 1C-1 Loan Documents, will be paid when due, and that the Mortgagor will duly and punctually perform, observe and comply with all of the terms, provisions and conditions herein and in the other Loan Documents and the Phase 1C-1 Loan Documents provided to be performed and observed by the Mortgagor. All amounts payable under this Mortgage shall be paid by the Mortgagor without offset or other reduction. The Note, which is hereby incorporated into this Mortgage by reference with the same effect as if set forth in full herein, is in the principal amount of \$12,750,000 and bears interest at a variable rate per annum equal to the Mortgagee's Prime Rate (as defined below) from time to time in effect while the Note is outstanding (the "Prime Based Rate"). For such purposes, the term "Prime Rate" shall mean the rate of interest per year announced from time to time by the Mortgagee called its prime rate, which rate at any time will not necessarily be the lowest rate charged by the Mortgagee. Changes in the rate of interest on the Loan and the Note resulting from a change in the Prime Rate shall take effect on the date of change in the Prime Rate set forth in each announcement. The Mortgagee shall not be obligated to give notice of any change in the Prime Rate. The Borrower shall have the option from time to time, in the manner and on the terms provided in the Loan Agreement, to have the interest rate on the entire principal balance of the Loan and the Note which would otherwise bear interest at the

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Prime-Based Rate, or any portion of such unpaid principal balance of not less than \$100,000 or any integral multiple thereof, changed from the Prime-Based Rate to a variable rate equal to 2.0% per annum in addition to a rate based on the rate at which dollar deposits are offered in immediately available funds in the London Interbank Market to the Mortgagee for periods not exceeding 90 days, calculated as provided in the Loan Agreement. Interest is payable on the Note in arrears on the first day of each month commencing as provided in the Loan Agreement. All of the unpaid principal of and accrued and unpaid interest on the Note shall be due and payable on February 1, 2003, subject to extension to August 1, 2003, as provided in the Loan Agreement; provided, however, that amounts drawn on the Letter of Credit shall be payable immediately as provided in the Letter of Credit Documents, which are hereby incorporated into this Mortgage by reference with the same effect as if set forth in full herein.

Section 2.2. Escrow Deposits. If and to the extent that the reserve for taxes and insurance premiums created under the Loan Agreement is insufficient for such purposes, if requested by the Mortgagee, in order to provide moneys for the payment of the Impositions on the Premises required to be paid by the Mortgagor pursuant to Section 2.6 hereof and the premiums on the insurance required to be carried by the Mortgagor pursuant to Section 2.4 hereof, the Mortgagor shall pay to the Mortgagee with each monthly payment on the Note such amount as the Mortgagee shall estimate will be required, when added to available amounts in the reserve for taxes and insurance created under the Loan Agreement, to accumulate, by the date 30 days prior to the due date of the next annual installment of such Impositions and insurance premiums, through substantially equal monthly payments by the Mortgagor to the Mortgagee, amounts sufficient to pay such next annual Impositions and insurance premiums. All such payments shall be held by the Mortgagee in escrow, and the Mortgagee shall not be obligated to pay interest thereon. Amounts held in such escrow shall be made available by the Mortgagee to the Mortgagor for the payment of the Impositions and insurance premiums on the Premises when due, or may be applied thereto by the Mortgagee if it in its sole discretion so elects. The Mortgagee may at any time and from time to time waive the requirement for the escrow deposits provided for in this Section. In the event of any such waiver, the Mortgagee may thereafter in its sole discretion elect to require that the Mortgagor commence making such escrow deposits by giving the Mortgagor not less than 10 days' written notice of such election. No such waiver shall impair the right of the Mortgagee thereafter to require that such escrow deposits be made. The Borrower may use the reserve for taxes created under the Loan Agreement for such purposes in accordance with the terms and conditions of the Loan Agreement.

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Section 2.3. Completion, Maintenance, Repair, Alterations. The Mortgagor shall --

- (i) Keep the Premises in good condition and repair;

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(ii) Not remove, demolish or substantially alter any of the improvements which are a part of the Premises;

(iii) Complete promptly and in a good and workmanlike manner the construction of the Improvements as contemplated by the Loan Agreement, or any other improvements which may be constructed on or at the Premises;

(iv) Promptly repair and restore any portion of the Premises which may become damaged or be destroyed so as to be of at least equal value and of substantially the same character as prior to such damage or destruction;

(v) Subject to Section 2.13(b) hereof, pay when due all claims for labor performed and materials furnished to and for the Premises;

(vi) Comply in all material respects with all laws, ordinances, regulations, covenants, conditions and restrictions now or hereafter affecting the Premises or any part thereof or requiring any alterations or improvements;

(vii) Not commit or permit any waste or deterioration of the Premises or any portion thereof;

(viii) Keep and maintain the Premises and abutting grounds, sidewalks, roads, parking and landscape areas in good and neat order and repair and free of nuisance, consistent with customary practices in connection with the construction of projects similar to construction of the Improvements on the Premises;

(ix) Not commit, suffer or permit any act to be done in or upon the Premises in material violation of any law, ordinance or regulation;

(x) Not initiate or acquiesce in any zoning change or reclassification of the Premises; and

(xi) Subject to Section 2.13(b) hereof, keep the Premises free and clear of all liens and encumbrances of every sort except Permitted Encumbrances.

Section 2.4. Required Insurance. The Mortgagor shall at all times provide, maintain and keep in force the following policies of insurance:

(a) Insurance against loss or damage to the Premises by fire and any of the risks covered by insurance of the type now known as "fire and extended coverage", in an amount not less than the full replacement cost thereof, exclusive of the cost of excavations, foundations and footings below the lowest basement floor, and with not more than \$25,000 deductible from the loss payable for any casualty.

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(b) Commercial general liability insurance, including coverage for elevators and escalators, if any, on the Premises, on an occurrence basis, against claims for personal injury, including without limitation bodily injury, death or property damage occurring on, in or about the Premises and the adjoining streets, sidewalks and passageways, such insurance to afford immediate minimum protection to a limit of not less than \$1,000,000 for one person and \$3,000,000 per occurrence for personal injury or death and \$500,000 per occurrence for damage to property.

(c) Workers compensation insurance, if and to the extent required by Illinois law.

(d) During the course of any construction or repair at the Premises, builder's risk insurance against all risks of physical loss, on a completed value basis, including collapse and transit coverage, with a deductible not to exceed \$25,000, in nonreporting form, covering the total value of work performed and equipment, supplies and materials furnished, and containing the "permission to occupy upon completion of work" endorsement.

(e) Boiler and machinery insurance covering pressure vessels, air tanks, boilers, machinery, pressure piping, heating, air conditioning and elevator equipment and escalator equipment located on the Premises, if any, and insurance against loss of occupancy or use arising from any breakdown therein, all in such amounts as are satisfactory to the Mortgagee.

(f) If all or any portion of any building located on the Premises is located in an area that has been identified by the Director of the Federal Emergency Management Agency as a special flood hazard area, flood insurance in an amount at least equal to the principal amount of the Loan or to the maximum amount of coverage allowed for the particular type of property under the National Flood Insurance Program, whichever is less.

(g) Such other insurance, and in such amounts, as may from time to time be reasonably required by the Mortgagee against the same or other hazards.

All policies of insurance required by terms of this Mortgage shall contain an endorsement or agreement by the insurer that any loss shall be payable in accordance with the terms of such policy notwithstanding any act or negligence of the Mortgagor or the Mortgagee which might otherwise result in forfeiture of said insurance and the further agreement of the insurer waiving all rights of set-off, counterclaim or deductions against the Mortgagor, and shall provide that the amount payable for any loss shall not be reduced by reason of co-insurance.

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The following notice is provided pursuant to paragraph (3) of Section 180/10 of Chapter 815 of the Illinois Compiled Statutes (1998). As used herein, "you" means the Mortgagor and "we" means the Mortgagee: Unless you provide evidence of the insurance coverage required by your agreement with us, we may purchase insurance at your expense to protect our interests in your collateral. This insurance may, but need not, protect your interests. The coverage that we purchase may not pay any claim that you make or any claim that is made against you in connection with the collateral. You may later cancel any insurance purchased by us, but only after providing evidence that you have obtained insurance as required by our agreement. If we purchase insurance for the collateral, you will be responsible for the costs of that insurance, including the insurance premium, interest and any other charges we may impose in connection with the placement of the insurance, until the effective date of the cancellation or expiration of the insurance. The costs of the insurance may be added to your total outstanding balance or obligation. The costs of the insurance may be more than the cost of insurance you may be able to obtain on your own.

Section 2.5. Delivery of Policies; Payment of Premiums. All policies of insurance required by the terms of this Mortgage shall be issued by companies and in amounts in each company satisfactory to the Mortgagee. All policies of insurance shall be maintained for and name the Mortgagor and the Mortgagee as insureds, as their respective interests may appear, and the policies required by paragraphs (a), (d), (e) and (f) of Section 2.4 hereof shall have attached thereto a mortgagee's loss payable endorsement for the benefit of the Mortgagee in form satisfactory to the Mortgagee. The Mortgagor shall furnish the Mortgagee with the original of all required policies of insurance or certificates satisfactory to the Mortgagee. At least 10 days prior to the expiration of each such policy, the Mortgagor shall furnish the Mortgagee with evidence satisfactory to the Mortgagee of the payment of the premium and the reissuance of a policy continuing insurance in force as required by this Mortgage. Each policy of insurance required by this Mortgage shall contain a provision that such policy will not be canceled or materially amended, including any reduction in the scope or limits of coverage, without at least 30 days' prior written notice to the Mortgagee.

Section 2.6. Taxes and Other Impositions. (a) The Mortgagor shall pay or cause to be paid, at least 10 days prior to delinquency, all real property taxes and assessments, general and special, and all other taxes and assessments of any kind or nature whatsoever, including without limitation any non-governmental levies or assessments such as maintenance charges, owner association dues or charges or fees, levies or charges resulting from covenants, conditions and restrictions affecting the Premises, which are assessed or imposed upon the Premises, or become due and payable, and which create, may create or appear to create a lien upon the Premises, or any part thereof

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(all of which taxes, assessments and other governmental charges and non-governmental charges of the above-described or like nature are hereinafter referred to as "Impositions"); provided however, that if, by law, any such Imposition is payable, or at the option of the taxpayer may be paid, in installments, the Mortgagor may pay the same together with any accrued interest on the unpaid balance of such Imposition in installments as the same become due and before any fine, penalty, interest or cost may be added thereto for the nonpayment of any such installment and interest.

(b) The Mortgagor shall furnish to the Mortgagee within 30 days after the date upon which any Imposition is due and payable by the Mortgagor, official receipts of the appropriate taxing authority, or other proof satisfactory to the Mortgagee, evidencing the payment thereof.

(c) The Mortgagor shall have the right before any delinquency occurs to contest or object to the amount or validity of any Imposition by appropriate legal proceedings properly instituted and prosecuted in such manner as shall stay the collection of the contested Impositions and prevent the sale or forfeiture of the Premises to collect the same; provided that no such contest or objection shall be deemed or construed in any way as relieving, modifying or extending the Mortgagor's covenants to pay any such Imposition at the time and in the manner provided in this Section unless the Mortgagor has given prior written notice to the Mortgagee of the Mortgagor's intent to so contest or object to an Imposition, and unless, at the Mortgagee's sole option, (i) the Mortgagor shall demonstrate to the Mortgagee's satisfaction that legal proceedings instituted by the Mortgagor contesting or objecting to such impositions shall conclusively operate to prevent the sale or forfeiture of the Premises, or any part thereof, to satisfy such Imposition prior to final determination of such proceedings; and/or (ii) the Mortgagor shall furnish a good and sufficient bond, surety or title insurance satisfactory to the Mortgagee, or a good and sufficient undertaking as may be required or permitted by law to accomplish a stay of any such sale or forfeiture of the Premises during the pendency of such contest, adequate fully to pay all such contested Impositions and all interest and penalties upon the adverse determination of such contest.

Section 2.7. Utilities. The Mortgagor shall pay or cause to be paid when due all utility charges which are incurred by the Mortgagor or others for the benefit of or service to the Premises or which may become a charge or lien against the Premises for gas, electricity, water or sewer services furnished to the Premises and all other assessments or charges of a similar nature, whether public or private, affecting the Premises or any portion thereof, whether or not such assessments or charges are liens thereon.

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Section 2.8. Actions by Mortgagee to Preserve Premises. Should the Mortgagor fail to make any payment or to do any act as and in the manner provided herein or in any of the other Loan Documents, the Mortgagee in its own discretion, without obligation so to do and without releasing the Mortgagor from any obligation, may make or do the same in such manner and to such extent as it may deem necessary to protect the security hereof. In connection therewith, without limiting its general powers, the Mortgagee shall have and is hereby given the right, but not the obligation, (i) to enter upon and take possession of the Premises; (ii) to make additions, alterations, repairs and improvements to the Premises which it may consider necessary and proper to keep the Premises in good condition and repair; (iii) to appear and participate in any action or proceeding affecting or which may affect the Premises, the security hereof or the rights or powers of the Mortgagee; (iv) to pay any Impositions asserted against the Premises and to do so according to any bill, statement or estimate procured from the appropriate office without inquiry into the accuracy of the bill, statement or estimate or into the validity of any Imposition; (v) to pay, purchase, contest or compromise any encumbrance, claim, charge, lien or debt which in the judgment of the Mortgagee may affect or appears to affect the Premises or the security of this Mortgage or which may be prior or superior hereto; (vi) to complete the construction of the Improvements and to take such actions in connection therewith as are provided for in the Loan Agreement; and (vii) in exercising such powers, to pay necessary expenses, including employment of and payment of reasonable compensation to counsel or other necessary or desirable consultants, contractors, agents and other employees. The Mortgagor irrevocably appoints the Mortgagee its true and lawful attorney in fact, at the Mortgagee's election, to do and cause to be done all or any of the foregoing in the event the Mortgagee shall be entitled to take any or all of the action provided for in this Section. The Mortgagor shall immediately, upon demand therefor by the Mortgagee, pay all costs and expenses incurred by the Mortgagee in connection with the exercise by the Mortgagee of the foregoing rights, including without limitation, costs of evidence of title, court costs, appraisals, surveys and reasonable attorneys fees, all of which shall constitute so much additional indebtedness secured by this Mortgage immediately due and payable, with interest thereon at a rate 3% above the then prevailing interest rate on the Note.

Section 2.9. Damage and Destruction. (a) The Mortgagor shall give the Mortgagee prompt notice of any damage to or destruction of any portion or all of the Premises, and the provisions contained in the following paragraphs of this Section shall apply in the event of any such damage or destruction.

(b) In the case of loss covered by policies of insurance, so long as no Default or Event of Default under this Mortgage or any of the other Loan Documents has occurred and is continuing, for a period of six months following the date of the

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loss, the Mortgagor shall have the right to negotiate for and consummate a settlement of the claim under such policies arising from such loss at an amount at least sufficient to provide for the payment in full of all of the obligations of the Mortgagor under the Loan Documents. Except as provided in the immediately preceding sentence, the Mortgagee is hereby authorized at its option either (i) to settle and adjust any claim under such policies without the consent of the Mortgagor, or (ii) to allow the Mortgagor to agree with the insurance company or companies on the amount to be paid upon the loss. In any case the Mortgagee shall, and is hereby authorized to, collect and receipt for any such insurance proceeds; and the reasonable expenses incurred by the Mortgagee in the adjustment and collection of insurance proceeds shall be so much additional indebtedness secured by this Mortgage, and shall be reimbursed to the Mortgagee upon demand.

(c) In the event of any insured damage to or destruction of the Premises or any part thereof the proceeds of insurance payable as a result of such loss shall be applied upon the indebtedness secured by this Mortgage or applied to the repair and restoration of the Premises, as the Mortgagee in its sole discretion shall elect.

(d) In the event that the Mortgagee shall elect that proceeds of insurance are to be applied to the repair and restoration of the Premises, the Mortgagor hereby covenants promptly to repair and restore the same. In such event such proceeds shall be made available from time to time, to pay or reimburse the costs of such repair and restoration in the manner and on the terms provided in the Loan Agreement for disbursements of construction loan proceeds.

(e) Notwithstanding any provision herein to the contrary and in particular Section 2.9(c) hereof, in the event of any such damage or destruction, the Mortgagee shall make the proceeds of insurance received as a result of such damage or destruction available for the repair and restoration of the Premises, subject to the following conditions: (i) that there does not then exist any Default or Event of Default under this Mortgage or any of the other Loan Documents; (ii) that after the termination of any contracts for the sale of Units as a result of such damage or destruction, the sum of the number of Units the sale of which has been closed plus the number of Qualified Contracts remaining in effect will be not less than 34; (iii) that the Mortgagee shall first be given satisfactory proof that the Premises have been fully repaired and restored, or that by the expenditure of such money will be fully repaired and restored, free and clear of all liens, except the lien of this Mortgage; (iv) that in the event such proceeds shall be insufficient to repair and restore the Premises, the Mortgagor shall deposit promptly with the Mortgagee the amount of such deficiency; (v) that in the event the Mortgagor shall fail within a reasonable time to repair and restore the Premises, then the Mortgagee, at its option, may repair and restore the Premises for

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