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RECORDING REQUESTED BY

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WHEN RECORDED MAIL TO

The Northwestern Mutual Life Ins. Co.
720 East Wisconsin Avenue - Rm N16WC
Milwaukee, WI 53202
Attn: Joellyn P. Buchholz

SPACE ABOVE THIS LINE FOR RECORDER'S USE

This instrument was prepared by Judith L. Perkins, Attorney, for The Northwestern Mutual Life Insurance Company, 720 East Wisconsin Avenue, Milwaukee, WI 53202.

MORTGAGE, SECURITY AGREEMENT and FINANCING STATEMENT

THIS MORTGAGE and SECURITY AGREEMENT, Made as of the 28th day of December, 1993 between 1350 LAKE SHORE ASSOCIATES, an Illinois limited partnership, 33 West Monroe Street, 19th Floor, Chicago, Illinois 60603 herein (whether one or more in number) called Mortgagor, and THE NORTHWESTERN MUTUAL LIFE INSURANCE COMPANY, a Wisconsin corporation, 720 E. Wisconsin Avenue, Milwaukee, WI 53202, herein called Mortgagee:

WITNESSETH, That Mortgagor, in consideration of the indebtedness herein mentioned, does hereby grant, convey, mortgage and warrant unto Mortgagee forever, with power of sale and right of entry and possession the following property (herein referred to as the "Property"):

- A. The land in the City of Chicago, Cook County, Illinois, described in Exhibit "A" attached hereto and hereby incorporated within this Mortgage and all appurtenances thereto; and
- B. All buildings and improvements now existing or hereafter erected thereon, all waters and water rights, all engines, boilers, elevators and machinery, all heating apparatus, electrical equipment, air-conditioning equipment, water and gas fixtures, all carpeting, blinds or draperies, ranges, refrigerators, dishwashers, easily removable equipment and fixtures, model furniture and all fixtures of every description belonging to Mortgagor which are or may be placed or used upon the real estate, all of which, to the extent permitted by

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applicable law, shall be deemed an accession to the freehold and a part of the realty as between the parties hereto; and

- C. All articles of personal property of every kind and nature whatsoever, including but not limited to all carpeting, blinds or draperies, ranges, refrigerators, dishwashers, easily removable equipment and fixtures, model furniture, now or hereafter located upon said real estate and now owned or hereafter acquired by Mortgagor.

Mortgagor agrees not to sell, transfer, assign or remove anything described in B and C above now or hereafter located on the above described real estate, without prior written consent from Mortgagee unless (i) such action does not constitute a sale or removal of any buildings or improvements or the sale or transfer of waters or water rights and (ii) such action results in the substitution or replacement with similar items of equal value.

If any of the Property herein conveyed is of a nature so that a security interest therein can be perfected under the Uniform Commercial Code, this instrument shall constitute a Security Agreement and Financing Statement if permitted by applicable law and Mortgagor agrees to join with Mortgagee in the execution of any financing statements and to execute any other instruments that may be required for the perfection or renewal of such security interest under the Uniform Commercial Code.

TO HAVE AND TO HOLD the same unto Mortgagee for the purpose of securing:

(a) Payment to the order of Mortgagee of the indebtedness evidenced by a promissory note (herein referred to as "said note") of even date herewith (and any extension or renewal thereof) executed by Mortgagor (if Mortgagor includes more than one party, executed by one or more of such parties) for the principal sum of **EIGHTEEN MILLION DOLLARS**, with final maturity no later than January 15, 2014 and with interest as therein expressed, it being recognized that the funds may not have been fully advanced as of the date hereof but may be advanced in the future in accordance with the terms of a written contract.

(b) Payment of all sums that may become due Mortgagee under the provisions of this instrument or said note.

(c) Performance of each agreement of Mortgagor contained herein, in said note, in that certain Absolute Assignment of Leases and Rents of even date herewith between Mortgagor and Mortgagee (the "Absolute Assignment") or in any other agreement given in connection with the indebtedness (collectively, the "Loan Documents").

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TO PROTECT THE SECURITY OF THIS MORTGAGE, MORTGAGOR COVENANTS AND AGREES:

Payment of Debt. To pay the indebtedness hereby secured (the "Indebtedness") promptly and in full compliance with the terms of said note and this instrument.

Ownership. That it owns the Property and has good and lawful right to convey the same; that the Property is free and clear from any and all encumbrances whatsoever, except as appears in the title evidence accepted by Mortgagee; that Mortgagor does hereby forever warrant and shall forever defend the title and possession thereof against the lawful claims of any and all persons whomsoever.

Organizational Documents. That it will not change or amend its organizational documents, nor cause such to be done, which change or amendment could (i) result in a dissolution of Mortgagor, and/or (ii) adversely affect Mortgagee's ability to meet its obligations and/or perform under the Loan Documents.

Maintenance of Property and Compliance with Laws. To keep the buildings and other improvements now or hereafter erected on the real estate in good condition and repair; not to commit or suffer any waste; to comply with all laws, rules and regulations affecting the Property; and to permit Mortgagee to enter at all reasonable times for the purpose of inspection, and to permit Mortgagee to conduct in a reasonable and proper manner, such tests as Mortgagee determines to be necessary in order to monitor Mortgagor's compliance with applicable laws and regulations regarding hazardous materials affecting the Property.

Insurance. To keep the Property insured for the protection of Mortgagee in such manner, in such amounts and in such companies as Mortgagee may from time to time approve, and to keep the policies therefor, properly endorsed, on deposit with Mortgagee; that insurance loss proceeds (less expenses of collection) shall, at Mortgagee's option, be applied on the indebtedness, whether due or not, or to the restoration of the Property, or be released to Mortgagor, but such application or release shall not cure or waive any default.

Notwithstanding the foregoing provision, Mortgagee agrees that if the insurance loss proceeds are less than the unpaid principal balance of the Note or if the casualty occurs prior to the last three years of the term of the note, then the insurance loss proceeds (less expenses of collection) shall be applied to restoration of the Property to its condition prior to the casualty, subject to satisfaction of the following conditions:

- (a) There is no existing default in the terms and conditions of the Note or this instrument.
- (b) The casualty insurer has not denied liability for payment of insurance loss proceeds as to Mortgagor's interest as owner, or tenant's interest as occupant, of the Property.

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- (c) Mortgagee shall be satisfied that all insurance loss proceeds so held together with supplemental funds received from Mortgagor shall be sufficient to complete the restoration of the Property. Any remaining insurance loss proceeds may, at the option of Mortgagee, be applied on the indebtedness, whether or not due, or be released to Mortgagor.
- (d) Mortgagee as mortgagee shall release casualty insurance proceeds as restoration of the Property progresses provided that Mortgagee is furnished satisfactory evidence of the cost of restoration. In the event the estimated cost of restoration exceeds 15% of the original indebtedness, the drawings and specifications for the restoration shall be approved by Mortgagee in writing prior to commencement of the restoration.
- (e) Prior to each release of funds, Mortgagor shall obtain for the benefit of Mortgagee an endorsement to Mortgagee's title insurance policy insuring against any liens arising from the restoration.
- (f) Mortgagor shall pay all costs and expenses incurred by Mortgagee including but not limited to outside legal fees, title insurance costs, third-party disbursement fees, third-party engineering reports and inspections deemed necessary by Mortgagee.
- (g) All reciprocal easement and operating agreements shall remain in full force and effect between the parties thereto on and after restoration of the Property.

Condemnation. That it hereby assigns to Mortgagee any award and any other proceeds resulting from damage to, or the taking of, all or any portion of the Property in connection with condemnation proceedings or the exercise of any power of eminent domain and the proceeds from any sale or transfer in lieu thereof, that if such award and proceeds are less than the unpaid principal balance of the Note or such damage or taking occurs prior to the last three years of the term of the Note, such award and proceeds (less expenses of collection) shall be applied to restoration of the Property, subject to the conditions stated above for application of insurance loss proceeds and further subject to the condition that restoration or replacement of the improvements on the real estate described in Exhibit "A" to their functional and economic utility prior to such damage or taking be possible. Any portion of such award and proceeds not applied to restoration shall, at Mortgagee's option, be applied on said indebtedness, whether due or not, or be released to Mortgagor, but such application or release shall not cure or waive any default.

Taxes and Special Assessments. To pay all taxes and special assessments of any kind that have been or may be levied or assessed against the Property, this instrument, said note or the Indebtedness, or upon the interest of Mortgagee in the Property, this instrument, said note or the Indebtedness, and to procure and deliver to Mortgagee the official receipt of the proper officer showing timely payment of all such taxes and assessments. Provided, however, that Mortgagor shall not be required to pay any such

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taxes or special assessments if the amount, applicability or validity thereof shall currently be contested in good faith by appropriate proceedings and funds sufficient to satisfy the contested amount have been deposited in an escrow satisfactory to Mortgagee.

Other Liens. To keep the Property free from all other mortgage liens and from all liens prior to the lien created hereby. The creation of any other mortgage lien, whether or not prior to the lien created hereby, the creation of any prior lien or the assignment or pledge by Mortgagor of its revocable license to collect, use and enjoy rents and profits from the Property shall constitute a default under the terms of this instrument. The term "mortgage" includes a mortgage, deed of trust, deed to secure debt or any other security interest in the Property.

Notwithstanding the foregoing, Mortgagor may enter into one additional note (the "Second Note") secured by one additional mortgage lien (the "Second Mortgage") on the Property with an institutional lender ("the Second Lienholder") subordinate to the lien of this instrument and Mortgagor may assign or pledge its interest in its revocable license to collect, use and enjoy the rents and profits from the Property provided the following is, and remains, true:

- a. there is then existing no Event of Default (as hereinafter defined);
- b. an uncured default under the Second Note, the Second Mortgage and/or related documents (the "Second Loan Documents") securing the subordinate loan (the "Second Loan") shall be a default under this instrument;
- c. Mortgagee shall have the right to declare the Indebtedness due and payable and to revoke Mortgagor's license to collect, use and enjoy rents and profits if: (i) any default exists in the Second Loan; (ii) the Second Loan is foreclosed without the prior written consent of Mortgagee, or (iii) the Second Loan is declared due and payable;
- d. Mortgagee and Mortgagor shall be entitled to amend or modify said note or this instrument, in any respect, including but not limited to an increase of the principal balance outstanding on the Indebtedness, modification of the interest rate, the payment schedule, and/or the maturity date of the Indebtedness, without the consent of the Second Lienholder;
- e. the interest of the Second Lienholder in Mortgagor's revocable license to collect, use and enjoy rents and profits from the Property; the Second Loan, and the right of the Second Lienholder to require any action by Mortgagor in all respects is subject to and subordinate to the lien of this instrument as well as any and all rights of Mortgagee under the Loan Documents; and, further, any collection of rents under any license or agreement to collect, use and enjoy rents and profits from the Property by

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the Second Lienholder shall be deemed to be, and shall be collected and held in trust, for the benefit of Mortgagee;

- f. the Second Loan Documents are approved by Mortgagee, in its sole and reasonable discretion;
- g. Mortgagee shall have the right to declare the Indebtedness due and payable and revoke Mortgagor's license to collect, use and enjoy rents and profits if any default exists in the Second Loan at any time;
- h. the Second Loan shall be and remain non-forecloseable during the term of the Indebtedness, i.e. the Second Lienholder shall not have the right to institute a foreclosure action against the Property during the term of the Indebtedness unless Mortgagee has first so initiated such foreclosure action against the Property and continues to diligently pursue such action;
- i. a side agreement is entered into between Mortgagee and the Second Lienholder, which side agreement satisfactorily reflects the terms and conditions of this provision in a form satisfactory to Mortgagee; and
- j. the Debt Service Coverage (as hereinafter defined) of the Indebtedness and the indebtedness secured by the Second Loan is at least 1.75x.

For purposes of this provision, "Debt Service Coverage" means a number calculated by dividing Net Income Available for Debt Service (as hereinafter defined) for a calendar year by the Debt Service (as hereinafter defined) during the same calendar year under all indebtedness (including the Indebtedness) secured by any portion of the Property. For purposes of the preceding sentence, "Debt Service" means the greater of (x) actual debt service due under all indebtedness secured by any portion of the Property and (y) debt service that would have been due and payable if all indebtedness secured by any portion of the Property were amortized over 20 years (whether or not amortization is actually required) and if interest on such indebtedness were due monthly as it accrues (regardless of the face rate shown on the note or notes evidencing such indebtedness and whether or not such indebtedness requires monthly interest payments based on such face rates).

For purposes of this provision, "Net Income Available for Debt Service" means net income from the Property determined in accordance with generally accepted accounting principles for the most recent calendar year plus the following:

- A) interest on indebtedness secured by any portion of the Property for such period; and

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- B) depreciation, if any, of fixed assets constituting the Property for such period;
- less the following:
- C) a replacement reserve of not less than \$185,000 per annum;
- D) the amount, if any, by which actual gross income during such period exceeds that which would have been earned from the rental of 95% of the apartment units in the Property, and
- E) the amount, if any, by which the actual management fee is less than 3% of gross revenue during such period.

All adjustments to net income referenced above shall be calculated in a manner satisfactory to Mortgagee.

Leases. That there is no assignment or pledge of any leases of, or rentals or income from, the Property now in effect, and that, until the Indebtedness is fully paid it (a) shall not make any such assignment or pledge to anyone other than Mortgagee (b) except as expressly permitted under the covenant hereof titled **Other Liens**, shall not make any assignment or pledge to anyone of its hereinafter described revocable license to collect, use and enjoy the rents and profits, and (c) shall not, without the prior written approval of Mortgagee, consent to a cancellation or surrender of any of said leases having at the time an unexpired term of more than two years, or to a release or reduction of the liability of any party to such a lease.

In consideration of the Indebtedness hereinbefore described, Mortgagor, pursuant to an Absolute Assignment of Leases and Rents of even date herewith (the "Absolute Assignment"), has granted to Mortgagee an absolute assignment of Mortgagor's right, title and interest in said leases, including Mortgagor's right to collect, use and enjoy the rents, issues and profits therefrom. Mortgagee, as assignee under the Absolute Assignment, in return has granted to Mortgagor a license to collect, use and enjoy said rents and profits. Such license shall be revocable by Mortgagee, as Assignee, pursuant to the terms of the Absolute Assignment.

Costs, Fees and Expenses. To appear in and defend any action or proceeding purporting to affect the security hereof or the rights or powers of Mortgagee hereunder; to pay all costs and expenses, including the cost of obtaining evidence of title and reasonable attorney's fees, incurred in connection with any such action or proceeding; and to pay any and all fees and expenses of collection and enforcement including any and all reasonable attorney's fees in the event said note is placed in the hands of an attorney for collection, enforcement of this instrument is undertaken or, suit is brought hereon.

Failure of Mortgagor to Act. That should it fail to make any payment or do any act as herein provided, Mortgagee may, without obligation so to do, with prior notice except in emergency to Mortgagor and without releasing Mortgagor from any obligation hereof.

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(i) make or do the same in such manner and to such extent as Mortgagee may deem necessary to protect the security hereof, Mortgagee being authorized to enter upon the Property for such purpose, (ii) appear in and defend any action or proceeding purporting to affect the security hereof or the rights or powers of Mortgagee, (iii) pay, purchase, contest or compromise any encumbrance, charge or lien which in the judgment of Mortgagee appears to be prior or superior hereto and, (iv) in exercising any such powers, pay necessary expenses, employ counsel and pay its reasonable fees. Sums so expended shall be payable by Mortgagor immediately and without demand with interest from date of expenditure at the Default Rate (as defined in said note). All sums so expended by Mortgagee and the interest thereon shall be added to the Indebtedness and be secured by the lien of this instrument. In no event shall the maximum amount secured hereby exceed 300% of the principal amount of said note.

Event of Default. Any default by Mortgagor in making any required payment of the Indebtedness or any default in any provision, covenant, agreement or warranty contained herein, in said note or in any other agreement given in connection with the Indebtedness (including the Absolute Assignment) or as security for the Indebtedness shall, except as provided in the immediately succeeding paragraph, constitute an "Event of Default".

Notice of Default. A default in any payment required herein or in the Note (a "Monetary Default") shall not constitute an Event of Default unless Mortgagee shall have sent a written notice of such Monetary Default to Mortgagor and Mortgagor shall not have cured such Monetary Default by payment of all amounts in default (including payment of interest at the Default Rate, as defined in the Note, from the date of default to the date of cure) within 10 days after the date on which Mortgagee shall have sent such notice to Mortgagor; provided, however, that, if Mortgagee shall send notices of Monetary Defaults to Mortgagor on two occasions, any Monetary Default thereafter shall constitute an Event of Default without notice to Mortgagor and without Mortgagor having an opportunity to cure such Monetary Default.

Any other default hereunder or under the Note (a "Non-monetary Default") shall not constitute an Event of Default unless Mortgagee shall have sent a written notice of such Non-monetary Default to Mortgagor and Mortgagor shall not have cured such Non-monetary Default within 30 days after the date on which Mortgagee shall have sent such notice of default to Mortgagor (or, if the Non-monetary Default is not curable within such 30-day period, Mortgagor shall not have diligently undertaken and continued to pursue the curing of such Non-monetary Default and deposited an amount sufficient to cure such Non-monetary Default in an escrow account satisfactory to Mortgagee); provided, however, that, if Mortgagee shall send notices of Non-monetary Defaults to Mortgagor on two occasions, any Non-monetary Default thereafter shall constitute an Event of Default without notice to Mortgagor and without Mortgagor having an opportunity to cure such Non-monetary Default.

For purposes of this provision, written notice shall be deemed sent on the date on which such notice shall be deposited in the United States mail, postage prepaid, addressed to Mortgagor. In no event shall the notice and cure period provisions recited above

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constitute a grace period for the purposes of commencing interest at the Default Rate (as defined in the Note).

Appointment of Receiver. That upon commencement of any judicial proceeding to enforce any right under this instrument, including foreclosure thereof, Mortgagee, without limitation or restriction by any present or future law, and without regard to the solvency or insolvency, at that time, of any person liable for the payment of the Indebtedness, and without regard to the then value of the Property or whether the same shall then be occupied by the owner of the equity of redemption as a homestead, shall have the absolute right to the appointment of a receiver of the Property and of the revenues, rents, profits and other income therefrom, and that said receiver shall have (in addition to such other powers as the court making such appointment may confer) full power to collect all such income and, after paying all necessary expenses of such receivership and of the operation, maintenance and repair of said Property, to apply the balance to the payment of any sums then due hereunder, or under said note.

Foreclosure. Upon the occurrence of an Event of Default, the entire unpaid Indebtedness shall, at the option of Mortgagee, become immediately due and payable for all purposes without any notice or demand, except as required by law, (**ALL OTHER NOTICE OF THE EXERCISE OF SUCH OPTION, OR OF THE INTENT TO EXERCISE SUCH OPTION, BEING HEREBY EXPRESSLY WAIVED**), and Mortgagee may institute proceedings in any court of competent jurisdiction to foreclose this instrument as a mortgage or to enforce any of the covenants hereof; or Mortgagee may, either personally or by agent or attorney in fact, enter upon and take possession of the Property and may manage, rent or lease the same or any portion thereof upon such terms as Mortgagee may deem expedient, and collect, receive and receipt for all rentals and other income therefrom and apply the sums so received as hereinafter provided in case of sale. Mortgagee is hereby further authorized and empowered, as agent or attorney in fact, either after or without such entry, to sell and dispose of the Property en masse or in separate parcels (as Mortgagee may think best), and all the right, title and interest of Mortgagor therein, by advertisement or in any manner provided by the laws of the state of Illinois, (**MORTGAGOR HEREBY EXPRESSLY WAIVES ANY RIGHT TO A HEARING PRIOR TO SUCH SALE**), and to issue, execute and deliver a deed of conveyance, all as then may be provided by law; and Mortgagee shall, out of the proceeds or avails of such sale, after first paying and retaining all fees, charges, costs of advertising the Property and of making said sale, and attorneys' fees as herein provided, apply to the Indebtedness the amount of the Indebtedness and all sums advanced by Mortgagee or the legal holder of the Indebtedness, with interest from date of expenditure at the Default Rate (as defined in said note), rendering the overplus, if any, unto Mortgagor, its legal representatives or assigns. Such sale or sales and said deed or deeds so made shall be a perpetual bar, both in law and equity, against Mortgagor, its heirs, successors and assigns, and all other persons claiming the Property aforesaid, or any part thereof, by, from, through or under Mortgagor. The legal holder of the Indebtedness may purchase the Property or any part thereof, and it shall not be obligatory upon any purchaser at any such sale to see to the application of the purchase money.

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Due on Sale. That the present ownership and management of the Property is a material consideration to Mortgagee in making the loan secured by this instrument, and Mortgagor shall not convey, or enter into any contract to convey (land contract/ installment sales contract), title to all or any part of the Property, or cause or permit a change in the proportionate ownership of Mortgagor. Except if resulting from the death or legal incompetency of any individual, any conveyance, contract to convey, or change in the proportionate ownership of Mortgagor shall constitute a default under the terms of this instrument (and Mortgagor shall give prior written notice to Mortgagee of any such default) and the Indebtedness may, at the option of Mortgagee, be declared immediately due and payable.

For purposes of this instrument, a "change in the proportionate ownership of Mortgagor" shall include, without limitation: in the case of a corporation, a change in the ownership of the voting stock of such corporation; in the case of a trust, a change in the beneficial ownership of such trust; in the case of a partnership, a change in the ownership of the general partnership interests of such partnership; in the case of a joint venture, a change in the ownership of the joint venture interests of such joint venture.

Notwithstanding anything herein to the contrary contained, the following transfers of partnership interests in Mortgagor shall be permitted hereunder: (i) any transfer of limited partnership interests, (ii) any transfer of the general partnership interest of Draper & Kramer Insurance Agency, Inc. ("D&K") to any corporation controlling, under common control with or controlled by D&K, (iii) any transfer of the general partnership interest of Ferdinand Kramer to Douglas Kramer, or to any other Family Member(s) (defined below) of Ferdinand Kramer or any trust(s) for the benefit of his Family Member(s) or (iv) any transfer of the general partnership interest of Lester Crown to any Family Member(s) of Lester Crown or any trust(s) for the benefit of his Family Member(s). "Family Member" means any sibling, niece, nephew, child or any lineal descendant of any of the foregoing. The death of a general partner shall not constitute a default hereunder.

Financial Statements. To furnish to Mortgagee, at Mortgagor's expense and within 120 days after the close of each fiscal year, annual audited financial statements ("Statements") on the Property and a current rent roll ("Reports"). The Statements shall be prepared in accordance with generally accepted accounting principles by a certified public accountant satisfactory to Mortgagee. Mortgagor acknowledges that Mortgagee requires such Statements and Reports in order to accurately record the value of the Property for financial and regulatory reporting and that, without the Statements and Reports, Mortgagee would be unable to adequately determine the value of Mortgagee's collateral securing the Indebtedness. If Mortgagor does not furnish, or cause to be furnished, such Statements and Reports to Mortgagee within said one hundred twenty (120) day period, then within 30 days after Mortgagee shall have mailed written notice to Mortgagor that the Statements and/or Reports have not been received as required.

(x) interest on the unpaid principal balance of the Indebtedness shall, without prior notice to Mortgagor, immediately accrue and become payable at a rate

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equal to the sum of the Interest Rate (as defined in said note) plus one percent (1%) per annum (the "Increased Rate"); and

(y) Mortgagee may elect to obtain an independent appraisal and audit of the Property at Mortgagor's expense, and Mortgagor agrees that it will, upon request, promptly make Mortgagor's books and records regarding the Property available to Mortgagee and the person(s) performing the appraisal and audit (which obligation Mortgagor agrees can be specifically enforced by Mortgagee); provided, however, if such notice shall have previously been sent to Mortgagor on three or more occasions, then no subsequent notice shall be required and Mortgagee may obtain an independent audit and appraisal at Mortgagor's expense without notice.

The amount of the payments due under said note during the time in which the Increased Rate shall be in effect shall be changed to an amount which is sufficient to amortize the then unpaid principal balance at the Increased Rate during the then remaining portion of a period of 20 years commencing with February 15, 1994. Interest shall continue to accrue and be due and payable monthly at the Increased Rate until said Statements and Reports have been furnished to Mortgagee as required. Commencing on the date on which the Statements and Reports are received by Mortgagee, interest on the unpaid principal balance shall again accrue at the Interest Rate and the payments due during the remainder of the term of said note shall be changed to an amount which is sufficient to amortize the then unpaid principal balance at the Interest Rate during the then remaining portion of a period of 20 years commencing with February 15, 1994. Notwithstanding the foregoing, Mortgagee shall have the right to conduct an independent audit at its own expense at any time.

Property Management. The management company managing the Property shall be satisfactory to Mortgagee during the term of the Indebtedness. Any change in the management company (unless to an affiliate of Draper and Kramer, Incorporated, a Delaware corporation, approved by Mortgagee), without the prior written consent of Mortgagee shall constitute an Event of Default and the Indebtedness (including any applicable prepayment privilege fee) may be declared immediately due and payable at the option of the Mortgagee.

Asbestos Removal. The implementation and completion of an operations and maintenance program to remove all asbestos containing material (except floor tile, ceiling material, and base moulding mastic) in the Property shall be satisfactory to Mortgagee. The operations and maintenance program shall include plans, specifications, a contract for removal and disposal work, a contract for monitoring removal and disposal work and a contract for restoration work (collectively "the Asbestos Removal Contract"). In no event shall the Asbestos Removal Contract provide for removal work beyond March 31, 1995. Failure to remove all asbestos containing material (except floor tile) by said date shall, at the option of Mortgagee, constitute an Event of Default and the Indebtedness may be declared due and payable on April 1, 1995, or such later date as may be specified in writing by Mortgagee, with no prepayment fee required pursuant to the provisions of said note.

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Deposits by Mortgagor. That if an Event of Default occurs, Mortgagee shall have the option to require Mortgagor to deposit funds with Mortgagee, to be held without payment of interest on funds so deposited or, at the option of Mortgagee, in a trust account approved by Mortgagee, in monthly or other periodic instalments in amounts estimated by Mortgagee from time to time sufficient to pay taxes, special assessments, and hazard insurance premiums as they become due. If at any time the funds so held by Mortgagee, or in such trust account, shall be insufficient to pay any of said expenses, Mortgagor shall, upon receipt of notice thereof, immediately deposit such additional funds as may be necessary to remove the deficiency. All funds so deposited shall be irrevocably appropriated to Mortgagee to be applied to the payment of such taxes, assessments, and premiums, and at the option of Mortgagee, after default, to be applied on the Indebtedness.

Liens Discharged by Proceeds. That Mortgagee shall be subrogated to the lien of any and all prior encumbrances, liens or charges paid and discharged from the proceeds of said note, and even though said prior liens have been released of record, the repayment of said note shall be secured by such liens on the portion of the Property affected thereby to the extent of such payments, respectively.

Modification of Terms. That without affecting the liability of Mortgagor or any other person (except any person expressly released in writing) for payment of the Indebtedness or for performance of any obligation contained herein, and that without affecting the rights of Mortgagee with respect to any security not expressly released in writing, Mortgagee may, at any time and from time to time, either before or after the maturity of said note, and without notice or consent: (a) release any person liable for payment of all or any part of the Indebtedness or for performance of any obligation; (b) make any agreement extending the time or otherwise altering the terms of payment of all or any part of the Indebtedness, or modifying or waiving any obligation, or subordinating, modifying or otherwise dealing with the lien or charge hereof; (c) exercise or refrain from exercising or waive any right Mortgagee may have; (d) accept additional security of any kind; (e) release or otherwise deal with any property, real or personal, securing the Indebtedness, including all or any part of the Property.

Exercise of Options. That whenever by the terms of this instrument or of said note Mortgagee is given any option, such option may be exercised when the right accrues, or at any time thereafter, and no acceptance by Mortgagee of payment of indebtedness in default shall constitute a waiver of any default then existing and continuing or thereafter occurring.

Nature and Succession of Agreements. That each of the provisions, covenants and agreements contained herein are joint and several, and shall inure to the benefit of, and be binding on, the heirs, executors, administrators, successors, grantees, lessees and assigns of the parties hereto, respectively, and the term "Mortgagee" shall include the owner and holder of said note.

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Legal Enforceability. No provision of this instrument or said note shall require the payment of interest or other obligation in excess of the maximum permitted by law. If any such excess payment is herein or in said note provided for or shall be adjudicated to be so provided for in this instrument or in said note, the provisions of this paragraph shall govern, and Mortgagor shall not be obligated to pay the amount of such interest or other obligation to the extent that it is in excess of the amount permitted by law.

Captions. The captions contained herein are for convenience and reference only and in no way define, limit or describe the scope or intent of, nor in any way affect this instrument.

Limitation of Liability. That notwithstanding any provision contained in this instrument or said note to the contrary, if Mortgagee shall take action to enforce the collection of the Indebtedness, its recourse shall be limited to the proceeds from the sale of the Property and the proceeds realized by Mortgagee in exercising its rights and remedies under (i) the Absolute Assignment, (ii) the Guarantee of Recourse Obligations of even date herewith executed by D & K Insurance Agency, Inc. for the benefit of Mortgagee (iii) other separate guarantees, if any, (iv) any of the other Loan Documents and (v) in any other collateral securing the Indebtedness. If such proceeds are insufficient to pay the Indebtedness Mortgagee will never institute any action, suit, claim or demand in law or in equity against the partners of Mortgagor for or on account of such deficiency; provided, however, that the provisions contained in this paragraph shall not in any way affect or impair the validity or enforceability of the Indebtedness or the Lien Instrument.

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

1350 LAKE SHORE ASSOCIATES, an Illinois
limited partnership

By: D & K Insurance Agency, Inc., a
Delaware corporation, general partner

By: *Thomas D. Powell*

Its Attest: *Secretary*

03070222

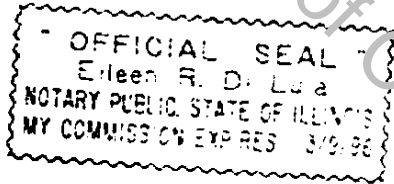
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STATE OF)
)ss.
COUNTY OF)

The foregoing instrument was acknowledged before me this December 21, 1981, by Forrest D. Bailey and _____ of D & K Insurance Agency, Inc., a Delaware corporation, on behalf of the corporation as a partner of 1350 LAKE SHORE ASSOCIATES, an Illinois limited partnership.

Eileen R. De Luca
_____, Notary Public

My commission expires: March 9, 1996



Property of Cook County Clerk's Office

03070272

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EXHIBIT "A"

Description of Property

Description of Property located in the City of Chicago, Cook County, Illinois, to wit:

THE POTTER PALMER HOMESTEAD, BEING A SUBDIVISION OF LOT 35 (EXCEPT THE WEST 125 FEET THEREOF) LOT 36 (EXCEPT THE WEST 150 FEET THEREOF) AND LOTS 37 AND 38 (EXCEPT THE WEST 141 FEET THEREOF) IN JOHN JACOB ASTOR'S ADDITION TO CHICAGO IN THE NORTH FRACTIONAL QUARTER OF SECTION 3, TOWNSHIP 39 NORTH, RANGE 14 EAST OF THE THIRD PRINCIPAL MERIDIAN, ACCORDING TO PLAT RECORDED AS DOCUMENT 773296 IN COOK COUNTY, ILLINOIS.

PIN: 17-03-105-016-0000

17-03-105-014-0000

~~17-03-015-0000~~

17-03-105-015-0000

Property Address:

1350 North Lake Shore Drive

Chicago, Illinois 60610-2701

Office of Cook County Clerk's Office

03070272