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FIRST AMENDMENT TO LOAN AGREEMENT, NOTE, MORTGAGE, GUARANTY, AND OTHER LOAN DOCUMENTS

72-90-4773 SA

This First Amendment is entered into as of the 30th day of September, 1993, by and among BANK ONE, EVANSTON (f/k/a First Illinois Bank of Evanston, N.A.), not personally, but solely as trustee (the "Trustee") under Trust Agreement dated March 9, 1990, and known as Trust No. R-3712 (the "Trust") and PEBBLEWOOD VENTURE, an Illinois general partnership (the "Partnership"), being the sole beneficiary of the Trust (the Trust and the Partnership are sometimes jointly and severally referred to as "Borrower"), F. QUENTIN BROWN and ROSS S. BROWN (individually, a "Guarantor" and collectively the "Guarantors"), and MICHIGAN AVENUE NATIONAL BANK, a national banking association (the "Bank").

RECITALS:

A. The Partnership and Bank entered into a certain Loan Agreement dated April 17, 1991 (the "Loan Agreement"), pursuant to which, among other things, Bank agreed to lend to the Partnership an amount not to exceed the sum of FIVE MILLION SIX HUNDRED TWENTY-FIVE THOUSAND AND NO/100 DOLLARS (\$5,625,000.00) (the "Loan"), for the purposes, upon the terms and subject to the conditions contained in the Loan Agreement. The Loan Agreement provides, among other things, that the proceeds of the Loan are to be used by the Partnership for the purpose of building a sheltered care facility on the property legally described on Exhibit A attached hereto and commonly known as 2520 Gross Point Road, Evanston, Illinois (the "Premises"). Except as otherwise expressly indicated, all capitalized terms used herein shall have the same meaning ascribed to them in the Loan Agreement.

B. The Loan is evidenced by a certain Mortgage Note dated April 17, 1991, as amended by a First Amendment thereto dated as of October 22, 1992 (the "Note"), in the original principal amount of FIVE MILLION SIX HUNDRED TWENTY-FIVE THOUSAND AND NO/100 DOLLARS (\$5,625,000.00) made by the Trust, and payable to the order of Bank.

C. The Note is secured by, among other things, the following documents, each of which is dated as of April 17, 1991:

(i) Mortgage and Security Agreement (the "Mortgage") made by the Trust to Bank and recorded in the office of the Recorder of Deeds of Cook County, Illinois on May 17, 1991 as Document No. 91235253, and covering the Premises;

This document prepared by and after recording return to:

Ned S. Robertson
Aronberg, Goldgehn, Davis & Garmisa
One IBM Plaza - Suite 3000
Chicago, Illinois 60611
(312) 828-9600

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(ii) Assignment of Leases and Rents ("Assignment of Rents") made by the Partnership and the Trust to Bank and recorded in the Office of the Recorder of Deeds of Cook County, Illinois on May 17, 1991 as Document No. 91235254; and

(iii) Collateral Assignment Under Land Trust made by the Partnership, as Debtor, to Bank, as Secured Party, with respect to the Trust.

72-90-4754
D. Pursuant to a certain Guaranty (the "Guaranty") dated as of April 17, 1991 made by Guarantors, in favor of Bank, the Guarantors, jointly and severally, guaranteed (i) the payment by Borrower of the amounts provided for in the Note, the Loan Agreement, the Mortgage and the other Loan Documents, and (ii) the performance by Borrower of the covenants to be performed and observed by Borrower pursuant to the provisions thereof. Bank has heretofore released Raymond H. Chou from the Guaranty.

E. Borrower has determined that it will cost approximately ONE MILLION TWO HUNDRED FIFTY THOUSAND AND NO/100 DOLLARS (\$1,250,000.00) to complete the Project and Borrower has requested the Bank to increase the Loan by ONE MILLION ONE HUNDRED SEVENTY FIVE THOUSAND AND NO/100 DOLLARS (\$1,175,000.00) and to extend the Maturity Date to October 31, 1994 and the Bank has agreed to do so subject to Borrower and Guarantors agreeing to the terms and conditions contained in this Amendment.

NOW THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Borrower, the Guarantors and Bank hereby agree as follows:

1. The Recitals set forth above are hereby incorporated herein and made a part thereof.

2. The Note is amended as follows:

(a) The entire first page of the Note is deleted in its entirety and the following language is inserted in its place:

"Mortgage Note

\$6,800,000.00

Chicago, Illinois
April 17, 1991

CHICAGO, ILLINOIS
EVANSTON, ILLINOIS (f/k/a First
FOR VALUE RECEIVED, BANK ONE, ^{CHICAGO, ILLINOIS}EVANSTON (f/k/a First Illinois Bank of Evanston, N.A.), not personally but solely as Trustee under the provisions of a Trust Agreement dated March 9, 1990, and known as Trust No. R-3712 (hereinafter referred to as "Maker"), hereby promises to pay to the order of MICHIGAN AVENUE NATIONAL BANK OF CHICAGO ("Bank"), at its offices at 30 North Michigan Avenue, Chicago, Illinois 60602, or such other place as the holder hereof may from time to time designate in writing, on October 31, 1994, or such later date as extended pursuant to Paragraph 2.3 (a) of the Loan Agreement ("Maturity Date") in lawful money of the United States, the principal sum of SIX MILLION EIGHT HUNDRED THOUSAND AND NO/100 DOLLARS (\$6,800,000.00), or so much thereof as shall have been disbursed by Bank from time to time to or on behalf of Maker, under the terms of that certain loan agreement ("Loan Agreement") of even date herewith by and among Maker, Pebblewood Venture and Bank, together with interest on the balance of principal remaining from time to time unpaid under this Note during each calendar month prior to the Maturity Date at a rate equal to one and one-half percent (1-1/2%) per annum in excess of the prime rate announced from time to time by the Bank ("Prime Rate"), and said rate shall fluctuate as and when the Prime Rate fluctuates. Prime Rate shall mean the rate of interest publicly announced by the Bank from time to time as its

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prime rate, which may not be the lowest rate charged by the Bank. Changes in the rate of interest as aforesaid shall take place prospectively, and the Bank is not obligated to give notice of such fluctuations. Interest shall be payable commencing on the first day of the calendar month following the month in which the initial disbursement is made, and continuing on the first day of each month thereafter until the Maturity Date, with a final payment of accrued interest due at the Maturity Date."

(b) The carry-over paragraph on page 2 and the first two full paragraphs on page 2 of the Note are deleted in their entirety and the following language is inserted in its place:

"If the Maturity Date is extended as provided in Paragraph 2.3(a) of the Loan Agreement, then (a) during the first six month extension period Maker shall pay Bank interest in the same manner and at the rate provided for in this Note, and (b) during the second six month extension period Maker shall pay Bank interest in the same manner and at the rate provided for in this Note, together with six monthly principal payments of TWENTY FIVE THOUSAND AND NO/100 DOLLARS (\$25,000.00) each, and (c) during the final extension period which shall be for twelve months ("Third Extension"), Maker shall pay Bank interest in the same manner and at the rate provided for in this Note, together with one principal payment of TWO HUNDRED SEVENTY FIVE THOUSAND AND NO/100 DOLLARS (\$275,000.00) to be due with the first monthly payment of interest made during the Third Extension and with eleven consecutive monthly principal payments of TWENTY FIVE THOUSAND AND NO/100 DOLLARS (\$25,000.00) each, one of which will be due with each subsequent monthly payment of interest made during the Third Extension."

3. The Loan Agreement is amended to read as follows:

(a) The third sentence of Paragraph 2.1 which starts "After the completion of construction ..." is deleted in its entirety.

(b) Paragraph 2.3 is changed to read as follows:

"2.3 Maturity Date. The entire principal balance of the Note and all accrued and unpaid interest shall be due, if not sooner paid, on the earlier to occur of the following events which shall be called the "Maturity Date":

(a) October 31, 1994; provided, however, if there exists no Event of Default under this Agreement or a default under any Loan Document or an event which with the lapse of time would give rise to an Event of Default under this Agreement or any Loan Document, Borrower shall have the option to extend the Construction Loan for (i) two (2) six (6) month periods, and (ii) one (1) twelve (12) month period upon not less than thirty (30) days written notice to Lender prior to the Maturity Date and the payment of the extension fees as set forth in Paragraph 6.1(1) hereof; or

(b) Upon an Event of Default as defined in Article VII hereof."

(c) Paragraphs 2.5 and 2.6 are deleted in their entirety.

(d) The reference in Paragraph 6.1(1) is changed to read as follows:

"(1) Expenses of the Loan. Borrower will pay all expenses, charges, costs and fees of the Loan, including

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without limitation, all recording fees and charges, title insurance policy premiums, reasonable legal fees and disbursements of counsel for Lender, escrow fees, photocopying and duplicating expenses, cost of surveys, appraisal fees, and fees of any agents employed by Lender to inspect the Premises from time to time. Borrower is obligated to pay Lender a non-refundable commitment fee for the Construction Loan of EIGHTY FOUR THOUSAND THREE HUNDRED SEVENTY FIVE AND NO/100 DOLLARS (\$84,375.00) which has heretofore been paid. If Borrower exercises its option to extend the Maturity Date of the Construction Loan, pursuant to Paragraph 2.3(a), Borrower shall pay to Lender the sum of SEVENTEEN THOUSAND AND NO/100 DOLLARS (\$17,000.00) for each of the two six (6) month extensions and THIRTY TWO THOUSAND AND NO/100 DOLLARS (\$32,000.00) for the twelve (12) month extension prior to the effective date of each such extension. At Lender's option, after the Initial Disbursement, Borrower shall pay loan expenses upon demand. At Lender's option, Lender shall be entitled to advance such proceeds to itself in payment of such sums as they become due and payable and Borrower agrees that all moneys disbursed by Lender shall constitute loans made to Borrower under this Agreement."

(e) A new subparagraph (r) is added to Paragraph 7.1 to read as follows:

"(r) Borrower has not received the required licenses and certificates from the municipal and state authorities overseeing the Project to begin operation of a sheltered care facility on the Premises by March 1, 1994."

4. Prior to the disbursement by Bank of any additional proceeds of the Loan, the following conditions must be met to the satisfaction of the Bank:

(a) The Partnership must make an equity contribution of ~~SEVENTY FIVE THOUSAND AND NO/100 DOLLARS (\$75,000.00)~~ ^{SEVENTY FIVE THOUSAND AND NO/100 DOLLARS (\$75,000.00)} to the Project;

(b) The Partnership shall pay Bank an extension fee of NINE THOUSAND AND NO/100 DOLLARS (\$9,000.00);

(c) Each of the Guarantors shall deliver to Bank their current financial statements and copies of their 1991 and 1992 Federal income tax returns, together with the 1992 Federal income tax return and financial statements for the Partnership;

(d) Receipt by Bank of a new appraisal of the Project; and

(e) Receipt by Bank of a fully executed Master Lease Agreement between the Partnership and United Capital Leasing Corporation ("United Leasing"); and

(f) United Leasing shall have filed an amended UCC-1 Financing Statement with the State of Illinois agreeing to limit its interest in the personal property located in the Premises solely to those items that it has leased to the Partnership.

5. Borrower acknowledges that the amount currently remaining unpaid on the indebtedness evidenced by the Note is approximately FIVE MILLION ONE HUNDRED SIXTY NINE THOUSAND FIVE HUNDRED AND SEVEN AND NO/100 DOLLARS (\$5,169,507.00) subject, however, to future disbursements to be made from time to time by Bank to Borrower, under the Note as provided for therein.

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6. Notwithstanding anything herein to the contrary, the Loan shall be in default if Borrower and Guarantors shall not have executed a Deed in Lieu Agreement with the Bank on terms acceptable to the Bank prior to December 30, 1993.

7. ~~Borrower hereby agrees to pay all expenses, charges, costs and fees relating to this Amendment, including Bank's reasonably attorneys' fees in connection with the documentation of the agreements contained in this Amendment, all recording fees, and all other expenses, charges, costs and fees referred to in or necessitated by the terms of this Amendment (collectively, the "Additional Loan Expenses"). In the event the Additional Loan Expenses are not paid to Bank within five (5) days after written demand therefor by Bank, the Additional Loan Expenses shall bear interest from the date so incurred until paid at the Default Rate.~~

8. All references in the Note, Loan Agreement, Mortgage, Assignment of Rents or other Loan Documents or the Guaranty to any of the other Loan Documents or the Guaranty shall mean such document as amended hereby.

9. Borrower and each Guarantor represents and the Partnership and each Guarantor warrants to Bank that each has full power and authority to execute and deliver this Amendment and to perform their respective obligations hereunder. Upon the execution and delivery hereof, this Amendment will be valid, binding and enforceable upon each Borrower and each Guarantor in accordance with its terms. Execution and delivery of this Amendment does not and will not contravene, conflict with, violate or constitute a default under (i) the Agreement creating the Partnership, or (ii) any applicable law, rule, regulation, judgment, decree or order or any agreement, indenture or instrument to which either Borrower or any Guarantor is a party or is bound or which is binding upon or applicable to the Project, or any portion thereof.

10. Borrower hereby ratifies and confirms its respective liabilities and obligations under the Loan Agreement, the Note, the Mortgage and the other Loan Documents, all as amended by this Amendment, and the liens and security interests created thereby, and acknowledges that it has no defenses, claims or set-offs to the enforcement by Bank of the obligations and liabilities of Borrower under the Loan Agreement, the Note, the Mortgage and the other Loan Documents, all as amended by this Amendment. Borrower hereby acknowledges that it shall have no right or option for any additional extension of the Maturity Date.

11. Each Guarantor hereby consents to the execution and delivery by Borrower of this Amendment. Each Guarantor hereby ratifies and confirms his respective liabilities and obligations under the Guaranty, as amended by this Amendment, with respect to the Loan Agreement, the Note, the Mortgage and the other Loan Documents, all as amended by this Amendment, and acknowledges that he has no defenses, claims or set-offs to the enforcement by Bank of the liabilities and obligations of each Guarantor under the Guaranty, as amended by this Amendment.

12. Borrower and each Guarantor represents and the Partnership and each Guarantor warrants to Bank that after giving effect to the extension of the Maturity Date no Event of Default or event or condition which could become an Event of Default with the giving of notice or passage of time, or both, exists under the Loan Agreement, the Note, Mortgage, or any of the other Loan Documents or the Guaranty.

13. The Mortgage, Assignment of Rents, the other Loan Documents and the Guaranty are hereby amended to secure the obligations and liabilities evidenced by the Note, as amended by this Amendment.

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14. This Amendment shall be binding on the Trust, the Partnership, each Guarantor and their respective general partners, heirs, legatees, administrators, personal representatives, successors, and permitted assigns, and shall inure to the benefit of Bank, and its successors and assigns.

15. Except as expressly provided herein, the Loan Agreement, the Note, the Guaranty, the Mortgage and the other Loan Documents shall remain in full force and effect in accordance with their respective terms.

16. This Amendment is executed by First Illinois Bank of Evanston, N.A., not personally, but solely as Trustee as aforesaid, in the exercise of the power and authority conferred upon and vested in said Trustee, and it is expressly understood and agreed that nothing in this Amendment shall be construed as creating any personal liability on said Trustee to perform any covenant, either express or implied herein contained, all such liability, if any, being expressly waived by Bank and by every person now or hereafter claiming any right or security hereunder.

IN WITNESS WHEREOF, this Amendment has been entered into as of the date first above written.

CHICAGO, NA
BANK ONE, EVANSTON (f/k/a FIRST ILLINOIS BANK OF EVANSTON, N.A.), not personally, but solely as Trustee as aforesaid

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By: Charles W. Tranel
Title: Vice President and Trust Officer

Attest: [Signature]
Title: Vice President and Trust Officer

MICHIGAN AVENUE NATIONAL BANK OF CHICAGO

By: [Signature]
Title: [Signature]

PEBBLEWOOD VENTURE

By: Q & R HEALTHCARE LIMITED PARTNERSHIP

By: Q & R HEALTHCARE, INC., General Partner

By: [Signature]
Name: F. Quentin Brown
Title: President

[Signature]
F. Quentin Brown
[Signature]
Ross S. Brown

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STATE OF ILLINOIS)
) SS
COUNTY OF COOK)

I, the undersigned, a Notary Public in and for said County, in the State aforesaid, DO HEREBY CERTIFY THAT CHARLES W. FRAMER and JOHN S. STRONG, and personally known to me to be the same persons whose names are subscribed to the foregoing instrument as such PRESIDENT and TRUST OFFICER and VICE PRESIDENT and TRUST OFFICER, respectively, of BANK ONE, EVANSTON (f/k/a FIRST ILLINOIS BANK OF EVANSTON, N.A.), appeared before me this day in person and severally acknowledged that they signed and delivered the said instrument as their own free and voluntary act, and as the free and voluntary act of said Bank, for the uses and purposes therein set forth.

GIVEN under my hand and notarial seal, this 1st day of October, 1993.
ROBERTA S. DAVIS
Notary Public, Cook County
State of Illinois
My Commission Expires 9-26-94

Roberta S. Davis
Notary Public

STATE OF ILLINOIS)
) SS
COUNTY OF COOK)

I, the undersigned, a Notary Public in and for said County, in the State aforesaid, DO HEREBY CERTIFY THAT Eugene P. Tunney, and personally known to me to be the same person whose name is subscribed to the foregoing instrument as such SR. Vice President of MICHIGAN AVENUE NATIONAL BANK, appeared before me this day in person and acknowledged that (s)he signed and delivered the said instrument and his/her own free and voluntary act, and as the free and voluntary act of said Bank for the uses and purposes therein set forth.

GIVEN under my hand and notarial seal, this 30th day of September, 1993.
ROBERT E. HAMILTON
Notary Public, State of Illinois
My Commission Expires Nov. 14, 1993

Robert E. Hamilton
Notary Public

STATE OF ILLINOIS)
) SS
COUNTY OF COOK)

I, Robert E. Hamilton, a Notary Public in and for said County, in the State aforesaid, do hereby certify that F. Quentin Brown, President of Q & R Healthcare, Inc., the general partner of Q & R Healthcare Limited Partnership, a general partner of Pebblewood Venture, who is personally known to me to be the same person whose name is subscribed to the foregoing instrument, appeared before me this day in person and acknowledged that as such general partner he signed and delivered the said instrument as general partner of Pebblewood Venture, as his own free and voluntary act and as the free and voluntary act and deed of said Venture for the uses and purposes therein set forth.

Given under my hand and notarial seal this 30th day of September, 1993.

"OFFICIAL SEAL"
ROBERT E. HAMILTON
Notary Public, State of Illinois
My Commission Expires Nov. 14, 1993

Robert E. Hamilton
Notary Public

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STATE OF ILLINOIS)
) SS
COUNTY OF COOK)

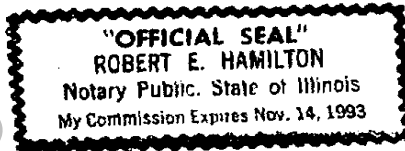
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I, the undersigned, a Notary Public in and for said County, in the State aforesaid, DO HEREBY CERTIFY THAT F. Quentin Brown and Ross S. Brown, who are personally known to me to be the same persons whose names are subscribed to the foregoing instrument, appeared before me this day in person and acknowledged that they signed and delivered the said instrument as their own free and voluntary act, for the uses and purposes therein set forth.

GIVEN under my hand and notarial seal, this 30th day of September, 1993.

Robert E. Hamilton
Notary Public

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EXHIBIT A

Legal Description

LOT 2 IN ENGLE'S RESUBDIVISION, BEING A RESUBDIVISION OF LANDECK'S DIVISION OF LOT 2 OF EVERT AND SCHAEFER SUBDIVISION OF PART OF THE NORTH EAST FRACTIONAL 1/4 OF SECTION 10, TOWNSHIP 41 NORTH, RANGE 13 EAST OF THE THIRD PRINCIPAL MERIDIAN, RECORDED MARCH 27, 1990 AS DOCUMENT 90135710, IN COOK COUNTY, ILLINOIS.

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