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REGULATORY AGREEMENT NURSING HOMES

Dated as of September 1, 2003

PREPARED BY
AND RETURN TO:

PATRICK M. DUGERN
7700 BONHOMME AVE.
SUITE 200
ST. LOUIS, MO. 63105

Regulatory Agreement Nursing Homes

U.S. Department of Housing
and Urban Development
Office of Housing
Federal Housing Commissioner

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Project Number 071-22052	Mortgagee GMAC COMMERCIAL MORTGAGE CORPORATION
Amount of Mortgage Note \$4,597,600	Date Date of Endorsement 9-1-13
Mortgage Recorded (State) Illinois CONCURRENTLY HEREWITH	County Cook

This Agreement entered into as of the 1st day of September, 2003
between EDGEWATER CARE AND REHABILITATION CENTER, INC., an Illinois corporation
whose address is 5838 North Sheridan Road, Chicago, Illinois

*LASALLE BANK NATIONAL ASSOCIATION, AS TRUSTEE UNDER PROVISIONS OF A CERTAIN TRUST
AGREEMENT DATED FEBRUARY 1, 2001, KNOWN AS TRUST NO. 127160

(jointly and severally, hereinafter referred to as Lessee) and the undersigned Federal Housing Commissioner, (hereinafter called Commissioner).

In consideration of the consent of the Commissioner to the leasing of the aforesaid project by EDGEWATER REAL ESTATE LIMITED PARTNERSHIP and * , Mortgagor, and in order to comply with the requirements of the National Housing Act and the Regulations adopted by the Commissioner pursuant thereto, Lessees agree for themselves, their successors, heirs and assigns, that in connection with the mortgaged property and the project operated thereon and so long as the Contract of Mortgage Insurance continues in effect, and during such further period of time as the Commissioner shall be the owner, holder or reinsurer of the mortgage, or during any time the Commissioner is obligated to insure a mortgage on the mortgaged property:

- (1) The lease shall be subject and subordinate to the mortgage securing the note or other obligation endorsed for insurance by the commissioner;
- (2) Lessee shall make payments under lease when due;
- (3) Payments by the lessee to the lessor shall be sufficient to pay all mortgage payments including payments to reserves for taxes, insurance, etc., payments to the Reserve for Replacements, and to take care of necessary maintenance. If at the end of any calendar year, or any fiscal year if the project operates on the basis of a fiscal year, payments under the lease have not been sufficient to take care of the above items, the lessor and lessee upon request in writing from the Commissioner shall renegotiate the amounts due under the lease so that such amounts shall be sufficient to take care of such items; the Commissioner shall be furnished by the lessee, within thirty days after being called upon to do so, with a financial report in form satisfactory to the Commissioner covering the operations of the mortgaged property and of the project;
- (4) The lessee shall not sublease the project or any part thereof without the consent of the Commissioner;
- (5) The lessee shall at all times maintain in full force and effect a license from the State or other licensing authority to operate the project as a nursing home, but the owner shall not be required to maintain such a license;
- (6) Lessee shall maintain in good repair and condition any parts of the project for the maintenance of which lessee is responsible under the terms of the lease;
- (7) Lessee shall not remodel, reconstruct, add to, or demolish any part of the mortgaged property or subtract from any real or personal property of the project;
- (8) Lessee shall not use the project for any purpose except the operation of a nursing home;
- (9) If a default is declared by the Commissioner under the provisions of Paragraph 11 of the Regulatory Agreement entered into by the lessor-mortgagor and the Commissioner as of the 1st day of September, 2003, a copy of notice of default having been given to the lessee, the lessee will thereafter make all future payments under the lease to the Commissioner;
- (10) The lease may be cancelled upon thirty days written notice by the Commissioner given to the lessor and the lessee for a violation of any of the above provisions unless the violation is corrected to the satisfaction of the Commissioner within said thirty day period.
- (11) The Commissioner must approve any change in or transfer of ownership of the lessee entity, and any change in or transfer of the management operation, or control of the project.

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- (12) The lessee shall not reduce or expand, allow to be reduced or expanded, or cause the expansion or reduction of the bed capacity of the project without the consent of the Commissioner. Any change in the bed capacity shall violate this Regulatory Agreement.
- (13) The lessee shall not enter into any management contract involving the project, unless such shall contain a provision that, in the event of default under the Regulatory Agreement as recited in paragraph 9 (above) of this Agreement, the management agreement shall be subject to termination without penalty upon written request of the Commissioner. Upon such request the lessee shall immediately arrange to terminate the contract within a period of not more than thirty (30) days and shall make arrangements satisfactory to the Commissioner for continuing proper management of the project.
- (14) The mortgaged property, equipment, buildings, plans, offices, apparatus, devices, books, contracts, records, documents, and other papers relating thereto shall at all times be maintained in reasonable condition for proper audit and subject to examination and inspection at any reasonable time by the Commissioner or his duly authorized agents. Lessee shall keep copies of all written contracts or other instruments which affect the mortgaged property, all or any of which may be subject to inspection and examination by the Commissioner or his/her duly authorized agents.
- (15) There shall be full compliance with the provisions of (1) any State or local laws prohibiting discrimination in housing on the basis of race, color, creed, or national origin; and (2) with the Regulations of the Federal Housing Administration providing for non-discrimination and equal opportunity in housing. It is understood and agreed that failure or refusal to comply with any such provisions shall be a proper basis for the Commissioner to take any corrective action he may deem necessary including, but not limited to, the refusal to consent to a further renewal of the lease between the mortgagor-lessor and the lessee, the rejection of applications for FHA mortgage insurance and the refusal to enter into future contracts of any kind with which the lessee is identified; and further, if the lessee is a corporation or any other type of business association or organization which may fail or refuse to comply with the aforementioned provisions, the Commissioner shall have a similar right of corrective action (1) with respect to any individuals who are officers, directors, trustees, managers, partners, associates or principal stockholders of the lessee; and (2) with respect to any other type of business association, or organization with which the officers, directors, trustees, managers, partners, associates or principal stockholders of the lessee may be identified.

SEE ATTACHED

FOR SIGNATURE PAGES AND ACKNOWLEDGMENTS

Instructions to Closing Attorney
Regulatory Agreement—form HUD-92466-NHL
Nursing Homes—Section 232

This Regulatory Agreement must be executed by the Lessee and the Commissioner and recorded before the Note is endorsed for insurance.

Note that there is space left on the back of the printed form for proper execution of the instrument.

The execution by the Commissioner and by the Lessee must be in accordance with the requirements of the jurisdiction where the project is located and must permit the instrument to be recorded.

The Agreement is to be executed in the name of the Commissioner. It will be signed for the Commissioner by the Field Office Manager or authorized agent who endorses the Note for insurance.

Recording must be at the expense of the mortgagor-owner or lessee.

Sufficient space is left on the back for the insertion of any necessary additional provisions. Any changes in the Agreement and any substantial additions shall receive the prior approval of the Assistant Secretary for Housing.

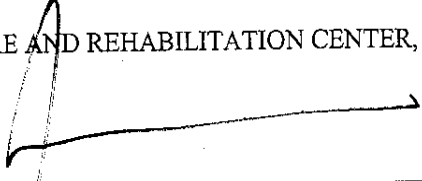
A copy of the Commissioner-approved lease shall be attached to this Regulatory Agreement. If the lease has already been filed or recorded, re-recording will be unnecessary, and a copy of the recorded lease (with recording data) will be attached following recording of the form HUD-92466-NHL.

The Agreement must be executed by the Lessee prior to execution by the Commissioner.

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SIGNATURE PAGE
TO REGULATORY AGREEMENT
NURSING HOME

EDGEWATER CARE AND REHABILITATION CENTER, INC., an
Illinois corporation

By: 
ERIC ROTHNER, PRES.

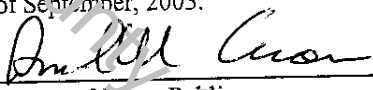
STATE OF ILLINOIS)

SS.

COUNTY OF)

I, David M Aronin, a Notary Public, in and for said County, in the State
aforesaid, do hereby certify that ERIC ROTHNER, of EDGEWATER CARE AND
REHABILITATION CENTER, INC., an Illinois corporation, who is 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 he signed and
delivered the said instrument, in his capacity as the Pres of the Corporation, as his free and voluntary act
and as the free and voluntary act and deed of said Corporation, for the uses and purposes therein set forth.

Given under my hand and notarial seal, this 29 day of September, 2003.


Notary Public

My Commission Expires:

Official Seal
David M Aronin
Notary Public State of Illinois
My Commission Expires 08/22/04

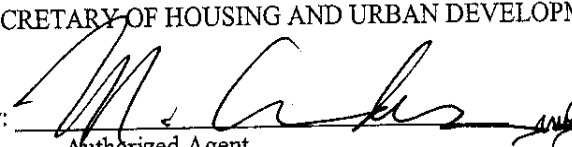
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("Secretary")

SECRETARY OF HOUSING AND URBAN DEVELOPMENT

By:


Authorized Agent

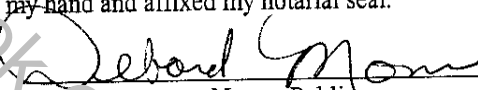
State of ILLINOIS)

) ss.

County of COOK)

On this 24th day of September, 2003, before me, appeared MARY Anderson, who, being duly sworn, did say that he/she is the duly appointed Authorized Agent and the person who executed the foregoing instrument by virtue of the authority vested in him/her ~~XXXXXXXXXXXX~~, and acknowledged the same to be his/her free and voluntary act and deed as Authorized Agent for an on behalf of the Secretary of Housing and Urban Development.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my notarial seal.


Notary Public

My commission expires:

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EDGEWATER NURSING & GERIATRIC CENTER

5838 NORTH SHERIDAN ROAD

CHICAGO, ILLINOIS

LEASE AGREEMENT

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EDGEWATER NURSING & GERIATRIC CENTER

LEASE AGREEMENT

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EDGEWATER SUBLEASE AGREEMENT

THIS SUBLEASE AGREEMENT (the "Sublease") made and entered into as of the ___ day of February, 1993, by and between Sam Gorenstein and David Gorenstein (hereinafter referred to as "Sublessor") and Edgewater Care and Rehabilitation Center Building Corp., an Illinois corporation (hereinafter "Sublessee").

WITNESSETH:

WHEREAS, Sublessor is the lessee of that certain tract of land which is improved with a 188 bed nursing home facility, situated in the County of Cook and commonly known as 5838 North Sheridan Road, Chicago, Illinois, all as more particularly described in Exhibit A attached hereto and made a part hereof (hereinafter referred to as "Premises" or as the "Demised Premises") under that certain Lease Agreement and any amendments thereto (hereinafter referred to as the "Prime Lease") entered into as of July 27, 1977 by and between AMERICAN NATIONAL BANK AND TRUST COMPANY OF CHICAGO, not personally, but as Trustee under Trust Agreement dated May 1, 1975 and known as Trust Number 90910 (hereinafter referred to as "Edgewater Trustee", "Prime Lessor" or the "Prime Landlord"), as landlord, and Sublessor, as tenant. Exhibit B attached hereto and made a part hereof is a true and accurate copy of the Prime Lease, excluding the amounts of rent contained therein, all of which have been "blacked out"; and

WHEREAS, pursuant to the Prime Lease, Sublessor is the lessee of the furnishings, furniture, equipment and fixtures used in or about the Demised Premises (hereinafter collectively referred to as the "Personal Property"); and

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WHEREAS, Edgewater Trustee is the fee simple owner of the Demised Premises and owner of the Personal Property; and

WHEREAS, Sublessor desires to sublease the Demised Premises and Personal Property (sometimes collectively referred to herein as "Property") to the Sublessee and Sublessee desires to sublease the Demised Premises and Personal Property from Sublessor; and

WHEREAS, the parties hereto have agreed that the use and occupancy of the Demised Premises, and the use of the Personal Property, shall be subject to and in accordance with the terms, conditions and provisions of this Sublease.

NOW, THEREFORE, in consideration of the mutual premises contained herein, Sublessor and Sublessee hereby agree as follows:

ARTICLE I

Premises

Sublessor, for and in consideration of the rents herein reserved and of the covenants and agreements herein contained on the part of the Sublessee to be kept, observed and performed, does by these presents, sublease to Sublessee, and Sublessee hereby subleases from Sublessor, the Property, which leasing shall, with respect to the Premises, be subject to covenants, conditions, agreements, easements, encumbrances and restrictions (hereinafter all the aforesaid are collectively referred to as "Restrictions") affecting the Premises and the improvements thereon. A copy of the existing Restrictions is attached hereto as Exhibit C and incorporated herein by reference.

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ARTICLE II

Term

Section 2.1 Term. Subject to the terms of Article XXXXII hereof, the term of this Sublease shall commence on March 1, 1993 (hereinafter referred to as the "Sublease Commencement Date") and shall end on the last day of February, 2023, unless sooner terminated or extended as herein set forth. (The term as set forth herein is sometimes hereinafter referred to as the "term").

Section 2.2 Maintenance of Prime Lease. Sublessor shall either take any and all such action as may be necessary to assure that the Prime Lease will at all times during the term of the Sublease remain in full force and effect or shall purchase the Nursing Home prior to the expiration of the Prime Lease so that the Sublease will thereby become a prime lease.

ARTICLE III

Rent

Section 3.1 Base Rent. In consideration of the leasing aforesaid, Sublessee agrees to pay to Sublessor, without offset or deduction whatsoever except as specifically provided for in this Sublease, as rent hereunder, the Base Rent set forth in Exhibit D attached hereto and incorporated by reference, at the address of Sublessor hereafter set forth in Article XXVIII, or at such other place as Sublessor may direct in writing, and in addition thereto, shall pay such charges as are herein described as Additional Base Rent and/or additional rent. Base Rent shall be paid in equally monthly installments in advance on or before the first day of each month of the term of this Sublease.

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Section 3.2 Additional Base Rent. Sublessee shall also pay to Sublessor as Additional Base Rent as and for the first year of the Term the sums set forth below at the address of Sublessor for payment of Base Rent. Additional Base Rent shall be payable in the sum of \$357,200.00 and shall be paid on the Commencement Date of this Sublease. Any sum received by Sublessor pursuant to the escrow (as hereinafter defined in Article XXXXIII) and attributed to, deposited thereto and/or contributed thereto by Sublessee shall be credited against Sublessee's obligation hereunder for Additional Base Rent.

Section 3.3 Sublease Interest Rate. Any rent accruing under the provisions of this Sublease which shall not be paid when due, shall bear interest at the Sublease Interest Rate, as hereinafter defined, from the date when the same is due hereunder until the same shall be paid.

Section 3.4 Rent Deferral. Notwithstanding anything to the contrary contained elsewhere in Exhibit D hereof, Sublessee shall receive a deferral (hereinafter "Deferral") of the fixed monthly base rent in the amount of \$1.00/bed/day, being \$5,718.33/month, for the first seventeen (17) months of the Sublease Term, being the total aggregate amount of \$97,211.61. The total amount of the Deferred rent shall be repaid, without interest, in three (3) equal installments of \$32,403.87 each, payable one each on the first day of the twenty-ninth (29th), forty-first (41st) and fifty-third (53rd) months following the Commencement Date.

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ARTICLE IV

Taxes and Assessments

Section 4.1 Payment of Taxes. Sublessee further agrees to pay as additional rent for the Premises, all taxes and assessments, general and special, water rates, levies and all other impositions, ordinary and extraordinary, of every kind and nature whatsoever, which may be taxed, charged, levied, assessed or imposed upon the Premises or any part thereof or upon any building or improvements at any time situated thereon, accruing or becoming due and payable during the term of this Lease. Real estate taxes for the first year of the original term hereof shall not be prorated. Sublessor shall be responsible for general real estate taxes prior to the Lease Commencement Date. Sublessor shall pay the first installment of the 1992 real estate taxes prior to the due date on which such installment is required to be paid and Sublessor shall further pay the second installment of the 1992 real estate tax bill when issued. Sublessor shall timely send to Sublessee evidence of payment of the 1992 general real estate tax bills, and in the event of Sublessor's failure to pay said taxes on or before the due date Sublessee may, but shall not be obligated to, pay such taxes, in which event Sublessee may offset the amount of such taxes against the next due installment(s) of rent until it has received full credit for such payment. Real estate taxes levied against the Premises shall be prorated between the Sublessor and Sublessee as of the date of expiration of the term of this Lease for the last year of said term on the basis of the most recent ascertainable real estate taxes as applied to the most recent assessed valuation of the Premises. Sublessee shall be responsible for all increases in real estate taxes based upon Sublessee's occupancy of the Premises. After the expiration of the term hereof Sublessee

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hereby agrees to reproporate the general real estate taxes. In the event of any increase in real estate taxes from the tax reflected on the proration made upon the expiration of the term of this Lease, Sublessee agrees to immediately pay to Sublessor such sums as reflected by such reproporation and in the event of any decrease in real estate taxes from the tax reflected on the proration made upon the expiration of the term of this Lease, Sublessor agrees to immediately pay to Sublessee such sums as reflected by such reproporation. Benefit may be taken by Sublessee of the provisions of any statute or ordinance permitting any assessment to be paid over a period of years; provided, however, Sublessee shall pay all only installments due during the original term hereof or any extension thereof. Sublessee shall, in addition to the foregoing pay any new tax of a nature not presently in effect but which may hereafter be levied, assessed or imposed upon the Sublessor or upon the Premises, if such tax shall be based upon or arise out of the ownership, use or operation of the Premises, including any tax in the nature of a rental tax derived from the rent payable pursuant to this Sublease and in lieu of or as a substitute for the whole or part any taxes now levied on the Premises.

Section 4.2 Security. As security for the obligations contained in Section 4.1, Sublessee shall deposit monthly with Sublessor, or such other entity as Sublessor may designate, on the first day of each and every month of the term of this Sublease and/or the first day of each and every month of any and/or all extensions thereof, a sum equal to 1/12th of the amount of the last ascertainable general real estate taxes and annual installments of special assessments levied with respect to the Premises. Sublessor shall remit said deposits to the Prime Lessor or to its mortgagee if required under the terms of any

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mortgage affecting the Premises. If Sublessor is not required to remit said deposits to Prime Lessor or to such mortgagee, Sublessor shall deposit said funds in an interest-bearing segregated account identified as an escrow account for the Premises with the interest earned to be accumulated in said account and, together with the monthly deposits required to be made by Sublessee hereunder, shall be used as a fund to be applied, to the extent thereof, to the payment of general real estate taxes and special assessments as the same become due and payable. The interest earned in such segregated tax escrow account shall, to the extent permitted by the Prime Lease and/or any mortgage against the Property, be and belong to Sublessee. The existence of said tax escrow fund shall not limit or alter Sublessee's obligation to pay the taxes or assessments for which the fund was created. Sublessee shall provide Sublessor with a copy of the real estate tax bill required to be paid from the deposits held by Sublessor and if the amount of the deposit is sufficient to pay said taxes, Sublessor shall promptly pay the same and provide to Sublessee evidence of the payment. In the event of a deficiency in the amount of said deposits, Sublessor shall not be required to pay said taxes until Sublessee shall first pay to Sublessor said deficiency. Except as otherwise set forth in Section 4.8 hereof, Sublessee's tax escrow deposits shall only be used and applied to the payment of general real estate taxes and special assessments which Sublessee is responsible for paying in accordance with the terms of this Sublease.

Section 4.3 Substituted Taxes. If at any time during the term of this Sublease, the methods of taxation prevailing on the Sublease Commencement Date shall be changed or altered so that in lieu of, in addition to, or as a substitute for the whole or any part of the taxes now levied or imposed on real estate as such, there shall be levied, assessed or

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imposed (i) a tax on the rents received from such real estate, and/or (ii) a license fee measured by rents receivable by Sublessor from the Premises or any portion thereof, and/or (iii) a tax or license fee imposed upon Sublessor which is otherwise measured by or based in whole or in part upon the Premises or any portion thereof, then the same shall be included in the definition of real estate taxes under the provisions of this Article IV.

Section 4.4 Franchise Taxes. Nothing contained herein shall be construed to require Sublessee to pay any franchise, inheritance, estate, succession or transfer tax of Sublessor or any income or excess profits tax assessed upon or in respect of any income of Sublessor or chargeable to or required to be paid by Sublessor unless such tax shall be specifically levied against the rental income of Sublessor derived hereunder, as and for a substitute for the real estate taxes, in whole or in part, upon the Premises or the improvements situated thereon, in which event said rent shall be considered as the sole income of Sublessor.

Section 4.5 Personal Property Taxes. Sublessee shall pay before delinquency all taxes, assessments, license fees and public charges levied, assessed or imposed upon or measured by the value of its business operation, the Personal Property, or its furniture, fixtures, leasehold improvements, equipment and other property at any time situated on or installed in the Premises by Sublessee. If at any time during the term of this Sublease any of the foregoing are assessed as part of the real property of which the Premises are part, Sublessee shall pay to Sublessor upon demand the amount of such additional taxes as may be levied against said real property by reason thereof as reasonably apportioned by Sublessor. Sublessee shall report and pay promptly any and all other taxes, fees and assessments due, assessed or levied against the Personal Property or any of the other items

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identified above, or the ownership, leasing, possession, use or operation thereof or upon the rentals or receipts with respect thereto, including, without limitation, all license and registration fees and all sales, use, personal property, excise, franchise, duties and charges, together with any penalties, fines or interest thereon.

Section 4.6 Evidence of Payment. Except as permitted by Section 4.7 hereof, the taxes, assessments, special assessments and other impositions above provided to be paid by the Sublessee shall be paid, before any delinquency occurs therein or in any part or installment thereof, in the name of the Sublessor, and certificates of payment shall be delivered promptly to the Sublessor, or, if Sublessee is making tax escrow deposits with Sublessor pursuant to Section 4.2 hereof, Sublessor shall promptly deliver certificates of payment to Sublessee.

Section 4.7 Right of Contest. The Sublessee shall have the right to contest the legality or validity of any of the taxes, assessments or other impositions herein provided to be paid by it, provided that such contest shall have the effect of preventing the collection of the tax or assessment so contested and the sale or forfeiture of the Property or any part thereof or any interest therein, to satisfy the same, but no such contest shall be carried on or maintained by it after the time limited for the payment of any such taxes, assessments or other impositions unless the Sublessee, at least twenty (20) days before the taxes are payable, at its option (i) shall pay the amount involved under protest; or (ii) shall procure and maintain a stay of all proceedings to enforce any collections of such taxes, assessments or other impositions, together with all penalties, interest, costs and expenses, and shall deposit with the Sublessor, as security for the performance by the Sublessee of its

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obligations hereunder with respect to such taxes, assessments or other impositions, a sum of money which (when added to funds, if any, then on deposit for such taxes) shall be sufficient in the reasonable judgment of the Sublessor to pay in full such contested taxes and assessments and all penalties and interest that might become due thereon, and shall keep on deposit an amount so sufficient at all times, increasing such amount to cover additional penalties and interest whenever, in the reasonable judgment of the Sublessor, such increase is advisable. In the event any such contest is made by the Sublessee and Sublessee makes a written request in writing to Sublessor, and furnishes, or has furnished Sublessor with sufficient funds to make such payment in full with an official bill for such taxes, then, within twenty (20) days after final determination thereof and the termination of time to appeal, Sublessor shall fully pay and discharge or cause such payment or discharge, the amount involved in or affected by any such contest, together with all penalties, fines, interest, costs or expenses that may have accrued thereon or that may result from any such action by the Sublessee, whereupon the Sublessor shall return to the Sublessee all additional amounts, if any, deposited by the Sublessee in accordance with the provisions of this Section 4.7. The deposit may be used for payment of amounts due under this section.

Section 4.8 Failure to Pay Taxes. The land, buildings, and improvements covered and affected by this Sublease shall always be assessed for the purpose of taxation in the name of the owner of the Property if permitted under the laws or regulations relating thereto. In the event that Sublessee fails to timely make any and/or all of the deposits required under Section 4.2 hereof for the payment of taxes, Sublessee shall be solely responsible for and shall indemnify and hold harmless Sublessor from and against any and

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all fines, penalties, interest, costs and/or expenses suffered and/or incurred by Sublessor and referring to, relating to, arising out of and/or connected with the failure of Sublessor to timely pay, or deposit with its Prime Lessor, any corresponding real estate tax installment and/or corresponding tax escrow deposit. In the event that Sublessee has timely made all aforesaid deposits and Sublessor fails to timely make its deposits with its Prime Lessor and/or to pay any such taxes when due, Sublessor shall be solely responsible for, shall indemnify and hold harmless Sublessee from and against any and/or all fines, penalties, interest, costs and/or expenses suffered and/or incurred by Sublessee and/or Sublessor and referring to, relating to, arising out of and/or connected with the failure of Sublessor to timely pay, or deposit with its Prime Lessor, any real estate tax installment and/or tax escrow deposit. In addition, in the event Sublessee has timely made all aforesaid deposits and Sublessor fails to pay any such taxes and/or to make its deposits with the Prime Lessor, then Sublessee may offset the amount unpaid against the next installment of rent due; provided, however, that notwithstanding anything to the contrary contained elsewhere herein, including but not limited to Section 4.2 hereof, provided that Sublessor has deposited all sums theretofore paid by Sublessee pursuant to the terms of Section 4.2 hereof into the segregated tax escrow account, Sublessor may then withdraw from the segregated tax escrow account an amount equal to the amount of any and/or all rent offset made by Sublessee pursuant hereto. Furthermore, should the Sublessee fail, within the time provided above, to pay any of the taxes or assessments provided to be paid by the Sublessee, including all penalties, fines, interest, costs and expenses, or should the Sublessee attempt any such contest without complying with the conditions of Sections 4.7 and 4.8 hereof, the Sublessor

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may, upon prior notice to Sublessee, but shall not be obligated to, pay, discharge, compromise or adjust the payment of the obligation involved or any part thereof. In the event of any sale or sales to enforce or collect the same, the Sublessor may seek and effect any redemption therefrom as it may deem satisfactory. Sublessee shall repay to the Sublessor the full amount paid by the Sublessor pursuant to the provisions hereof, including any costs, penalties, expenses and reasonable attorneys' fees incurred by the Sublessor, on or before the first day of the next ensuing calendar month, plus interest thereon at the Sublease Interest Rate from the date of payment by the Sublessor. In any such event, the legality and validity of any such payment by the Sublessor, and the regularity of all proceedings had in respect thereof or toward the enforcement thereof shall be conclusively deemed to exist for the purpose of this section.

Section 4.9 Tax Filings. As between the parties hereto, the Sublessee alone shall have the duty of attending to the making and filing of any statement or report which may be provided or required by law as a basis of or in connection with the determination, equalization, reduction, payment of abatement of each obligation which is to be borne or paid by the Sublessee in accordance with this Article IV and Sublessee shall provide Sublessor with copies of any such filings. The Sublessor shall not be or become responsible therefor, nor for the contents of any such statement or report. The Sublessor shall not be obligated to make, join in or be a party to any protest or objection to any law, order, proceeding or determination, but shall cooperate with the Sublessee to the extent required by law, provided the Sublessee pay any costs, expense or liability incurred by Sublessor.

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Section 4.10 Tax Recoveries. In the event that Sublessee at any time institutes suit to recover any tax, assessment, tax lien or other imposition or charge paid by Sublessee under protest in Sublessor's name, Sublessee shall have the right, at its sole expense to institute and prosecute such suit or suits in Sublessor's name, in which event Sublessee covenants and agrees to indemnify Sublessor and save it harmless from and against all costs, charges or liabilities in connection with any such suit. All funds received as a result of any such suit shall belong to Sublessee unless any such recovery relates to a period of time which is not part of the term of this Sublease, and in such case shall be paid to Sublessor less the pro rata amount of Sublessee's reasonable costs and expenses incurred in such suit.

Section 4.11 Sublessor's Right of Contest. Sublessor shall have the right to seek a reduction in the valuation of the Premises assessed for tax purposes, if within thirty (30) days after notice by Sublessor, Sublessee fails to commence a proceeding to secure such reduction or fails to provide Sublessor with reasonable grounds for its decision not to seek such a reduction, and at Sublessor's expense to participate in any such proceeding commenced by Sublessee at Sublessor's instance or otherwise. Sublessor shall have the further right to commence a proceeding without notice to the Sublessee, or to intervene in and prosecute any proceeding commenced by Sublessee, for a reduction of such assessed valuation or valuations which shall in whole or in part be for any period of time subsequent to the expiration or termination of this Sublease. To the extent to which any tax refund payable as a result of any proceeding which Sublessor or Sublessee may institute, or payable by reason of compromise or settlement of any such proceeding, may be based upon a payment made by or for the account of Sublessee and shall not relate to a period

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subsequent to the expiration or termination of this Sublease, Sublessee shall be authorized to collect the same, subject to Sublessee's obligation to reimburse Sublessor forthwith (as additional rent hereunder) for any expense incurred by Sublessor in connection with any such proceeding, including, but not limited to, reasonable attorneys' fees. In the event any such proceeding relates to a period of time prior to and subsequent to the termination of this Sublease, Sublessor and Sublessee shall prorate the amount recovered and the costs incurred in connection with such recovery based on the period of time prior to the expiration of the term (which shall be for Sublessee's benefit) and subsequent to the expiration of the term (which shall be for Sublessor's benefit).

Section 4.12 Tax Notices Sublessor and Sublessee shall, not later than (10) days after receipt, deliver to the other any and all tax notices or assessments which either party may receive relating to the Property.

ARTICLE V

Utility Charges

The Sublessee shall pay in addition to all other sums required to be paid by it under the provisions of this Sublease, all utility charges of whatsoever kind or nature, and all similar expenses assessed, levied or asserted against the Property during the term of this Sublease, including by way of illustration and not limitation, water, gas, electricity, telephone, heat, waste and disposal service, cleaning and security service and other utilities and facilities used, supplied or consumed upon or in connection with the operation of the Property, provided that Sublessee shall have the right to contest same in good faith and

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need not pay same during the period they are in good faith so contested, as long as the service involved to the Property is not affected thereby.

ARTICLE VI

Use

Section 6.1 Use of Property. The Property shall at all times during the term of this Sublease fulfill all applicable governmental standards for a skilled and/or intermediate care nursing home (including staffing requirements), and with a plant and facilities qualified and licensed by all applicable authorities as a nursing home containing at least 188 beds, subject to the following provisions and to the provisions of Section 37.4 of this Sublease. Sublessee shall not reduce the number of skilled and/or intermediate care beds authorized under the Certificate of Need issued with respect to the Nursing Home without the prior consent of Sublessor. Upon termination of the Sublease, the provisions of Section 25.1 shall be applicable and Sublessee will return to Sublessor a facility containing a plant and facilities qualified and licensed under law as a skilled and/or intermediate care nursing home (including staffing requirements) containing at least 188 beds and with certificate of need certification for at least 188 beds, subject to any reduction in the number of licensed beds due solely to a change in law and/or governmental regulation pertaining to the physical plant and/or building requirements as a direct result of which the building will no longer qualify for a license for 188 beds. In the event of any change in the number of licensed beds as aforesaid, there shall not be any change, reduction or abatement in the rent hereunder.

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Section 6.2 Compliance With Law. Sublessee shall not use or occupy the Property or permit the Property to be used or occupied contrary to any statute, rule, order, ordinance, requirement, regulation or restrictive covenant applicable thereto or in any manner which would violate any certificate or occupancy affecting the same or which would render the insurance thereon void or the insurance risk more hazardous, or which would cause structural injury to the improvements or cause the value or usefulness of the Property or any part thereof to diminish or which would constitute a public or private nuisance or waste, and Sublessee agrees that it will, promptly upon discovery of any such use, take all necessary steps to compel the discontinuance of such use.

ARTICLE VII

Maintenance

Section 7.1 Maintenance of Premises. Sublessee agrees to take good care of the Premises and of the improvements at any time situated thereon and keep same and all parts thereof, including without limitation, the entire exterior and interior, the roof, foundations, parking areas, sidewalks, and appurtenances thereto together with any and all alterations and additions thereto, in the same order, condition and repair as on the Commencement Date, suffering no waste or injury. Sublessee shall, at its sole cost and expense, promptly make all necessary repairs and replacements, structural or otherwise, ordinary as well as extraordinary, foreseen as well as unforeseen, in and to any improvements or equipment now or hereafter located upon the Premises, including, without limitation, the entire interior and exterior, the roof, the foundation, sidewalks, parking areas, water, sewer, gas and electricity connections, pipes, mains, plumbing, heating, ventilating and air conditioning

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equipment and all other fixtures, machinery, apparatus, equipment and appurtenances now or hereafter belonging to, connected with or used in conjunction with the Premises. All such repairs and replacements shall be of first class quality and sufficient for the proper maintenance and operation of the Premises. Sublessee shall keep and maintain the improvements at any time situated upon the Premises and all sidewalks, vault space, parking areas and areas adjacent thereto, safe, secure and clean, specifically including, but not by way of limitation, snow and ice clearance, landscaping and removal of waste and refuse matter. Sublessee shall not permit anything to be done upon the Premises (and shall perform all maintenance and repairs thereto so as not) to invalidate, in whole or in part, or prevent the procurement of any insurance policies which may, at any time, be required under the provisions of this Sublease. The Sublessee shall not obstruct or permit the obstruction of any parking area, adjoining street or sidewalk.

Section 7.2 Failure to Maintain. In the event Sublessee fails to maintain the Premises in the same order, condition and repair as existed on the Commencement Date, Sublessor shall give Sublessee notice to do such acts as are reasonably required so to maintain the Premises. In the event Sublessee fails promptly to commence such work or diligently prosecute the same to completion, upon notice to Sublessee, Sublessor may, but is not obligated to, do such acts and expend such funds at the expense of Sublessee as are reasonably required to perform such work. Any amount so expended by landlord shall be paid by Sublessee promptly after demand with interest at the Sublease Interest Rate from the date of such work. Sublessor shall have no liability to Sublessee for any damage, inconvenience or interference with the use of the Premises by Sublessee as a result of

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performing any such work or by reason of undertaking the repairs required by Section 7.1 above.

Section 7.3 Compliance With Prime Lease and Mortgages. Anything to the contrary contained herein notwithstanding, Sublessee shall maintain the Premises in accordance with the requirements of the Prime Lease and any mortgages now or hereafter placed against the Premises. Sublessee will submit reports to Sublessor containing all reasonable and customary information required of Sublessor under the Prime Lease or any of such mortgages (including required financial information) within the time set out therefor in such mortgages, even in the event that a different time therefor is set forth herein and will fulfill all of Sublessor's requirements and undertakings under the aforesaid mortgages, except payments of rent under the Prime Lease and payments of principal and interest under any such mortgages. In the event of any inconsistency between the terms and provisions of this Sublease and the Prime Lease and/or any mortgage existing as of the date hereof and any replacement mortgage, the terms and provisions in question of said Prime Lease or mortgage shall not prevail over the terms and conditions in question of this Sublease unless the terms in question of the Prime Lease or said mortgage hold Sublessee to a higher and/or stricter standard than the terms, provisions or conditions set forth herein. Any act or omission of Sublessee that causes Sublessor to breach any of the aforesaid documents will be deemed an Event of Default under this Sublease.

Section 7.4 Improvements. Sublessee shall not create any openings in the roof or exterior walls of the improvements located on the Premises, without the prior written consent of Sublessor, nor shall Sublessee make any alterations, additions or improvements

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to the Premises, except as permitted by Article XII hereof, without the prior written consent of Sublessor. All alterations, additions and improvements (except Sublessee's Property, as hereinafter defined), put in at the expense of Sublessee shall become the property of the Sublessor or Prime Landlord under the Prime Lease, if applicable, and shall remain upon and be surrendered with the Premises as a part thereof at the termination of this Sublease, or if Sublessor has so conditioned its consent, Sublessee shall remove such alterations, additions and improvements which Sublessor's consent requires to be removed and restore the Premises to its original condition. Sublessee, at its sole costs and expense, will make all additions, improvements and alterations on the Premises and to the improvements, appurtenances and equipment thereon which may be necessary by reason of the act or neglect of any other person or corporation (public or private), including supporting the streets and alleys adjoining the Premises. No additions, improvements or alterations (other than normal maintenance and decorations) shall be commenced until Sublessee has first satisfied the requirements set forth in Section 10.2. hereof.

Section 7.5 Indemnification. Sublessee covenants and agrees to hold Sublessor harmless and indemnified at all times from and against any and/or all loss, liability, damage, cost or expense, including reasonable attorneys' fees, by reasons of any accident, loss and/or damage resulting to persons or property occurring on or after the Commencement Date from any use which may be made of the Premises or of any improvements or equipment at any time situated thereon and/or by reason of or growing out of any act or thing done or omitted to be done upon the Premises from and after the Commencement Date or with respect to any improvement or equipment at any time situated thereon. Sublessee further

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agrees that it will keep Sublessor and the Premises free and clear of and from any and all loss, liabilities, damage, costs or expenses, including reasonable attorneys' fees, arising out of any damage which may be sustained by adjoining property in connection with any maintenance, remodeling, altering or repairing of any building or buildings on the Premises.

ARTICLE VIII

Liability Insurance

Section 8.1 Insurance Requirements. Sublessee further agrees that it will at all times during the term hereof, at its sole cost and expense, carry and maintain, for the benefit of any mortgagee, Prime Lessor, Sublessor, Sublessor's agents and Sublessee, as insureds or additional insureds thereunder, comprehensive general public liability insurance against claims for personal injury, sickness or disease, including death and property damage, in, on or about the Premises, or in, on or about the streets, sidewalks, or premises adjacent to the Premises and such other insurance as is customarily carried by nursing homes, such insurance to afford protection in such amounts as are customarily carried in the nursing home industry, but not less than the amounts set forth in the Schedule of Insurance attached hereto as Exhibit E and incorporated herein by reference, and will also carry, for the mutual benefit of Sublessor and of Sublessee, if any is required, steam boiler insurance on all steam boilers, pressure vessels and other such apparatus, including piping, in such amounts as Sublessor may from time to time reasonably require. In the absence of Sublessor being required by Prime Lessor to provide any broader insurance coverage and/or any insurance coverage in any greater amounts, in which event Sublessee shall obtain and provide all such

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coverage, if customarily carried by nursing homes, the insurance coverage and amounts set forth in Exhibit E shall, for the purposes hereof, be deemed to be sufficient.

Section 8.2 Elevator Insurance. Sublessee will, at all such times as there may be one more passenger or freight elevators in any building on the Premises, during the term hereof, and/or any and/or all extensions thereof, carry and maintain elevator liability insurance, for the mutual benefit of Sublessor and Sublessee, in an amount, in form and with companies reasonably satisfactory to Sublessor.

Section 8.3 Construction Insurance. Sublessee will at all times, when any work is being performed to the Premises, carry or cause to be carried appropriate Workmen's Compensation Insurance, Scaffolding Act coverage and other insurance against liability arising from claims of workmen in respect of any work on or about the Premises.

Section 8.4 Trust Protection. In the event the Premises are owned by a trust, Sublessee shall maintain all insurance required pursuant to this Sublease in the name of said trust, as well as the agents and beneficiaries thereof, as their respective interests may appear.

Section 8.5 Evidence of Liability Insurance. Sublessee shall furnish Sublessor with a certificate or certificates of all insurance policies required to be procured by Sublessee under this Sublease. All such insurance shall be procured from a responsible insurance company or companies reasonably satisfactory to Sublessor and to Sublessor's mortgagee, if any, with a general policyholder rating of Class A and financial rating of Class 10 or better (if such companies are generally writing such insurance) according to Best's Key Rating Guide (or equivalent ratings) and such companies shall be authorized to do business in the

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State of Illinois and such insurance may be obtained by Sublessee by endorsement on its blanket insurance policies. All such policies shall provide that the same may not be canceled or altered except upon thirty (30) days' prior written notice to Sublessor and shall specifically name Sublessor as an insured party.

ARTICLE IX

Hazard Insurance

Section 9.1 FECV Insurance. Sublessee shall, at all times during the term of this Sublease, at its sole expense, keep in effect insurance on all buildings and improvements on the Premises against loss by fire and lightning, the risks covered by what is commonly known as extended coverage, malicious mischief and vandalism, and all other risks of direct physical loss, in an amount equal to the full replacement value on the replacement form basis, of such buildings and improvements, if customarily carried by nursing homes. The policy or policies evidencing such insurance shall be written by a company or companies reasonably satisfactory to Sublessor and to Sublessor's mortgagee, if any, with a general policyholder rating of Class A and financial rating of Class 10 or better (if such companies are generally writing such insurance) according to Best's Key Rating Guide (or equivalent ratings) and such companies shall be authorized to do business in the State of Illinois, shall name Sublessor and Sublessee as insureds thereunder, and shall provide that losses shall be paid to said insureds as their respective interests may appear. At the request of Sublessor, a mortgage clause shall be included in said policies covering Prime Landlord's or Sublessor's mortgagee, if any. Said policies shall provide that the same may not be canceled or altered except upon thirty (30) days' prior written notice to Sublessor and to Sublessor's mortgagee,

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if any. The original of such policies shall be deposited with Sublessor who may deposit the same with its Prime Lessor or mortgagee, if any.

Section 9.2 Additional Insurance Requirements. Sublessee further agrees that, if and only if Prime Lessor so requires it pursuant to the Prime Lease, at Sublessor's written request, if and when obtainable and if such insurance is customarily carried, it will procure and maintain so-called war risk and war damage insurance, earthquake and flood insurance on the improvements located upon the Premises for not less than ninety (90%) percent of the full insurance value above foundation. Such insurance shall provide for payment of loss thereunder to Sublessor and Sublessee, as their interests may appear, and shall, at landlord's request contain a mortgage clause in favor of Sublessor's mortgagee, if any.

Section 9.3 Rent Loss Insurance. Sublessee shall furnish insurance against loss of rents due to the occurrence of any casualty or hazard in the amount of all rent payments, taxes, assessments and insurance premiums required hereunder for a twelve (12) month period. Loss of rent proceeds shall, unless required to be remitted to the Prime Lessor or mortgagee of the Premises, shall be held by Sublessor in a segregated account separate from any other proceeds paid under the same policy, and the loss of rent proceeds shall be first applied to rent and tax and insurance deposits due and owing, and any remaining balance shall be paid to Sublessee.

Section 9.4 Contents Insurance. Sublessee shall maintain contents insurance on the Personal Property and all other personalty, furniture, fixtures, leasehold improvements, equipment and other property situated on or installed in the Premises in an amount equal to their full replacement cost. Said insurance shall comply with the requirements set forth

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in Section 9.1 with respect to hazard insurance and policies evidencing the same shall be deposited with Sublessor who may deposit the same with its Prime Lessor or mortgagee, if any.

Section 9.5 Failure to Maintain Insurance. In the event Sublessee shall at any time fail, neglect or refuse to procure such insurance and keep the same in full force and effect as provided for in this Sublease, then landlord may, upon prior notice to Sublessee, at its election, procure or renew such insurance, and any amounts paid therefor by Sublessor shall be so much additional rent due at the next rent day after any such payment, with interest at the Sublease Interest Rate from the date of payment thereof.

Section 9.6 Evidence of Hazard Insurance. Policies or certificates evidencing all insurance required under this Sublease together with evidence indicating that the premium has been prepaid shall be delivered to Sublessor within thirty (30) days after demand and renewals thereof shall be delivered to Sublessor at least thirty (30) days prior to the expiration dates of the respective policies. Insurance required under this Article IX may be obtained by Sublessee by endorsement on its blanket insurance policies provided that such blanket policies shall satisfy the requirements of this Article IX.

Section 9.7 Additional Policy Requirements. Each insurance policy required under the provisions of this Article IX shall contain to the extent obtainable: (i) an agreement of the insurer that it will not cancel or materially modify such policy except upon thirty (30) days prior written notice to Prime Lessor, Prime Lessor's mortgagee., Sublessor and Sublessor's mortgagee, if any; (ii) that it will waive any right to subrogation that such insurer may have against Sublessor; and (iii) that any loss otherwise payable under such policy shall

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be payable notwithstanding any act or negligence of the Sublessor or Sublessee or any occupant claiming under Sublessee which might, absent such agreement, result in a forfeiture of all or a part of such insurance proceeds.

Section 9.8 Separate Insurance. Sublessee shall not obtain or carry separate insurance concurrent in form or contributing in the event of loss with that required in this Article IX to be furnished by Sublessee unless Sublessor is included therein as a named insured, with loss payable as provided for in this Sublease. Sublessee shall immediately notify Sublessor whenever any such separate insurance is obtained and shall deliver to Sublessor the policy or policies or certificates evidencing the same.

Section 9.9 Insurance Deposits. If, and only if, under the terms of the Prime Lease and/or any mortgage encumbering the Premises, Sublessor is actually being required to make deposits on account of its insurance premiums, then Sublessee shall deposit monthly with Sublessor, on the first day of each and every month of the term of this Sublease, and/or any and/or all extensions thereof, a sum equal to one-twelfth (1/12th) of the amount of insurance premiums necessary to pay for the insurance required under the terms of Article VIII and IX of this Sublease, which monthly deposits shall be remitted to such mortgagee and used as a fund to be applied, to the extent thereof, to the payment of insurance premiums as the same become due and payable. Sublessee shall be entitled to interest on said funds if, and only if, Sublessor is entitled to and actually receives interest on such funds, and then only to the extent of the interest actually received by Sublessor.

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ARTICLE X

Damage or Destruction

Section 10.1 Obligation to Restore. Sublessee agrees that in case of damage to or destruction of any building or improvements on the Premises or of the Personal Property, personalty, fixtures and equipment therein, by fire or other casualty, it will promptly, at its sole cost and expense, repair, restore, rebuild or replace the same and upon the completion of such repair, restoration, rebuilding, or replacement the value and rental value of the buildings and improvements upon the Premises shall be equal to the value and rental value of the buildings and improvements thereon immediately prior to the happening of such fire or other casualty. Rent and all other charges payable by Sublessee hereunder shall not abate during the period of such repair, restoration, rebuilding, or replacement and during any period that the improvements are not tenantable because of such damage or destruction.

Section 10.2 Restoration Requirements. Before commencing any repairing, restoring or rebuilding, involving an estimated cost of more than \$100,000.00: (a) plans and specifications therefor, prepared by a licensed architect, shall be submitted to and approved by Sublessor, which approval shall not be unreasonably withheld; (b) Sublessee shall furnish to Sublessor an estimate of the cost of the proposed work, certified by the architect who prepared such plans and specifications; (c) all contracts for any proposed work shall be submitted to and approved by Lessor; and (d) Sublessee shall either furnish to Sublessor a bond in form and substance satisfactory to Sublessor, or such other security reasonably satisfactory to Sublessor to insure payment for the completion of all work free and clear of liens. All restoration, repair, rebuilding and other construction performed by or on behalf

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of Sublessee to the Premises shall be performed in a good and workmanlike manner in accordance with all applicable governmental statutes, ordinances and regulations.

Section 10.3 Payment of Proceeds. In the event of loss under any policy or policies of insurance described in Article IX hereof, the proceeds thereof shall be paid to the Sublessor and shall thereafter be paid out from time to time by the Sublessor for the expense of repairing or rebuilding the buildings or improvements which have been damaged or destroyed or for the cost of replacing any Personal Property which may have been damaged or destroyed, provided, however, that it shall first appear to the satisfaction of Sublessor that the amount of insurance money in its hands, plus any additional funds deposited by Sublessee, shall at all times be sufficient to pay for the completion of said repairs, rebuilding or replacement. Upon the completion of any repairs or rebuilding, free from all liens of mechanics and materialmen and others, any surplus funds subject to the rights of Prime Lessor, Prime Lessor's mortgagee and Sublessor's mortgagee(s), if any, shall be paid to Sublessee. Sublessor shall use its best efforts to cause any such surplus funds to be paid to Sublessee. Any funds paid to Sublessor's mortgagee shall reduce the Option Purchase Price in an amount equal to the amount of such payment to Sublessor's mortgagee. All payouts by the Sublessor as hereinabove required, shall be made after making provision for reasonable holdbacks and upon the written request of Sublessee accompanied by the certificate of the architect or engineer in charge of the repairs and rebuilding stating:

- (a) that the sum requested is due to the contractors, materialmen, laborers, engineers, architects or other persons (whose names and address shall be stated) who have furnished services or materials for

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the repairs and restoration, or is required to reimburse Sublessee for expenditures made by Sublessee in connection with the repairs and restoration;

- (b) that the sum requested when added to all sums previously paid out under this Article for the repairs and restoration does not exceed the value of the repairs and restoration done to the date of such certificate;
- (c) the progress of the repairs and restoration and a certification that the same have been made in a good and workmanlike manner;
- (d) that the repairs and restoration have been done pursuant to all plans and specifications required by Section 10.2 hereof; and
- (e) that in the opinion of the architect or engineer, the remaining amount of the sum on deposit will be sufficient to pay for same in full upon completion of the repairs and restoration.

The Sublessee shall furnish the Sublessor at the time of any such payment, statements and waivers of lien as may be required under the mechanic's lien law of the State of Illinois, and an official search, or other evidence reasonably satisfactory to the Sublessor, that there has not been filed with respect to the Premises any mechanic's or other lien which has not been discharged of record, in respect of any work, labor, services or materials performed, furnished or supplied, in connection with the repair and restoration, and that all of said materials have been purchased free and clear of any security agreement or title retention agreement. The Sublessor shall not be required to pay out any sum when the Premises shall

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be encumbered with any such lien or agreement, or when the Sublessee is in default under any covenant or obligation set forth herein; provided, however, that if Sublessor is in possession and control of such insurance funds, Sublessee is not in default under any term, condition and/or provision of this Sublease, and Sublessee notifies Sublessor of its election to contest such lien and diligently pursues said contest to conclusion, Sublessor shall withhold from such insurance proceeds an amount it reasonably deems sufficient to pay such lien plus any and all costs, expenses, interest and/or penalties, if any, (which amount shall be equal to 125% of the face amount of the lien) and shall pay the balance of such proceeds as otherwise set forth herein. In the event of replacement of any personal property damaged or destroyed, Sublessor shall pay from insurance proceeds for the cost of repairing or replacing such personal property upon submission of invoices or bills with respect to such personal property, but shall not have any further personal liability therefor. Sublessor agrees that it shall use its best efforts to cause or make all such insurance proceeds available to Sublessee for such repair and/or rebuilding.

Section 10.4 Failure to Restore. In the event Sublessee shall not commence the repair, restoration, rebuilding, or replacement as required by this Article within a reasonable time after any damage or destruction and diligently pursue the completion of same, then Sublessee shall (subject to the notice and cure provisions of Section 20.1(1) hereof) be in default under this Sublease and in addition to any remedy of Sublessor provided for herein, at law or in equity, Sublessor may retain the balance of all sums deposited pursuant to this Article remaining in the hands of Sublessor.

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Section 10.5 Waiver of Subrogation. Sublessor and Sublessee hereby waive all claims for recovery from the other party for any loss or damage (whether or not such loss or damage is caused by negligence of the other party and, notwithstanding any provision or provisions obtained in the Sublease to the contrary) to any person or property insured under valid and collectible insurance policies to the extent of any recovery collectible under such insurance, subject to the limitation that this waiver shall apply only when it is permitted by the applicable policy of insurance.

ARTICLE XI

Liens

Section 11.1 Lien Claims. Sublessee shall not do any act which shall in any way encumber the title of the Prime Lessor or Sublessor in and to the Premises, nor shall any interest or estate of Sublessor in the Premises be in any way subject to any claim by way of lien or encumbrance, whether by operation of law or by virtue of any express or implied contract by Sublessee, and any claim to or lien upon the Premises arising from any act or omission of Sublessee shall accrue only against the leasehold estate of Sublessee and shall in all respects be subject and subordinate to the paramount leasehold title and rights of Sublessor in and to the Premises. Sublessee will not permit the Premises to become subject to any mechanics', laborers' or materialmen's lien on account of labor or material furnished to Sublessee or claimed to have been furnished to Sublessee in connection with work of any character performed or claimed to have been performed on the Premises by, at the direction of, or at the sufferance of Sublessee; provided, however, that Sublessee shall have the right to contest in good faith and with reasonable diligence the validity of any such lien or

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claimed lien if Sublessee shall first give to Sublessor such security as may be reasonably demanded by Sublessor to insure payment thereof and to prevent any sale, foreclosure or forfeiture of the Premises by reason of non-payment thereof. On any final determination (including any appeals) of the lien or claim for lien, Sublessee will immediately pay any judgment rendered, with all proper costs and charges, and will, at its own expense, have the lien released and any judgment satisfied.

Section 11.2 Failure to Contest Liens. If Sublessee shall fail to contest the validity of any lien or claimed lien or fail to give security to Sublessor in an amount equal to 125% of the amount of the claimed lien to insure payment thereof, or shall fail to prosecute such contest with diligence, or shall fail to have the same released and satisfy any judgment rendered thereon, then Sublessor may, at its election (but shall not be so required), after ten (10) days prior written notice to Sublessee, remove or discharge such lien or claim for lien (with the right, in its discretion, to settle or compromise the same), and any amounts advanced by Sublessor, including reasonable attorneys' fees, for such purposes shall be so much additional rent due to Sublessee to Sublessor at the next rent date after any such payment, with interest at the Sublease Interest Rate.

Section 11.3 Non-liability of Sublessor. Nothing in this Sublease contained shall be deemed or construed in any way as constituting the consent or request of Sublessor, express or implied by inference or otherwise, to any contractor, subcontractor, laborer, materialman, architect or engineer for the performance of any labor or the furnishing of any materials or services for or in connection with the Premises or any part thereof. Notice is hereby given that Sublessor shall not be liable for any labor or materials or services furnished or to be

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furnished to Sublessee upon credit, and that no mechanic's or other lien for any such labor, materials or services shall attach to or affect the fee or reversionary or other estate or interest of Sublessor in the Premises or in this Sublease.

ARTICLE XII

Alterations and Improvements

Sublessee shall not at any time during the term of this Sublease, and/or any and/or all extensions thereof, make any alteration, addition and/or improvement to the Premises and/or any improvements located thereon, the cost of which is expected to exceed \$100,000.00, without in each instance, the prior written consent of Sublessor. No alteration, addition or improvement to the Premises shall be commenced by Sublessee until Sublessee has furnished Sublessor with a satisfactory certificate or certificates from an insurance company acceptable to Sublessor, evidencing workmen's compensation coverage, and insurance coverage in amounts satisfactory to Sublessor protecting Sublessor against public liability and property damage to any person or property, on or off the Premises, arising out of and during the making of such alterations, additions or improvements. Any alteration, addition or improvement by Sublessee hereunder shall be done in a good and workmanlike manner in compliance with any applicable governmental law, statute, ordinance or regulation. If any alteration or improvement is reasonably expected to cost in excess of \$100,000.00, before commencing any such work, Sublessee shall either furnish to Sublessor a bond in form and substance satisfactory to Sublessor or such other security satisfactory to Sublessor to insure payment for the completion of all work free and clear of liens and shall further comply with the requirements of Section 10.2 hereof.

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ARTICLE XIII

Condemnation

Section 13.1 Total Condemnation. In the event the whole of the Premises shall be taken as a result of the exercise of the power of eminent domain or condemned for a public or quasi-public use or purpose by any competent authority or sold to the condemning authority under threat of condemnation, or in the event of a portion of the Premises shall be taken or sold as a result of such event, and as a result thereof the balance of the Premises cannot be used for the same purpose as before such taking, sale or condemnation, then and in either of such events, the term of this Sublease shall terminate as of the date of vesting of title pursuant to such proceeding or sale. The total award, compensation or damages received from such proceeding or sale (hereinafter collectively called the "Award"), shall be paid to and be the property of Prime Lessor or Sublessor, depending upon whether the Award shall be made as compensation for diminution of the value of the leasehold or the fee of the Premises or otherwise, and Sublessee hereby assigns to Sublessor, all of Sublessee's right, title and interest in and to the Award. Sublessee shall execute, immediately upon demand of Sublessor, such documents as may be necessary to facilitate collection by Prime Lessor or Sublessor of any such Award. Sublessee shall be entitled to any award that it can prove for damage to its leasehold and option interest, provided that such award is separately allocated to Sublessee by the condemning authorities and does not reduce the Award which would otherwise be made available to the Prime Lessor or Sublessor. Notwithstanding anything to the contrary contained elsewhere in this Section, in the event, and only in the event, that Prime Lessor and/or Sublessor actually receives a

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portion of the total condemnation award, and the amount so received by Prime Lessor and/or Sublessor exceeds the purchase price (hereinafter "Purchase Price") under the option to purchase (hereinafter "Option") the Property dated of even date herewith by and between Sublessor, as seller/optionor, and an affiliate of Sublessee, as optionee/purchaser, then any amount in excess of the Purchase Price shall be and belong to Sublessee and Sublessor shall promptly pay such excess to Sublessee.

Section 13.2 Partial Condemnation. In the event only a part of the Premises shall be taken as a result of the exercise of the power of eminent domain or condemned for a public or quasi-public use or purpose by any competent authority or sold to the condemning authority under threat of condemnation, and as a result thereof the balance of the Premises can be used for the same purpose as before such taking, sale or condemnation, this Sublease shall not terminate and Sublessee, at its sole cost and expense, shall promptly repair and restore the Premises and all improvements thereon. Any Award paid as a consequence of such taking, sale, or condemnation, shall be paid to Sublessor and shall be disbursed in accordance with the provisions of Section 10.3 hereof. Any sums not so disbursed shall be retained by landlord and credited against the Purchase Price under the Option. In the event Sublessee shall not promptly commence the repair or restoration required hereby, and diligently pursue the completion of same, the Sublessee shall be deemed in default under this Sublease and, in addition to any remedy of Sublessor provided for under this Sublease, at law or in equity, Sublessor may retain the Award, or the balance thereof remaining in the hands of the Sublessor.

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ARTICLE XIV

Rent Absolute

Except as provided for in this Sublease, this Sublease shall be deemed and construed to be a "triple net Sublease" and Sublessee agrees to pay all costs and expenses of every kind and nature whatsoever arising out of or in connection with the use and occupancy of the Property during the term of this Sublease, which, except for the execution and delivery hereof, would otherwise have been payable by Sublessor not including Sublessor's rent under the Prime Lease and/or any condition with respect to the Premises existing on the Commencement Date and which condition is herein expressly warranted by Sublessor. Any damage to or destruction of all or any portion of the buildings, structures, fixtures or personalty upon the Premises by fire, the elements or any other cause whatsoever, whether with or without fault on the part of Sublessee, shall not terminate this Sublease or entitle Sublessee to surrender the Premises or entitle Sublessee to any abatement of, or set off to, or reduction in the rent payable, or otherwise affect the respective obligations of the parties hereto. If the use of the Premises for any purpose should, at any time during the term of this Sublease, be prohibited by law or ordinance or other governmental regulation, or prevented by injunction, this Sublease shall not be thereby terminated nor shall Sublessee be entitled by reason thereof to surrender the Premises, or to any abatement or reduction in rent, nor shall the respective obligations of the parties hereto be otherwise affected unless such eviction is due to the act of Sublessor or any person or persons claiming any interest in the Premises by or under Sublessor.

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ARTICLE XV

Assignment--Subletting by Sublessee

Section 15.1 Prohibition on Assignment or Subletting. Sublessee shall not assign this Sublease or any interest hereunder without the prior written consent of Sublessor and Sublessee shall not sublet or permit the use or occupancy of the Premises or any part thereof by anyone other than Sublessee without the prior written consent of Sublessor. Sublessor's consent shall not be unreasonably withheld or delayed; provided, however, Sublessor shall use its reasonable best efforts to obtain Prime Lessor's consent and /or the consent of any and/or all mortgagees; and further provided that if after using its reasonable best efforts, Sublessor is unable to obtain the consent of Sublessor's Prime Lessor and/or the Mortgagee of any and/or all of Prime Lessor's and/or Sublessor's mortgages against the Premises, Sublessor's withholding of its consent shall not be deemed to be unreasonable. In the event any Guarantor of Sublessee's performance hereunder desires to be released from his Guaranty, as a condition of such release the principals of the proposed assignee or subtenant shall (i) between themselves have a net worth of at least FIVE MILLION AND NO/100 (\$5,000,000) DOLLARS; (ii) in Sublessor's reasonable judgment have sufficient and successful experience in the operation of skilled care nursing homes; (iii) have demonstrated in Sublessor's reasonable judgment, such assignee's or tenant's ability to continue to operate the Nursing Home substantially comparable to the standard of operation then being conducted at the Nursing Home; and (iv) be of good character and repute. No assignment or sublease shall be effective if, at the time of transfer, there is then in existence an Event of Default by Sublessee hereunder. No assignment or subletting shall relieve

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Sublessee of its obligations hereunder, and Sublessee shall continue to be liable as a principal and not as a guarantor or surety, to the same extent as though no assignment or sublease had been made, unless specifically provided to the contrary in Sublessor's consent. Notwithstanding anything to the contrary contained elsewhere herein, no assignment or subletting shall be effective which violates the terms of any mortgage against the Premises. Consent by Sublessor pursuant to this Article shall not be deemed, construed or held to be consent to any additional assignment or subletting, but each successive act shall require the individual, specific and explicit consent of the Sublessor. Sublessor shall be reimbursed by Sublessee for any and/or all reasonable costs and/or reasonable expenses incurred pursuant to any and/or all requests by Sublessee for consent to any and/or all such assignments or subletting, including all costs associated with the review of proposed assignment or Sublease documents. For purposes of this Section 15.1 a transfer of a general partnership interest in a partnership which is the Sublessee or the beneficiary of Sublessee, or a transfer of the controlling interest in any corporation which is the Sublessee or the beneficiary of Sublessee, shall be deemed an assignment of this Lease (except that if either Eric Rothner or Abba Osina and/or their respective spouses, children, grandchildren and/or any trust or trusts for the benefit thereof maintains at least a ten (10%) general partnership interest or a ten (10%) percent ownership interest in such corporation, a transfer of a general partnership interest or an ownership interest in such Corporation shall not be deemed an assignment of this Sublease). Notwithstanding anything to the contrary contained herein, Sublessee may sublease the Premises to Edgewater Care & Rehabilitation Center, Inc. Sublessee shall have the right without the consent of Sublessor, to assign this Sublease or sublet the Premises to:

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(x) any subsidiary, parent or affiliated corporation of Sublessee; or, (y) to any entity owned and controlled by Eric Rothner or Abba Osina and/or their respective spouses, children, grandchildren and/or any trust or trusts for the benefit thereof; provided, however, that in the case of any such assignment or subletting provided for herein, Sublessee shall notify Sublessor in advance of such assignment or subletting and shall provide Sublessor with copies of the transfer documents, and further provided that no such assignment or subletting shall relieve the guarantors of this Sublease of their obligations under their guaranty unless otherwise provided to the contrary in any consent by the Sublessor thereto.

Section 15.2 Operation of Law. Sublessee shall not allow or permit any transfer of this Sublease, or any interest hereunder, by operation of law.

Section 15.3 Encumbrances. Sublessee shall not convey, mortgage, pledge or encumber this Sublease of any interest hereunder except for any Permitted Leasehold Financing (as hereinafter defined). Notwithstanding anything in this Sublease to the contrary, Sublessee shall have the right to enter into a mortgage, trust deed or assignment of lease(s) encumbering Sublessee's leasehold interest under this Sublease to a bank or other institutional lender providing a loan to Sublessee, the proceeds of which will be used in connection with Sublessee's obligations under this Sublease (such financing being referred to as the "Permitted Leasehold Financing" and the lender providing said loan is hereinafter referred to as the "Leasehold Mortgagee"). In connection with any such Permitted Leasehold Financing, the parties agree as follows:

- (a) Sublessor agrees that it shall not enter into any voluntary cancellation, surrender or modification of this Sublease by joint action of landlord

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and tenant without the prior written consent of the Leasehold Mortgagee;

- (b) In the event the Sublessee shall default in the performance of any obligation required pursuant to the terms of this Sublease, the Leasehold Mortgagee shall have the right, but not the obligation, to perform any such duty or obligation on behalf of the Sublessee and any such act shall be accepted by the Sublessor as though performed by the Sublessee;
- (c) In the event the Leasehold Mortgagee shall succeed to the interest of the Sublessee under this Sublease by foreclosure or assignment in lieu of foreclosure, such Leasehold Mortgagee shall have the right to become the successor tenant under this Sublease, subject to all of the terms, conditions and provisions of this Sublease and the Leasehold Mortgagee shall be deemed to have accepted, assumed, become liable and responsible for the performance of all the duties, obligations, promises and covenants hereunder of Sublessee;
- (d) In the event of a foreclosure sale, any purchaser at such foreclosure sale other than the Leasehold Mortgagee must comply with and meet the requirements of the provisions of Section 15.1 in order for Sublessor to consent to the transfer of the leasehold interest under this Sublease. In the event the Leasehold Mortgagee acquires the Sublessee's interest under this Sublease pursuant to the provisions of

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Section (c) above and subsequently elects to assign the leasehold interest, such assignment shall comply with and meet the requirements of the terms of Section 15.1; provided, however, that in said event the assignee shall not be required to have the net worth set forth in Section 15.1(i) above only if the Leasehold Mortgagee has agreed to assume the obligations of the Sublessee under this Sublease. If any such assignee meets said net worth requirements, Leasehold Mortgagee shall be released from any further obligations hereunder, including any obligations pursuant to Paragraph c above;

- (e) Provided that Sublessor has been advised in writing of the name and address of the Leasehold Mortgagee, Sublessor agrees to provide the Leasehold Mortgagee with an additional copy of any notice which Sublessor serves on Sublessee pursuant to the provisions of this Sublease, and further provided, that Leasehold Mortgagee shall provide Sublessor with copies of any and all Notices sent by it to Sublessee pursuant to referring to, relating to, arising out of and/or in connection with the Leasehold Mortgage; and
- (f) The Leasehold Mortgagee providing the Permitted Leasehold Financing shall enter into an agreement with the Sublessor under which the Leasehold Mortgagee agrees that if upon the occurrence of an Event of Default which is not cured by the Leasehold Mortgagee Sublessor exercises its right to possession of the Premises or

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termination of the Sublease, such Leasehold Mortgagee shall promptly release to Sublessor any and/or all of the stock of the company then operating the Nursing Home which is being held by the Leasehold Mortgagee, if any.

Section 15.4 Guaranty of Assignment or Subletting. In the event of an assignment or subletting of the Sublease, which has been consented to by the Sublessor pursuant to the provisions of Section 15.1 above, no Guarantor of this Sublease shall be released from his Guaranty as a result of such assignment or subletting except in writing signed by Sublessor which release Sublessor may, in its sole, absolute and unreviewable discretion, withhold unless it is tendered a replacement or substitute Guarantor which meets the conditions set forth in Section 15.1 hereof in which event the existing Guarantors shall be released.

ARTICLE XVI

Financial Statements

Section 16.1 Requirement for Financial Statements. At all times during the Term of this Sublease, and/or any and/or all extensions thereof, Sublessee shall deliver to Sublessor each and every one of the following financial statements:

- (a) To the extent Sublessee usually prepares the same in its ordinary course of business, within the later of ten (10) days after request from Sublessor or sixty (60) days after the end of each and every calendar quarter, a detailed financial statement covering said quarter certified by an officer or general partner of Sublessee in such form prepared by Sublessee in its ordinary course of business;

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(b) Within the later of ten (10) days after request from Sublessor or sixty (60) days after the end of each and every fiscal year, a balance sheet as of the end of such fiscal year and an operating statement covering said fiscal year of the entity and/or entities owning and/or operating the Nursing Home, prepared by an independent certified public accountant; and

(c) Within the later of ten (10) days after request from Sublessor or sixty (60) days after the end of each and every fiscal year (or any longer time if the time is extended by the government for filing), a copy of the tax return for the entity and/or entities owning and/or operating the Nursing Home for said fiscal year, certified by an officer or general partner of Sublessee to be true, accurate, correct and complete.

In addition to the above financial statements, Sublessee shall also provide to Sublessor any and all financial statements with respect to the Facility and/or other information with respect to the Facility required under the terms of the Prime Lease or any mortgage presently encumbering the Premises or any mortgages hereinafter entered into pursuant to the provisions of Article 36 of this Sublease. Any financial statements and/or other information required under the terms of said mortgages shall be furnished to Sublessor no later than twenty (20) days prior to the due date for Sublessor to furnish the same to the holders of said mortgages. Sublessor shall pay all costs and expenses for any such financial information not customarily prepared by Sublessee in its ordinary course of business.

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Section 16.2 Delivery of Financial Statements. Sublessor shall have the right to deliver any statements furnished pursuant to the provisions of Section 16.1 to Prime Lessor or to any mortgagee or prospective mortgagee of the Premises and upon the prior consent of Sublessee, not to be unreasonably withheld, to any prospective purchaser of the Premises.

ARTICLE XVII

Estoppel Certificates

Section 17.1 Sublessee's Estoppel Certificate. Sublessee agrees that at any time and from time to time, upon not less than ten (10) days' prior written request by Sublessor, it will execute, acknowledge and deliver to Prime Lessor, Prime Lessor's mortgagee, Sublessor, or Sublessor's mortgagee, a statement in writing certifying that this Sublease is unmodified and in full force and effect (or if there have been modifications, that the same is in full force and effect as modified, and stating the modifications), that Sublessor is not in default under any term or condition of this Sublease (or if any default exists Sublessee will so specify) and the date to which the rent and other charges have been paid in advance, if any, it being intended that any such statement delivered pursuant to this Section 17.1 may be relied upon by any prospective purchaser of the fee, or mortgagee or assignee of any mortgage upon the fee, of the Premises.

Section 17.2 Sublessor's Estoppel Certificate. Sublessor agrees that at any time and from time to time, upon not less than ten (10) days prior written request by Sublessee, it will execute, acknowledge and deliver to Sublessee a statement in writing certifying that this Sublease is unmodified and in full force and effect (or if there have been modifications, that the same is in full force and effect as modified, and stating the modifications), that

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Sublessee is not in default under any term or condition of this Sublease (or if any default exists Sublessor will so specify) and a date to which the rent and other charges have been paid, it being intended that any such statement delivered pursuant to this Section 17.2 may be relied upon by any prospective permitted assignee or subtenant of Sublessee's leasehold interest in this Sublease. In addition, upon request from Sublessee, Sublessor shall use its reasonable best efforts to obtain an estoppel certificate from its Prime Lessor certifying that the Prime Lease is unmodified and in full force and effect (or if there have been modifications, that the same is in full force and effect as modified, and stating the modifications), that Sublessor is not in default under any term or condition of the Prime Lease (or if any default exists Prime Lessor will so specify) and a date to which the rent and other charges have been paid, it being intended that any such statement delivered pursuant to this Section 17.2 may be relied upon by any prospective permitted assignee or subtenant of Sublessee's leasehold interest in this Sublease; provided, however, that Sublessor's failure to obtain such estoppel certificate from its Prime Lessor shall not be a default under this Sublease or entitle Sublessee to any damages and/or other remedy hereunder.

ARTICLE XVIII

Inspection of Premises

Sublessee agrees to permit Sublessor and any authorized representatives of Sublessor, to enter the Premises upon prior reasonable notice at all reasonable times during business hours for the purpose of inspecting the same and for the purpose of examining all financial, patient and other records in connection therewith (exclusive of any patient records protected from disclosure under any federal, state or local laws or ordinances). Any such inspections

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shall be solely for Sublessor's purposes and may not be relied upon by Sublessee or any other person.

ARTICLE XIX

Fixtures/Personal Property

Section 19.1 Fixtures. All buildings and improvements and all plumbing, heating, lighting, electrical and air-conditioning fixtures and equipment, and other articles of Personal Property used in the operation of the Premises (as distinguished from operations incident to the business of Sublessee), whether or not attached or affixed to the Premises (hereinafter referred to as "building fixtures"), shall be and remain a part of the Premises and shall constitute the property of Sublessor.

Section 19.2 Personal Property. All Personal Property set forth in Exhibit "B" shall constitute the property of the Sublessor. During the term of this Sublease, Sublessee shall, at its sole cost and expense, maintain in good order and repair all items of Personal Property and Sublessee shall replace any items of Personal Property which become obsolete, damaged or destroyed with substitute items equivalent to that which has been replaced and upon replacement, such items shall automatically become the property of the Sublessor and shall be deemed Personal Property under this Sublease so that at all times during the term of this Sublease, Sublessee shall maintain personal property substantially equal to the Personal Property leased hereunder and Sublessee shall at all times own or lease sufficient Personal Property in order to maintain the license required to be maintained by Sublessee pursuant to the provisions of Section 6.1 hereof. In the event any laws, ordinances or requirements of any governmental authority necessary for operating the Nursing Home as

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a 188 bed skilled care facility imposes upon Sublessee the obligation to install additional personal property, such additional personal property shall also be deemed Personal Property leased under this Sublease. Upon the request of Sublessor from time to time, Sublessee shall provide Sublessor no more than once a year with an inventory of personal property then located in the Nursing Home which is deemed to be Personal Property under this Sublease. Sublessee shall not mortgage, pledge or encumber the Personal Property except as may be permitted pursuant to the provisions of Section 15.3.

Section 19.3 Sublessee's Property. All of Sublessee's other trade fixtures and personal property, fixtures, apparatus, machinery and equipment hereafter located upon the Premises, other than building fixtures as defined in Section 19.1. hereof or Personal Property as defined in Section 19.2 hereof, shall be and remain the personal property of Sublessee, and the same are herein referred to as "Sublessee's Property".

Section 19.4 Removal of Sublessee's Property. Sublessee's Property may be removed from time to time by Sublessee; provided, however, that if such removal shall injure or damage the Premises, Sublessee shall repair the damage and place the Premises in the same condition as it would have been if such equipment had not been installed.

Section 19.5 Lien on Sublessee's Property. If, at any time hereunder, the Sublessee is in default under of any of the conditions and provisions of this Sublease, the Sublessor shall have a lien consonant with and comparable to a lien under the Uniform Commercial Code on Sublessee's Property and Sublessee shall not sell, encumber or remove any Sublessee's Property until such default shall have been determined, resolved, or cured.

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Section 19.6 Financing Statements. If requested, Sublessee will execute and deliver to Sublessor a Uniform Commercial Code financing statement for filing in the appropriate office with respect to the Personal Property reflecting that the Personal Property is owned by the Sublessor and is subject to this Sublease.

Section 19.7 Accounts Receivable. The accounts receivable accrued, whether or not billed, at the time of the Commencement Date, shall be the property of and belong to the Sublessor (hereinafter referred to as "Sublessor's Accounts Receivable"). Payments received by Sublessee which are allocated to a particular receivable and time period shall be applied in payment of the particular receivable and time period to which such payments are so allocated. To the extent possible, Sublessor shall receive direct payment from I.D.P.A. for Sublessor's Accounts Receivable. If Sublessee should receive any direct payment from I.D.P.A. solely for Sublessor's Accounts Receivable, Sublessee shall immediately deliver the same to Sublessor, but in no event later than one (1) business day after receipt of payment by Sublessee of Sublessor's I.D.P.A. check. Payments received by Sublessee from patients owing money for services rendered by Sublessor and Sublessee, and which are not allocated to a particular time period shall be applied one-half to the payment of Sublessor's Accounts Receivable for that particular patient and one-half to the payment of Sublessee's account receivable for that particular patient. No later than the fifteenth (15th) day of each month Sublessee will give to Sublessor a detailed accounting of payments received with respect to Sublessor's Accounts Receivable in the preceding month. Sublessee shall deliver to Sublessor in kind, within one (1) business day after receipt, any checks which represent payment of only Sublessor's Accounts Receivable. With respect to checks which include

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payment of both Sublessor's Accounts Receivable and Sublessee's accounts receivable, the portion attributable to Sublessor's Accounts Receivable shall be paid to Sublessor within three (3) days after receipt of such amount by Sublessee. If Sublessor receives any check representing payment of both Sublessor's Accounts Receivable and Sublessee's accounts receivable, the portion attributable to Sublessee's accounts receivable shall be paid to Sublessee within three (3) days of receipt of such amount by Sublessor. In the event that Sublessee receives notice from I.D.P.A. that it intends to withhold or deduct monies from payments owed to Sublessee or otherwise recoup from Sublessee amounts claimed to be owed to I.D.P.A. for services rendered and/or goods provided by, and/or sums advanced by I.D.P.A. to, Sublessor (or any other operator) prior to the Sublease Commencement Date, then Sublessee shall notify Sublessor of the same. Within three (3) business days of Sublessee's written notice to Sublessor of I.D.P.A.'s actual withholding, recoupment and/or deduction from Sublessee as aforesaid, Sublessor shall reimburse Sublessee the amount withheld, recouped and/or deducted. In the event that I.D.P.A. actually withholds, deducts and/or otherwise recoups any and/or all said sums from Sublessee, Sublessor shall, before the next installment of base rent is due, pay Sublessee an amount equal to the sum actually withheld, deducted or otherwise recouped from Sublessee or Sublessee may offset said amount against the next installment(s) of rent due until it has received full credit therefor. In the event that Sublessor receives notice from I.D.P.A. that it intends to withhold or deduct monies from payments owed to Sublessor or otherwise recoup from Sublessor amounts claimed to be owed to I.D.P.A. for services rendered and/or goods provided by, and/or sums advanced by I.D.P.A. to, Sublessee after the Sublease Commencement Date,

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then Sublessor shall notify Sublessee of the same. Within three (3) business days of Sublessor's written notice to Sublessee of I.D.P.A.'s actual withholding, recoupment and/or deduction from Sublessor as aforesaid, Sublessee shall reimburse Sublessor the amount withheld, recouped and/or deducted. In the event that I.D.P.A. actually withholds, deducts and/or otherwise recoups any and/or all said sums from Sublessor, said amount shall automatically and immediately become additional rent due and owing, and Sublessee shall, simultaneously with the payment of the next due installment of base rent, pay Sublessor an amount equal to the sum actually withheld, deducted or otherwise recouped.

Section 19.8 Sublessor's Vacation and Sick Pay Accruals. On the Commencement Date Sublessor shall deliver to Sublessee a schedule of all vacation pay, sick pay and holiday pay due Sublessor's employees ("Sublessor's Accrued Vacation, Holiday and Sick Pay Obligations"). Sublessor's Accrued Vacation, Holiday and Sick Pay Obligations shall be paid by Sublessee as and when they become due. Sublessor shall pay the sum of \$28,200.00 (being \$150.00/licensed bed) which shall be paid in three (3) equal installments of \$9,400.00 each, on the first day of the 29th, 41st and 53rd months following the Sublease Commencement Date as full and final reimbursement of all of Sublessor's vacation, holiday and sick pay obligations hereunder. Sublessee hereby indemnifies and holds harmless Sublessor from and against any and/or all claims, demands and/or liabilities suffered and or incurred by Sublessor and referring to, relating to, arising out of and/or connected with any and/or all claims with respect to Sublessor's Accrued Vacation, Holiday and Sick Pay Obligations. Any such obligation not listed on the schedule shall be and remain the sole obligation of Sublessor and Sublessor hereby indemnifies and holds harmless Sublessee from

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and against any and/or all claims, demands and/or liabilities suffered and or incurred by Sublessee and referring to, relating to, arising out of and/or connected with any and/or all claims with respect to Sublessor's Accrued Vacation, Holiday and Sick Pay Obligations.

Section 19.9 Inventory and Supplies. Upon the Sublease Commencement Date, Sublessor and Sublessee shall prepare an inventory (hereinafter "Inventory") of all supplies (hereinafter "Supplies"), including but not limited to food, kitchen supplies and linens, in the Nursing Home. Simultaneously with Sublessor's payment to Sublessee of Sublessor's Vacation, Holiday and Sick Pay Obligations under Section 19.8 hereof, Sublessee shall pay to Sublessor one-half (1/2) of Sublessor's actual cost of the unopened cartons of the Supplies as shown by true, accurate and complete copies of Sublessor's actual bills and/or invoices for the Supplies.

Section 19.10 Patient Trust Accounts. On the Commencement Date, Lessor will deliver to Lessee all deposits of patients' trust funds, in the possession of the Lessor which were received by Lessor on behalf of and for the personal use of, patients which are in the nursing home operated on the Demised Premises together with a list of the patients and the amount thereof to which each of said patients is entitled. Lessee will give or return such deposits to the patients from time to time when and as requested by such patients. Lessee hereby indemnifies Lessor from all claims and loss arising out of or in connection with such funds or the delivery thereof to Lessee arising after the Commencement Date. Lessor hereby indemnifies Lessee from all claims and losses arising out of or in connection with any disbursements of such funds on behalf of any patients prior to the Commencement Date.

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ARTICLE XX

Default

Section 20.1 Events of Default. Sublessee agrees that any one or more of the following events shall be considered an Event of Default as said term is used herein:

- (a) If an order, judgment or decree shall be entered by any court adjudicating the Sublessee of this Sublease, a bankrupt or insolvent, or approving a petition seeking reorganization of the Sublessee or appointing a receiver, trustee or liquidator of the Sublessee or of all or a substantial part of its assets, and such order, judgment or decree shall continue unstayed and in effect for any period of sixty (60) days; or
- (b) Sublessee shall file an answer admitting the material allegations of a petition filed against the Sublessee in any bankruptcy, reorganization or insolvency proceeding or under any law relating to the relief of debtors, readjustment of indebtedness, reorganization, arrangements, composition or extension; or
- (c) Sublessee shall make any assignment for the benefit of creditors or shall apply for or consent to the appointment of a receiver, trustee or liquidator of Sublessee, or any of the assets of Sublessee; or
- (d) Sublessee shall file a voluntary petition in bankruptcy, or shall admit in writing its inability to pay its debts as they come due, or Sublessee

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- shall file a petition or an answer seeking reorganization or arrangement with creditors or take advantage of any insolvency law; or
- (e) Sublessee shall vacate the Premises or abandon same during the term hereof; or
- (f) Sublessee shall default in making any payment of rent or other payment required to be made by Sublessee to Sublessor hereunder and such default remains uncured for more than five (5) business days after written notice of such default; or
- (g) Except as otherwise permitted in accordance with either (i) Section 6.1 hereof for a reduction in the number of licensed beds due to a change in law and/or governmental regulation relating to the physical plant, or (ii) Section 37.4 hereof, Sublessee shall fail to comply with any written requirement of any governmental body relating to the physical structure of the Nursing Home and its facilities which would prevent the Nursing Home from being licensed as a 188-bed (or such reduced number of beds as allowed in accordance with section 6.1 hereof) skilled and/or intermediate care facility, subject to the provisions of Section 37.4. hereof, and such failure shall continue for twenty-five (25) days, provided that the time to cure such default shall not exceed the time allowed by the state to cure the failure to comply, and provided further that if Sublessee promptly begins to cure during such twenty-five (25) day notice period and diligently pursues the same to

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completion (and the governmental body allows Sublessee additional time to cure) Sublessee shall not be in default hereunder during such additional time allowed by the governmental body and provided Sublessee may also contest such requirement as long as it proceeds in good faith and with due diligence to contest the same and upon completion of such contest correct the deficiency noted in such requirement; or

- (h) The termination by the Illinois Department of Public Health of the Nursing Home license or termination of certification by either the Illinois Department of Public Aid, H.H.S. or H.C.F.A. to participate in the Medicaid program; or
- (i) Sublessee shall be in default in the performance of or compliance with any of the agreements, terms, covenants or conditions in this Sublease other than those referred to in the foregoing subparagraphs (a) through (h) of this Section for a period of fifteen (15) days after notice from Sublessor to Sublessee specifying the items in default, or in the case of a default which cannot, with due diligence, be cured within said fifteen (15) day period, Sublessee fails to proceed within said fifteen (15) day period to commence to cure the same and thereafter to prosecute the curing of such default with due diligence (it being intended in connection with a default not susceptible of being cured with due diligence within said fifteen (15) day period that the time

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within which to cure the same shall be extended for such period as may be necessary to complete the same with all due diligence).

Section 20.2 Remedies of Sublessor. Upon the occurrence of any one or more of such Events of Default, Sublessor may, upon prior notice to Sublessee, at its election terminate this Sublease or terminate Sublessee's right to possession only, without terminating this Sublease. Upon termination of this Sublease or of Sublessee's right to possession, Sublessee shall immediately surrender possession of the Property and vacate the Property, and deliver possession thereof to Sublessor, and Sublessor or Sublessor's agents may immediately or any time thereafter without notice, re-enter the Property and remove all persons and all or any property therefrom either by any suitable action of proceeding at law or equity or by force or otherwise, without being liable in indictment, prosecution or damages, therefor, and repossess and enjoy the Property together with all additions, alterations and improvements thereon, together with the right to receive all income of, and from, the Property.

If the Sublessor elects to terminate the Sublessee's right to possession only, without terminating this Sublease, Sublessor may, at the Sublessor's option, enter into the Premises, remove the Sublessee's signs and other evidences of tenancy, and take and hold possession thereof as hereinabove provided, without such entry and possession terminating this Sublease or releasing the Sublessee, in whole or in part, from the Sublessee's obligations to pay the rent hereunder for the full term or from any other obligations of the Sublessee under this Sublease. Sublessor agrees that to the extent provided by law, it shall take such actions as may be reasonably required to mitigate damages and in connection therewith,

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Sublessor may, but shall be under no obligation to, relet all or any part of the Premises for such rent and upon terms as shall be satisfactory to Sublessor (including the right to relet the Premises for a term greater or lesser than that remaining on the term). For the purpose of such reletting, landlord may decorate or make any repairs, changes, alterations, or additions in or to the Premises that may be necessary or desirable. If, despite reasonable efforts to mitigate damages Sublessor is not able to relet the Premises, Sublessee shall pay to Sublessor damages equal to the amount of the rent, and other sums provided herein to be paid by Sublessee for the remainder of the original term. If the Premises are relet and sufficient sums shall not be realized from such reletting after payment of all expenses of such decorations, repairs, changes, alterations, additions and the expenses of repossession and such reletting, to equal or exceed the balance of the rent herein provided and other payments required to be made by Sublessee under the provisions of this Sublease for the remainder of the term of this Sublease then, in such event, Sublessee shall pay to Sublessor on demand any such deficiency and Sublessee agrees that Sublessor may file suit to recover any sums falling due under the terms of this Section from time to time, and all costs and expenses of Sublessor, including attorneys' fees, incurred in connection with any such suit shall be paid by Sublessee.

Section 20.3 Right to Contest. Notwithstanding anything contained herein to the contrary, in addition to the cure rights herein provided, Sublessee shall also have the right, upon written notice to Sublessor, to contest by appropriate administrative and/or legal proceedings, diligently conducted in good faith, the validity or application of any law, ordinance, rule or regulation mentioned in this Article XX and to delay compliance

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therewith pending the prosecution of such proceedings, during which contest, notwithstanding anything to the contrary contained in this Article XX, Sublessee shall not be in default hereunder; provided, however, that there continues during the course of such contest authority to continue operation of the Nursing Home, which authority may be temporary or provisional.

ARTICLE XXI

Sublessor's Performance of Sublessee's Covenants

Should Sublessee at any time fail to do any act and/or make any payment required to be done and/or made by it under the provisions of this Sublease, Sublessor, at its option, may (but shall not be required to) upon prior notice to Sublessee, do the same and/or cause the same to be done, and the amounts paid by Sublessor in connection therewith shall be so much additional rent due on the next rent date after such payment, together with interest at the Sublease Interest Rate from the date of payment.

ARTICLE XXII

Exercise of Remedies

Section 22.1 Cumulative Remedies. No remedy contained herein or otherwise conferred upon or reserved to Sublessor shall be considered exclusive of any other remedy, but the same shall be cumulative and shall be in addition to every other remedy given herein and/or now or hereafter existing at law or in equity or by statute, and every power and remedy given by this Sublease to Sublessor may be exercised from time to time and as often as occasion may arise or as may in Sublessor's sole, absolute and unreviewable discretion be deemed expedient. No delay or omission of Sublessor to exercise any right

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or power arising from any Event of any Default shall impair any such right or power, or shall be construed to be a waiver of any such Event of Default or an acquiescence therein.

Section 22.2 Subsequent Breaches. No waiver of any breach of any of the covenants of this Sublease shall be construed, taken or held to be a waiver of any other breach, or a waiver, acquiescence in or consent to any further or succeeding breach of the same covenant. The acceptance by Sublessor of any payment of rent or other sums payable hereunder after the termination by Sublessor of this Sublease or of Sublessee's right of possession hereunder shall not, in the absence of agreement in writing to the contrary by Sublessor, be deemed to restore this Sublease or Sublessee's right to possession hereunder, as the case may be, but shall be construed as a payment on account and not in satisfaction of damages due from Sublessee to Sublessor.

Section 22.3 Injunctive Relief. In the event of any breach or threatened breach by Sublessee of any of the agreements, terms, covenants, or conditions contained in this Sublease, Sublessor shall be entitled to enjoin such breach or threatened breach and shall have the right to invoke any right and remedy allowed at law or in equity or by statute or otherwise as though re-entry, summary proceedings, and other remedies were not provided for in this Sublease.

ARTICLE XXIII

Subordination to Mortgages

At the option of the Prime Lessor's mortgagee or Sublessor's mortgagee, this Sublease shall be subject and subordinate to any first mortgage or deed of trust now or hereafter placed upon the Premises; provided, however, that the mortgagee or beneficiary

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under such deed or trust agrees in writing with Sublessee or adequate provision is made in such mortgage or deed of trust, so that regardless of any default or breach under such mortgage or deed of trust or of any possession or sale of the whole or part of the Premises under or through such mortgage or deed of trust, that this Sublease and Sublessee's possession shall not be disturbed by the mortgagee or beneficiary or any other party claiming under or through such mortgage or deed of trust; provided, however, the Sublessee shall continue to observe and perform Sublessee's obligations under this Sublease and pay rent to whomsoever may be lawfully entitled to same from time to time. Provided that the mortgagee or beneficiary under such deed or trust agrees in writing with Sublessee or adequate provision is made in such mortgage or deed of trust, so that regardless of any default or breach under such mortgage or deed of trust or of any possession or sale of the whole or part of the Premises under or through such mortgage or deed of trust, that this Sublease and Sublessee's possession shall not be disturbed by the mortgagee or beneficiary or any other party claiming under or through such mortgage or deed of trust Sublessee hereby agrees to execute, if same is required, any and all instruments in writing which may be requested by Sublessor to subordinate Sublessee's right acquired by this Sublease to the lien of any such mortgage or deed of trust.

ARTICLE XXIV

Indemnity and Waiver

Section 24.1 Sublessor's Indemnification. Sublessor hereby indemnifies and agrees to defend and hold Sublessee (which, for purposes of this Article XXIV only, shall include the Sublessee and its shareholders, officers, directors and agents) harmless from any and all

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claims, demands, obligations, losses, liabilities, damages, recoveries and deficiencies (including interest, penalties and reasonable attorneys' fees, costs and expenses) imposed upon, incurred by or asserted against Sublessee by reason of (a) a breach of any representation or warranty of Sublessor herein or given pursuant hereto; and/or (b) any default by Sublessor in the performance of any of its respective commitments, covenants or conditions under this Sublease; and/or (c) for any liability which may arise from operation of the Premises before the Sublease Commencement Date; and/or (d) any accident, injury to or death of persons or loss of or damage to property occurring on or about the Premises or any part thereof or the adjoining properties, sidewalks, curbs, streets or ways, or resulting from an act or omissions of Sublessor or anyone claiming by, through or under Sublessor; and/or (e) performance of any labor or services or the furnishing of any materials or other property in respect of the Premises or any part thereof before the Sublease Commencement Date. In case any action, suit or proceeding is brought against Sublessee by reason of any such occurrences, Sublessor will, at Sublessor's sole expense, resist and defend such action, suit or proceeding, or cause the same to be resisted and defended. The rights of Sublessee under this Section 24.1. are without prejudice to any other remedies not inconsistent herewith which Sublessee may have against Sublessor.

Section 24.2 Sublessee's Indemnification. Sublessee hereby indemnifies and agrees to defend and hold Sublessor (which, for purposes of this Article XXIV only, shall include the Trustee, its beneficiary and their agents, Metropolitan and the partners of Metropolitan) harmless from and against any and/or all claims, demands, obligations, losses, liabilities, damages, recoveries and deficiencies (including interest, penalties and reasonable attorneys'

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fees, costs and expenses) imposed upon, incurred by or asserted against Sublessor by reason of (a) a breach of any representation or warranty of Sublessee herein or given pursuant hereto; and/or (b) any default by Sublessee in the performance of any of its respective commitments, covenants or conditions under this Sublease; and/or (c) for any liability which may arise from operation of the Property by Sublessee after the Sublease Commencement Date; and/or (d) any accident, injury to or death of persons or loss of or damage to property occurring on or about the Premises or any part thereof or the adjoining properties, sidewalks, curbs, streets or ways, or resulting from an act or omissions of Sublessee or anyone claiming by, through or under Sublessee; and/or (e) performance of any labor or services or the furnishing of any materials or other property in respect of the Premises or any part thereof. In case any action, suit or proceeding is brought against Sublessor by reason of any such occurrences, Sublessee will, at Sublessee's sole expense, resist and defend such action, suit or proceeding, or cause the same to be resisted and defended. The rights of Sublessor, under this Section 24.2 are without prejudice to any other remedies not inconsistent herewith which Sublessor may have against Sublessee. Sublessee agrees that it will promptly, after receipt thereof, send to Sublessor copies of any and/or all notices, demands and/or suits received by it under or relating to any security documents or any other instruments, transactions or occurrences affecting any of the Property.

Section 24.3 Waiver. Except for the acts of Sublessor and claims Sublessee may have against Sublessor arising or resulting from those matters which Sublessor has warranted or represented to Sublessee in other Sections of this Sublease, Sublessee waives all claims it may have against Sublessor, Sublessor's beneficiary and their agents for damage or injury

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to person or property sustained by Sublessee or any persons claiming through Sublessee or by any occupant of the Premises, or by any other person, resulting from any part of the Premises or any of its improvements, equipment or appurtenances becoming out of repair, or resulting from any accident on or about the Premises or resulting directly or indirectly from any act or neglect of any person. This Section 24.3 shall include, but not by way of limitation, damage caused by water, snow, frost, steam, excessive heat or cold, sewage, gas, odors, and/or noise, and/or caused by bursting or leaking pipes or plumbing fixtures, and shall apply equally whether any such damage results from the act or neglect of Sublessee or of any other person, and whether such damage be caused or result from anything or circumstance above mentioned or referred to, or to any other thing or circumstance whether of a like nature or of a wholly different nature. All personal property belonging to Sublessee or any occupant of the Premises that is in or on any part of the Premises shall be there at the risk of Sublessee or of such other person only, and Sublessor shall not be liable for any damage thereto or the theft or misappropriation thereof. Sublessee agrees that it will promptly, after receipt thereof, send to Sublessor copies of any and/or all notices, demands and/or suits received by it under or relating to any security documents or any other instruments, transactions or occurrences affecting any of the Property.

ARTICLE XXV

Surrender

Section 25.1 Condition Upon Surrender. Upon the termination of this Sublease whether by forfeiture, lapse of time or otherwise, or upon the termination of Sublessee's right to possession of the Premises, Sublessee will at once surrender and deliver up the

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Premises to Sublessor, in the same or better condition and repair, reasonable wear and tear excepted, as the Premises was in on the Sublease Commencement Date, and shall at once surrender and deliver up the Personal Property as required pursuant to the provisions of Section 19.2 hereof, and Sublessee will return to Sublessor a facility qualified and sufficient for licensing under law as a skilled and/or intermediate care nursing home containing at least 188 beds by the State of Illinois, subject to the provisions of Sections 6.1 and 37.4 hereof, with State and city licenses, if any are required, in full force and effect and in good standing. Notwithstanding anything to the contrary contained herein, upon the termination of this Sublease or the termination of Sublessee's right to possession of the Premises, Sublessee will not be obligated to return to Sublessor Personal Property in excess of the quantities set forth in Exhibit B-1. Prior to or following the termination of this Sublease, Sublessor shall reapply for licensure and the parties will require a licensure inspection by the Illinois Department of Public Health and any other agency necessary to transfer the license to Sublessor and to obtain certification for participation in the Medicaid programs under the United States Code. If, as a result of such inspection, any governmental authority determines that the Nursing Home does not qualify for a license as set forth above due to physical plant condition or due to deficiencies in any Personal Property or equipment required to be located thereon, Sublessee shall at its own cost and expense cure all such violations and deficiencies in order for Sublessor to obtain a transfer of the license and certification (provided, however, that Sublessee shall not be required to correct any policy, staffing, operational or any other matters unrelated to physical plant or personal property deficiencies). Any damage caused by removal of Sublessee from the Premises, including any

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damages caused by removal of Sublessee's Property as herein defined, shall be repaired and paid for by Sublessee prior to the expiration of this Sublease term. In the event any of Sublessee's Property is not removed by Sublessee at the time of the expiration of the Sublease term, the same shall be deemed abandoned by the Sublessee and shall become the property of the Sublessor. In addition to the above, the parties shall make all adjustments as to Vacation Pay, accounts receivable, patient trust accounts with respect to Sublessee's period of operation of the Nursing Home as are provided for elsewhere in this Sublease, except that the obligations, liabilities and undertakings of the parties shall be reversed and the parties shall prorate real estate taxes pursuant to the provisions of Section 4.1 of this Sublease.

Section 25.2 Alterations and Additions. All additions, hardware, alterations and improvements, temporary or permanent, in or upon the Premises placed there by Sublessee shall be Sublessor's property and shall remain upon the Premises upon such termination of this Sublease by lapse of time or otherwise, without compensation, or allowance or credit to Sublessee, unless Sublessor requests their removal. If Sublessor so requests removal of said additions, hardware, alterations or improvements and Sublessee does not make such removal by the termination of this Sublease, or within five (5) days after such request, whichever is later, Sublessor may remove the same and deliver the same to any other place of business of Sublessee or warehouse same, and Sublessee shall pay the cost of such removal, delivery and warehousing to Sublessor on demand.

Section 25.3 Sublessee's Property. Upon the termination of this Sublease by lapse of time, or otherwise, Sublessee may remove Sublessee's Property, provided, however, that

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Sublessee shall repair any injury or damage to the Premises which may result from such removal. If Sublessee does not remove Sublessee's Property from the Premises prior to the end of the term, however ended, Sublessor may, at its option, remove the same and deliver the same to any other place of business of Sublessee or warehouse the same, and Sublessee shall pay the cost of such removal (including the repair of any injury or damage to the Premises resulting from such removal), delivery and warehousing to Sublessor on demand, or Sublessor may treat Sublessee's Property as having been conveyed to Sublessor with this Lease as a Bill of Sale, without further payment or credit by Sublessor to Sublessee.

Section 25.4 Holdover. Any holding over by Sublessee of the Premises after the expiration of this Sublease shall operate and be constituted to be a tenancy from month to month only, at the same monthly rate of rent and other charges payable hereunder for the Sublease term, or at the election of Sublessor expressed in a written notice to Sublessee, and not otherwise, such holding over shall constitute a renewal of this Sublease for one (1) year at the same rent and upon all of the other covenants and agreements contained in this Sublease. If Sublessee continues to hold over after a written demand by Sublessor for possession at the expiration of this Sublease or after termination by either party of a month-to-month tenancy created pursuant to this Section, or after termination of this Sublease or of Sublessee's right to possession pursuant to any other section hereof, Sublessee shall pay monthly rent at a rate equal to double the rate of rent payable hereunder immediately prior to the expiration or other termination of the Sublease or Sublessee's right to possession. Nothing contained in this Section 25.4 shall be construed to give Sublessee the right to hold over at any time, and Sublessor may exercise any and all remedies at law or in equity to

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recover possession of the Premises, as well as any damages incurred by Sublessor due to Sublessee's failure to vacate the Premises and deliver possession to Sublessor as herein provided.

ARTICLE XXVI

Covenant of Quiet Enjoyment

Sublessor agrees that at all times when Sublessee is not in Default under the terms of and during the term of this Sublease, Sublessee's quiet and peaceable enjoyment of the Premises shall not be disturbed or interfered with by Sublessor or by any other person claiming by, through or under Sublessor.

ARTICLE XXVII

Short Form Sublease

This Sublease shall not be recorded, but the parties agree, at the request of either of them to execute a Short Form Sublease for recording, containing the names of the parties, the legal description, and the terms of this Sublease.

ARTICLE XXVIII

Notices

All notices, consents, approvals to or demands upon or by Sublessor and Sublessee desired or required to be given under the provisions hereof, shall be in writing and shall be deemed received (i) on actual receipt in the event of delivery by messenger services, overnight express service or facsimile, or (ii) three (3) days after being deposited in the US mail, certified or registered, return receipt requested, in either case addressed as follows:

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If intended for Sublessor:

David Gorenstein

and

Sam Gorenstein

6670 N. Lincoln

Lincolnwood, Illinois 60646

with a copy to:

Lawrence Y. Schwartz

7306 North Lincoln

Suite 404

Lincolnwood, Illinois 60646

Copies of any notice furnished to the Sublessee hereunder shall also be furnished to the guarantors of this Sublease.

If intended for Sublessee:

5301 West Touhy Ave.

Skokie, Illinois 60077

Attn: Eric Rothner

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with a copy to:

Abraham J. Stern

Sachnoff & Weaver

30 S. Wacker Dr.

Suite 2900

Chicago, Illinois 60606

Either party may change its address for purposes of giving notice hereof, which change shall be effective ten (10) days after receipt of notice thereof.

ARTICLE XXIX

Environmental

Section 29.1 Sublessee's Compliance. Sublessee shall, at Sublessee's own expense, comply with all laws regulating the use, generation, storage, transportation or disposal of hazardous substances and shall make all submissions to, provide all information required by, and comply with all requirements of all governmental authorities relating to hazardous substances. Sublessee shall indemnify, defend and hold Sublessee harmless from any and all fines, suits, procedures, claims and actions of every kind and all costs associated therewith (including attorneys and consultants fees) arising out of or in any way connected with any deposit, spill, discharge or other release of hazardous substances that occurs during the term of this Sublease, at or from the Premises, or which arises at any time from Sublessee's use or occupancy of the Premises, or from Sublessee's failure to provide all information, make all submissions and take all steps required by all environmental laws.

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Sublessee's obligations and liabilities under this Article XXIX shall survive the expiration of the term of this Sublease.

Section 29.2 Sublessor's Indemnity. Sublessor shall, at Sublessor's own expense, comply with all laws regulating the use, generation, storage, transportation or disposal of hazardous substances and shall make all submissions to, provide all information required by, and comply with all requirements of all governmental authorities relating to hazardous substances. Sublessor shall indemnify, defend and hold Sublessee harmless from any and all fines, suits, procedures, claims and actions of every kind and all costs associated therewith (including attorneys and consultants fees) arising out of or in any way connected with any deposit, spill, discharge or other release of hazardous substances that occurred prior to the term of this Sublease, at or from the Premises, or which arises at any time from Sublessor's use or occupancy of the Premises, or from Sublessor's failure to provide all information, make all submissions and take all steps required by all environmental laws. Sublessor's obligations and liabilities under this Article XXIX shall survive the expiration of the term of this Sublease. To the best of Sublessor's knowledge, there are not any tanks or hazardous materials on the Premises, nor do the Premises encompass any wetlands.

ARTICLE XXX

Representations and Agreements

Section 30.1 Sublessor's Representations and Agreements. Sublessor and Operator represent, warrant and agree as follows:

- (a) There are presently, and on the Commencement Date shall be, in full force and effect, all licenses, permits and other authorizations

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necessary for the use, occupancy and operation of the Facility as it is presently being operated. The Facility is and on the Commencement Date shall be licensed by the Illinois Department of Public Health for not less than 188 skilled and/or intermediate care beds. The aforementioned licenses are in full force and effect and subject to no restrictions, limitations or waivers. Sublessor and Edgewater Nursing & Geriatric Center, Inc. (hereinafter "operator") have no knowledge of any violation of any such license or of any condition with respect to the operation, use or occupancy of the Facility which violates any such license and has received no notice from the IDPH or any other governmental agency or authority requiring the correction of any condition with respect to any such license which has not been the subject of a plan of correction for which compliance has been affected. There are presently, and on the Commencement Date shall be, in full force and effect, a Medicaid certification and a Medicaid Provider Agreement. The Facility is and on the Commencement Date shall be certified by the Illinois Department of Public Aid to participate in the Medicaid program. The aforementioned certification and provider agreement are in full force and effect and subject to no restriction, limitation or waiver. Sublessor has no knowledge of any violation of any such certification or provider agreement or of any condition with respect to the operation, use or occupancy of the Facility which

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violates any such certification or provider agreement and have received no notice from the IDPA or any other governmental agency or authority requiring the correction of any condition with respect to any such certification or provider agreement which has not been the subject of a plan of correction for which compliance has been affected.

(b) The Personal Property is either leased by the Sublessor under the Prime Lease, or is owned by Sublessor to Sublessee hereunder. The Personal Property is sufficient in both quantity and quality for the operation of a 188 bed skilled and/or intermediate care nursing home, in full compliance with all applicable laws, ordinances, rules and regulations, including, without limitation, the minimum standards of the Illinois Department of Public Health. All of such Personal Property is in good working condition and repair. With the exception of those liens and encumbrances listed on Exhibit F attached hereto, all of such Personal Property is subject to no liens, claims or encumbrances. There is and shall be on the Commencement Date sufficient Supplies (as hereinafter defined) for not less than seven days of operation and to otherwise satisfy all IDPH requirements. All of such inventory, including without limitation, linens, towels and bed sheets are of the type and quality customarily maintained in nursing homes in the State of Illinois.

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(c) Sublessee hereby agrees to assume and hereby does assume all Contracts, as hereinafter defined, which have not now or by the Commencement Date will not have been fully performed by Sublessor, and Sublessor hereby assigns the same to Sublessee; provided, however, that nothing contained herein shall be construed, interpreted or deemed to make Sublessee liable under any Contract for any period prior to the Commencement Date. Sublessee hereby indemnifies and holds harmless Sublessor from and against any and/or all liabilities and claims arising after the Commencement Date under any and/or all Contracts assumed by Sublessee. With the exception of the Prime Lease, and Prime Option, Exhibit G sets forth a true and complete list of all contracts, agreements, commitments, leases and arrangements (whether oral or written) (hereinafter "Contracts") to which Sublessor is a party, by which the assets and properties of Sublessor and/or the Prime Lessor are bound or affected or which involve Sublessor's (or operator's) operation of the Facility. Additionally: (a) except as otherwise set forth on Exhibit H attached hereto, none of the Contracts have been amended or modified; (b) all Contracts are in full force and effect and constitute the legal, valid and binding obligation of Sublessor; (c) Sublessor has fully complied with all the terms, provisions and conditions of the Contracts and Sublessor has not been advised directly or indirectly by any person of any breach or default

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under any Contract; (d) neither Sublessor nor any other party to any of the Contracts has given or threatened to give notice of any actions to terminate, cancel, amend or procure a judicial reformation of any Contract or term or provision thereof; and (e) except as set forth on Exhibit H attached hereto all Contract may be canceled on sixty (60) days notice. Sublessor agrees to indemnify and hold Sublessee harmless from and against any and all liabilities and claims arising under any Contracts and relating to the periods prior to the Commencement Date. In addition, there are no contracts, union contracts or commitments pertaining to any employee of the facility which will survive the Commencement Date except for those Contracts listed on Exhibit I attached hereto. In the event Sublessee elects to employ any such persons, Sublessee is assuming no obligation or responsibilities whatsoever with respect to such employees for any period of time prior to the Commencement Date, except for those obligations with respect to Vacation Pay, Holiday and Sick Pay for which Sublessee has received a credit as provided in Section 19.8 hereof. The proper amounts have been withheld by Sublessor from employees with respect to all past compensation paid to such employees in compliance in all respects with the tax and other withholding provisions of applicable laws. There are no disputes or controversies between Sublessor and any union or organization of

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which employees of the Facility are members, and no strike, walkout, slowdown, labor dispute or arbitration exists or is pending or is threatened. There are no other contracts, agreements, health or welfare or pension programs paid for by Sublessor or covering such employees except as set forth on Exhibit I.

- (d) All real estate taxes, special tax assessments and any other federal, state and local taxes accrued through the Commencement Date affecting the Sublessor, the Facility or the operations thereof, have been paid when due, and as of the Commencement Date will have been paid in full by the Sublessor, except that with respect to any such taxes which are not due and payable prior to the Commencement Date, Sublessor will make payment when due. All federal, state and local income, excise, sales and use tax returns required to be filed by Sublessor have been filed in a timely manner (taking into account all extensions of due dates) and Sublessor is not currently involved in any audit or other tax proceeding with any taxing authority. No deficiencies for any taxes have been asserted in writing or assessed against Sublessor which remain unpaid.
- (e) Sublessor has paid or will pay when due or will make arrangements therefor with the respective creditors (or defend against) all bills, obligations, indebtedness or other liability, due, accrued, incurred or arising in the operation and/or maintenance of the Premises due or

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accrued prior to the Sublease Commencement Date to the extent they would be so paid (or Sublessor would defend against them) in the normal course of business but for this Sublease, and Sublessee shall not be liable therefor except for proration items for which Sublessee has received a credit pursuant to the provisions of this Sublease. Sublessor shall hold Sublessee harmless from all claims or demands asserted against Sublessee arising out of the foregoing. Except as otherwise provided herein, Sublessee shall not have any right to pay on behalf of Sublessor any bills, obligations, indebtedness or other liability of Sublessor, and further provided that except as otherwise provided herein Sublessee shall in all said events first give Sublessor at least ten (10) days prior written notice of its intention to make any and/or all payments on behalf of Sublessor. In the event that Sublessor fails to defend and hold harmless Sublessee from any claim against Sublessee as provided above and Sublessee incurs legal fees, Sublessee may offset an amount equal to the amount of said payment from the next due installment of rent.

- (f) To its knowledge, Sublessor is not in default under any indenture, mortgage, deed of trust, security agreement or other instrument to which it is a party or by which it may be bound, and has received no notice of any such default which has not heretofore been cured.

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Sublessor agrees to use its best efforts to obtain a non-disturbance agreement from the mortgagee of the Premises.

- (g) Except for those claims or lawsuits listed on Exhibit J attached hereto and incorporated by reference herein, there are no pending, or to the best knowledge of Sublessor, threatened or anticipated claims or lawsuits against the Premises, the Personal Property located thereon or any part thereof or against Sublessor which may adversely affect the Premises, the Personal Property or any part thereof. If any such claims exists, Sublessor shall pay the same when due or may contest the same as long as there is no adverse effect on the Premises or any of the Personal Property. Sublessor indemnifies and hold Sublessee harmless from and against any and all lawsuits or claims against the Premises and the Personal Property which accrues on or before the Sublease Commencement Date.
- (h) There are no disputes or controversies between Sublessor and any union or organization which employees of Sublessor are members, and no strike, walk out, slow down, labor dispute or arbitration exists or to the knowledge of Sublessor is pending.
- (i) There are no surveys, exit interviews, complaints, notices of violations, administrative hearings wherein any governmental authority (or department or agency thereof) has notified Sublessor of "A" or Repeat "B" level violations of any state or federal statute or regulation or in

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which any governmental authority (or department or agency thereof) has initiated any proceedings to revoke, cancel, terminate or not renew any Medicaid certification or participation agreement affecting the Nursing Home. Sublessor has delivered to Sublessee true and accurate copies of all licensure, complaints, Medicaid certification, inspection of care and post inspection follow-up surveys arising out of, relating to, referring to or connected with any inspection or survey of the Nursing Home for any purpose whatsoever in the twelve (12) month period immediately preceding the date hereof. In the event any "A" or Repeat "B" violation is issued or decertification proceeding is commenced for incidents occurring solely prior to the Sublease Commencement Date. Sublessor shall be responsible to pay any and all fines imposed with respect to said "A" and Repeat "B" violations and decertification proceedings; provided, however, that Sublessor shall have the right to contest such violation and/or decertification proceeding if it proceeds in good faith and with due diligence and upon completion of such contest if the fine is not waived, Sublessor shall pay such fine, and shall indemnify and hold harmless Sublessee from and against any and all damages, claims, demands, costs or expenses arising from any such violation or proceeding.

- (j) Sublessor has not received from any federal, state or local governmental authority any notice of any zoning, building or health

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code violation, except as may be set forth in the documentation provided to Sublessee pursuant to the provisions of subsection (i) above.

- (k) Sublessor is duly organized and validly existing and has full authority to enter into this Sublease and perform all acts to be performed by Sublessor hereunder. Sublessor's execution of this Sublease will not violate any contract, mortgage, security agreement or other instrument to which Sublessor is a party. Sublessor shall maintain its legal existence in good standing throughout the Term of this Sublease.
- (l) Sublessor has not received any notice, written or otherwise, from any federal, state or local governmental agency or authority requiring the correction of any condition with respect to the facility which has not been fully complied with. Sublessor has received no notice or request from any insurance company or board of fire underwriters setting forth defects or inadequacies in the Facility which might affect the insurability thereof or requesting the performance of any work or alteration to the facility or of any defect or inadequacy in Sublessor's operation thereof, which would adversely affect the ability of Sublessee to operate the Facility. Sublessor shall promptly comply with any notices received prior to the Commencement Date and deliver to Sublessee a copy of any such notice together with evidence of its compliance therewith.

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(m) To the best of Sublessor's knowledge the operation of the Nursing Home is in compliance with the existing zoning and building codes applicable to the Premises as of the Commencement Date. Sublessor warrants that it will make whatever corrections are necessary, if any, to bring the Nursing Home into compliance with the existing zoning and building codes applicable to the Premises as of the Commencement Date.

(n) The air conditioning system is in good working order and condition, which for purposes of this warranty and representation shall mean that the air conditioning system shall operate for three (3) consecutive days from the date it is first turned on in accordance with this paragraph. Claims under the representation contained in this Subparagraph 30 (n) must be brought not later than the end of the day which is three (3) days after the date the air conditioning is first turned on, but in all events not later than June 18, 1993. Sublessee shall give Sublessor not less than 24 hours advance notice prior to first turning on the air conditioning system, provided, however, that in all events Sublessee shall turn on the air conditioning system not later than June 15, 1993, and Sublessor shall be allowed to have its representatives present at the time and place the air conditioning system is first turned on and to participate in the same. The building, including all structural components, roof, foundation, elevator and other building systems, is

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in good working order and condition. Any claims Sublessee may make referring to, relating to, arising out of and/or connected with the roof of the building and/or any warranty or representation of Sublessor with respect thereto shall be made not later than forty-five (45) days from the later of the Commencement Date or turnover of possession; all other claims Sublessee may make referring to, relating to, arising out of and/or connected with the condition of the building and arising under this subparagraph (n), including but not limited to the heating system, and/or any warranty or representation of Sublessor with respect thereto shall be made not later than seven (7) days from the later of the Commencement Date or turnover of possession.

- (o) Sublessor agrees to deliver a survey of the Premises, if in Sublessor's possession.
- (p) Sublessor agrees that no change will be made in the normal operation of the Facility from the date of the Sublease through and including the Commencement Date, including, but not limited to pledge or transfer of any equipment or personal Property. From and after the date of the Sublease through the Commencement Date, Sublessor shall operate the Facility in the ordinary course, shall maintain or cause to be maintained the Facility in good working order and condition, and shall continue to make all repairs, replacements and maintenance with respect to the facility, and all machinery, air conditioners, equipment,

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fixtures, and Personal Property and shall deliver the same on the Commencement Date in good working order and condition.

- (q) Sublessee's base rent under this Sublease shall at all times exceed Sublessor's base rent under the Prime Lease.
- (r) The IOC computerized recap produced by Alpha Data previously delivered by Sublessor to Sublessee is based on the most recent IOC scans for the facility as presented by the IDPA surveyor and does not upwardly reflect the arbitrations in question.

Section 30.2 Survival of Sublessor's Warranties.

Except as specifically set forth elsewhere in this Sublease, Sublessor's warranties and representations contained herein shall be deemed remade on the Commencement Date and shall survive the Closing.

Section 30.3 Sublessor's Knowledge. For the purposes of this Article XXX, the knowledge of Sublessor shall be deemed to include knowledge of Sublessor, Operator, Three G Care Management, Inc., and each of their respective principals and officers. Sublessor represents that it has not received any information from any employees of the above entities which would render any representations or warranties contained in this Section 30 untrue.

Section 30.4 Sublessee's Representations and Agreements. Sublessee represents as follows:

- (a) Sublessee is a duly organized and validly existing corporation and has full authority to enter into this Sublease and perform all acts to be performed by Sublessee hereunder.

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- (b) Subject to receipt of the consents required pursuant to Article XXXXII hereof, to its knowledge, Sublessee's execution of this Sublease will not violate any contract, mortgage, security agreement or other instrument to which Sublessee is a party.

ARTICLE XXXI

Intentionally Deleted

ARTICLE XXXII

Intentionally Deleted

ARTICLE XXXIII

Sublessor's Right to Finance / Sublessee's Right to Cure

Section 33.1 Sublessor's Right to Finance During the term of this Sublease, Sublessor shall have the right at any time and from time to time to renew, modify, extend, replace, consolidate and refinance any mortgage now or hereafter placed against the Premises and the loan secured thereby provided only that (i) such loan is prepayable at any time on or after the time the option to purchase the Premises hereunder may be exercised, 1 the amount of such refinancing plus the maximum prepayment penalty does not exceed ninety (90%) percent of the purchase price under the option to purchase, calculated as of the date of refinancing, and monthly payments under the mortgage of principal or interest plus monthly payments under any other mortgage obligation of Sublessor with respect to the Premises does not exceed the base rental payments hereunder for the period in question.

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Sublessee agrees to submit all information customarily or reasonably required by the prospective mortgagee and subject to the terms of Article XXIII hereof to execute all customary documents reasonably necessary or required to subordinate the Sublessee's interest hereunder and this Sublease to the lien of such financing. Sublessor shall promptly notify Sublessee of all the terms and conditions of any refinancing of the Premises and provide Sublessee with copies of any such mortgages.

Section 33.2 Evidence of Payment. At Sublessee's request, Sublessor shall give Sublessee evidence of payment of amounts then due under any mortgage against the Premises which Sublessor is required to pay.

Section 33.3 Sublessee's Right to Cure. In the event Sublessor fails to make any payment due under any mortgage encumbering the Premises or fails to pay any tax, insurance or any other amounts required to be deposited with Prime Lessor, Prime Lessor's mortgagee or Sublessor's mortgagee, Sublessee may, after fourteen (14) days written notice to Sublessor, cure Sublessor's default by paying the same to such mortgagee, insurance company or taxing authority and after such cure shall give notice thereof to Sublessor and said payment together with interest at the Sublease Interest Rate shall be considered a payment on the rent next due hereunder from Sublessee. Sublessor agrees to promptly notify Sublessee of any notices of default which Sublessor receives from the holder of any mortgage encumbering the Premises but in no event shall Sublessor be responsible for the failure of the Prime Lessor to act or omit an action when such act or omission is not within the power or control of the Sublessor.

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ARTICLE XXXIV

Covenants Run with Land

Section 34.1 Covenants. All of the covenants, agreements, conditions and undertakings in this Sublease contained shall extend and inure to and be binding upon the heirs, executors, administrators, successors and assigns of the respective parties hereto, the same as if they were in every case specifically named, and shall be construed as covenants running with the land, and wherever in this Lease reference is made to either of the parties hereto, it shall be held to include and apply to, wherever applicable, the heirs, executors, administrators, successors and assigns of such party. Nothing herein contained shall be construed to grant or confer upon any person or persons, firm, corporation or governmental authority, other than the parties hereto, their heirs, executors, administrators, successors and assigns, any right, claim or privilege by virtue of any covenant, agreement, condition or undertaking in this Sublease contained.

ARTICLE XXXV

Time of Essence

Time is of the essence of this Sublease, and all provisions herein relating thereto shall be strictly construed.

ARTICLE XXXVI

Indemnity for Litigation

Sublessor and Sublessee covenant and agree that in case either of them shall, without fault on their part, be made a party to any litigation commenced by or against the other party, then such other party shall and will pay all costs and expenses, including attorneys'

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fees, incurred by or imposed on them by or in connection with such litigation. The indemnitee hereunder shall give the indemnitor hereunder prompt notice of any suit or proceeding which would result in the indemnifications provided for herein and the indemnitor shall have the right to defend the indemnitee in any such litigation, with counsel reasonably approved by the indemnitee. Sublessor and Sublessee also agree to pay all costs and expenses, including attorneys' fees, which may be incurred by either of them in enforcing any of the covenants and agreements of this Sublease provided such party prevails, and all such costs, expenses and reasonable attorneys' fees shall, if paid by Sublessor herein, be so much additional rent due on the next rent date after such payment or payments, together with interest at the Sublease Interest Rate from the date of payment thereof by Sublessor until repayment thereof by the Sublessee to the Sublessor and if paid by Sublessee, shall promptly be paid by Sublessor to Sublessee together with interest at the Sublease Interest Rate from the date of payment thereof by Sublessee until repayment thereof by the Sublessor to the Sublessee.

ARTICLE XXXVII

Covenants Relating to Nursing Home

Section 37.1 Operation of Nursing Home. Sublessee shall, at all times during the term of this Sublease, operate the Premises as a licensed nursing home for at least 188 beds skilled and/or intermediate beds, free of any deficiencies and fully licensed by the State of Illinois and other applicable governmental authorities and further certified by the State of Illinois for participation as to all of said beds in the state Medicaid program, subject to

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Sublessee's right to contest as provided in Article XX hereof and/or cure any deficiencies from time to time as set forth in this Sublease.

Section 37.2 Compliance With Orders. Sublessee shall obey, observe and promptly comply with all written orders, rules, rulings, regulations, ordinances and directives (all herein called "orders") of every Federal, State and local governmental authority or agency involved in licensing or certifying the Nursing Home for use as a nursing home and/or having jurisdiction over Nursing Home and its operations. Sublessee shall not be in default hereunder as long as Sublessee contests any such orders which affect or jeopardize the license, in proper administrative or court proceedings, provided that there continues during the period of such contest authority to continue to operate the Nursing Home and Sublessee undertakes to cure the violation(s) of said orders and diligently pursues said cure to conclusion. Sublessee shall advise Sublessor as to its proposed cure and Sublessor shall be kept advised from time to time as to the status of Sublessee's efforts to cure the violation. In the event Sublessee does not proceed to cure such violations, and Sublessee has exhausted all permissible appeals Sublessor shall have the right upon prior notice to Sublessee (but shall not be obligated) to cure the same and in such event any cost or expense incurred by Sublessor shall be deemed additional rent due by Sublessee on the next rent payment date together with interest at the Sublease Interest Rate.

Section 37.3 Delivery of Notices. Sublessee shall deliver or mail by certified mail to Sublessor wherever rent is then paid, in form required for notices hereunder within five (5) days of receipt thereof, copies of all notices of "A" and "Repeat B" level violations (or in the event the description of such violations is changed from "A" or "Repeat B" the

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violations comparable to such violations), notices of any proposed decertification by any federal or state authority, any notices of any administrative warnings; any notices imposing a conditional license on the Nursing Home; and any notices of deficiency received by Sublessee and, upon Sublessor's request, all notices, exit interviews, inspection reports and surveys of state, Federal and local governmental bodies regarding the Premises or the Nursing Home operated thereon (hereinafter all of the aforesaid are collectively referred to as "Deficiency Notices"). Sublessee shall notify Sublessor within thirty-six (36) hours after receipt thereof of any notice from any governmental agency terminating or suspending, or threatening termination or suspension, of any license or certification for the Nursing Home for any reason.

Section 37.4 Sublessee's Excuse. Notwithstanding anything in this Sublease to the contrary, if, as a result of a change in law or governmental rule or regulation, the physical condition of the building is not sufficient to maintain the original number of licensed beds, Sublessee shall be permitted to reduce the number of licensed beds to that number which the existing physical plant can sustain under such new requirements and in said event such reduction in beds shall not be a default hereunder provided, however, that there shall not be any reduction whatsoever in the rent due under this Sublease

ARTICLE XXXVIII

Licensure

Application. Sublessor and Edgewater Nursing & Geriatric Center, Inc., (hereinafter "Operator") shall cooperate with Sublessee and provide Sublessee all supporting documentation relating to Sublessor and Operator, and Sublessor's right to possession of the

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Premises which Sublessee is required to provide to the Illinois Department of Public Health in connection with the initial licensure inspection and Sublessee's first receipt of an unrestricted license. Sublessor and/or Operator shall timely complete any and/or all cost reports, and agrees for a period of twelve (12) months from and after the Commencement Date to cooperate with Edgewater Care & Rehabilitation Center, Inc. (hereinafter "New Operator") and its auditors in connection with the preparation of new operator's cost reports. Sublessee shall have the option to review Sublessor's and/or Operator's cost reports for such periods and to timely file or withhold the same, provided, however, that if any law and/or governmental regulation and/or rule requires Sublessor to file its cost reports Sublessor, or Sublessee on Sublessor's behalf, shall timely file the same.

ARTICLE XXXIX

Intentionally Deleted

ARTICLE XL

Miscellaneous

Section 40.1 Captions. The captions of this Sublease are for convenience only and are not to be construed as part of this Sublease and shall not be construed as defining or limiting in any way the scope or intent of the provisions hereof.

Section 40.2 Severability. If any covenant, agreement or condition of this Sublease or the application thereof to any person, firm or corporation or to any circumstances, shall to any extent be invalid or unenforceable, the remainder of this Sublease, or the application of such covenant, agreement or condition to persons, firms or corporations or to

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circumstances other than those as to which it is invalid or unenforceable, shall not be affected thereby. Each covenant, agreement or condition of this Sublease shall be valid and enforceable to the fullest extent permitted by law.

Section 40.3 Governing Law. This Sublease shall be construed and enforced in accordance with the laws of the State of Illinois.

Section 40.4 Amendment. None of the covenants, terms or conditions of this Sublease, to be kept and performed by either party, shall in any manner be altered, waived, modified, changed or abandoned, except by a written instrument, duly signed, acknowledged and delivered by the other party.

Section 40.5 No Partnership. Nothing contained herein shall be deemed or construed by the parties hereto, nor by any third party, as creating the relationship of principal and agent or of partnership, or of joint venture by the parties hereto, it being understood and agreed that no provision contained in this Sublease nor any acts of the parties hereto shall be deemed to create any relationship other than the relationship of Sublessor and Sublessee.

Section 40.6 Brokerage. Sublessor and Sublessee warrant that they have had no dealings with any real estate broker or agent with respect to the transaction and each of them agree to pay, hold harmless and indemnify the other from and against any and all cost, expense or liability for any compensation, commissions and charges claimed by any broker or agent with respect to this Sublease or the negotiation thereof arising out of their acts.

Section 40.7 Accord and Satisfaction. No payment by Sublessee or receipt by Sublessor of a lesser amount than the monthly rent herein stipulated and additional rent

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shall be deemed to be other than on account of the earliest stipulated rent, nor shall any endorsement or statement on any check or any letter accompanying any check or payment as rent be deemed an accord and satisfaction, and Sublessor may accept such check or payment without prejudice to Sublessor's right to recover the balance of such rent or pursue any other remedy in this Sublease provided.

Section 40.8 Lease Interest Rate and Late Charges. The term "Sublease Interest Rate," when used herein, shall be defined as being an annual interest rate equal to four (4%) percent per annum over and above the prime rate of interest published from time to time by The First National Bank of Chicago to its largest and most credit-worthy corporate borrowers on 90-day unsecured loans as such rate may change from time to time. In the event that Sublessor suffers and/or incurs any late charges, fines, penalties, fees, costs and/or expenses (hereinafter all of the aforesaid are collectively referred to as "Late Charges") under its Prime Lease and/or any mortgage against the Property as a direct and/or indirect result of Sublessee's failure to timely perform any act required by Sublessee to be performed, Sublessee hereby indemnifies and holds harmless Sublessor from and against any and/or all said Late Charges and shall pay said Late Charge to Sublessor within five (5) days of written demand therefor.

Section 40.9 Representation of Sublessor. Sublessee acknowledges that it has reviewed all relevant data regarding the Property and is fully familiar with the Property, that Sublessee has relied on no representations of Sublessor or any other party in regard to this Sublease or the execution hereof other than such representations as are expressly set forth in this Sublease, and that the prior negotiations between the parties or any representation