

Prepared by, recording requested by
and ~~when recorded return to:~~

Gibson, Dunn & Crutcher LLP
555 Mission Street, Suite 3000
San Francisco, California 94105-2933
Attention: Deborah Cussen

RECORD & RETURN TO 25306
CT LIEN SOLUTIONS
P.O. BOX 29071
Glendale, CA 91209-9071

46487240-1L31-Cook County



Doc#: 1502344092 Fee: \$56.00
RHSP Fee: \$9.00 RPRF Fee: \$1.00
Karen A. Yarbrough
Cook County Recorder of Deeds
Date: 01/23/2015 03:48 PM Pg: 1 of 10

Property of Cook County Clerk's Office

NEGATIVE PLEDGE AGREEMENT

by and between

LSREF3 SAPPHIRE 2, LLC

and

WELLS FARGO BANK, NATIONAL ASSOCIATION

Dated: December 22, 2014

ALL PERSONS ARE HEREBY DEEMED ON NOTICE THAT PLEDGOR HAS AGREED AND COVENANTED TO NOT SELL, CONVEY, ENCUMBER, PLEDGE, HYPOTHECATE OR OTHERWISE DISPOSE OF THE PROPERTY OR ANY PORTION THEREOF OR INTEREST THEREIN UNTIL SUCH TIME AS A TERMINATION OF THIS AGREEMENT EXECUTED BY PLEDGEE HAS BEEN RECORDED IN THE OFFICIAL RECORDS WHERE THE PROPERTY IS LOCATED

NEGATIVE PLEDGE AGREEMENT

THIS NEGATIVE PLEDGE AGREEMENT (this "Agreement") made this 22nd day of December, 2014 by and between LSREF3 SAPPHIRE 2, LLC, a Delaware limited liability company ("Pledgor"), for the benefit of WELLS FARGO BANK, NATIONAL ASSOCIATION, a national banking association ("Pledgee").

RECITALS:

A. Pursuant to the terms of that certain Loan and Security Agreement by and among LSREF3 Sapphire, LLC, a Delaware limited liability company, and LSREF3 Sapphire Trust 2014, a Delaware statutory trust (together, "Borrowers" and each, a "Borrower"), dated as of September 3, 2014 (as amended, supplemented, replaced or modified from time to time, "Loan Agreement"), Pledgee has agreed to loan funds to Borrowers, which loan is secured, among other things, by the Pledged Loans (as defined in the Loan Agreement), and Borrowers have agreed, among other things, to pay back the loan in accordance with the terms of the Loan Agreement and the other Loan Documents (together with all other obligations of Borrowers under the Loan Agreement or any agreement related thereto, the "Loan Obligations"), all as more particularly described in the Loan Agreement and the Loan Documents.

B. Pledgee has executed and delivered that certain REO Owner Guaranty (Loan and Security Agreement) dated as of September 3, 2014, in favor of Senior Lender (as amended, supplemented, replaced or modified from time to time, the "REO Owner Guaranty"), pursuant to which, Pledgee has agreed, among other things, to pay all Guaranteed Obligations (as defined in the REO Owner Guaranty) in accordance with the terms of the REO Owner Guaranty.

C. As a condition precedent to Pledgee's agreement to permit the Conversion of a Pledged Loan to direct ownership of an REO Property, as set forth in Article XI of the Loan Agreement, Pledgee requires that Pledgor enter into this Agreement affecting those premises located at 1030 N. St. Louis Avenue, Chicago, Illinois of 651 and more particularly described on Exhibit A attached hereto (the "Property").

NOW, THEREFORE, IN CONSIDERATION OF OBLIGATIONS OF THE PARTIES SET FORTH HEREIN AND IN THE OTHER TRANSACTION DOCUMENTS AND OTHER GOOD AND VALUABLE CONSIDERATION, THE RECEIPT AND LEGAL SUFFICIENCY OF WHICH ARE HEREBY ACKNOWLEDGED, AND IN ORDER TO INDUCE THE PLEDGEE TO ENTER INTO THE LOAN AGREEMENT, IT IS AGREED AS FOLLOWS:

1. All initially capitalized terms used herein and not defined shall have the meanings ascribed thereto in the Loan Agreement.
2. Pledgor warrants and represents to Pledgee that Pledgor is the sole owner of the Property free and clear of any and all liens or claims or encumbrances of any nature whatsoever except for Permitted Encumbrances.
3. Pledgor agrees that it will defend, at Pledgor's expense, the Property against all claims and demands of all persons at any time claiming the same or any interest therein.
4. Pledgor agrees that it will not, except as to personal property in the ordinary course of business, or in accordance with the terms of the Loan Agreement, by operation of law or

otherwise, transfer, sell, convey, encumber, pledge, hypothecate or otherwise dispose of the Property or any portion thereof or interest therein, or any of the personal property used in the operation of the Property, whether now or hereafter existing or now owned or hereafter acquired.

5. This is an absolute, unconditional and continuing Agreement and will remain in full force and effect until the Guaranteed Obligations have been fully satisfied. This Agreement will extend to and cover renewals, extensions and modifications of the Guaranteed Obligations and any number of extensions of time for payment or performance thereof and will not be affected by any surrender, exchange, acceptance, or release by Pledgee of any pledge or any security held by it for any of the Guaranteed Obligations. Notwithstanding the foregoing, Pledgee may at any time (and with or without consideration), in Pledgee's discretion, release this Agreement.

6. ALL PERSONS ARE HEREBY DEEMED ON NOTICE THAT PLEDGOR HAS AGREED AND COVENANTED TO NOT SELL, CONVEY, ENCUMBER, PLEDGE, HYPOTHECATE OR OTHERWISE DISPOSE OF THE PROPERTY OR ANY PORTION THEREOF OR INTEREST THEREIN UNTIL SUCH TIME AS A TERMINATION OF THIS AGREEMENT EXECUTED BY PLEDGEE HAS BEEN RECORDED IN THE OFFICIAL RECORDS WHERE THE PROPERTY IS LOCATED.

7. This Agreement and any claim, controversy or dispute arising under or related to or in connection with this Agreement, the relationship of the parties to this Agreement (each, a "Party"), or the interpretation and enforcement of the rights and duties of the Parties will be governed by the laws of the State of New York without regard to any conflicts of law principles other than Section 5-1401 of the New York General Obligations Law.

8. This Agreement may not be changed or terminated orally, but only by an agreement in writing signed by the party against whom enforcement of such change or termination is sought.

9. This Agreement may be executed in counterparts, each of which shall be deemed to be an original, but all of which shall together constitute but one and the same instrument. The parties intend that faxed signatures and electronically imaged signatures such as .pdf files shall constitute original signatures and are binding on all parties.

10. Pledgor hereby (a) represents and warrants that the Property is an REO Property (as defined in the Loan Agreement) and that Pledgor is subject to the covenants and obligations with regard to the Property as an REO Property as set forth in the Loan Agreement, including the covenants and obligations set forth in Exhibit G to the Loan Agreement titled "REO Collateral Covenants", and (b) as of the date hereof, makes the representations and warranties to Pledgee set forth in the Loan Agreement which are applicable to the Property as a REO Collateral.

11. The parties hereto agree this Agreement is in a form acceptable for recording and shall be recorded in the land records of the county where the Property is located.

12. If any attorney is engaged by Pledgee to enforce or defend any provision of this Agreement, with or without the filing of any legal action or proceeding, Pledgor shall pay to Pledgee, promptly following demand all reasonable attorneys' fees and costs incurred by Pledgee in connection therewith, together with interest thereon from the date of such demand until paid at

the Default Rate if not paid within 10 Business Days after written demand from Pledgee.

13. The term "Obligor" as used herein means and shall include each Borrower Party (including any other REO Owner), Guarantor, and any Affiliate thereof at any time assuming or otherwise becoming primarily liable for all or any part of the obligations of the named Obligor under the Loan Agreement and the other Loan Documents. When the context and construction so require, all words used in the singular herein shall be deemed to have been used in the plural and vice versa. All headings appearing in this Agreement are for convenience only and shall be disregarded in construing this Agreement.

14. Pledgor irrevocably and unconditionally submits, for itself and its property, to the non-exclusive jurisdiction of the courts of the State of New York sitting in the Borough of Manhattan and of the United States District Court of the Southern District of New York, and any appellate court from any thereof, in any action or proceeding arising out of or relating to this Agreement, or for recognition or enforcement of any judgment, and Pledgor and Pledgee, by its acceptance hereof, irrevocably and unconditionally agree that all claims in respect of any such action or proceeding may be heard and determined in such State court or, to the fullest extent permitted by applicable law, in such Federal court. Each Party agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in this Agreement or the other Loan Documents shall affect any right that Pledgee may otherwise have to bring any action or proceeding arising out of or relating to the Loan Documents against Pledgor or its properties in the courts of any jurisdiction. Pledgor irrevocably and unconditionally waives, to the fullest extent permitted by Requirements of Law, any objection that it may now or hereafter have to the laying of venue of any action or proceeding arising out of or relating to the Loan Documents in any court referred to above, and the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court. Each Party irrevocably consents to service of process in the manner provided for notices in Section 19. Nothing in this Agreement will affect the right of any party hereto to serve process in any other manner permitted by applicable law.

15. IMPORTANT WAIVERS.

(a) PLEDGOR HEREBY KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVES ANY RIGHT TO ASSERT A COUNTERCLAIM, OTHER THAN A COMPULSORY COUNTERCLAIM, IN ANY ACTION OR PROCEEDING BROUGHT AGAINST IT BY PLEDGEE OR ANY INDEMNIFIED PERSON IN CONNECTION WITH THIS AGREEMENT.

(b) TO THE EXTENT PERMITTED BY REQUIREMENTS OF LAW, PLEDGOR, AND BY THEIR ACCEPTANCE OF THE BENEFITS HEREOF, PLEDGEE AND EACH INDEMNIFIED PARTY, HEREBY KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVES ANY RIGHT TO HAVE A JURY PARTICIPATE IN RESOLVING ANY DISPUTE HEREUNDER, WHETHER SOUNDING IN CONTRACT, TORT OR OTHERWISE, ARISING OUT OF, CONNECTED WITH OR RELATED TO THE LOAN DOCUMENTS, ANY DEALINGS OR COURSE OF CONDUCT BETWEEN ANY OBLIGOR AND PLEDGEE RELATED TO THE FOREGOING, OR ANY STATEMENTS (WRITTEN OR ORAL) OR OTHER ACTIONS OF PLEDGOR OR PLEDGEE MADE IN

CONNECTION WITH THE FOREGOING. PLEDGOR WILL NOT SEEK TO CONSOLIDATE ANY SUCH ACTION WITH ANY OTHER ACTION IN WHICH A JURY TRIAL CANNOT BE OR HAS NOT BEEN WAIVED. INSTEAD, ANY SUCH DISPUTE RESOLVED IN COURT WILL BE RESOLVED IN A BENCH TRIAL WITHOUT A JURY.

(c) TO THE EXTENT PERMITTED BY REQUIREMENTS OF LAW, PLEDGOR, AND, BY THEIR ACCEPTANCE HEREOF, PLEDGEE AND EACH INDEMNIFIED PARTY, HEREBY WAIVE ANY RIGHT TO CLAIM OR RECOVER IN ANY LITIGATION WHATSOEVER INVOLVING ANY INDEMNIFIED PERSON IN CONNECTION WITH THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS, ANY SPECIAL, EXEMPLARY, PUNITIVE, INDIRECT, INCIDENTAL OR CONSEQUENTIAL DAMAGES OF ANY KIND OR NATURE WHATSOEVER OR ANY DAMAGES OTHER THAN, OR IN ADDITION TO, ACTUAL DAMAGES, WHETHER SUCH WAIVED DAMAGES ARE BASED ON STATUTE, CONTRACT, TORT, COMMON LAW OR ANY OTHER LEGAL THEORY, WHETHER THE LIKELIHOOD OF SUCH DAMAGES WAS KNOWN AND REGARDLESS OF THE FORM OF THE CLAIM OF ACTION. NONE OF PLEDGOR, PLEDGEE OR ANY INDEMNIFIED PERSON OR ANY OTHER PARTY SHALL BE LIABLE FOR ANY DAMAGES ARISING FROM THE USE BY UNINTENDED RECIPIENTS OF ANY INFORMATION OR OTHER MATERIALS DISTRIBUTED BY IT THROUGH TELECOMMUNICATIONS, ELECTRONIC OR OTHER INFORMATION TRANSMISSION SYSTEMS IN CONNECTION WITH ANY LOAN DOCUMENT.

(d) PLEDGOR CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF PLEDGEE OR AN INDEMNIFIED PERSON HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT PLEDGEE OR AN INDEMNIFIED PERSON WOULD NOT SEEK TO ENFORCE ANY OF THE WAIVERS IN THIS SECTION 15 IN THE EVENT OF LITIGATION OR OTHER CIRCUMSTANCES. THE SCOPE OF SUCH WAIVERS IS INTENDED TO BE ALL-ENCOMPASSING OF ANY AND ALL DISPUTES THAT MAY BE FILED IN ANY COURT AND THAT RELATE TO THE SUBJECT MATTER OF THE LOAN DOCUMENTS, REGARDLESS OF THEIR LEGAL THEORY.

(e) PLEDGOR ACKNOWLEDGES THAT THE WAIVERS IN THIS SECTION 15 ARE A MATERIAL INDUCEMENT TO ENTER INTO A BUSINESS RELATIONSHIP WITH PLEDGEE, THAT PLEDGEE HAS ALREADY RELIED ON SUCH WAIVERS IN ENTERING INTO THE LOAN DOCUMENTS, AND THAT SUCH PARTY WILL CONTINUE TO RELY ON SUCH WAIVERS IN RELATED FUTURE DEALINGS WITH PLEDGOR UNDER THE LOAN DOCUMENTS. PLEDGOR FURTHER REPRESENTS AND WARRANTS THAT IT HAS REVIEWED SUCH WAIVERS WITH ITS LEGAL COUNSEL AND THAT IT KNOWINGLY AND VOLUNTARILY WAIVES ITS JURY TRIAL AND OTHER RIGHTS FOLLOWING CONSULTATION WITH LEGAL COUNSEL.

(f) THE WAIVERS IN THIS SECTION 15 ARE IRREVOCABLE, MEANING THAT THEY MAY NOT BE MODIFIED EITHER ORALLY OR IN WRITING, AND SHALL APPLY TO ANY AMENDMENTS, RENEWALS, SUPPLEMENTS OR MODIFICATIONS TO THIS AGREEMENT. IN THE EVENT OF LITIGATION, THIS AGREEMENT MAY BE FILED AS A WRITTEN CONSENT TO A TRIAL BY THE COURT.

(g) THE PROVISIONS OF THIS SECTION 15 SHALL SURVIVE TERMINATION OF THE LOAN DOCUMENTS AND THE PAYMENT IN FULL OF THE OBLIGATIONS.

16. This Agreement and the other Loan Documents supersede and integrate all previous negotiations, contracts, agreements and understandings (whether written or oral) between Obligors and Pledgee relating to a loan secured by, among other things, the Pledged Loans and other Collateral and the other matters addressed by the Loan Documents, and contain the entire final agreement of Obligors and Pledgee relating to the subject matter thereof.

17. All of Pledgor's indemnities in the Loan Documents shall survive the termination of the Loan Documents and the payment in full of the Guaranteed Obligations, and shall apply to and benefit all Indemnified Persons, Pledgee and its successors and permitted assigns. No other Person shall be entitled to any benefit, right, power, remedy or claim under this Agreement.

18. No failure on the part of Pledgee to exercise, or delay in exercising, any right or remedy under this Agreement shall operate as a waiver thereof; nor shall any single or partial exercise of any right or remedy hereunder preclude any further exercise thereof or the exercise of any other right. The rights and remedies in this Agreement are cumulative and not exclusive of any rights and remedies provided by law. Except as otherwise expressly provided in this Agreement, no amendment, waiver or other modification of any provision of this Agreement shall be effective without the signed agreement of Pledgor and Pledgee. Any waiver or consent under this Agreement shall be effective only if it is in writing and only in the specific instance and for the specific purpose for which given.

19. Unless otherwise provided in this Agreement, all notices, consents, approvals and requests required or permitted hereunder shall be given in writing and shall be effective for all purposes if hand delivered or sent by (a) hand delivery, with proof of attempted delivery, (b) certified or registered United States mail, postage prepaid, (c) expedited prepaid delivery service, either commercial or United States Postal Service, with proof of attempted delivery, (d) by facsimile (with answerback acknowledged), or (e) by email provided that such email notice must also be delivered by one of the means set forth in the foregoing clauses (a), (b), (c) or (d), to the address specified below or at such other address and to such other person as shall be designated from time to time by any Person entitled to notice hereunder, as the case may be, in a written notice to such other Persons in the manner provided for in this Section 19. A notice shall be deemed to have been given: (i) in the case of hand delivery, at the time of delivery, (ii) in the case of registered or certified mail, when delivered or the first attempted delivery on a Business Day, (iii) in the case of expedited prepaid delivery upon the first attempted delivery on a Business Day, (iv) in the case of facsimile, upon receipt of answerback confirmation, or (v) in the case of email, upon delivery of such email, provided that such email notice was also delivered as required in this Section 19. A Person receiving a notice that does not comply with the technical requirements for notice under this Section 19 may elect to waive any deficiencies and treat the notice as having been properly given. If to Pledgor:

LSREF3 Sapphire 2, LLC

2711 N. Haskell Avenue
 Suite 1700
 Dallas, Texas 75204
 Attn: Legal Department
 Facsimile: (214) 754-8401

With a copy to:

Hunton & Williams LLP
 200 Park Avenue, 53rd Floor
 New York, New York 10166
 Tel: (212) 309-1177
 Fax: (212) 309-1100
 Attn: Nadia Burgard
 Email: nburgard@hunton.com

If to Pledgee:

Wells Fargo Bank, National Association
 333 South Grand Avenue, 9th Floor
 Los Angeles, California 90071
 Tel: (213) 253-7330
 Fax: (213) 628-9694
 Attn: Jesse Lee
 Email: jesse.lee@wellsfargo.com

With a copy to:

Gibson Dunn & Crutcher LLP
 555 Mission Street, Suite 3000
 San Francisco, California 94105
 Tel: (415) 393-8226
 Fax: (415) 374-8424
 Attn: Deborah Cussen
 Email: dacussen@gibsondunn.com

20. Time is of the essence with respect to all obligations, duties, covenants, agreements, notices or actions or inactions of the parties under this Agreement. 21. The provisions of this Agreement will bind and benefit the heirs, executors, administrators, legal representatives, nominees, successors and permitted assigns of Pledgor and Pledgee.

22. If any provision of this Agreement shall be determined by a court of competent jurisdiction to be invalid, illegal or unenforceable, that portion shall be deemed severed from this Agreement and the remaining parts shall remain in full force as though the invalid, illegal or unenforceable portion had never been part of this Agreement.

UNOFFICIAL COPY

23. Such additional terms, covenants and conditions as may be set forth on any exhibit or schedule attached hereto that recites that it is an exhibit or schedule to this Agreement are incorporated herein by this reference.

[NO FURTHER TEXT ON THIS PAGE]

Property of Cook County Clerk's Office

IN WITNESS WHEREOF, Pledgor has executed this Negative Pledge Agreement as of the day and year first above written.

LSREF3 SAPPHIRE 2, LLC,
a Delaware limited liability company

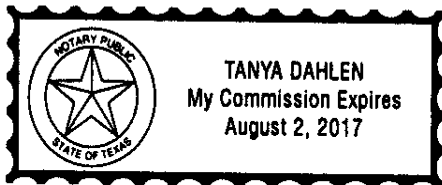
By: *Marisa K. McGaughey*
Name: Marisa K. McGaughey
Its: Assistant Vice President

STATE OF TEXAS §
 §
COUNTY OF DALLAS §

Before me the undersigned, a Notary Public in and for said County and State, on this day personally appeared Marisa K. McGaughey, the Assistant Vice President of LSREF3 SAPPHIRE 2, LLC, a Delaware limited liability company, known to me to be the person whose name is subscribed to the foregoing instrument, and thereupon she acknowledged that she was authorized to execute said instrument on behalf of said limited liability company, and that she executed said instrument as the voluntary act of the said limited liability company, and for the purposes and consideration expressed therein and in the capacity stated therein.

Given under my hand and seal of office this 7th day of January, A.D., 2015.

(Seal)



Tanya Dahlen, Notary Public
(signature of Notary Public)

My Commission Expires: 8-2-2017

UNOFFICIAL COPY**EXHIBIT A TO NEGATIVE PLEDGE****LEGAL DESCRIPTION OF PROPERTY**

Exhibit A to Negative Pledge executed by LSREF3 SAPPHIRE 2, LLC, a Delaware limited liability company, as Pledgor, for the benefit of WELLS FARGO BANK, NATIONAL ASSOCIATION, as Pledgee, dated as of December 22, 2014.

All the certain real property located in the County of Cook, State of Illinois, described as follows:

LOT 10 IN BLOCK 3 IN DICKEY'S 4TH ADDITION TO CHICAGO IN PART OF THE NORTHWEST 1/4 OF THE SOUTHEAST 1/4 OF SECTION 2, TOWNSHIP 39 NORTH, RANGE 13, EAST OF THE THIRD PRINCIPAL MERIDIAN, IN COOK COUNTY, ILLINOIS

The Real Property or its address is commonly known as 1030 N. St. Louis Avenue, Chicago, IL 60651. The Real Property tax location number is 16-02-405-030-0000.