

This instrument prepared by  
Thomas M. Hanahan,  
Attorney-at-Law,  
909 Merchants Plaza, East  
Tower, Indianapolis, Indiana  
46204.

REAL ESTATE MORTGAGE  
SECURITY AGREEMENT  
AND  
ASSIGNMENT OF LEASES



THIS INDENTURE WITNESSETH SHERONE APARTMENTS, LTD., an Illinois limited partnership, having an address of 2057 West Addison Street, Chicago, Illinois 60618 (hereinafter referred to as "Mortgagor"), mortgages, warrants, grants, conveys and assigns to MERCHANTS NATIONAL BANK & TRUST COMPANY OF INDIANAPOLIS, a national banking association having its principal banking offices at One Merchants Plaza, Indianapolis, Indiana 46255 (hereinafter referred to as "Merchants"), the real estate located in Cook County, Illinois that is more particularly described in Exhibit "A" attached hereto and by reference made a part hereof; together with all buildings, structures and fixtures (including but not limited to all lighting fixtures and mechanical equipment) now or hereafter erected or placed in or upon said above-described real estate by Mortgagor or now or hereafter attached to or used in connection with such real estate to the extent such items may be considered part of the real estate under applicable law, and all tenements, hereditaments, easements, appurtenances and other rights and privileges thereunto attaching and belonging, or in any way appertaining, and the rents, issues, profits, accounts receivable contract rights and general intangibles thereof or therefrom (hereinafter collectively referred to as the "Mortgaged Premises") including but not limited to all right, title and interest of Mortgagor in and to all of the leases of any portion of the Mortgaged Premises (hereinafter collectively referred to as the "Leases") now or hereafter existing for all to the use and benefit of Merchants, its successors and assigns, and transfers and grants to Merchants a security interest in all equipment, inventory and fixtures now or hereafter owned by Mortgagor and located upon the Mortgaged Premises (hereinafter collectively referred to as the "Chattel Property").

MORTGAGOR HEREBY COVENANTS AND AGREES

1. This Mortgage is given as security for the performance and observance of the covenants and agreements herein contained and any other agreement executed by Mortgagor to Merchants in connection with the indebtedness secured hereby and to secure the payment when due of the principal of and interest on indebtedness evidenced by a certain promissory note executed by Mortgagor of even date and concurrently with this Mortgage and payable to the order of Merchants in the principal sum of One Million Six Hundred Thousand and no/100 Dollars (\$1,600,000.00), or any notes in renewal thereof (hereinafter referred to as the "Note"), with interest thereon at the rate and payable in the manner described in the Note, due and payable on or before June 1, 1990, or as from time to time renewed or extended, at the principal banking offices of Merchants in Indianapolis, Indiana, or at such place as the holder hereof may from time to time designate by notice in writing to Mortgagor.

2. Mortgagor is the owner in fee simple of the Mortgaged Premises and has full power to mortgage and assign

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the same; Mortgagor has good and valid title to the Chattel Property free and clear of all security interests and encumbrances and has full power to grant a security interest in the same; and the Mortgaged Premises are free and clear of any and all liens and encumbrances, except use restrictions of record, zoning ordinances, rights of way and easements of record, the rights of tenants now in possession and the lien of current taxes and assessments not delinquent. Mortgagor will make any further assurances of title that Merchants may require and will warrant and defend the Mortgaged Premises and the Chattel Property against all lawful claims and demands whatsoever.

3. Mortgagor will pay the Note in accordance with its terms and will perform and comply with all of the terms and provisions thereof.

4. Mortgagor will procure and maintain in effect at all times hazard insurance (fire and extended coverage) with respect to the Mortgaged Premises and the Chattel Property and public liability insurance with such insurance companies and in form and amounts as are acceptable to and approved by Merchants against loss or destruction on account of fire, windstorm or other such hazards, casualties and contingencies customarily insured against, and injury to the person or property. All insurance policies are to be held by and, to the extent of its interests, for the benefit of and first payable in case of loss to Merchants, and Mortgagor shall deliver to Merchants a new policy as replacement for any expiring policy at least fifteen (15) days before the date of such expiration. All such policies of insurance shall contain waiver of subrogation clauses and shall have attached thereto the non-contributory New York Standard Mortgagee clause or its equivalent in favor of Merchants with cancellation only upon at least ten (10) days' prior written notice to Merchants. All amounts recoverable under any policy are hereby assigned to Merchants and, in the event of a loss, each insurance company concerned is hereby authorized and directed to make payment for such loss jointly to Merchants and Mortgagor, and the amount collected shall in the sole discretion of Merchants, be used in any one or more of the following ways: (a) applied upon the indebtedness secured hereby, whether or not such indebtedness is then due and payable, (b) used to fulfill any of the covenants contained herein, or (c) used to replace or restore the Mortgaged Premises or Chattel Property to a condition satisfactory to Merchants. In the event of the foreclosure of this Mortgage or its transfer in lieu thereof, or in the event of a default hereunder or under the terms of the Note, all right, title and interest of Mortgagor in and to such policies of insurance shall pass to the purchaser or grantee and Mortgagor hereby irrevocably appoints Merchants as attorney-in-fact of Mortgagor to assign any policies in the event of the foreclosure of this Mortgage or a conveyance in lieu of foreclosure.

5. Mortgagor will pay, before the same become delinquent or any penalty for non-payment attaches thereto, all taxes, assessments and charges of every nature now or hereafter levied or assessed against or upon the Mortgaged Premises or the Chattel Property, or any part thereof or upon the rents, issues, income or profits therefrom, which by reason of non-payment could become a lien prior or junior to this Mortgage, whether any or all of said taxes, assessments or charges be levied directly or indirectly or as excise taxes or as income taxes, and will submit to Merchants such evidence of the timely payment of such taxes, assessments and charges as Merchants may require, and Mortgagor will also pay all taxes, assessments or charges which may be levied on this Mortgage or the Note, excepting any state or federal income taxes or state intangibles taxes.

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6. If Mortgagor shall neglect or refuse to keep the Mortgaged Premises and the Chattel Property in good repair, to maintain and pay the premiums for insurance which may be required, or to pay and discharge all taxes, assessments and charges of every nature assessed against Mortgagor, the Mortgaged Premises or the Chattel Property, all as provided for under the terms of this Mortgage, Merchants may, at its election, cause such repairs or replacements to be made, obtain such insurance or pay said taxes, assessments and charges, and any amounts paid as a result thereof, together with interest thereon at the rate which is two per cent (2%) per annum above the rate of interest payable on the Note from the date of payment, shall be immediately due and payable by Mortgagor to Merchants, and until paid shall be added to and become a part of the indebtedness evidenced by the Note and secured hereby, and the same may be collected in any suit hereon or upon the Note, or Merchants, by payment of any tax, assessment or charge may, at its discretion, be subrogated to the rights of the governmental subdivisions levying such tax, assessment or charge. No such advances shall be deemed to relieve Mortgagor from any default hereunder or impair any right or remedy of Merchants, and the exercise of Merchants of the right to make advances shall be optional with Merchants and not obligatory and Merchants shall not in any case be liable to Mortgagor for a failure to exercise any such right.

7. Mortgagor will keep the Mortgaged Premises and the Chattel Property in good order, repair and condition at all times and will not commit waste or allow waste to be committed against the Mortgaged Premises or the Chattel Property. Mortgagor will not commit or allow the commission of any violation of any law, regulation, ordinance or contract affecting the Mortgaged Premises and except for the demolition of certain existing improvements in order to construct certain new improvements pursuant to the Construction Loan Agreement described in paragraph number 27 of this Mortgage will not commit or allow any demolition, removal or material alteration of any of the buildings or improvements (including fixtures) constituting a part of the Mortgaged Premises and the Chattel Property without the prior written consent of Merchants. Merchants shall at reasonable times during normal business hours have free access to the Mortgaged Premises for the purposes of inspection and the exercise of its rights hereunder.

8. All awards made by any public or quasi-public authority for damages to the Mortgaged Premises by virtue of an exercise of the right of eminent domain by such authority, including any award for a taking of title, possession or right of access to a public way, or for any change of grade of streets affecting the Mortgaged Premises, are hereby assigned to Merchants and the appropriate governmental authority shall be directed to pay such award jointly to Merchants and Mortgagor. Such award shall be used in any one or more of the following ways as determined by Merchants: (i) applied upon the indebtedness secured hereby or payable hereunder, whether or not such indebtedness is then due and payable, or (ii) used the same or any part thereof to replace or restore the Mortgaged Premises to a condition satisfactory to Merchants. In the event of a default hereunder or under the terms of the Note, Merchants, is authorized, at its option, to appear in and prosecute in its own name any action or proceeding or, with consent and joinder of Mortgagor, to make any compromise or settlement in connection with such taking or damage. Mortgagor will, upon request by Merchants, execute and deliver any and all assignments and other instruments sufficient for the purpose of assigning in the event of a default under the terms of this Mortgage or under the Note all proceeds from such awards to Merchants free and clear and discharged of any and all encumbrances or claims of any kind or nature whatsoever.

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9. If required by Merchants or in the event of a default by Mortgagor hereunder or under the Note, Mortgagor will pay to Merchants, on dates upon which interest is payable, such amounts as Merchants from time to time estimates as necessary to create and maintain a reserve fund from which to pay at least thirty (30) days before the same become due, all rental payments, taxes, assessments, liens and charges on or against the Mortgaged Premises and the Chattel Property and premiums for insurance as herein covenanted to be furnished by Mortgagor. Payments from such reserve fund for such purposes may be made by Merchants at its discretion. Such payments shall not be, nor deemed to be, trust funds but may be commingled with the general funds of Merchants, and no interest shall be payable in respect thereof. In the event of any default under the terms of this Mortgage or under the Note, any part or all of said reserve fund may be applied to the indebtedness secured hereby and, in refunding any part of said reserve fund, Merchants may deal with whoever is represented to be the owner of the Mortgaged Premises at that time.

10. Mortgagor at its expense will deliver to Merchants within ninety (90) days after the close of each fiscal year of Mortgagor a statement of annual income and expenses, in detail satisfactory and prepared by a person acceptable to Merchants, in connection with the Mortgaged Premises. If requested by Merchants, such statement to be prepared and certified by an independent certified public accountant or other person acceptable to Merchants. In addition, Mortgagor will furnish Merchants with such other financial statements in respect to the operation of the Mortgaged Premises or the financial condition of Mortgagor at such times and in such form as Merchants may require.

11. Mortgagor will indemnify Merchants and save it harmless from any and all loss, damage or expense, including attorneys' fees, resulting from or arising out of the execution and delivery of this Mortgage and the terms hereof and the same is made a part of the indebtedness secured hereby. All sums paid by Merchants, including attorneys' fees, to cure a default by Mortgagor hereunder or for the expense of any litigation to prosecute or defend the rights and lien created hereby in any action or proceeding to which Merchants is made a party by reason of this Mortgage or the Note, or in which it becomes necessary to defend or uphold the lien of this Mortgage, shall be paid by Mortgagor to Merchants, together with interest thereon from date of payment at the rate specified under paragraph 6 above, and any such sums and the interest thereon shall be immediately due and payable and secured hereby, having the benefit of the lien hereby created as a part thereof and with its priority, all without relief from valuation or appraisal laws.

12. Mortgagor will pay all sums which if not paid may result in the acquisition or creation of a lien prior to or of equal priority with or junior to the lien of this Mortgage, or which may result in conferring upon a tenant of any part of the Mortgaged Premises a right to recover such sums as prepaid rent or as a credit or offset against any future rental obligation.

13. Merchants is subrogated for further security to the lien, although released of record, of any and all encumbrances paid with the proceeds of the indebtedness secured by this Mortgage.

14. Any rental payments received by Mortgagor shall be applied toward the payment of principal of and interest then due on the Note and after an event of default, Merchants may, at its option and without notice or demand, collect and receive all rentals due to Mortgagor under the Leases and apply said rentals toward the payment of the principal of and interest on

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the Note or any other indebtedness due and payable to Merchants under this Mortgage, including but not limited to costs of collection, expenses of operation, advancements and attorneys' fees. Such right may be exercised by Merchants without regard to other security and without releasing Mortgagor from any obligation. Mortgagor hereby irrevocably appoints and constitutes Merchants as its true and lawful attorney-in-fact with full power of substitution for and on behalf of Mortgagor and in a manner not adverse to the interests of Mortgagor, after an event of default, to request, demand, enforce payment, collect and receive the rentals payable under the Leases, to endorse any checks, drafts or orders evidencing the payment of rentals under the Leases, and to do and perform any act which Mortgagor might do for and on its own behalf. Any security deposits paid to Mortgagor shall be paid to Mortgagor in trust. Mortgagor shall notify Merchants in writing in the event of any default by Mortgagor under the Leases. Mortgagor shall enforce, at its cost and expense, the full performance of all of the conditions, obligations and covenants under the Leases to be observed and performed by the tenants thereunder and shall appear and defend any action growing out of or in any manner connected with the Leases. Mortgagor shall not change, modify, release, waive, terminate, alter or amend the Leases or any of the terms and provisions thereof, including the rentals thereunder, nor assign or encumber its rights, title and interest in and to the Leases without first securing the written consent of Merchants. Merchants may, at its option but without the assumption of any of Mortgagor's obligations as lessor, perform any obligation of Mortgagor under the Leases, without releasing Mortgagor from any obligations herein or under the terms of the Leases. In the exercise of such power, Merchants shall be entitled to reimbursement for all costs and expenses, including attorneys' fees, and the same shall be payable upon demand or added to the Note and secured hereby. Mortgagor shall indemnify and save harmless Merchants from any and all cost, expense or liability under the Leases or by reason of this Mortgage and against claims or demands whatsoever which may be asserted against it by reason of any alleged obligation of Merchants to perform or discharge any of the terms of the Leases. The receipt by Merchants of any rental payments made by tenants and occupants pursuant to the Leases shall constitute a valid receipt and acquittance for all such rents paid, and tenants shall be under no duty or obligation concerning the proper application of any rents so paid.

15. Except for dealings in the ordinary course of business which are in the best interest of both Mortgagor and Merchants, Mortgagor will not cancel any of the Leases now or hereafter assigned to Merchants, nor terminate or accept a surrender thereof or reduce the payment of the rent thereunder or modify any of the Leases or accept any prepayment of rent (except any amount which may be required to be prepaid by the terms of any such lease) without first obtaining, on each occasion, the prior written consent of Merchants.

16. Mortgagor will operate the Mortgaged Premises at all times as an apartment project and shall not acquire any equipment or fixtures covered by this Mortgage subject to any security interest or other charge or lien having priority over the lien or security interest granted under this Mortgage.

17. In the event the ownership of the Mortgaged Premises, or any part thereof, becomes vested in a person or persons other than Mortgagor, and Merchants does not exercise the option reserved to it hereunder to accelerate the indebtedness secured hereby in the event of alienation of all or any part of the Mortgaged Premises, Merchants may deal with successor or successors in interest with reference to this Mortgage and the indebtedness secured hereby in the same manner

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as with Mortgagor, without in any manner vitiating or discharging Mortgagor's liability hereunder, or upon the indebtedness hereby secured.

18. Mortgagor shall pay to Merchants, or its legal representatives, successors and assigns, reasonable attorneys' fees, any sums expended for the continuation of the abstract of title to the Mortgaged Premises, for title searches, or for title insurance, and all other costs incurred in any action to foreclose this Mortgage, or for the cure of a default by Mortgagor in any of its terms, covenants or agreements, which fees and costs shall be an additional lien and security interest against the Mortgaged Premises and the Chattel Property.

19. Mortgagor hereby authorizes Merchants to execute and file financing statements signed only by a representative of Merchants covering the security interest of Merchants in the Chattel Property. Upon any default, Merchants, at its option and without notice or demand, shall be entitled to enter upon the Mortgaged Premises to take immediate possession of the Chattel Property or to render the same unusable. Upon request, Mortgagor shall assemble and make the Chattel Property available to Merchants at a place to be designated by Merchants which is reasonably convenient to both parties. Upon repossession, Merchants may propose to retain the Chattel Property in partial satisfaction of the indebtedness of Mortgagor secured hereby or sell all or any portion of the Chattel Property at public or private sale in accordance with the Uniform Commercial Code as adopted in Indiana or any other applicable statute. In the further event that Merchants shall dispose of any or all of the Chattel Property after default, the proceeds of disposition shall be first applied in the following order: (a) to the reasonable expenses of retaking, holding, preparing for sale, selling and the like, (b) to the reasonable attorneys' fees and legal expenses incurred by Merchants, and (c) to the satisfaction of the indebtedness secured hereby. Mortgagor agrees to release and hold harmless Merchants from any and all claims arising out of the repossession of the Chattel Property. In the event of a proposed sale of all or any part of the Chattel Property, notification shall be given to Mortgagor at least ten (10) days prior thereto.

20. If required by Merchants, Mortgagor will maintain, or cause to be maintained, rent loss insurance in an amount which is not less than fifty percent (50%) of gross annual rental income, with a loss payable clause in favor of Merchants, such insurance to be carried with such company or companies and upon such terms and conditions as Merchants may require.

21. This Mortgage creates a continuing lien to secure the full and final payment of the Note and the performance of the other obligations of Mortgagor under this Mortgage or under any other security documents or agreements executed by Mortgagor in connection with the indebtedness secured hereby.

22. Upon any default in the payment of any indebtedness evidenced by the Note or secured hereby or of any installment thereof as due, or in the payment of the taxes, assessments or charges as required hereunder, or otherwise under the terms of this Mortgage or upon any default in the performance and observance of any other of the terms, covenants or agreements of this Mortgage, the Note or any other security instrument executed in connection with indebtedness secured hereby, or upon the institution of any foreclosure proceeding by the holder of any mortgage or lien upon the Mortgaged Premises or security interest in the Chattel Property, or if any law is hereafter passed by the State of Indiana or local

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authority deducting from the value of the Mortgaged Premises any lien thereon for the purpose of taxation of Merchants or changing in any way the laws now in force for the taxation of mortgages, or the indebtedness secured hereby, for state or local purposes, or changing the manner of collection of any such taxation from Mortgagor so as to affect this Mortgage or the indebtedness secured hereby, or in case Mortgagor should become insolvent, make an assignment for the benefit of creditors, or petition to be adjudicated as voluntarily bankrupt, or proceedings are instituted against Mortgagor to place it in involuntary bankruptcy or for the appointment of a receiver for it or its property, or the Mortgaged Premises or the Chattel Property are seized under any writ or process of court or by any trustee or receiver, or if Mortgagor shall directly or indirectly sell, assign or otherwise transfer ownership of the beneficial interest in or any part of the Mortgaged Premises or Chattel Property, or if the beneficial interest in the Mortgaged Premises or any part thereof or Chattel Property is further encumbered or if any interest in the entity constituting Mortgagor directly or indirectly is transferred or assigned, then, in any said event, the whole of the indebtedness secured hereby shall, at the election of Merchants, become immediately due and payable, without notice or demand, and Merchants, at its option, may proceed to foreclose this Mortgage without relief from valuation and appraisal laws and thereupon, or at any time during the existence of any such default, Merchants shall be entitled to enter into possession of the Mortgaged Premises and to collect the rents, issues and profits thereof, accrued and to accrue, and to apply the same on any indebtedness secured hereby or, if Merchants so elects, Merchants shall be entitled to the appointment of a receiver in any court of competent jurisdiction to collect such rents, issues and profits under the direction of the court, notice of the exercise thereof being hereby waived.

23. No failure by Merchants in the exercise of any of its rights under this Mortgage shall preclude Merchants from the exercise thereof in the event of subsequent default by Mortgagor hereunder, and no delay by Merchants in the exercise of its rights under this Mortgage shall preclude Merchants from the exercise thereof so long as Mortgagor is in default hereunder. Merchants may enforce any one or more of its rights or remedies hereunder successively or concurrently.

24. Merchants, at its option, may extend the time for the payment of the indebtedness secured hereby, or reduce the payments thereon, or accept a renewal note or notes therefor, without the consent of any endorser or guarantor and without the consent of Mortgagor if Mortgagor has conveyed title to the Mortgaged Premises, and any such extension, reduction or renewal shall not affect the priority of this Mortgage or impair the security hereof in any manner whatsoever, or release, discharge or affect in any manner the primary liability of Mortgagor or any endorser or guarantor to Merchants.

25. Any part of the Mortgaged Premises and the Chattel Property covered by this Mortgage may be released by Merchants without affecting the lien and security interest hereby granted as to the remainder, and the security of this Mortgage shall not affect or be affected by any other security for the indebtedness secured hereby nor shall the taking of additional security release or impair the security hereof or liability for the indebtedness secured hereby in any manner whatsoever.

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26. The covenants, conditions and agreements contained in this Mortgage shall bind, and the benefits thereof shall inure to, Mortgagor and Merchants, their respective successors, assigns, heirs and legal representatives.

27. This Mortgage is executed in connection with a certain Renovation Loan Agreement executed by and between Mortgagor and Merchants of even date herewith and secures any and all amendments advanced thereunder.

28. Merchants is hereby granted the exclusive right to refinance the indebtedness secured hereby during the term hereof and at its maturity; provided, however, if Borrower obtains refinancing from a source other than Merchants prior to the maturity date of the Note, Borrower shall pay a yield maintenance fee as provided for in the Note.

IN WITNESS WHEREOF, Mortgagor has caused this Mortgage to be executed and delivered this 15<sup>th</sup> day of June, 1987.

SHERONE APARTMENTS, LTD.

By: THE INVESTMENT PLACE, LTD.  
General Partner

By: Charles Hoover, Jr.  
Charles Hoover, Jr. President

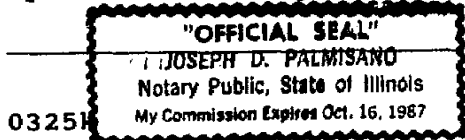
STATE OF ILLINOIS )  
                          ) SS:  
COUNTY OF COOK   )

Before me, a Notary Public in and for said County and State, personally appeared Charles Hoover, Jr., President of The Investment Place, Ltd., a general partner of Sherone Apartments, Ltd., an Illinois limited partnership, who, after having been duly sworn, acknowledged the execution of the foregoing Mortgage.

WITNESS my hand and Notarial Seal this 15<sup>th</sup> day of June, 1987.

Joseph D. Palmisano  
(Joseph D. Palmisano) Notary Public

My Commission Expires:



My County of Residence:

Cook County, Illinois

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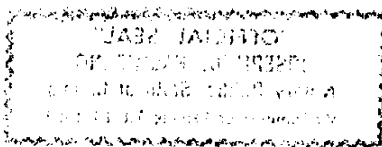
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## EXHIBIT "A"

SUBLOT 1 (EXCEPT THE EAST 5 FEET THEREOF) IN THE SUBDIVISION OF THE WEST 22 FEET OF LOT 10, AND ALL OF LOT 11 AND (EXCEPT THE WEST 7 FEET) OF LOT 12, IN BLOCK 2, OF JOHN N. YOUNG'S SUBDIVISION OF LOT 1 (AND VACATED 1/2 OF STREET NORTH AND ADJOINING), IN SUPERIOR COURT PARTITION OF THE SOUTH 10 ACRES OF THE EAST 1/2 OF THE NORTHEAST 1/4 OF SECTION 17, TOWNSHIP 40 NORTH, RANGE 14, EAST OF THE THIRD PRINCIPAL MERIDIAN, IN COOK COUNTY, ILLINOIS.

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COOK COUNTY RECORDER

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