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MORTGAGE, SECURITY AGREEMENT, AND FINANCING STATEMENT

by

ARLINGTON HEIGHTS L.L.C., as Maker

to and for the benefit of

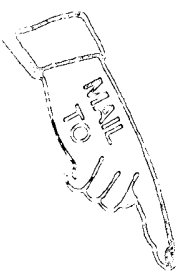
AMERICAN NATIONAL INSURANCE COMPANY, as Noteholder

**THIS DOCUMENT PREPARED BY AND
AFTER RECORDING RETURN TO:**

**Holland & Knight LLP
131 South Dearborn Street, 30th Floor
Chicago, Illinois 60603
Attention: Francis L. Keldermans, Esq.**

**Near North National Title
222 N. LaSalle
Chicago, IL 60601**

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MORTGAGE, SECURITY AGREEMENT AND FINANCING STATEMENT

This Mortgage, Security Agreement and Financing Statement (hereinafter termed "Agreement" or "Mortgage") is made by ARLINGTON HEIGHTS L.L.C., an Illinois limited liability company (hereinafter termed "Maker") whose mailing address is 5005 West Touhy Avenue, Suite 200, Skokie, Illinois 60077, to and for the benefit of AMERICAN NATIONAL INSURANCE COMPANY, a Texas corporation, whose mailing address is Attn: Mortgage and Real Estate Investment Department, One Moody Plaza, Galveston, Texas 77550 (hereinafter termed "Noteholder").

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Maker agrees as follows:

Maker hereby mortgages, grants, assigns, remises, releases, warrants and conveys to Noteholder, its successors and assigns, and grants a security interest in, the following described property, rights and interests (referred to collectively herein as "Mortgaged Premises"), all of which property, rights and interests are hereby pledged primarily and on a parity with the Real Estate (as defined below) and not secondarily:

THE REAL ESTATE located in the State of Illinois and legally described on Exhibit A attached hereto and made a part hereof ("Real Estate");

TOGETHER WITH all improvements of every nature whatsoever now or hereafter situated on the Real Estate, and all fixtures and personal property of every nature whatsoever now or hereafter owned by Maker and on, or used in connection with the Real Estate or the improvements thereon, or in connection with any construction thereon, including all extensions, additions, improvements, betterments, renewals, substitutions and replacements to any of the foregoing and all of the right, title and interest of Maker in and to any such personal property or fixtures together with the benefit of any deposits or payments now or hereafter made on such personal property or fixtures by Maker or on its behalf ("Improvements");

TO HAVE AND TO HOLD the Mortgaged Premises, unto Noteholder, its successors and assigns, forever, for the purposes and upon the uses herein set forth together with all right to possession of the Mortgaged Premises after the occurrence of any event of default; Maker hereby **RELEASING AND WAIVING** all rights under and by virtue of the homestead exemption laws of the State of Illinois.

I. DEFINITIONS

1.1 The term "Indebtedness" shall mean and include:

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- (1) Any and all sums becoming due and payable pursuant to the Note, as hereinafter defined;
- (2) Any and all other sums becoming due and payable by Maker to Noteholder including, but not limited to, such sums as may hereafter be borrowed by Maker from Noteholder (it being contemplated that such future indebtedness may be incurred), including, but not limited to advancements or expenditures made by Noteholder pursuant to the terms and conditions of this Agreement or any other document evidencing, securing or relating to the Note; and
- (3) Any and all obligations, covenants, agreements and duties of any kind or character of Maker now or hereafter existing, known or unknown, arising out of or in connection with the Note, this Agreement, or any other document evidencing, securing or relating to the Note.
- (4) All renewals, extensions, modifications, increases, consolidations and rearrangements of any or all of the obligations, covenants, agreements and duties of Maker defined herein under the term Indebtedness, whether or not Maker executes any renewal, extension, modification, increase, consolidation or rearrangement.

1.2 The term "Collateral" shall mean and include (a) all of the goods, articles of personal property, accounts, general intangibles, instruments, documents, furniture, furnishings, equipment and/or fixtures of every kind and nature whatever (including, without limitation, the items described in subsection (b) - (h) below) now or hereafter owned by Maker, in or hereafter placed in, or used or which may become hereafter used, in connection with or in the use, enjoyment, ownership or operation of the Mortgaged Premises (hereinafter defined) including without limitation, the hotel operation being conducted therein (the "Hotel"), together with all additions thereto, replacements thereof, substitutions therefor and all proceeds thereof; (b) all rents, rentals, payments, compensations, revenues, profits, incomes, leases, licenses, Gross Hotel Revenues (as hereinafter defined), concession agreements, parking agreements, insurance policies, plans and specifications, contract rights (including all franchise agreements, accounts (including, without limitation, the advance reservations and bookings for the Hotel, as the same may be amended, canceled and renewed by Maker or any hotel operator in accordance with its rights under any hotel management agreement and advance deposits made in respect thereof; and all accounts receivable arising from the operation of the Hotel, including, without limitation, any and all accounts receivable owing from any guests of the Hotel incurred during that guest's stay); all escrowed funds (including, without limitation, the Capital Improvement Reserve, as defined below) accounts, escrowed funds, and general intangibles in any way relating to the Mortgaged Property or used or useful in the use, enjoyment, ownership or operation of the Mortgaged Property to the extent Maker has a right to grant a security interest therein; (c) all names, trade names, signs, marks, and trademarks under or by which the Mortgaged Property may at any time be operated or known, all rights to carry on business under any such names, trade names, signs, marks and trade marks, or any variant thereof, any goodwill in any way relating to which the Mortgaged Property, or any part thereof, is known or operated and all of Maker's rights to carry on the business of Maker or the Hotel under all such

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names, trade names, signs, marks and trade marks, or any variant thereof; (d) all telephones, televisions, bedding, bed linens, towels, window treatments, safety equipment and tangible articles of personal property owned or leased by Maker used or useful in the use, enjoyment, ownership or operation of the Managed Property; all inventories of supplies used in connection with the operation of the business of the Hotel including, without limitation, paper goods, brochures, office supplies, food and beverage inventory (to the extent the transfer of same is permissible under applicable law), chinaware, glassware, flatware, table linens, soap and other operational and guest supplies located at the Hotel; all of the books, records, files, budgets, projects, strategic plans, business plans and specifications, drawings, test reports, inspections and engineering reports, guest registers, employment records (to the extent permitted by applicable law), maintenance records, rental and reservation records and any customer or frequent guest lists of Maker in connection with the use, enjoyment, ownership or operation of the Mortgaged Property; (e) all governmental permits relating to construction on the Mortgaged Property, and all other consents, authorizations, variances or waivers, licenses, permits and approvals from any governmental or quasi governmental agency, department, board, commission, bureau or other entity or instrumentality in respect to the Hotel, held or used by Maker relating to the Hotel under all such name or names and any variant or variance thereof; (f) all deposits, awards, damages, payments, escrowed monies, insurance proceeds, condemnation awards or other compensation, and interests, fees, charges or payments accruing on or received from or to be received on any of the foregoing in any way relating to the Mortgaged Property, or the ownership, enjoyment or operation of the Mortgaged Property together with all proceeds of the foregoing described in this Section 1.2; (g) all cash, securities, uncertificated securities, investment property, securities accounts, financial assets, deposit accounts, securities entitlements, and other personal property now or hereafter in or coming into or being credited to, or represented by any SM&R Money Market Fund Account, consisting of shares of SM&R Money Market Fund portfolio of SM&R Investments, Inc., a registered investment company ("SM&R Investments"), including, without limitation, all interest, dividends, rights, splits and income on such SM&R Money Market Fund Account; and (h) all products, proceeds, substitutions, and replacements of any of the above described collateral.

1.3 The term "Mortgaged Premises" shall mean and include (a) the real property situated in the County of Cook, State of Illinois, described in **Exhibit "A"** which is attached hereto and incorporated herein for all purposes; together with all buildings and improvements of every kind and description now or hereafter erected or placed thereon and all materials now or hereafter placed thereon intended for construction, reconstruction, alteration and repairs of such buildings and improvements, all of which materials shall be deemed to be included as a part of said real property immediately upon the delivery thereof to said real property; (b) all fixtures now or hereafter owned by Maker and attached to, contained in or used in connection with said real property, and all renewals and replacements thereof, including but not limited to (i) all equipment, apparatus, machinery, motors, elevators, fittings and radiators, (ii) all plumbing, heating, lighting, ventilating, refrigerating, incinerating, air-conditioning and sprinkler equipment; (iii) all awnings, storm windows and doors, mantels, cabinets, computer flooring, rugs, carpeting, linoleum, stoves, shades, draperies, blinds and water heaters; (iv) such other goods and chattels and personal property as are

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usually furnished by landlords in letting an unfurnished building, or which shall be attached to said buildings and improvements by nails, screws, bolts, pipe connections, masonry or in any other manner; and (v) all built-in equipment as may be shown by plans and specifications.

1.4 The term "Mortgaged Property" shall mean the Mortgaged Premises and Collateral.

1.5 The term "Note" shall mean that certain Promissory Note of even date herewith in the principal sum of \$13,000,000.00 executed by ARLINGTON HEIGHTS L.L.C. and payable to the order of Noteholder, payable with interest in installments as stipulated therein and providing for the right to declare the unpaid principal balance due and payable upon the occurrence of an Event of Default and otherwise as provided therein and providing for the reasonable attorneys' fees, and all notes given in renewal, extension, modification, increase, consolidation or rearrangement of said Promissory Note or any portion thereof.

1.6 The term "Gross Hotel Revenues" means the gross revenues of every kind and character attributable to operations on the Mortgaged Property from cash, barter and credit computed on an accrual basis (before commissions, discounts for credit cards and prompt or cash payments) from all sources.

II. SECURITY

As security for the Indebtedness, Maker hereby mortgages, grants, assigns, remises, releases, warrants and conveys to Noteholder, its successors and assigns, and grants a security interest in, all of Maker's right title and interest in the Mortgaged Premises, all of which property, rights and interests are hereby pledged primarily and on a parity with the Real Estate and not secondarily.

III. ADDITIONAL SECURITY

As further security for the Indebtedness and the full and complete performance of each and every obligation, covenant, agreement and duty of Maker contained herein or contained in any other document executed by Maker pertaining to the Note or the security therefor:

A. Security Interest. Maker hereby grants and conveys to Noteholder a security interest in and lien on all of the Collateral. This Agreement shall serve as a Security Agreement created pursuant to the Uniform Commercial Code in effect in the State of Illinois ("UCC"), and Noteholder shall have and may exercise all rights, remedies and powers of a secured party under the UCC. Maker hereby represents, warrants and covenants that (1) Maker is the owner and holder of the Collateral free and clear of any adverse claim, security interest or encumbrance, except those created herein; (2) it will defend the Collateral, and the priority of the security interest created herein as a valid first security interest against all claims and demands of any person at any time claiming the same or any interest therein; (3) there are no financing statements executed by the Maker, as Debtor, now on file in any public office except those financing statements which are being released

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contemporaneously with the delivery of this transaction or which have been authorized by Noteholder; (4) authorizes Noteholder to file or record such other and further agreements, financing statements and assignments in such offices and at such times as it is deemed by Noteholder to be necessary or desirable; and (5) it will execute and deliver to Noteholder such other and further agreements, financing statements and assignments as Noteholder may request.

This Agreement is intended to constitute a fixture filing in accordance with the applicable provisions of the UCC. The debtor is the Maker and the secured party is the Noteholder and their addresses are those set forth at the beginning of this Agreement. Certain of the Mortgaged Property is or will become "fixtures" (as that term is defined in the UCC), and this Agreement, upon being filed for record in the real estate records of the county wherein the Mortgaged Premises are situated, shall operate also as a financing statement filed as a fixture filing in accordance with the applicable provisions of the UCC upon such Mortgaged Property that is or may become fixtures.

B. Assignment of Condemnation Awards. To the extent of the full amount of the Indebtedness secured hereby and of the cost and expenses (including reasonable attorneys' fees) incurred by Noteholder in the collection of any award or payment, Maker hereby assigns to Noteholder any and all awards or payments, including all interest thereon, together with the right to receive the same, which may be made with respect to the Mortgaged Property as a result of (a) the exercise of the right of eminent domain, (b) the alteration of the grade or of any street, or (c) any other injury to or decreased value in the Mortgaged Property, as well as the right, but not the obligation, to, at Maker's expense, participate in and make decisions concerning the progress of any proceeding involving any such award or payment. Maker shall give Noteholder written notice of any such action or proceeding immediately upon Maker's becoming aware of same. All such damages, condemnation proceeds and consideration shall be paid directly and solely to Noteholder whether or not an Event of Default has at such time occurred, and after first applying said sums to the payment of all costs and expenses (including reasonable attorneys' fees) incurred by Noteholder in obtaining such sums, Noteholder may, at its option, apply the balance on the Indebtedness, in any order and whether or not then due, without prepayment or penalty, or to the restoration of the Mortgaged Property, or release the balance to Maker. Said application or release shall not cure or waive any default.

IV. ABSOLUTE ASSIGNMENT OF RENTS

In further consideration for the indebtedness evidenced by the Note, Maker hereby absolutely and unconditionally assigns to Noteholder all rents, revenues, profits and incomes from the Mortgaged Property or any portion thereof, including, but not limited to hotel room rentals, deposits and revenues, whether presently due or hereafter coming due. Provided, however, so long as no Event of Default has occurred, Maker is hereby granted a license to collect and retain the currently accruing rents, income and profits from the Mortgaged Property, but in no event may Maker collect same for more than one (1) month in advance of the date upon such rents become due except for hotel room deposits in the ordinary course of business. If an Event of Default shall occur, however,

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thereupon, and at any time thereafter such default is continuing, Noteholder may terminate such license and may, without any liability to Maker, take possession and control of the Mortgaged Property and/or receive and collect all rents, revenues, profits and income, accrued or accruing thereafter so long as any of the Indebtedness remains unpaid, applying so much thereof as may be collected first to the expenses incident to taking possession and/or the collection thereof, and second to the payment of the Indebtedness other than the Note and then to the amount of the Note then remaining unpaid, at Noteholder's discretion, either principal or interest, in any order, and whether then matured or not, paying the balance, if any, to the Maker. It is intended by Maker and Noteholder that this assignment of rents constitutes an absolute assignment and not an assignment for additional security only and that Noteholder shall be entitled to exercise its rights hereunder whether or not Noteholder is in possession of the Mortgaged Premises at such time. Maker agrees to fulfill or perform each and every covenant of any and all leases and guaranties of leases of the Mortgaged Property so as to keep them at all times in full force and effect. Maker agrees not to enter into any new lease and not to make any modification, consent to any modification of, or cancel, terminate (except for agreements with hotel guests occupying the Mortgaged Property on a transient basis) or consent to the surrender of any lease of all or any part of the Mortgaged Property or any guaranty of such lease after such lease or guaranty has been executed by Maker and the lessee or guarantor, as applicable, without the prior written consent of Noteholder, such consent not to be unreasonably withheld or delayed; the failure to fulfill or perform any such covenant or the making of or consent to any such modification or cancellation, termination (except for agreements with hotel guests occupying the Mortgaged Property on a transient basis) or surrender shall be an Event of Default. Nothing contained in this Agreement or in any other document securing, evidencing or relating to the Indebtedness shall preclude Noteholder from taking any action to cure or remedy any default of the Landlord under any lease of all or any portion of the Mortgaged Property or any guaranty of lease, or any act, omission or occurrence which but for the passage of time, the giving of notice, or both, would be a default under any such lease or guaranty of lease or take any other action in connection therewith and any amounts expended by Noteholder in connection with such cure or remediation including, without limitation, reasonable attorneys fees and expenses, shall be an advance under and secured by this Agreement and shall be included in the Indebtedness and shall be paid by Maker to Noteholder on demand. The preceding sentence shall not be construed to obligate Noteholder to cure any such actual or potential lease defaults or any guaranty of lease defaults. Without limiting the generality of the other provisions of this Section IV, Maker agrees to provide Noteholder with a subordination, non-disturbance and attornment agreement in accordance with the Noteholder's then current standard form, executed by any tenant (other than hotel guests occupying the Mortgaged Property on a transient basis) in recordable form, within thirty (30) days after written request from time to time. In the event of any inconsistency between Article V of this Agreement and that certain Absolute Assignment of Leases and Rents (the "Assignment of Rents") of even date executed by Maker in favor of Noteholder, the Assignment of Rents will control.

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V. MAKER'S REPRESENTATIONS AND WARRANTIES

In order to induce Noteholder to lend the funds evidenced by the Note, Maker represents and warrants that:

A. Accurate Loan Information. All information and financial statements furnished or to be furnished to Noteholder by or on behalf of Maker in connection with the Indebtedness secured by this Agreement is or at the time of delivery will be complete and accurate in all material respects.

B. Valid Title. Maker is the lawful owner of the Mortgaged Property and has good right and lawful authority to mortgage and pledge the same.

C. Freedom from Encumbrances. The Mortgaged Property is free from any and all liens and encumbrances save and except only the Permitted Exceptions, and Maker does warrant and will defend title to the Mortgaged Property against all claims or demand by third parties whatsoever save and except only the Permitted Exceptions.

D. Maintenance of Lien Priority. Maker shall take all steps necessary to preserve and protect the validity and priority of the liens on the Mortgaged Property created hereby. Maker shall execute, acknowledge and deliver such additional documents as Noteholder may deem necessary in order to preserve, protect, continue, extend or maintain the liens and security interests created hereby as first liens on the Mortgaged Property. All costs and expenses incurred in connection with the protection, preservation, continuation, extension or maintaining of the security interest and the liens herein created as valid first and subsisting liens shall be paid by Maker.

E. Value of the Mortgaged Property. Maker acknowledges that the value of the Mortgaged Property, as established by an appraisal submitted to Maker, is substantially in excess of the Indebtedness secured hereby. Maker acknowledges but for the Mortgaged Property having a value in excess of the amount of the Indebtedness, Noteholder would not make the loan evidenced by the Note and advance the funds hereunder. Maker agrees that Noteholder shall at all times have the benefit of the Mortgaged Property as the security for the Indebtedness even though the value thereof may now or in the future exceed the amount of the Indebtedness secured hereby.

F. Representations, Warranties and Covenants of a Limited Liability Company Maker. Maker hereby represents, warrants and covenants that:

(1) Maker is an Illinois limited liability company created under that certain Articles of Organization dated April 27, 2004 and there are no amendments thereto.

(2) The only Manager or Managing Member of Maker is David M. Friedman (the "Manager"), who is the manager of Maker, and the only members of Maker are David M. Friedman,

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Susan Friedman and Judith Friedman (being sometimes referred to individually as a "Member" and collectively as the "Constituent Members").

(3) The Manager is authorized to execute and deliver the Note, this Agreement, and all other documents which Noteholder may now or from time to time hereafter require to be executed on behalf of Maker in connection with the Note, this Agreement or the Indebtedness, including but not limited to renewals, extensions, modifications, increases, consolidations and rearrangements of the Note and this Agreement, and no signature or any other action of any other person or entity shall be required to bind Maker.

(4) Except for Permitted Transfers, Maker will not permit any interest of a Member to be sold, transferred, conveyed, encumbered or diluted or make any modification of the Articles of Organization or the Regulations which adversely affects Noteholder.

(5) Maker is, and shall continue to be, (a) duly organized and existing under the laws of the State in which it is formed, and (b) duly qualified to transact business in each State where the conduct of its business requires it to be qualified.

G. Construction and Materials. Maker hereby warrants, represents and covenants that all persons and entities who have provided labor or materials to or for the benefit of the Mortgaged Property by, through or under Maker or otherwise at Maker's direction or request at any time prior to the date of this Agreement have been paid in full.

H. Hazardous Waste. Maker hereby represents and warrants that, after due and diligent inquiry and review of that certain Phase I Environmental Site Assessment prepared by EMG for Noteholder dated August 3, 2006 (the "Environmental Report"), Maker is not aware of any facts or circumstances which may give rise to any litigation, proceedings, investigations, citations or notices of violations resulting from the use, presence, generation, manufacture, storage, discovery or disposition of, on, under or about the Mortgaged Property or the transport to or from the Mortgaged Property of any Hazardous Materials, defined below. Maker hereby represents and warrants that the Mortgaged Property is not in violation of and Maker covenants and agrees not to use or permit the use of the Mortgaged Property for any purpose which would be in violation of, any federal, state or local health or environmental statute, regulation, ordinance or publication which is presently in effect or that may be promulgated in the future, as such statutes, regulations, ordinances and publications may be amended from time to time relating to Hazardous Materials, including, without limitation, with respect to industrial hygiene or to health or environmental conditions on, under, or about the Mortgaged Property (including, but not limited to, soil and ground water conditions) or with respect to the owner's or occupant's thereof. The foregoing representations and warranties shall survive foreclosure under this Agreement and shall constitute continuing representations and warranties to Noteholder, its successors and assigns, as to conditions existing prior to foreclosure or in deed in lieu of foreclosure only. The term "Hazardous Materials", as used in this Agreement, shall include but not be limited to:

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- (i) petroleum, petroleum based products and oil;
- (ii) asbestos of any form which is or could become friable, urea formaldehyde foam insulation, transformers or other equipment which contain dielectric fluid containing levels of polychlorinated biphenyls (sometimes known as a "pcb");
- (iii) tanks, whether empty, filled or partially filled with any substance, material, chemical or other waste;
- (iv) any substance, material, chemical or other waste including, without limitation any explosive, flammable substances, explosives or radioactive materials, hazardous or toxic waste, hazardous or toxic materials, hazardous, toxic or radioactive substances, contaminants or pollutants and any of the preceding which are defined as or included in the definition of "Hazardous Substance," "Hazardous Waste," "Hazardous Material" or "Toxic Substance" or other similar or related terms under any applicable local, state or federal statute, regulation, ordinance or publication including but not limited to (collectively referred to as the "Environmental Laws"):
 - (1) Resource Conservation and Recovery Act of 1976 (commonly referred to as the Solid Waste Disposal Act), 42 U.S.C. 6901 et seq.
 - (2) Comprehensive Environmental Response, Compensation, and Liability Act of 1980, 42 U.S.C. 9601 et seq.
 - (3) Clean Air Act, 42 U.S.C. Sections 7401 et seq.
 - (4) The Water Pollution and Prevention and Control Act (commonly referred to as the Clean Water Act) 33 U.S.C. Sections 1251-et seq.
 - (5) Hazardous Materials Transportation Act, 49 U.S.C. Sections 1801 et seq.
 - (6) Federal Insecticide, Fungicide and Rodenticide Act, 7 U.S.C. 136 et seq.
 - (7) Toxic Substances Control Act, 15 U.S.C. 2601 et seq.
 - (8) Safe Drinking Water Act, 42 U.S.C. 300(f) et seq.
 - (9) Any applicable statute, rule, regulation or order now in effect or enacted in the future in the State of Illinois.

as such statutes, regulations, ordinances and publications may be amended from time to time;
- (v) any other material, substance, chemical or other waste, exposure to which is prohibited, limited or regulated from time to time by any federal, state or local statute, regulation, ordinance or publication or may pose a hazard to the health and/or

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safety of the occupants of the Mortgaged Property or any other adjacent or nearby property.

The present use and occupancy of the Mortgaged Premises do not violate or conflict with any applicable law, statute, ordinance, rule, regulation or order of any kind, including, without limitation, Environmental Laws, zoning, building, land use, noise abatement, occupational health and safety or other laws, any building permit or any condition, grant, easement, covenant, condition or restriction, whether recorded or not and if a third-party is required under any covenants, conditions and restrictions of record or any other agreement to consent to the use and/or operation of the Mortgaged Premises, Maker has obtained such approval from such party;

The Mortgaged Premises has never been used, and the Mortgaged Premises will not be used, for any activities which, directly or indirectly, involve the use, generation, treatment, storage, transportation or disposal of any Hazardous Materials. No Hazardous Materials exist now, and no Hazardous Materials will hereafter exist, on or under the Mortgaged Premises or in any surface waters or groundwaters on or under the Project. The Mortgaged Premises and its existing and prior uses have at all times complied with and will comply with all Environmental Laws, and Maker has not violated, and will not violate any Environmental Laws;

There are no facilities on the Mortgaged Premises which are subject to reporting under any State laws or Section 312 of the Federal Emergency Planning and Community Right-to-Know Act of 1986 (42 U.S.C. Section 11022), and federal regulations promulgated thereunder. The Mortgaged Premises does not contain any underground storage tanks;

NOTWITHSTANDING ANY NON-RECOURSE LANGUAGE OF THE NOTE OR THIS AGREEMENT, Maker hereby agrees to INDEMNIFY AND HOLD HARMLESS Noteholder, its directors, officers, employees, attorneys, contractors and agents, and any successors and assigns, their directors, officers, employees, and agents (individually and collectively the "Indemnitees"), from and against any and all loss, damage, expense or liability (including reasonable attorneys fees and investigatory expenses) incurred arising out of the use, occurrence, generation, storage, transportation or disposal of Hazardous Materials on or about the Mortgaged Property by Maker, its present tenants or any future tenants, any prior owner, operator or tenant of the Mortgaged Property, or any third party, including, without limitation, (i) all foreseeable and all unforeseeable consequential damages, directly or indirectly arising out of the use, occurrence, generation, storage, transportation or disposal of Hazardous Materials by Maker, past, present or future tenants, owners or operators of the Mortgaged Property, or any third party, and (ii) the cost of any required or necessary repair, cleanup or detoxification, claimed, threatened or asserted against any such Indemnitee; SUCH INDEMNITY AND HOLD HARMLESS SPECIFICALLY INCLUDES ANY LOSS, DAMAGE, EXPENSE OR LIABILITY CAUSED BY OR ATTRIBUTABLE TO THE ORDINARY OR SIMPLE NEGLIGENCE, AS OPPOSED TO THE GROSS NEGLIGENCE, OF AN INDEMNITEE AND FOR ANY ACTION OR OCCURRENCE FOR WHICH THE INDEMNITEE MAY INCUR STRICT LIABILITY, but such indemnity and hold harmless shall not apply with respect to any Hazardous Substances which first occurred on the Mortgaged Property after any foreclosure of this Agreement or conveyance in lieu thereof or to the extent that such loss, damage, expense or liability is caused by or attributable to such Indemnitee's gross negligence or willful misconduct. Maker's obligations pursuant to the foregoing indemnity and hold harmless shall survive any termination of the estate created by this Agreement whether as a result of the exercise by Noteholder of any default remedies available to it at law or in equity or otherwise.

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Maker acknowledges and agrees that as a condition precedent to making the loan to Maker evidenced by the Note secured by this Agreement, Noteholder has required that Maker provide to the Indemnitees the indemnity set forth herein and that Noteholder would not consummate the loan without this indemnity and hold harmless and that the indemnity and harmless contained herein is a material inducement for Noteholder's agreement to make the loan. Further, Maker agrees that the foregoing indemnification is separate, independent of and in addition to its undertakings as Maker under the Note, as Maker under this Agreement, as Assignor under the Absolute Assignment of Leases and Rents and any and all other documents, agreements and undertakings executed by Maker in favor of Noteholder pursuant to the Note. Maker agrees that a separate action may be brought to enforce the provisions of this indemnification and hold harmless, which shall in no way be deemed to be an action on the Note or under this Agreement, whether or not Noteholder would be entitled to a deficiency judgment following a foreclosure sale of the Mortgaged Property.

K. Patriot Act:

(1) As of the date of this Agreement, Maker is and, during the term of this Agreement shall remain, in full compliance with all the applicable laws and regulations of the United States of America that prohibit, regulate or restrict financial transactions, including but not limited to, conducting any activity or failing to conduct any activity, if such action or inaction constitutes a money laundering crime, including any money laundering crime prohibited under the Money Laundering Control Act, 18 U.S.C. 1956, 1957, or the Bank Secrecy Act, 31 U.S.C. 5311 *et seq.* and any amendments or successors thereto and any applicable regulations promulgated thereunder.

(2) Maker represents and warrants that: (i) neither it, nor any of its Constituent Owners (as defined below), or any officer, director, member, manager, partner or employee, is or will become named as a "Specially Designated National and Blocked Person" as designated by the United States Department of the Treasury's Office of Foreign Assets Control or as a person, group, entity or nation designated in Presidential Executive Order 13224 as a person who commits, threatens to commit, or supports terrorism; (ii) it is not owned or controlled, directly or indirectly, by the government of any country that is subject to a United States Embargo; (iii) it is not acting, directly or indirectly, for or on behalf of any person, group, entity or nation named by the United States Treasury Department as a "Specially Designated National and Blocked Person," or for or on behalf of any person, group, entity or nation designated in Presidential Executive Order 13224 as a person who commits, threatens to commit, or supports terrorism; and that it is not engaged in this transaction directly or indirectly on behalf of, or facilitating this transaction directly or indirectly on behalf of, any such person, group, entity or nation; (iv) no funds will be used to make any payments due hereunder or pursuant to the Note which were obtained directly or indirectly from a Specially Designated National and Blocked Person or otherwise derived from a country that is subject to a United States Embargo; and (v) no current or future tenant of any portion of the Mortgaged Property, nor any officer, director, member, manager, partner or Constituent Owner of such tenant, is or will become named a Specially Designated National and Blocked Person; provided that, in the event that a tenant of any portion of the Mortgaged Property is a publicly-traded company whose shares are listed on a national stock exchange, such representation and warranty shall not apply to shareholders of such tenant.

(3) Maker acknowledges that it understands and has been advised by legal counsel on the requirements of the applicable laws referred to above, including the Money Laundering Control

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Act, 18 U.S.C. 1956, 1957, the Bank Secrecy Act, 31 U.S.C. 5311 *et seq.*, the applicable regulations promulgated thereunder, and the Foreign Assets Control Regulations, 31 C.F.R. Section 500 *et seq.*

(4) Maker shall notify Noteholder immediately upon receipt of any information indicating a breach of this Section V.K. or if Maker or any officer, director, member, manager, member, employee or Constituent Owner of Maker is custodially detained on charges relating to money laundering, whereupon Noteholder shall be entitled to take all actions necessary so that Noteholder is in compliance with all Anti-Money Laundering Regulations. Any and all loss, damage, liability, penalty, fine or expense (including reasonable attorney's fees and investigatory expenses) incurred by Noteholder in connection therewith, including but not limited to attorney's fees, shall be included in the Indebtedness secured hereunder and shall immediately be due and payable by Maker to Noteholder.

VI. ADDITIONAL COVENANTS OF MAKER

As long as any of the Indebtedness remains unpaid, Maker covenants and agrees that:

A. Payment of Indebtedness. Maker will pay the Indebtedness promptly when due and payable.

B. Payment of Taxes and Other Assessments. Maker will pay all taxes, assessments and other governmental, municipal or other public dues, charges, fines, or impositions imposed or levied upon the Mortgaged Property or on the interest created by this Agreement, or any tax or excise on rents or other tax, however described, assessed or levied by any state, federal or local taxing authority as a substitute, in whole or in part, for taxes assessed or imposed on the Mortgaged Property or on the interest created by this Agreement, and at least ten (10) days before said taxes, assessments and other governmental charges are due will exhibit receipts therefor to Noteholder. If any tax or assessment is levied, assessed or imposed on Noteholder as a legal holder of the Note or any interest in the documents securing, evidencing or relating to the Note by any governmental authority, then unless all such taxes are paid by Maker as they become due and payable and in the opinion of General Counsel of Noteholder, such payment by Maker is lawful and does not place Noteholder in violation of any law, Noteholder may, at its option, declare the Indebtedness immediately due and payable, but in this event no prepayment premium shall be due or payable.

C. Insurance. Maker shall keep the Mortgaged Property insured against loss or damage by fire, windstorm, extended coverage perils, flood (in the event any of the Mortgaged Premises is within a 100-year flood plain and flood insurance is available pursuant to the United States Flood Disaster Protection Act of 1973 or any similar or successor statute or successor governmental authority), vandalism, malicious mischief and such other hazards, casualties or other contingencies and in such amounts (but in no event less than the greater of the amount of the Indebtedness from time to time secured hereby or the full replacement value thereof) as from time to time may be required by Noteholder, and maintain rents or rental value insurance coverage, in an amount at least adequate to cover twelve (12) months' principal and interest installments on the Note and together with twelve (12) months' property taxes and insurance premiums, with respect to the Mortgaged Property covering the risk of loss due to the occurrence of any of the foregoing hazards, in each case and in such amounts, in such manner and in such companies as the Noteholder may approve, and all such policies shall contain a waiver of subrogation and provide that any losses payable thereunder shall (pursuant to standard mortgagee clauses without contribution, including one providing that such

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insurance as to the interest of Noteholder shall not be invalidated by any act or omission or neglect of Maker, to be attached to each policy) be payable to Noteholder. Maker shall cause originals of certificates of any and all such insurance policies to be deposited with Noteholder. Maker will also carry public liability insurance, in such form, amounts and with such companies as Noteholder may from time to time reasonably require, with Noteholder included thereon as a named insured. Any or all of such policies may be provided under a blanket policy or policies provided such blanket policies allocate the amount of insurance required hereunder to the Mortgaged Property. Maker shall cause duplicate originals of any and all such insurance policies to be deposited with Noteholder, or certificates of the insurers under such policies evidencing same. At least ten (10) days prior to the date the premiums on each such policy or policies shall become due and payable, Maker shall furnish to Noteholder evidence of the payment of such premiums. Each of such policies shall contain an agreement by the insurer that the same shall not be canceled or modified without at least ten (10) days' prior written notice to Noteholder. In the event of loss under any such policy, Maker shall give immediate written notice to the insurance carrier and to Noteholder. With respect to all insurance policies except public liability insurance, Noteholder is hereby authorized, but not required, on behalf of and at the expense of Maker, whether or not an Event of Default has then occurred, to make proof of loss, to collect for, adjust or compromise any losses under any insurance policy on the Mortgaged Property, to appear in and prosecute any action arising from any of such insurance policies, and to apply, at Noteholder's option, the loss proceeds (less expenses of collection) on the Indebtedness, in any order and whether due or not, or to the restoration of the Mortgaged Property, or to be released to Maker, but any such application or release shall not cure or waive any default; provided, however, if no Event of Default is then occurring hereunder, Noteholder shall permit Maker to adjust any such claim that does not exceed \$100,000.00. In case of a sale pursuant to the foreclosure provision hereunder, or any conveyance of all or any part of the Mortgaged Property in extinguishment of the Indebtedness, complete title to all insurance policies on or related to the Mortgaged Property, and the unearned premiums of same shall pass to and vest in the purchaser or grantee of the Mortgaged Property.

D. Capital Improvement Reserve Escrow. Maker shall establish and maintain in an account to be maintained as provided herein at all times while the Note is outstanding, a capital improvement reserve. Such reserve shall include interest and distributions, if any, accrued thereon (the "Capital Improvement Reserve"), for payment of certain replacement or capital improvement expenses, categorized under generally accepted accounting principles as a capital expenses and not as operating expenses, incurred by Maker in connection with the maintenance of the Mortgaged Property (collectively, the "Capital Improvements"). Commencing on the first monthly payment date under the Note, and continuing thereafter on each monthly payment date under the Note, Maker shall pay to Noteholder, concurrently with and in addition to the installments payable due under the Note and until the Note and all other indebtedness secured hereby is fully paid and performed, an amount to be deposited in the Capital Improvement Reserve equal to the CIR Percentage, defined below, multiplied times the Gross Hotel Revenues for the month immediately preceding such monthly payment date, which payments by Maker shall be made monthly with, and shall be due on the same date as, the monthly installments of principal and interest on the Note at all times and from time to time when the amount of the Capital Improvement Reserve is less than Five Hundred Forty-Four Thousand Seven Hundred Forty-Six and No/100 Dollars (\$544,746.00). The "CIR Percentage" means the following percentages: 2% during the first loan year (as such term is defined in the Note), 2% during the second loan year, and 3% in each loan year thereafter. Maker shall not be required to make any deposits into the Capital Improvement Reserve at such times as the Capital Improvement Reserve equals or exceeds Five Hundred Forty-Four Thousand Seven Hundred Forty-Six and No/100

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Dollars (\$544,746.00); but, all interest and distributions accrued on the Capital Improvement Reserve shall be paid into and become a part of the Capital Improvement Reserve. All sums in the Capital Improvement Reserve shall be held to pay the costs and expenses of Capital Improvements.

Noteholder or a designated representative of Noteholder shall have the sole right to hold the Reserve Account and to make or authorize distributions from the Reserve Account; provided, however, Maker shall be permitted to draw from the Reserve Account in accordance with the ensuing paragraph so long as: (i) Maker has not been in default under any term or condition under the Note, this Agreement, or any other Loan Document; and (ii) Maker furnishes to Noteholder capital improvement reserve accounting information relating to the Mortgaged Property in form and content satisfactory to Noteholder, in Noteholder's sole and absolute discretion (including but not limited to a reconciliation of cash flows for the period covered) within one hundred twenty (120) days of the end of each year, which capital improvement reserve accounting must contain Maker's certification that, during the period of time covered by the particular statement (a) no funds have been expended for items not generally considered to be "capital expenditures" in the sense of normal accounting terminology for hotel properties, and (b) at least 2% during the first loan year, 2% in the second loan year, and 3% in each loan year thereafter of all income collected from the Mortgaged Property has been deposited into the Capital Improvement Reserve, except such deposits shall not be required if such deposits would result in an account balance exceeding \$544,746.00.

Provided no event of default under the Note, this Mortgage or any other Loan Document has occurred which is continuing and no act, omission or other occurrence has occurred and is continuing which would constitute such an Event of Default, but for the passage of time, the giving of notice, or both, Noteholder shall, to the extent funds are available for such purpose in the Capital Improvement Reserve, disburse to Maker the amount paid or incurred by Maker in performing such Capital Improvements within ten (10) days following: (a) the receipt by Noteholder of a written request from Maker for disbursement from the Capital Improvement Reserve and a certification from Maker that the applicable item of Capital Improvements has been completed and that, during the period of time covered by the particular statement, (i) no portion of the requested disbursement has been expended for items not generally considered to be "capital expenditures" in the sense of normal accounting terminology for hotel properties and (ii) the Maker has made timely monthly deposits of the applicable CIR Percentages of Gross Hotel Revenue into the Capital Improvement Reserve required under this Agreement; (b) the delivery to Noteholder of invoices, receipts or other evidence reasonably satisfactory to Noteholder, verifying the cost of performing the Capital Improvements; (c) for disbursement requests in excess of \$25,000.00, the delivery to Noteholder of affidavits, lien waivers or other evidence reasonably satisfactory to Noteholder showing that all materialmen, laborers, subcontractors and any other parties who might or could claim statutory or common law liens and are furnishing or have furnished material or labor to the Property have been paid all amounts due for labor and materials furnished to the Property; (d) for disbursement requests in excess of \$25,000, delivery to Noteholder of a certification from an inspecting architect or other third party acceptable to Noteholder describing the completed Capital Improvements and verifying the completion of the Capital Improvements and the value of the completed Capital Improvements; and (e) delivery to Noteholder of a new certificate of occupancy for the portion of the Improvements covered by such Capital Improvements, if said new certificate of occupancy is required by law, or a certification by Maker that no new certificate of occupancy is required. Noteholder shall not be required to make advances from the Capital Improvement Reserve more frequently than once in any thirty (30) day period. In making any payment from the Capital Improvement Reserve, Noteholder shall be entitled to rely on such request from Maker without any inquiry into the accuracy, validity or

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contestability of any such amount. Noteholder may, at Maker's expense, make or cause to be made an annual inspection of the Mortgaged Property to determine the need, as determined by Noteholder in its reasonable judgment, for further Capital Improvements of the Mortgaged Property. In the event that such inspection reveals that further Capital Improvements of the Mortgaged Property are required, Noteholder shall provide Maker with a written description of the required Capital Improvements and Maker shall complete such Capital Improvements to the reasonable satisfaction of Noteholder within ninety (90) days after the receipt of such description from Noteholder, or such later date as may be approved by Noteholder in its sole discretion. The Capital Improvement Reserve shall constitute Collateral and shall be held by Noteholder in a segregated account and invested by Noteholder in SM&R Capital Funds, Inc. - American National Primary Fund Series and any interest or distributions thereon shall be taxable to Maker. The Capital Improvement Reserve is solely for the protection of Noteholder and entails no responsibility on Noteholder's part beyond the payment of the costs and expenses described in this Section in accordance with the terms hereof and beyond the allowing of due credit for the sums actually received. In the event that the amounts on deposit or available in the Capital Improvement Reserve are inadequate to pay the cost of the Capital Improvements, Maker shall pay the amount of such deficiency. Upon assignment of the indebtedness secured hereby or any portion thereof by any owner and holder thereof and, in addition with respect to Noteholder, any funds in the Capital Improvement Reserve upon the delivery to the assignee of any such funds in the Capital Improvement Reserve, any responsibility of any such owner and holder, including Noteholder and any participant in the any such indebtedness or any portion thereof, as assignor, with respect to the Capital Improvement Reserve shall terminate. If there is an Event of Default which has occurred and is continuing under this Agreement, the Note, or any other Loan Document, Noteholder may, but shall not be obligated to, apply at any time the balance or any portion thereof then remaining in the Capital Improvement Reserve against the indebtedness secured hereby in any manner or order as Noteholder shall elect. Upon full payment of the indebtedness secured hereby in accordance with its terms or at such earlier time as Noteholder may elect, the balance of the Capital Improvement Reserve then in Noteholder's possession shall be paid over to Maker and no other party shall have any right or claim thereto.

E. Waste, Demolition, Alteration or Replacement. Maker will cause the Mortgaged Property and every part thereof to be maintained, preserved and kept in safe and good repair, working order and condition, will not commit or permit waste thereon, will not remove, demolish or alter the design or structural character of any building now or hereafter erected on the Mortgaged Premises, without the prior written consent of Noteholder, and will comply with all laws and regulations of any governmental authority with reference to the Mortgaged Property and the manner and use of the same, and will from time to time make all necessary and proper repairs, renewals, additions and restorations thereto so that the value and efficient use thereof shall be fully preserved and maintained. Maker agrees not to remove any of the fixtures or personal property included in the Mortgaged Property without the prior written consent of Noteholder and unless immediately replaced with like property of at least equal value; provided that Maker may remove and replace fixtures or personal property in the ordinary course of operation of the hotel located on the Mortgaged Premises. Maker shall act as necessary to continue or cause the continuance of such income producing activity as is presently conducted upon or contemplated for the Mortgaged Property.

F. Inventory of Personal Property. Upon request of Noteholder, Maker shall deliver to Noteholder an inventory describing and showing the make, model, serial number and location of all fixtures and personal property owned by Maker and from time to time used in the management, maintenance and operation of the Mortgaged Property (other than inventory or property, if any,

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expressly excluded from the operation of this Agreement by separate written agreement) with a certification by Maker that said inventory is a true and complete schedule of such fixtures and personal property owned by Maker and used in the management, maintenance and operation of the Mortgaged Property and that such items specified in the inventory constitute all of the fixtures and personal property required in the management, maintenance and operation of the Mortgaged Property and that such items are owned by Maker free and clear of security interests, liens, conditional sales contracts or title retention arrangements. Maker hereby grants to Noteholder a security interest in all such items of fixtures and personal property owned by Maker under the terms and conditions of this Agreement.

G. Financial Statement. Maker will furnish to Noteholder within one hundred twenty (120) days after the first day of each and every January (the "Financial Statement Due Date") until the Indebtedness secured hereby has been fully paid, the annual audited financial statements of Maker covering the operation of the Mortgaged Property, each such statement prepared in accordance with generally accepted accounting principles and each such statement prepared and signed by an independent certified public accountant approved by and acceptable to Noteholder. The financial statements shall contain the Maker's certification that, during the period of time covered by the particular statement, to Maker's knowledge, (i) no activity has been conducted upon the Mortgaged Property in violation of any state, federal or local law, ordinance or regulation pertaining to Hazardous Materials, industrial hygiene or environmental conditions, and (ii) the Mortgaged Property complies with the Americans With Disabilities Act.

If Maker does not deliver the financial statements as and when required by this paragraph, there shall be added to the Indebtedness and Maker agrees to pay upon demand Two Hundred Dollars (\$200.00) for each calendar month or part thereof following the Financial Statement Due Date until the required financial statements are delivered to Noteholder.

H. Restrictions upon Sale, Transfer or Mortgaging the Mortgaged Property or the Interest in Maker. Maker acknowledges that Noteholder is relying on the credit worthiness and skill of Maker in advancing sums secured hereby. Except for a natural person's transfer by will or applicable state intestacy laws or transfers of interests in Maker by members of Maker for estate planning purposes that do not result in such member losing control of such interests (collectively, together with any other matters specifically defined below, "Permitted Transfers"): (i) if the Maker should sell, trade, convey, transfer, mortgage, assign, exchange, pledge or encumber (including, without limiting these provisions or any similar references in this Agreement, the granting of a security interest in) all or any part of the Mortgaged Property, or any interest of Maker therein, absolutely or as security for a debt or other obligation, whether done in a direct or indirect method or enter into any contractual arrangements to do so, or (ii) if a shareholder, partner, member, trustee or beneficiary of Maker (sometimes, a "Tier Two Owner") or if any shareholder, partner, member, trustee or beneficiary of any shareholder, partner, trustee or beneficiary of a Tier Two Owner (any and all of the preceding a "Constituent Owner") should sell, trade, convey, transfer, mortgage, assign, exchange, pledge or encumber (including, without limiting these provisions or any similar references in this Agreement, the granting of a security interest in) all or any part of its interest in Maker or if such shareholder, partner, member, trustee or beneficiary in or of Maker shall otherwise be diluted, or (iii) if Maker shall in any way, voluntarily or involuntarily be divested of title or of any interest in the Mortgaged Property, then the Noteholder, at its option, may elect to accelerate the maturity of the Note and declare the entire amount of the Indebtedness immediately due and payable whereupon Maker shall have thirty (30) days to pay the full sum of the Indebtedness including, without limitation, principal

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and interest, whether or not any such sale, trade, conveyance, transfer, mortgage, assignment, exchange, pledge, or encumbrance might diminish the value of the security for the Indebtedness or increase the likelihood of an Event of Default or increase the likelihood of the Noteholder having to resort to any other security for the Indebtedness after default or add or remove liability of any party for payment or performance of the Indebtedness. Maker further agrees that the foregoing restriction shall be effective and remain in full force and effect throughout the term of this Agreement and shall be applicable to Maker, each shareholder, partner, member, trustee and beneficiary and each Constituent Owner and their respective heirs, executors, administrators, successors and assigns. The consent by the Noteholder to any one such sale, trade, conveyance, transfer, mortgage, assignment, exchange, pledge, or encumbrance (one or more of the preceding a "Transaction") shall not waive or forfeit the right of Noteholder to elect to accelerate the Indebtedness to maturity as to any other Transaction. Maker further covenants and agrees to give written notice to Noteholder in the event there occurs any Transaction which would violate the terms and conditions of this provision. The term "Transaction" shall include any voluntary or involuntary act or omission of Maker. Nothing herein contained shall prevent Noteholder from accelerating the Note at any time in the event Maker enters into such a transaction and does not notify Noteholder of same.

I. Delivery of Substitute Note. Maker will, if the Note is mutilated, destroyed, lost or stolen, deliver to Noteholder, in substitution therefor, a new promissory note containing the same terms and conditions as the Note with a notation thereon of the unpaid principal and accrued but unpaid interest. Maker shall be furnished with satisfactory evidence of the mutilation, destruction, loss or theft of the Note, and also such security or indemnity as may be reasonably requested by Maker; provided, however, that if the original noteholder named herein is the then noteholder under this Agreement, an unqualified indemnity from the original noteholder named herein shall be deemed to be satisfactory security or indemnification.

K. Compliance with Covenants, Conditions, Restrictions and Recorded Documents. Maker shall, and shall cause the Mortgaged Property, to fully and timely comply with all restrictions covenants, conditions and agreements benefiting, burdening or imposed on the Mortgaged Property or any portion thereof or the owner of all or such portion of the Mortgaged Property.

L. Obligation to Obtain and Comply with Doubletree Hotel Chicago-Arlington Heights Franchise License Agreement. As a material inducement to Noteholder to enter into the loan secured by this Agreement, Maker shall at all times comply with that certain Doubletree Hotel Chicago-Arlington Heights franchise license agreement entitled "Franchise License Agreement" by and between Maker, as licensee, and Doubletree Hotel Systems, Inc., as licensor, dated on or about January 18, 2005 ("Franchise Agreement") and a recognition agreement and comfort letter from Doubletree Hotel Systems, Inc. with respect to the Mortgaged Property which are each in a form and substance satisfactory to Noteholder. Maker agrees to fulfill or perform each and every covenant of such Franchise Agreement (so as to keep it at all times in full force and effect), and not to make any modification, consent to any modification of, or cancel, terminate or consent to the surrender of any Franchise Agreement without the prior written consent of Noteholder.

VII. RELEASE OF MORTGAGE

If Maker shall well and truly pay, or cause to be paid, all of the Indebtedness and does keep and perform each and every covenant, duty, condition, and stipulation herein imposed on Maker, in the Note contained, or in any other document securing, evidencing or relating to the Indebtedness,

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then this Agreement and the grants and conveyances contained herein shall become null and void, and the Mortgaged Property shall revert to Maker and the entire estate, right, title and interest of the Noteholder will thereupon cease; and the Noteholder in such case shall deliver to Maker a release of mortgage and any other proper documents acknowledging satisfaction of this document; otherwise, this Agreement shall remain in full force and effect.

VIII. EVENTS OF DEFAULT

8.1 Acts Constituting Default. Maker will be in default under this Agreement upon the happening of any of the following events or conditions, or the happening of any other Event of Default as defined elsewhere in this Agreement (herein collectively referred to as an "Event of Default"):

(1) Maker fails to make when due any payment of principal or interest or installment of principal and interest under the Indebtedness.

(2) Maker fails to keep or perform any of the covenants, conditions or stipulations contained in this Agreement, the Note or in any other documents securing, evidencing or relating to the Indebtedness other than any event or condition specified in Section 8.1(1), 8.1(3), 8.1(4), 8.1(5), 8.1(6), 8.1(7), 8.1(8), 8.1(9) or 8(10), within thirty (30) days of receipt of written notice of same from Maker.

(3) Any warranty or representation made in this Agreement by Maker is determined by Noteholder to be untrue in any material respect.

(4) Any person, corporation or other entity that (a) owns all or any part of the Mortgaged Property, (b) is liable for the payment of all or any part of the Indebtedness, or (c) is a guarantor of all or any part of the Indebtedness (i) admits in writing its inability to pay its debts generally as they become due, (ii) files a petition or answer in bankruptcy as a Debtor or seeking reorganization or an arrangement or otherwise to take advantage of any State or Federal bankruptcy or insolvency law, (iii) makes an assignment for the benefit of creditors, (iv) files a petition for or consents to the appointment of a receiver for its assets or any part thereof, or (v) without its consent has a petition filed in any bankruptcy or insolvency proceeding or an order, decree or judgment entered by a court of competent jurisdiction appointing a receiver of the Mortgaged Property or approving a petition filed against it seeking reorganization or an arrangement of it or its assets or debts under any bankruptcy or insolvency law and such petition, order, decree or judgment is not dismissed, vacated, set aside or stayed within sixty (60) days from the date of entry.

(5) Except for Permitted Transfers, Maker sells, trades, conveys, transfers, mortgages, assigns, exchanges, pledges or encumbers (including, without limiting these provisions or any similar references in this Agreement, the granting of a security interest in) the Mortgaged Property, the Collateral or any portion thereof or interest therein, or, except for Permitted Transfers, Maker or any shareholder, partner, member, trustee or beneficiary of Maker or a Constituent Owner sells, trades, conveys, transfers, mortgages, assigns, exchanges, pledges or encumbers (including, without limiting any of the provisions of this subparagraph, the granting of a security interest in) any part of its interest in Maker or any Constituent Owner, except for Permitted Transfers, or any such event occurs involuntarily to Maker or such shareholder, partner, member, trustee or beneficiary of Maker

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or any shareholder, partner, member, trustee or beneficiary of any Constituent Owner, all without the prior written consent of Noteholder.

(6) The corporate authority and right of Maker to do business in the State of Illinois is terminated, withdrawn, cancelled or modified.

(7) David M. Friedman ceases to be the Managing Member of Maker.

(8) David M. Friedman ceases to be a member of Maker or own at least twenty percent (20%) of Maker.

(9) David M. Friedman, Susan Friedman and/or Judith Friedman sells, trades, conveys, transfers, mortgages, assigns, exchanges, pledges or encumbers (including, without limiting these provisions or any similar references in this Agreement, the granting of a security interest in) their ownership interest in Maker which results in or may result in David M. Friedman, Susan Friedman and/or Judith Friedman owning less than 51% of the ownership interest in of Maker.

(10) Maker's existence as a legal entity for any reason, by operation of law or otherwise, is modified in any way adverse to Noteholder or terminates and is not reinstated within ninety (90) days thereafter.

IX. RIGHTS OF NOTEHOLDER UPON DEFAULT

9.1 Acceleration of Indebtedness. Upon occurrence of an Event of Default or at any time thereafter, Noteholder may at its option and without demand or notice to Maker, accelerate the maturity of the Note and declare the Indebtedness secured hereby immediately due and payable. Unless otherwise provided herein, Maker hereby waives presentment for payment, protest and demand, notice of protest, demand, dishonor and default, notice of intent to declare the Indebtedness immediately due and payable and notice of the declaration that the Indebtedness is immediately due and payable, and any and all rights Maker may have to a hearing before any judicial authority prior to the exercise by Noteholder of any of its rights under this Agreement or any other agreements securing or executed in connection with the Indebtedness, all to the extent authorized by law.

9.2 Operation of Property by Noteholder. Upon the occurrence of an Event of Default, or at any time thereafter, in addition to all other rights herein conferred on the Noteholder, the Noteholder (or any person, firm or corporation designated by the Noteholder) may, but will not be obligated to, enter upon and take possession of any or all of the Mortgaged Property, exclude Maker therefrom, and hold, use, administer, manage and operate the same to the extent that Maker could do so. If the Mortgaged Property includes any type of business enterprise, the Noteholder may operate and manage such business without any liability of Noteholder to Maker resulting therefrom (excepting failure to use ordinary care in the operation and management of the Mortgaged Property); and the Noteholder or Noteholder's designee may collect, receive and receipt for all proceeds accruing from such operation and management, and, at Maker's expense, make repairs and purchase needed additional property, and exercise every power, right and privilege of Maker with respect to the Mortgaged Property. When and if the expenses of such operation and management have been paid and the Indebtedness has been paid, the Mortgaged Property shall be returned to Maker (providing there has been no foreclosure sale). This provision is a right created by this Agreement and

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cumulative of, and is not in any way to affect, the right of the Noteholder to the appointment of a receiver given the Noteholder by law.

9.3 Judicial Proceedings. Upon the occurrence of an Event of Default, or at any time thereafter, or upon the breach of any covenant, term or condition herein contained, Noteholder may proceed by suit for a foreclosure of its lien on the Mortgaged Property, or to sue Maker for damages on, arising out of said default or breach, or for specific performance of any provision contained herein, or to enforce any other appropriate legal or equitable right.

9.4 Foreclosure; Expense of Litigation.

a. When all or any part of the Indebtedness shall become due, whether by acceleration or otherwise, Noteholder shall have the right to foreclose the lien hereof for such Indebtedness or part thereof and/or exercise any right, power or remedy provided in this Mortgage or any of the other Loan Documents in accordance with the Illinois Mortgage Foreclosure Act (Chapter 735, Sections 5/15-1101 et seq., Illinois Compiled Statutes) (as may be amended from time to time, the "Act"). In the event of a foreclosure sale, Noteholder is hereby authorized, without the consent of Maker, to assign any and all insurance policies to the purchaser at such sale or to take such other steps as Noteholder may deem advisable to cause the interest of such purchaser to be protected by any of such insurance policies.

b. In any suit to foreclose the lien hereof, there shall be allowed and included as additional indebtedness in the decree for sale all expenditures and expenses which may be paid or incurred by or on behalf of Noteholder for reasonable attorneys' fees, appraisers' fees, outlays for documentary and expert evidence, stenographers' charges, publication costs, and costs (which may be estimated as to items to be expended after entry of the decree) of procuring all such abstracts of title, title searches and examinations, title insurance policies, and similar data and assurances with respect to the title as Noteholder may deem reasonably necessary either to prosecute such suit or to evidence to bidders at any sale which may be had pursuant to such decree the true condition of the title to or the value of the Mortgaged Property. All expenditures and expenses of the nature mentioned in this paragraph and such other expenses and fees as may be incurred in the enforcement of Maker's obligations hereunder, the protection of said Mortgaged Property and the maintenance of the lien of this Mortgage, including the reasonable fees of any attorney employed by Noteholder in any litigation or proceeding affecting this Mortgage, the Note, or the Mortgaged Property, including probate and bankruptcy proceedings, or in preparations for the commencement or defense of any proceeding or threatened suit or proceeding shall be immediately due and payable by Maker, with interest thereon until paid at the Default Rate and shall be secured by this Mortgage.

9.5 Application of Proceeds of Foreclosure Sale. The proceeds of any foreclosure sale of the Mortgaged Property shall be distributed and applied in accordance with the Act and, unless otherwise specified therein, in such order as Noteholder may determine in its sole and absolute discretion.

9.6 Appointment of Receiver. Upon or at any time after the filing of a complaint to foreclose this Mortgage, the court in which such complaint is filed shall, upon petition by Noteholder, appoint a receiver for the Mortgaged Property in accordance with the Act. Such appointment may be made either before or after sale, without notice, without regard to the solvency

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or insolvency of Maker at the time of application for such receiver and without regard to the value of the Mortgaged Property or whether the same shall be then occupied as a homestead or not and Noteholder hereunder or any other holder of the Note may be appointed as such receiver. Such receiver shall have power to collect the rents, issues and profits of the Mortgaged Premises (i) during the pendency of such foreclosure suit, (ii) in case of a sale and a deficiency, during the full statutory period of redemption, whether there be redemption or not, and (iii) during any further times when Maker, but for the intervention of such receiver, would be entitled to collect such rents, issues and profits. Such receiver also shall have all other powers and rights that may be necessary or are usual in such cases for the protection, possession, control, management and operation of the Mortgaged Property during said period, including, to the extent permitted by law, the right to lease all or any portion of the Mortgaged Property for a term that extends beyond the time of such receiver's possession without obtaining prior court approval of such lease. The court from time to time may authorize the application of the net income received by the receiver in payment of (a) the Indebtedness, or by any decree foreclosing this Mortgage, or any tax, special assessment or other lien which may be or become superior to the lien hereof or of such decree, provided such application is made prior to foreclosure sale, and (b) any deficiency upon a sale and deficiency.

9.7 Noteholder's Right of Possession in Case of Default. At any time after an Event of Default has occurred, Maker shall, upon demand of Noteholder, surrender to Noteholder possession of the Mortgaged Property. Noteholder, in its discretion, may, with process of law, enter upon and take and maintain possession of all or any part of the Premises, together with all documents, books, records, papers and accounts relating thereto, and may exclude Maker and its employees, agents or servants therefrom, and Noteholder may then hold, operate, manage and control the Mortgaged Property, either personally or by its agents. Noteholder shall have full power to use such measures, legal or equitable, as in its discretion may be deemed proper or necessary to enforce the payment or security of the avails, rents, issues, and profits of the Mortgaged Property, including actions for the recovery of rent, actions in forcible detainer and actions in distress for rent. Without limiting the generality of the foregoing, Noteholder shall have full power to

- a. cancel or terminate any lease or sublease for any cause or on any ground which would entitle Maker to cancel the same;
- b. elect to disaffirm any lease or sublease which is then subordinate to the lien hereof;
- c. extend or modify any then existing leases and to enter into new leases, which extensions, modifications and leases may provide for terms to expire, or for options to lessees to extend or renew terms to expire, beyond the Maturity Date and beyond the date of the issuance of a deed or deeds to a purchaser or purchasers at a foreclosure sale, it being understood and agreed that any such leases, and the options or other such provisions to be contained therein, shall be binding upon Maker and all persons whose interests in the Mortgaged Property are subject to the lien hereof and upon the purchaser or purchasers at any foreclosure sale, notwithstanding any redemption from sale, discharge of the Indebtedness, satisfaction of any foreclosure judgment, or issuance of any certificate of sale or deed to any purchaser;
- d. make any repairs, renewals, replacements, alterations, additions, betterments and improvements to the Premises as Noteholder deems are necessary;

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e. insure and reinsure the Mortgaged Property and all risks incidental to Noteholder's possession, operation and management thereof; and

f. receive all of such avails, rents, issues and profits.

9.8 Application of Income Received by Noteholder. Noteholder, in the exercise of the rights and powers hereinabove conferred upon it, shall have full power to use and apply the avails, rents, issues and profits of the Mortgaged Property to the payment of or on account of the following, in such order as Noteholder may determine:

a. to the payment of the operating expenses of the Mortgaged Property, including cost of management and leasing thereof (which shall include compensation to Noteholder and its agent or agents, if management be delegated to an agent or agents, and shall also include lease commissions and other compensation and expenses of seeking and procuring tenants and entering into leases), established claims for damages, if any, and premiums on insurance hereinabove authorized;

b. to the payment of taxes and special assessments now due or which may hereafter become due on the Premises; and

c. to the payment of any Indebtedness, including any deficiency which may result from any foreclosure sale.

9.9 Compliance with Illinois Mortgage Foreclosure Law.

a. If any provision in this Mortgage shall be inconsistent with any provision of the Act, provisions of the Act shall take precedence over the provisions of this Mortgage, but shall not invalidate or render unenforceable any other provision of this Mortgage that can be construed in a manner consistent with the Act.

b. If any provision of this Mortgage shall grant to Noteholder (including Noteholder acting as a Noteholder-in-possession) or a receiver appointed pursuant to the provisions of Paragraph 9.6 of this Mortgage any powers, rights or remedies prior to, upon or following the occurrence of an Event of Default which are more limited than the powers, rights or remedies that would otherwise be vested in Noteholder or in such receiver under the Act in the absence of said provision, Noteholder and such receiver shall be vested with the powers, rights and remedies granted in the Act to the full extent permitted by law.

c. Without limiting the generality of the foregoing, all expenses incurred by Noteholder which are of the type referred to in Section 5/15-1510 or 5/15-1512 of the Act, whether incurred before or after any decree or judgment of foreclosure, and whether or not enumerated in this Mortgage, shall be added to the Indebtedness and/or by the judgment of foreclosure.

9.10 Waiver of Rights. Maker hereby covenants and agrees that it will not at any time insist upon or plead, or in any manner claim or take any advantage of, any stay, exemption or extension law or any so-called "Moratorium Law" now or at any time hereafter in force providing for the valuation or appraisal of the Mortgaged Premises, or any part thereof, prior to any sale or sales thereof to be made pursuant to any provisions herein contained, or to decree, judgment or order

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of any court of competent jurisdiction; or, after such sale or sales, claim or exercise any rights under any statute now or hereafter in force to redeem the property so sold, or any part thereof, or relating to the marshalling thereof, upon foreclosure sale or other enforcement hereof; and without limiting the foregoing:

Maker hereby expressly waives any and all rights of reinstatement and redemption, if any, under any order or decree of foreclosure of this Mortgage, on its own behalf and on behalf of each and every person, it being the intent hereof that any and all such rights of reinstatement and redemption of the Maker and of all other persons are and shall be deemed to be hereby waived to the full extent permitted by the provisions of Illinois Compiled Statutes 735 ILCS 5/15 - 1601 or other applicable law or replacement statutes;

Maker will not invoke or utilize any such law or laws or otherwise hinder, delay or impede the execution of any right, power remedy herein or otherwise granted or delegated to the Noteholder but will suffer and permit the execution of every such right, power and remedy as though no such law or laws had been made or enacted; and

If the Maker is a trustee, Maker represents that the provisions of this paragraph (including the waiver of reinstatement and redemption rights) were made at the express direction of Maker's beneficiaries and the persons having the power of direction over Maker, and are made on behalf of the trust estate of Maker and all beneficiaries of Maker, as well as all other persons mentioned above.

X. USE OF INSURANCE PROCEEDS

10.1 Holding of Proceeds. Notwithstanding the provisions of Article VI, Section C, any insurance proceeds paid to Noteholder will be first applied in payment of the expenses, if any, incurred by Noteholder in the collection of said insurance proceeds and the balance, if any, will be held and disbursed by Noteholder in accordance with the following provisions:

A. (1) Should there exist an Event of Default at the time of the casualty or should there occur at any time thereafter an Event of Default; (2) should either the tenant of any portion of the Mortgaged Property or the Maker terminate a lease as a result of said damage, or, whether or not a result of such damages, at any time prior to the commencement of reconstruction (except for hotel guests occupying the Mortgaged Property on a transient basis); (3) should any insurance proceeds be remaining after the completion of all restoration work; or (4) should Maker fail to comply with the requirements for disbursing the insurance proceeds, then in any of the said events, Noteholder may, at its option, apply the insurance proceeds on the Indebtedness, in any order and whether due or not, or to the restoration of the Mortgaged Property, or to be released to Maker, but any such application or release shall not cure or waive any default.

B. If the insurance proceeds have not been disbursed under the provisions of subparagraph A hereof, or if under subparagraph A Noteholder elects to permit the insurance proceeds to be used for restoration of the Mortgaged Property, the proceeds will be held and disbursed as follows:

(1) Should the insurance proceeds be less than \$100,000.00, Maker shall immediately commence and complete the work of restoring the damaged property and Noteholder will permit Maker to adjust such claim provided that the insurance proceeds are used to pay actual costs to

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replace, repair and restore the damaged property. In such event, Maker shall (i) complete the restoration work to a condition satisfactory to Noteholder, (ii) after completion submit a written report by Maker that all restoration work has been completed, and (iii) provide to Noteholder such evidence as Noteholder may require that all mechanics and materialmen performing work or supplying materials for the restoration work have been fully paid.

(2) Should the insurance proceeds equal or be in excess of \$100,000.00, but less than \$200,000.00, Maker shall cause plans and specifications ("Plans") for the restoration of the damaged property to be submitted to Noteholder for approval. Upon receipt of Noteholder's approval, Maker shall forthwith commence and complete the restoration of the damaged property in accordance with the approved Plans. Noteholder will disburse the portion of the insurance proceeds to pay the actual costs to repair and restore the damaged property to Maker upon (i) completion of the restoration work to a condition satisfactory to Noteholder, (ii) submission of a written report by Maker that all restoration work has been completed, and (iii) receipt by Noteholder of such evidence as Noteholder may require that all mechanics and materialmen performing work or supplying materials for the restoration work have been completely paid.

(3) If the insurance proceeds are equal or in excess of \$200,000.00: (a) Plans for the restoration of the damaged property and a cost estimate will both be prepared by an architect employed by Maker and acceptable to Noteholder. The Plans and cost estimates will be submitted to Noteholder for approval. Upon receipt of Noteholder's approval, Maker will promptly commence and diligently pursue the restoration work in accordance with the approved Plans. (b) If prior to the commencement of, or at any time during the restoration work, Noteholder shall determine that the total cost of the restoration work shall exceed the balance of the insurance proceeds held in its possession, Maker shall immediately pay, in cash, to Noteholder the amount of such excess costs. Until the amount of said excess costs is paid to Noteholder, Noteholder shall not be obligated to disburse any of the insurance proceeds held by it. The insurance proceeds and the amount of excess costs paid by Maker are hereinafter called "Construction Funds". The amount of such excess costs paid by Maker shall be disbursed prior to the disbursement of any of the insurance proceeds held by Noteholder. (c) The Construction Funds will be made available to Maker as restoration repair work progresses pursuant to certificates of the architect approved by Noteholder, submitted not more than once every thirty (30) days. There shall be delivered to Noteholder such other evidences as Noteholder may reasonably request, from time to time, during the restoration work, as to the progress of the work, the compliance with the approved Plans, the total cost of restoration work to date of request, the total cost needed to complete the restoration work, lien waivers or evidence of no liens against the Mortgaged Property. If at any time during the course of the restoration work, Noteholder learns of facts concerning the restoration work which is materially adverse to Noteholder, or payment or nonpayment of mechanics and materialmen, or inaccuracy of any information furnished with respect to it, Noteholder may withhold the disbursement of funds until such time as it is prudent to continue to disburse the Construction Funds or may determine not to make any further disbursements of the Construction Funds and instead to apply all such funds remaining to the payment of the Indebtedness then outstanding, whether due or not at such time, without any prepayment premium, and in such order as determined by Noteholder.

C. Noteholder shall not be required to hold any funds received by it described in this Article X in any account special or separate from Noteholder's general account. No such funds shall be required to be placed in any interest bearing account, and any interest earned thereon shall constitute additional insurance proceeds to be applied as provided in this Agreement.

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XI. SPECIAL CONDITIONS

This document is expressly made subject to the following special conditions.

11.1 Successors and Assigns. This Mortgage and all provisions hereof shall be binding upon and enforceable against Maker and its assigns and other successors. This Mortgage and all provisions hereof shall inure to the benefit of Noteholder, its successors and assigns and any holder or holders, from time to time, of the Note.

11.2 Waiver and Election. The exercise of any right or remedy by Noteholder shall not be considered as a waiver of any right or remedy nor shall any acceptance by Noteholder of Maker's partial payment or partial performance of obligations under the Note or hereunder, nor shall any failure or delay by Noteholder in exercising any of its rights or remedies as to any Event of Default which may occur, operate as a waiver by Noteholder of its rights or remedies with respect to the occurrence of any other or further Event of Default or to the recurrence of the same Event of Default. The filing of a suit to foreclose the Mortgage granted by this Agreement either on any matured portion of the Indebtedness or for the whole of the Indebtedness, shall never be considered an election so as to preclude foreclosure under power of sale after a dismissal of the suit; nor shall the filing of the necessary notices for foreclosure, as provided in this Agreement, preclude the exercise by Noteholder of any other right or remedy including, without limitation, the prosecution of a later suit thereon.

11.3 Landlord-Tenant Relationship. Any sale of the Mortgaged Property under this Agreement shall, without further notice, create the relationship of landlord and tenant at sufferance between the purchaser and Maker and any person or entity claiming an interest in the Mortgaged Property through Maker or otherwise occupying any of the Mortgaged Property, upon failure to surrender possession thereof, Maker and all such persons and entities may be removed by a writ of possession upon suit by the purchaser.

11.4 Usury. Notwithstanding any provision in this Agreement to the contrary, it is expressly provided that in no case or event should the aggregate amounts, which by applicable law are deemed to be interest with respect to this Agreement, the Note or any document securing, evidencing or relating to the Note ever exceed the "Maximum Nonusurious Rate" (as defined in the Note). In this connection, it is expressly stipulated and agreed that it is the intention of Noteholder and the Maker to contract in strict compliance with applicable usury laws of the State of Illinois and/or of the United States (whichever permits the higher rate of interest) from time to time in effect. Nothing in this Agreement, the Note or any document securing, evidencing or relating to the Note shall ever be construed to create a contract to pay, as consideration for the use, forbearance or detention of money, interest at a rate in excess of the Maximum Nonusurious Rate. If under any circumstances the aggregate amounts contracted for, charged or paid with respect to the Note which by applicable law are deemed to be interest, would produce an interest rate greater than the Maximum Nonusurious Rate, the Maker and any other person obligated to pay the Note, stipulates that the amounts will be deemed to have been paid, charged or contracted for as a result of an error on the part of Maker, any other person obligated for the payment of the Note and the Noteholder and upon discovery of the error or upon notice thereof from the Maker or the party making such payment, the Noteholder or the party receiving such excess payment shall, at its option, refund the amount of such excess payment or credit the excess payment against any other amount due under the Note. In addition, all sums paid or

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agreed to be paid to the holder of the Note for the use, forbearance or detention of monies shall be, to the extent permitted by applicable law, amortized, prorated, allocated and spread through the term of the Note. At all times, if any, under the Illinois Interest Act (815 ILCS 205/ et seq.) (the "Interest Act") shall establish the maximum nonusurious rate, the "Maximum Nonusurious Rate" shall be the highest permitted rate under the Interest Act from time to time in effect. If the Maximum Nonusurious Rate is increased or removed by statute or other governmental action subsequent to the date of the Note, then the new Maximum Nonusurious Rate, if any, will be applicable to the Note from the effective date of the new Maximum Nonusurious Rate, unless such application is precluded by the statute or governmental action or by the general law of the jurisdiction governing the Note.

11.5 Enforceability. If any provision hereof is presently or at any time becomes invalid or unenforceable, the other provisions hereof shall remain in full force and effect, and the remaining provisions hereof shall be construed in favor of the Noteholder to effectuate the provisions hereof.

11.6 Application of Payments. If the lien or liens created by this Agreement are invalid or unenforceable as to any part of the Indebtedness or if such lien or liens are invalid or unenforceable as to any part of the Mortgaged Property, the unsecured or partially unsecured portion of the Indebtedness shall be completely paid prior to the payment of the remaining and secured or partially secured portion of the Indebtedness and all payments made on the Indebtedness, whether voluntary or under foreclosure or other enforcement action or procedures, shall be considered to have been first paid on and applied to the full payment of that portion of the Indebtedness which is not secured or not fully secured by the lien or liens created herein.

11.7 Meaning of Particular Terms. Whenever used, the singular number shall include the plural, the plural the singular and the use of any gender shall include all genders. The words "Maker" and "Noteholder" shall include their heirs, executors, administrators, successors and assigns, and the word "Trustee", if any, shall include his or her successors and substitute trustees. For convenience of drafting the following groups of words, and derivations thereof, are used interchangeably and any reference to one or more shall include the others notwithstanding anything seemingly to the contrary: (a) the words "act", "omission" and "occurrence"; and (b) "instrument" and "document".

11.8 Advances by Noteholder. If Maker shall fail to comply with the provisions with respect to the securing of insurance, payment of taxes, assessments, and other charges, the keeping of the Mortgaged Property in repair, or any other term or covenant herein contained, Noteholder may, but shall not be obligated to, incur such expenses as deemed necessary by Noteholder, and make advances to perform such provisions, terms or covenants, and where necessary enter the Mortgaged Property for the purpose of performing any such term or covenant. Noteholder is further empowered, but not obligated, to make advances for any expenditure deemed advisable by Noteholder for the preservation of the Mortgaged Property or for the continuation of the operation thereof. Maker agrees to repay all sums so advanced or expended, and all expenses incurred by Noteholder in connection with the exercise of any of its rights under this Agreement, upon demand, with interest from the date such advances or expenditures are made, determined on the same basis as matured principal in the Note and all sums so advanced or expended, with interest, shall be secured hereby.

11.9 Release or Extension by Noteholder. Noteholder, without notice, may release any part of the Mortgaged Property or any person liable for the Indebtedness without in any way affecting the liens hereof on any part of the Mortgaged Property not expressly released and may agree in writing

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with any party with an interest in the Mortgaged Property to extend the time for payment of all or any part of the Indebtedness or to waive the prompt and full performance of any term, condition or covenant of any document securing, evidencing or relating to the Indebtedness.

11.10 Partial Payments. Acceptance by Noteholder of any payment of less than the amount due on the Indebtedness shall be deemed acceptance on account only and the failure to pay the entire amount then due shall be and continue to be a default; and at any time thereafter and until the entire amount due on the Indebtedness has been paid, Noteholder shall be entitled to exercise all rights conferred on it by the terms of this Agreement upon the occurrence of an Event of Default.

11.11 Titles not to be Considered. All section, subsection, paragraph or other titles contained in this Agreement are for reference purposes only and this Agreement shall be construed without reference to said titles.

11.12 Construction of Agreement. This Agreement may be construed as a mortgage, deed of trust, chattel mortgage, conveyance, assignment, security agreement, pledge, financing statement, hypothecation or contract, or any one or more of them, in order fully to effectuate the lien hereof and the purposes and agreements herein set forth.

11.13 Additional Taxes and Indemnification. Maker agrees that if any state, federal or municipal government, or any of its subdivisions having jurisdiction, shall levy, assess or charge any tax, assessment or imposition upon this Agreement or the credit or indebtedness secured hereby or the Note or the interest of Noteholder in the Mortgaged Premises or upon Noteholder by reason of any of the foregoing (excepting therefrom any income tax on interest payments on the principal portion of the Indebtedness secured hereby) then, Maker shall pay all such taxes to or for Noteholder as they become due and payable, and provided further that in the event of passage of any law or regulation permitting, authorizing or requiring the tax, assessment or imposition to be levied, assessed or charged, which law or regulation prohibits Maker from paying the tax, assessment or imposition, to or for Noteholder, then all sums hereby secured shall become immediately due and payable at the option of the Noteholder. Maker agrees to exhibit to Noteholder at any time upon request, official receipts showing payment of all taxes, assessments and charges which Maker is required or elects to pay hereunder. Maker agrees that if the United States Government or any department or bureau thereof shall at any time require revenue stamps to be affixed to the Note or this Agreement, Maker will upon demand pay for stamps in the required amount and deliver them to Noteholder and Maker agrees to INDEMNIFY and HOLD HARMLESS Noteholder against loss, damage, liability or expense (including reasonable attorney's fees and investigatory expenses) on account of such revenue stamps, whether such loss, damage, liability or expense arises before or after payment of the Note and any termination of the estate created by this Agreement whether as a result of the exercise by Noteholder of any default remedies available to it at law or in equity or otherwise; SUCH INDEMNITY AND HOLD HARMLESS SPECIFICALLY INCLUDES ANY LOSS, DAMAGE, EXPENSE OR LIABILITY CAUSED BY OR ATTRIBUTABLE TO THE ORDINARY OR SIMPLE NEGLIGENCE, AS OPPOSED TO THE GROSS NEGLIGENCE, OF AN INDEMNITEE, but such indemnity and hold harmless shall not apply to the extent that such loss, damage, expense or liability is caused by or attributable to Noteholder's gross negligence or willful misconduct.

11.14 Indemnification. MAKER AGREES TO INDEMNIFY AND HOLD HARMLESS NOTEHOLDER FROM ALL LOSS, DAMAGE AND EXPENSE, INCLUDING REASONABLE

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ATTORNEYS' FEES AND INVESTIGATORY EXPENSES, INCURRED IN CONNECTION WITH ANY SUIT OR PROCEEDING IN OR TO WHICH NOTEHOLDER MAY BE MADE A PARTY FOR THE PURPOSE OF PROTECTING THE LIEN OF THIS AGREEMENT, EVEN IF SUCH LOSS, COST, LIABILITY OR EXPENSE RESULT FROM OR ARE ATTRIBUTABLE TO THE NEGLIGENCE OF NOTEHOLDER, EXCEPT TO THE EXTENT CAUSED BY THE GROSS NEGLIGENCE OR WILLFUL MISCONDUCT OF NOTEHOLDER; SUCH INDEMNITY AND HOLD HARMLESS SPECIFICALLY INCLUDES ANY LOSS, DAMAGE, EXPENSE OR LIABILITY CAUSED BY OR ATTRIBUTABLE TO THE ORDINARY OR SIMPLE NEGLIGENCE, AS OPPOSED TO THE GROSS NEGLIGENCE, OF NOTEHOLDER, but such indemnity and hold harmless shall not apply to the extent that such loss, damage, expense or liability is caused by or attributable to Noteholder's gross negligence or willful misconduct. Maker's obligations pursuant to the foregoing indemnity and hold harmless shall survive any termination of the estate created by this Agreement whether as a result of the exercise by Noteholder of any default remedies available to it at law or in equity or otherwise.

11.15 Additional Documents. Maker agrees that upon request of Noteholder it will from time to time execute, acknowledge and deliver all such additional documents and further assurances of title and will do or cause to be done all such further acts and things as may be reasonably necessary fully to effectuate the intent of this Agreement. The Maker within ten (10) days upon request in person or by mail will furnish a duly acknowledged written statement setting forth the amount of the debt secured by this Agreement, the date to which interest has been paid and stating either that no offsets or defenses exist against the debt secured hereby, or, if such offsets or defenses are alleged to exist, the nature thereof.

11.16 Disclosure. Maker agrees to disclose to Noteholder upon request, the then ownership of the beneficial interest in any trust which then holds legal title to the Mortgaged Property and shall cause the owner(s) of such beneficial interest to furnish sufficient evidence to Noteholder for it to determine the identity of all of the parties which compose such owner(s).

11.17 Subrogation. In the event the Note is given for money advanced in the payment of a sum owing upon another note or indebtedness, Maker hereby acknowledges that it has requested and does hereby request Noteholder to advance the money necessary to pay such note or indebtedness, whether or not a release or transfer of said other note or indebtedness has been or will be executed by the owner and holder thereof, and Maker hereby agrees that Noteholder and Noteholder's assigns shall be, and are hereby, subrogated to any and all the rights, liens, remedies, equities, superior title and benefits held, owned, possessed or enjoyed at any time by any owner or holder of said other note or indebtedness, to secure payment to Noteholder of the Note hereby secured and, accordingly, any such other note and indebtedness, and all liens securing same are hereby extended to the maturity date of the Note hereby secured in order to additionally secure such Note. Nothing in this Section 11.17 shall alter any obligation of maker hereunder or under the Note.

11.18. Time. Time is of the essence of this Agreement.

11.19. Multiple Counterparts. This Agreement may be executed in multiple counterparts, each of which shall be an original document and which, taken together, constitute one and the same agreement.

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XII. LIMITATION OF LIABILITY

Except as otherwise specifically provided herein, in the event of a default in the payment of the Note by Maker, or any default under this Agreement or any other document securing, evidencing or relating to the Note, Noteholder's sole recourse shall be against the Mortgaged Property described in this Agreement and such other documents securing, evidencing or relating to the Note, and Noteholder shall not be entitled to recover any deficiency judgment against Maker if the foreclosure or recovery of such Mortgaged Property is not sufficient to pay the amount owed by Maker hereunder. Notwithstanding the foregoing limitation of liability, Maker shall be fully liable (a) for fraud or misrepresentation made in or in connection with the Note or any document securing, evidencing or relating to the payment of the Note or the apparent purpose of which is to deprive Noteholder of the security for the Note; (b) for failure to pay taxes, assessments, charges for labor or materials or any other charges which can create liens on any portion of the Mortgaged Property; (c) for the misapplication of (i) proceeds of insurance covering any portion of the Mortgaged Property, or (ii) proceeds of the sale or condemnation of any portion of the Mortgaged Property, or (iii) rentals and security deposits received by or on behalf of Maker subsequent to the date on which Noteholder gives written notice of the posting of foreclosure notices or the exercise of Noteholder's assignment of rents; (d) for failure to maintain, repair or restore the Mortgaged Property in accordance with any document securing, evidencing or relating to the payment of the Note; (e) for any act or omission knowingly or intentionally committed or permitted by Maker which results in the waste, damage or destruction to the Mortgaged Property, but only to the extent such events are not covered by insurance proceeds which are received by Noteholder; (f) for the return to Noteholder of all unearned advance rentals and security deposits paid by tenants of the Mortgaged Property or any guarantors of the leases of such tenants which are not rightfully refunded to or which are forfeited by such tenants or guarantors; (g) for the return of, or reimbursement for, all personal property taken from the Mortgaged Property by or on behalf of Maker; (h) for any liability of Maker pursuant to the provision contained in this Agreement pertaining to hazardous or toxic materials or substances; (i) for any liability of Maker pursuant to the Certificate and Indemnity Regarding Hazardous Substances executed by Maker and delivered to Noteholder in connection with the indebtedness evidenced by the Note; (j) for any delay after a default which is not cured, in deeding over the Mortgaged Property to the Noteholder or failure to cooperate in a consensual foreclosure, within 90 days of Noteholder's request; (k) for failure to maintain or alter the Mortgaged Property in compliance with the Americans with Disabilities Act of 1990, as it may be amended from time to time; and (l) for all court costs and reasonable attorneys' fees incurred in connection with the enforcement of one or more of the above subparagraphs (a) through (k), inclusive.

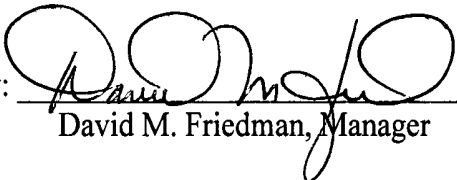
[Signature Page Follows]

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IN WITNESS WHEREOF, Maker has executed and delivered this Mortgage, Security Agreement and Financing Statement this 16th day of August, 2006.

Maker

ARLINGTON HEIGHTS L.L.C.,
an Illinois limited liability company

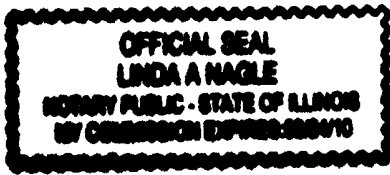
By: 
David M. Friedman, Manager


Property of Cook County Clerk's Office

STATE OF ILLINOIS)
) ss
COUNTY OF COOK)

I, LINDA A. NAGLE a Notary Public in and for said County, in the State aforesaid, do hereby certify that David M. Friedman, the Manager of Arlington Heights L.L.C., an Illinois limited liability company ("Company") who is personally known to me to be the same person whose name is subscribed to the foregoing instrument as such Manager, appeared before me this day in person and acknowledged that he/she signed and delivered the said instrument as his/her own free and voluntary act and as the free and voluntary act of said Company for the uses and purposes therein set forth.

GIVEN under my hand and notarial seal, this 16th day of August, 2006.




NOTARY PUBLIC
(SEAL)

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EXHIBIT "A"

LEGAL DESCRIPTION

PARCEL 1:

LOT 1 IN ARLINGTON HEIGHTS PLACE SUBDIVISION, BEING A SUBDIVISION IN SECTION 16, TOWNSHIP 41 NORTH, RANGE 11 EAST OF THE THIRD PRINCIPAL MERIDIAN, ACCORDING TO THE PLAT RECORDED AS DOCUMENT NUMBER 25261219 AND FILED AS DOCUMENT LR3133810 IN COOK COUNTY, ILLINOIS, EXCEPT THE FOLLOWING DESCRIBED LAND:

BEGINNING AT THE NORTHEAST CORNER OF SAID LOT 1; THENCE ON AN ASSUMED BEARING OF SOUTH 10 DEGREES 40 MINUTES 00 SECONDS WEST ALONG THE EASTERLY LINE OF SAID LOT 1 A DISTANCE OF 20.80 FEET TO A POINT ON A 1,375.00 FOOT RADIUS CURVE, THE CENTER OF CIRCLE OF SAID CURVE BEARS NORTH 26 DEGREES 35 MINUTES 14 SECONDS EAST FROM SAID POINT; THENCE NORTHWESTERLY ALONG SAID CURVE, RADIUS 1,375.00 FEET, CENTRAL ANGLE 8 DEGREES 23 MINUTES 05 SECONDS, 201.22 FEET TO A POINT ON A 2,547.29 FOOT RADIUS CURVE, THE CENTER OF CIRCLE SAID CURVE BEARS NORTH 27 DEGREES 55 MINUTES 41 SECONDS EAST FROM SAID POINT; THENCE NORTHWESTERLY ALONG SAID CURVE, RADIUS 2,547.29 FEET, CENTRAL ANGLE 3 DEGREES 41 MINUTES 37 SECONDS, 164.21 FEET; THENCE SOUTH 31 DEGREES 39 MINUTES 17 SECONDS WEST 9.00 FEET TO A POINT ON A 2,551.07 FOOT RADIUS CURVE, THE CENTER OF CIRCLE OF SAID CURVE BEARS NORTH 32 DEGREES 51 MINUTES 12 SECONDS EAST FROM SAID POINT; THENCE NORTHWESTERLY ALONG SAID CURVE, RADIUS 2,551.07 FEET, CENTRAL ANGLE 0 DEGREES 35 MINUTES 54 SECONDS, 26.64 FEET TO THE WESTERLY LINE OF SAID LOT 1; THENCE NORTH 32 DEGREES 56 MINUTES 06 SECONDS EAST ALONG THE SAID WESTERLY LINE OF LOT 1 A DISTANCE OF 14.43 FEET TO THE NORTHWEST CORNER OF SAID LOT 1, BEING ALSO A POINT ON A 2,541.29 FOOT RADIUS CURVE, THE CENTER OF CIRCLE OF SAID CURVE BEARS NORTH 32 DEGREES 12 MINUTES 53 SECONDS EAST FROM SAID POINT; THENCE SOUTHEASTERLY ALONG SAID CURVE, BEING ALSO THE NORTHERLY LINE OF SAID LOT 1, RADIUS 2,541.29 FEET, CENTRAL ANGLE 5 DEGREES 37 MINUTES 38 SECONDS, 249.59 FEET (249.56 FEET, RECORDED); THENCE SOUTH 63 DEGREES 24 MINUTES 45 SECONDS EAST ALONG TANGENT, BEING ALSO THE NORTHERLY LINE OF SAID LOT 1 A DISTANCE OF 135.20 FEET TO THE POINT OF BEGINNING.

PARCEL 2:

RECIPROCAL EASEMENTS FOR INGRESS AND EGRESS AS CREATED BY THAT CERTAIN AGREEMENT DATED AUGUST 2, 1979 AND RECORDED WITH THE RECORDER OF DEEDS OF COOK COUNTY, ILLINOIS ON OCTOBER 1,

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1979 AS DOCUMENT NUMBER 25171074 AND FILED WITH THE REGISTRAR OF TITLES ON OCTOBER 1, 1979 AS DOCUMENT NUMBER LR3121973, AND AMENDED BY FIRST AMENDMENT TO RECIPROCAL EASEMENT AGREEMENT DATED JANUARY 27, 1981 AND RECORDED WITH THE RECORDER OF DEEDS OF COOK COUNTY, ILLINOIS ON JUNE 4, 1981 AS DOCUMENT NUMBER 25893428 AND FILED WITH THE REGISTRAR OF TITLES ON JUNE 4, 1981 AS DOCUMENT NUMBER LR3218008, PERTAINING TO THE FOLLOWING PARCELS OF LAND; PARCEL A: LOT 1 IN ARLINGTON PLACE SUBDIVISION, BEING A SUBDIVISION IN SECTION 16, TOWNSHIP 41 NORTH, RANGE 11 EAST OF THE THIRD PRINCIPAL MERIDIAN IN COOK COUNTY, ILLINOIS. PARCEL B: LOT 2 IN ARLINGTON PLACE SUBDIVISION, BEING A SUBDIVISION IN SECTION 16, TOWNSHIP 41 NORTH, RANGE 11 EAST OF THE THIRD PRINCIPAL MERIDIAN IN COOK COUNTY, ILLINOIS. PARCEL C: LOT 3 IN ARLINGTON PLACE SUBDIVISION, BEING A SUBDIVISION IN SECTION 16, TOWNSHIP 41 NORTH, RANGE 11 EAST OF THE THIRD PRINCIPAL MERIDIAN IN COOK COUNTY, ILLINOIS. PARCEL D: LOT 2 IN CARL M. TEUTSH SUBDIVISION OF PART OF THE EAST HALF OF SECTION 16, TOWNSHIP 41 NORTH, RANGE 11 EAST OF THE THIRD PRINCIPAL MERIDIAN IN COOK COUNTY, ILLINOIS.

PARCEL 3:

EASEMENT FOR CREATION AND MAINTENANCE OF A DETENTION/RETENTION POND CREATED BY THAT CERTAIN AGREEMENT DATED DECEMBER 1, 1979 AND RECORDED WITH THE RECORDER OF DEEDS OF COOK COUNTY, ILLINOIS, ON JANUARY 4, 1980 AS DOCUMENT NO. 25306989 AND FILED WITH THE REGISTRAR OF TITLES ON JANUARY 4, 1980 AS DOCUMENT NUMBER LR3139276 AND AMENDED BY DOCUMENT NUMBER 26527048 AND FILED AS DOCUMENT NUMBER LR3296792 PERTAINING TO LOTS 1, 2 AND 3 DESCRIBED AS EASEMENT PARCELS A, B AND C, IN ARLINGTON PLACE SUBDIVISION, BEING A SUBDIVISION IN SECTION 16, TOWNSHIP 41 NORTH, RANGE 11 EAST OF THE THIRD PRINCIPAL MERIDIAN IN COOK COUNTY, ILLINOIS.

08-16-200-101

75 W. ALGONQUIN ROAD ARLINGTON HEIGHTS, IL 60005

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EXHIBIT B

PERMITTED EXCEPTIONS

1. GENERAL REAL ESTATE TAXES FOR 2006 AND EACH YEAR THEREAFTER NOT YET DUE AND PAYABLE.
2. EASEMENT AND OPERATING AGREEMENT MADE DECEMBER 1, 1979 BY AND BETWEEN AMERICAN NATIONAL BANK AND TRUST COMPANY OF CHICAGO, AS TRUSTEE UNDER TRUST AGREEMENT DATED NOVEMBER 8, 1978, AND KNOWN AS TRUST NUMBER 45170 RECORDED JANUARY 4, 1980 AS DOCUMENT NUMBER 25306989, AND FILED AS DOCUMENT NUMBER LR3139276, AND AMENDED BY DOCUMENT NUMBER 26527048, RECORDED MARCH 7, 1983 AND FILED AS DOCUMENT NUMBER LR3296792.
3. RECIPROCAL EASEMENT AGREEMENT MADE AUGUST 2, 1979, BY AND BETWEEN AMERICAN BANK TRUST COMPANY OF CHICAGO, AS TRUSTEE UNDER A TRUST AGREEMENT DATED NOVEMBER 8, 1978, AND KNOWN AS TRUST NUMBER 45170, AMERICAN NATIONAL BANK AND TRUST COMPANY OF CHICAGO, AS TRUSTEE UNDER A TRUST AGREEMENT DATED JULY 3, 1979 AND KNOWN AS TRUST NUMBER 47058, URBS-SCHMITT & KEPPEL, INC. AN ILLINOIS CORPORATION AND CHICAGO TITLE AND TRUST COMPANY, AN ILLINOIS CORPORATION, AS TRUSTEE UNDER A TRUST AGREEMENT DATED FEBRUARY 14, 1977 AND KNOWN AS TRUST NUMBER 1069244 RECORDED OCTOBER 1, 1979 AS DOCUMENT NUMBER 25171074 AND FILED AS DOCUMENT NUMBER LR3121973, AS AMENDED BY FIRST AMENDMENT TO RECIPROCAL EASEMENT AGREEMENT RECORDED JUNE 4, 1981 AS DOCUMENT NUMBER 25893428 AND FILED AS DOCUMENT NUMBER LR3218008.
4. EASEMENT OVER AND ACROSS THE SOUTHERLY 10 FEET AND THE EASTERLY 10 FEET OF LOT 1 AFORESAID IN FAVOR OF COMMONWEALTH EDISON COMPANY AND ILLINOIS BELL TELEPHONE COMPANY FOR POLE LINES, CONDUITS AND IN FAVOR OF NORTHERN ILLINOIS GAS COMPANY FOR THE INSTALLATION, RELOCATION, RENEWAL, AND REMOVAL OF GAS MAINS AND SUBJECT TO THE CONDITIONS THEREIN AS RESERVED ON THE PLAT OF SUBDIVISION RECORDED NOVEMBER 29, 1979 AS DOCUMENT NUMBER 25261219 AND FILED NOVEMBER 29, 1979 AS DOCUMENT NUMBER LR3133810.
5. SIDEWALK EASEMENT OVER AND ACROSS THE NORTHERLY 10 FEET OF LOT, WHICH IS DIRECTLY ADJACENT TO ALGONQUIN ROAD, AS

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DOCUMENT NUMBER 25261219 AND FILED NOVEMBER 29, 1979 AS DOCUMENT NUMBER LR3133810.

6. EASEMENT IN FAVOR OF ILLINOIS BELL TELEPHONE FOR POLE LINES, CONDUITS AND MAINTENANCE PURPOSES GRANTED BY DOCUMENT LR3162153 AND FILED MAY 22, 1980, AND THE TERMS AND PROVISIONS THEREOF. (AFFECTS THE NORTHEASTERLY 100 FEET OF THE NORTHWESTERLY 15 FEET)
7. EASEMENT OVER AND ACROSS A PORTION OF THE LAND AS SHOWN IN SURVEY ATTACHED TO SAID DOCUMENT IN FAVOR OF THE NORTHERN ILLINOIS GAS COMPANY, FOR THE INSTALLATION, RELOCATION, RENEWAL AND REMOVAL OF GAS MAINS AND SUBJECT TO THE CONDITIONS THEREIN, AS RESERVED BY INSTRUMENT FILED SEPTEMBER 23, 1980 AS DOCUMENT NUMBER LR3179580.
8. EASEMENT FOR PUBLIC UTILITIES AND DRAINAGE 10 FEET ON THE EASTERLY LINE AND 10 FEET ON THE SOUTHERLY LINE OF THE LAND AS SHOWN ON THE PLAT OF SUBDIVISION.
9. TERMS, CONDITIONS AND PROVISIONS OF THE DOCUMENT CREATING THE EASEMENT DESCRIBED IN EXHIBIT A AS PARCELS 2 AND 3, TOGETHER WITH THE RIGHTS OF THE ADJOINING OWNERS IN AND TO THE CONCURRENT USE OF SAID EASEMENT.
10. PERMANENT EASEMENT IN FAVOR OF THE STATE OF ILLINOIS, RECORDED OCTOBER 20, 1998 AS DOCUMENT 98938739.
11. RIGHTS OF TENANT, AS TENANT ONLY, IN POSSESSION UNDER THE FOLLOWING UNRECORDED LEASE: GIFT SHOP LEASE AGREEMENT, SEPTEMBER 18, 1977, PUJA GIFT SHOP.
12. THREE STORY HOTEL BUILDING LOCATED OVER INGRESS EGRESS-EGRESS EASEMENTS AS SHOWN ON PLAT OF SURVEY MADE BY WEBSTER, MCGRATH AND AHLBERG LTD. DATED APRIL 15, 2004, AND LAST REVISED MAY 6, 2004, JOB. NO. 36579.
13. RIGHT OF GUATAM SHAH D/B/A FEELINGS GIFT SHOP UNDER AN EXISTING UNRECORDED LEASE AND OF ALL PARTIES CLAIMING BY, THROUGH OR UNDER THEM.
14. RIGHT OF TENANTS UNDER EXISTING UNRECORDED LEASES AND OF ALL PARTIES CLAIMING BY, THROUGH OR UNDER THEM.