

LEASEHOLD MORTGAGE, ASSIGNMENT OF RENTS AND LEASES AND SECURITY AGREEMENT

94641462

This Leasehold Mortgage, Assignment of Lease and Security Agreement (this "Mortgage") is made as of the 1st day of July, 1994, by Halsted Terrace Nursing Center, Inc., an Illinois corporation ("Mortgagor"), with a mailing address c/c Bernard Hollander, 6633 North Lincoln Avenue, Lincolnwood, Illinois 60645 to LaSalle National Bank, a national banking association, ("Bank"), with a mailing address at 120 South LaSalle Street, Chicago, Illinois 60603, and pertains to the real estate described in Exhibit A, which is attached hereto and hereby made a part hereof.

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DEPT-01 RECORDING 063.50
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COOK COUNTY RECORDER

RECITALS

1.01 Guaranty. Mortgagor has executed and delivered to Bank a Secured Guaranty of even date herewith (the "Guaranty") guarantying the repayment of certain obligations of Bernard Hollander ("Borrower") as evidenced and secured by that certain Secured Credit Agreement of even date (the "Credit Agreement"), all of the terms and conditions of which Guaranty and Credit Agreement are incorporated herein by this reference thereto and hereby made a part hereof, wherein Borrower promises to pay to the order of Bank the principal amount of up to \$4,500,000 in repayment of various loans (collectively, the "Loans") from Bank to Borrower in like amount, or so much thereof as may now or hereafter be disbursed by Bank pursuant to the Revolving Note and the Term Note of even date made by Borrower to the order of Bank (collectively, the "Notes"), together with interest thereon and expenses arising thereunder, in installments as set forth in the Notes, the entire unpaid principal balance being due and payable on the maturity date set forth in the Credit Agreement.

1.02 Other Loan Documents. As security for the repayment of the financial and other obligations of Guarantor under the Guaranty, this Mortgage and certain other loan documents must be executed and delivered to Bank (the Notes, this Mortgage and all other documents now or hereafter executed and delivered as additional evidence of or security for repayment of the Loans are hereinafter referred to collectively as the "Loan Documents").



DOCUMENT PREPARED BY AND AFTER RECORDING RETURN TO:

RETURN TO:
LEXIS Document Services
133 South LaSalle, Suite 1162
Chicago, IL 60603

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1.03 Relationship of Borrower to Mortgagor. Borrower has an ownership interest in Mortgagor and it will be in Mortgagor's economic interest to execute and deliver this Mortgage to Bank to secure the Guaranty to induce Bank to extend the Loans to Borrower.

II

THE GRANT

To secure the payment and the performance of the agreements contained hereinbelow, to induce Bank to enter into the Credit Agreement and to secure the performance of all of its obligations under the Guaranty, Mortgagor hereby grants, bargains, sells, assigns, conveys, and mortgages to Bank and its successors and assigns forever, the leasehold estate, and all of its estate, right, title, and interest therein, situated in the County of Cook, State of Illinois, legally described in Exhibit A, which is attached hereto and made a part hereof (the "Premises") by virtue of Mortgagor's interest as tenant under that certain Agreement (the "Lease") dated February 15, 1994 by and between Halsted Associates Limited Partnership, an Illinois limited partnership, beneficiary of American National Bank & Trust Company of Chicago, a national banking association, as Trustee under Trust Agreement dated January 10, 1994 and known as Trust Number 117869-02, with a mailing address at 33 North LaSalle Street, Chicago, Illinois 60690, as lessor ("Lessor") and Mortgagor, as lessee, together with all present or future modifications, amendments, additions, assignments and supplements thereto and substitutions, extensions, renewals and replacements thereof and all options to renew, extend or purchase (including rights of first refusal) now or hereafter contained in the Lease, and the benefit of all covenants contained in the Lease, whether running with the land or otherwise, as well as the following described property (the Premises and the following described property being hereinafter referred to collectively as the "Mortgaged Property") to the extent, if any, of Mortgagor's ownership interest thereon:

(a) all buildings and other improvements of every kind and description now or hereafter erected or placed on the Premises and all materials intended for construction, reconstruction, alteration, and repair of such improvements now or hereafter erected thereon, all of which materials shall be deemed to be included within the Mortgaged Property immediately upon the delivery thereof to the Premises;

(b) All right, title, and interest of Mortgagor, including any after-acquired title or reversion, in and to the beds of the ways, streets, avenues, sidewalks, and alleys adjoining the Premises;

(c) Each and all of the tenements, hereditaments, easements, appurtenances, passages, waters, water courses, riparian rights, other rights, liberties, and privileges of the Premises or in any way now or hereafter appertaining

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thereto, including homestead and any other claim at law or in equity, as well as any after-acquired title, franchise, or license and the reversions and remainders thereof;

(d) all rents, issues, deposits, and profits now due and which may hereinafter become due under or by reason of any lease or any letting of, or any agreement for the use, sale, or occupancy of, the Premises or any portion thereof (whether written or verbal), and all the avails thereof; and

(e) all fixtures and personal property owned by Mortgagor and attached to or contained in the Mortgaged Property (collectively the "Goods", the portion of the Goods which are tangible goods being hereinafter collectively referred to as the "Tangible Goods") and all renewals or replacements thereof, it being intended, agreed, and declared that all such property, so far as permitted by law, shall be deemed to be part of the real estate constituting and located on the Premises and covered by this Mortgage, and as to any of the aforesaid property that is not part of such real estate or does not constitute a "fixture," as such term is defined in the Uniform Commercial Code of the State in which the Premises are located, this Mortgage shall be deemed to be, as well, a security agreement under such Uniform Commercial Code for the purpose of creating hereby a security interest in such property, which Mortgagor hereby grants to Bank as "secured party," as such term is defined in such Code; provided, however, that nothing herein shall be deemed to constitute a grant of a security interest in and to any of Mortgagor's "household furniture or other goods used for Mortgagor's personal, family or household purposes" within the meaning of Section 9-109 (1) of the Illinois Uniform Commercial Code, as now or hereafter amended.

Provided, however, that this Mortgage shall be released at the cost of Mortgagor if and when (i) Borrower has paid the principal amount of the Notes and all interest as provided hereunder, has paid all other amounts required under the Loan Documents, and has performed all of the agreements contained in the Loan Documents or (ii) when Guarantor has satisfied all of its obligations under the Guaranty and has been released, whichever is earlier. The aggregate indebtedness and obligations secured by this Mortgage shall in no event exceed three times the maximum aggregate face principal amounts of the Notes.

III

GENERAL AGREEMENTS

3.01 Payment of Obligations. Mortgagor shall pay all amounts required to be paid by Mortgagor under the Guaranty at the times and in the manner provided in the Guaranty, this Mortgage and the other Loan Documents.

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3.02 Other Payments. Unless waived by Bank in writing or unless Mortgagor is depositing the equivalent amount thereof with the "Fee Mortgagee" (as hereinafter defined), Mortgagor shall deposit with Bank or a depository designated by Bank, monthly until the obligations evidenced by the Guaranty are paid (such amounts being sometimes hereinafter referred to collectively as the "Monthly Escrow Deposits") a sum equal to (a) one-twelfth (1/12th) of the total annual real estate taxes and assessments ("taxes") next due on the Mortgaged Property, as estimated by Bank; and (b) a sufficient percentage of the total amount of annual premiums for all policies of insurance required under this Mortgage, such that the payment of approximately equal installments will result in the accumulation of a sufficient sum of money to prepay annual renewal premiums for such insurance at least one (1) month prior to the expiration or renewal date or dates of the policy or policies to be renewed.

All such payments shall be held by Bank, or a depository designated by Bank, without accruing, or without any obligation arising for the payment of, any interest thereon. If the funds so deposited are insufficient to pay, when due, all taxes and premiums as aforesaid, Mortgagor shall, within ten (10) days after receipt of demand therefor from Bank or its agent, deposit such additional funds as may be necessary to pay such taxes and premiums. If the funds so deposited exceed the amounts required to pay such items, the excess shall be applied as a credit against subsequent deposits.

Neither Bank nor any depository shall be liable for a failure to make payments of insurance premiums or taxes unless Mortgagor, while not in default hereunder, has requested Bank or such depository, in writing, to apply such deposits to the payment of particular insurance premiums or taxes, accompanied by the bills for such insurance premiums or taxes; provided, however, that Bank may, at its option, make or cause such depository to apply the aforesaid deposits without any direction or request to do so by Mortgagor.

3.03 Property Taxes. Mortgagor shall pay immediately, when first due and owing, all general and other taxes and any other charges that may be asserted against the Mortgaged Property and shall furnish to Bank receipts therefor within thirty (30) days after payment thereof. Unless any waiver by Bank of the Monthly Escrow Deposits is then in effect, Bank, at its option, either may make such deposits available to Mortgagor for the payments required under this paragraph or may make such payments on behalf of Mortgagor.

3.04 Tax Payments by Bank. Bank is hereby authorized to make or advance, in the place and stead of Mortgagor, any payment relating to taxes or other governmental charges, impositions or liens that may be asserted against the Mortgaged Property according to any bill, statement, or estimate procured from the appropriate public office without inquiry into the accuracy or validity thereof. Bank is authorized to make or advance, in the place and

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stead of Mortgagor, any payment relating to any apparent or threatened adverse title, lien, statement of lien, encumbrance, claim or charge, whenever, in Bank's reasonable discretion, such advance seems necessary or desirable to protect the full security intended to be created by this Mortgage. In connection with any such advance, Bank is authorized, at its option and at Mortgagor's cost, to obtain a continuation report of title or title insurance policy prepared by a title insurance company of Bank's choosing. All such advances, indebtedness and costs authorized by this paragraph shall constitute indebtedness and obligations secured hereby and shall be repayable by Mortgagor upon demand with interest at the rate of interest (the "Default Interest Rate") payable by Borrower on the outstanding principal balances of the Notes during the existence of an "Event of Default" (as that term is defined in the Credit Agreement).

3.05 INSURANCE.

(a) HAZARD. Mortgagor shall keep the improvements now existing or hereafter erected on the Mortgaged Property and the Tangible Goods insured under a full replacement cost form of insurance policy without co-insurance and without depreciation against loss or damage resulting from fire, windstorm, and other hazards as may be required by Bank, and shall pay promptly, when due, any premiums on such insurance. Unless any waiver by Bank of the Monthly Escrow Deposits is then in effect, Bank, at its option, either may make such deposits available to Mortgagor for the payments required under this paragraph or may make such payments on behalf of Mortgagor. All insurance shall be in form and of content, and shall be carried in companies, approved in writing by Bank, and all policies and renewals thereof (or certificates evidencing the same), marked "paid," shall be delivered to Bank at least thirty (30) days before expiration and, shall have attached thereto standard non-contributing mortgage clauses entitling Bank to collect all proceeds of such insurance, as well as standard waiver of subrogation endorsements. Mortgagor shall not carry any separate insurance concurrent in kind with any insurance required hereunder or contributing in the event of loss. Immediate notice of a change in ownership or of occupancy of the Premises approved in writing by Bank shall be delivered to all insurers by mail. In the event of any casualty loss, Mortgagor shall give immediate notice thereof by mail to Bank. Mortgagor hereby authorizes Bank, at Bank's option, to adjust and compromise any loss under any insurance required hereunder and, after deducting any costs of collection, to use, apply, or disburse the proceeds thereof, at its option, (i) as a credit against any portion of the indebtedness secured hereby; (ii) toward repairing, restoring, and rebuilding the aforesaid improvements on terms and conditions reasonably acceptable to Bank; or (iii) by delivering the same to Mortgagor.

(b) LIABILITY. Mortgagor shall carry and maintain such comprehensive public liability and workmen's compensation

insurance as may be required from time to time by Bank in form and of content, in amounts, and with companies approved in writing by Bank; provided, however, that the amounts of coverage shall not be less than \$5,000,000 single limit liability and that the policies shall name Bank as an additional insured party thereunder. Certificates of such insurance, premiums prepaid, shall be deposited with Bank and shall contain provision for twenty (20) days' notice to Bank prior to cancellation thereof.

3.06 Condemnation and Eminent Domain. All awards heretofore or hereafter made or to be made to the present, or any subsequent, owner of the Mortgaged Property, by any governmental or other lawful authority for the taking, by condemnation or eminent domain, of all or any part of the Mortgaged Property, improvement thereon, easement thereon or appurtenant thereto are hereby assigned by Mortgagor to Bank. Bank is hereby authorized to collect and receive such awards from the condemnation authorities, and Bank is hereby authorized to give appropriate receipts and acquittances therefor. Mortgagor shall give Bank immediate notice of the actual or threatened commencement of any condemnation or eminent domain proceedings affecting the Mortgaged Property, and shall deliver to Bank copies of all papers served in connection with any such proceedings. Mortgagor further agrees to execute and deliver to Bank, at any time upon request, free, clear, and discharged of any encumbrance of any kind whatsoever, all assignments and other instruments deemed necessary by Bank for the purpose of validly assigning awards and other compensation made to Mortgagor for any taking under any such proceeding. At Bank's option, any such award may be applied to restoring the improvements, in which event the same shall be paid out in a manner acceptable to Bank.

3.07 Maintenance of Property. No building or other improvement on the Premises shall be altered, removed, or demolished, nor shall any fixtures, chattels, or articles of personal property on, in, or about the Premises be severed, removed, sold, or mortgaged, without the prior written consent of Bank (except fixtures, chattels or articles of personal property severed, removed or sold in the ordinary course of business and only then if they are replaced immediately with items of equal or higher quality, condition and value and Bank has obtained a first and paramount lien on or security interest in such replacements). In the event of the demolition or destruction in whole or in part of any of the fixtures, chattels, or articles of personal property covered by this Mortgage, the same shall be replaced promptly by similar fixtures, chattels, and articles of personal property at least equal in quality and condition to those replaced, free from any other security interest therein, encumbrances thereon, or reservation of title thereto. Mortgagor shall promptly repair, restore, or rebuild any building or other improvement now or hereafter situated on the Premises that may become damaged or be destroyed. Each building or other improvement shall be repaired, restored, or rebuilt so as to be of at least equal value and of substantially the same character as prior to such damage or destruction.

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Mortgagor further agrees to permit, commit, or suffer no waste, impairment, or deterioration of the Mortgaged Property or any part thereof; to keep and maintain the Mortgaged Property and every part thereof in good repair and condition; to effect such repairs as Bank may reasonably require, and, from time to time, to make all necessary and proper replacements thereof and additions thereto so that the Premises and such buildings, other improvements, fixtures, chattels, and articles of personal property will, at all times, be in good condition, fit and proper for the respective purposes for which they were originally erected or installed; and to permit Bank or its representatives or agents to inspect the Mortgaged Property from time to time during normal business hours and as frequently as Bank considers appropriate.

3.08 Compliance with Laws. Mortgagor shall comply with all statutes, ordinances, regulations and other requirements relating to the Mortgaged Property and shall observe and comply with all rights, licenses, permits (including without limitation zoning variances, special exceptions, and nonconforming uses), privileges, franchises, and concessions that are applicable to Mortgagor or to the Mortgaged Property.

3.09 Liens. Without Bank's prior written consent, Mortgagor shall not create, suffer, or permit to be created or filed against the Mortgaged Property or any part thereof hereafter any mortgage lien or other lien superior or inferior to the lien of this Mortgage. If Mortgagor hereafter suffers or permits any superior or inferior lien to be attached to the Mortgaged Property or any part thereof without such consent, Bank shall have the unqualified right, at its option, to declare such event a Default hereunder and an Event of Default under the Credit Agreement without notice to Mortgagor.

3.10 Transfers. If Mortgagor, without Bank's prior written consent, sells, transfers, conveys, assigns, hypothecates, or otherwise transfers the title to all or any portion of the Mortgaged Property, whether by operation of law, voluntarily, or otherwise, or contracts to do any of the foregoing, Bank shall have the unqualified right, at its option, to declare such occurrence a Default hereunder and an Event of Default under the Credit Agreement without notice to Mortgagor. Without limiting the generality of the foregoing, each of the following events shall be deemed to be a transfer prohibited by the foregoing sentence: (a) if the Mortgagor is a corporation, any sale, conveyance, assignment, or other transfer of all or any portion of the stock of such corporation, that results in a material change in the identity of the person(s) or entities previously in control of such corporation; (b) if Mortgagor is a partnership, any sale, conveyance, assignment, or other transfer of all or any portion of the partnership interest of any partner of such partnership that results in a material change in the identity of the persons(s) in control of such partnership; (c) any sale, conveyance, assignment, or other transfer of all or any portion of the stock or partnership interest of any entity directly or indirectly in control of the corporation or partnership constituting the Mortgagor that results

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in a material change in the identity of the persons(s) in control of such entity; and (d) any hypothecation of all or any portion of the stock thereof, if Mortgagor is a corporation, or of all or any portion of the partnership interest of any general partner thereof, if Mortgagor is a partnership, or of all or any portion of the stock or partnership interest of any entity directly or indirectly in control of such corporation or partnership, that could result in a material change in the identity of the person(s) in control of such corporation, partnership, or entity directly or indirectly in control of such corporation or partnership if the secured party under such hypothecation exercised its remedies thereunder.

Any waiver by Bank of the provisions of this paragraph shall not be deemed to be a waiver of the right of Bank in the future to insist upon strict compliance with the provisions hereof.

3.11 Subrogation to Prior Lienholder's Rights. If the proceeds of the loan secured hereby, any part thereof, or any amount paid out or advanced by Bank is used directly or indirectly to pay off, discharge or satisfy, in whole or in part, any prior lien or encumbrance upon the Mortgaged Property, then Bank shall be subrogated to the rights of the holder thereof in and to such other lien or encumbrance and any additional security held by such holder, and shall have the benefit of the priority of same.

3.12 Bank's Dealings with Transferee. Upon the sale or transfer, by operation of law, voluntarily, or otherwise, of any part of the Mortgaged Property, Bank shall be authorized and empowered to deal with the vendee or transferee as fully and to the same extent as it might with Mortgagor, without in any way releasing or discharging Mortgagor from any of its covenants and obligations hereunder.

3.13 Inspection of Books and Records. Mortgagor shall keep and maintain full and correct books and records showing in detail the income and expenses of the Mortgaged Property. Bank shall have the right to examine said books and records and all supporting vouchers and data from time to time during customary business hours.

3.14 Acknowledgement of Defenses. Mortgagor, at Bank's request, shall furnish a written statement, duly acknowledged, disclosing whether Mortgagor has or asserts any offsets or defenses against the obligations secured hereby.

3.15 Intentionally Deleted.

3.16 Other Amounts Secured. At all times, this Mortgage secures in addition to any other amounts and in addition to any advances, litigation and other expenses made or incurred by Bank pursuant to the terms of this Mortgage, the payment of any and all loan commissions, service charges, liquidated damages, expenses, and advances due to or paid or incurred by Bank in connection with the Guaranty secured hereby, all in accordance with the other Loan Documents.

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3.17 Security Instruments. Mortgagor shall execute, acknowledge, and deliver to Bank, within ten (10) days after request by Bank, such additional security agreements, financing statements, and any other similar security instrument reasonably required by Bank, in form and of content satisfactory to Bank, covering property owned by Mortgagor that, in the sole opinion of Bank, is essential to the operation of the Mortgaged Property and concerning which there may be any doubt whether title thereto has been conveyed, or whether a security interest therein perfected, by this Mortgage. Mortgagor further agrees to pay to Bank all costs and expenses incurred by Bank in connection with the preparation, execution, recording, filing, and refiling of any such document.

3.18 Releases. Bank, without notice, may release from the lien of this Mortgage all or any part of the Mortgaged Property, or release from liability any person obligated to repay any indebtedness secured hereby, without in any way affecting the liability of any other party to the Loan Documents. Any such agreement shall not in any way release or impair the lien created by this Mortgage or reduce or modify the liability of any person or entity obligated personally to repay the obligations secured hereby.

IV

ASSIGNMENT OF RENTS AND LEASES

Pursuant to the grant made in Article II hereof, this Mortgage shall constitute an Assignment of Rents with respect to all present and future rents, issues, deposits, avails and profits accruing and to accrue from the Premises in Mortgagor's favor and an assignment of Mortgagor's interest in the Lease. This Assignment confers upon Bank a power coupled with an interest and it cannot be revoked by Mortgagor.

4.01 Collection of Rents. Mortgagor does hereby irrevocably appoint Bank as their true and lawful attorney in its name and stead (with or without taking possession of the Premises) to sublease all or any portion of the Premises to any party at such price and upon such terms as Bank, in its reasonable discretion, may determine and to collect all such rents, issues, deposits, profits, and avails now or hereafter due, with the same rights and powers and subject to the same immunities, exoneration of liability, and rights of recourse and indemnity as Bank would have upon taking possession of the Premises pursuant to the provisions set forth hereinbelow.

4.02 Available Rents. Mortgagor warrants and agrees that no rent for right of future possession has been or will be paid by any person in possession of any portion of the Premises in excess of one installment thereof paid in advance and that no payment of rents to become due for any portion of the Premises has been or will be waived or otherwise released. Mortgagor waives any right of set-off against any person in possession of any portion of the

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Premises. Mortgagor agrees that it will not assign any rents, issues, profits, deposits, or avails prior to repayment of the Loans.

4.03 Lease Modifications. Mortgagor shall not agree to any modification of the terms, or a voluntary surrender, of any lease or agreement pertaining to the Premises without the prior consent of Bank.

4.04 Management of Premises. At all times while Bank is not in actual possession of the Premises, Mortgagor shall manage the Premises, or cause the Premises to be managed, in accordance with sound business practices.

4.05 Future Assignments. Mortgagor further agrees to assign and transfer to Bank all future leases and agreements pertaining to the Premises and to execute and deliver to Bank, immediately upon demand of Bank, all such further assurances and assignments pertaining to the Premises as Bank may from time to time reasonably require.

4.06 Exercise of Rights. Although it is the intention of Mortgagor and Bank that the Assignment of Rents and Leases contained in this Mortgage be a present assignment, it is expressly understood and agreed, anything herein contained to the contrary notwithstanding, that Bank shall not exercise any of the rights and powers conferred upon it under this Section unless and until a Default has occurred under the Loan Documents.

4.07 Authorization to Lessees. Mortgagor does further specifically authorize and instruct each and every present and future lessee or purchaser of all or any portion of the Premises to pay all unpaid rentals or deposits agreed upon in any lease or agreement pertaining to the Premises to Bank upon receipt of demand from Bank to pay the same.

4.08 Indemnity. Bank shall not be obligated to perform or discharge, nor does it hereby undertake to perform or discharge, any obligations, duty, or liability under any leases or agreements pertaining to the Premises, and Mortgagor shall and does hereby agree to indemnify and hold Bank harmless of and from any and all liability, loss, and damage that it may or might incur under any such leases or agreements or under or by reason of the assignment thereof and of and from any and all claims and demands whatsoever which may be asserted against it by reason of any alleged obligations or undertakings on its part to perform or discharge any of the terms, covenants, or conditions contained in such leases or agreements. Should Bank incur any such liability, loss, or damage under such leases or agreements, or under or by reason of the assignment thereof, or in the defense of any claims or demands relating thereto, Mortgagor shall reimburse Bank for the amount thereof (including without limitation costs, expenses, and reasonable attorney's fees) immediately upon demand.

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thereby; and (b) without the prior written consent of Bank, not to cause any modification to be made in any of the Fee Mortgage and such other documents or instruments. Mortgagor covenants and agrees that any default or breach of any covenants, as contained in any note or notes secured by the Fee Mortgage (which note or notes are herein singularly and collectively referred to as the "Fee Note") or any other document or instrument securing the Fee Note that remains uncured for the applicable period of time allowed for the curing of defaults under the Fee Mortgage, shall constitute a default under this Mortgage and, thereafter, Bank at its option may declare all indebtedness hereby secured, without notice, to be immediately due and payable, and Bank may foreclose this Mortgage as in the case of any other default hereunder, without regard as to whether the Fee Mortgage is then being foreclosed upon. Notwithstanding anything to the contrary that may be contained in or implied from this Mortgage, Mortgagor shall not be obligated to perform any obligation hereunder that would place it in default, or that would, upon notice or passage of time or both, place it in default, under the Fee Mortgage.

6.03 Performance by Bank. Mortgagor hereby authorizes Bank, at its option, to perform any covenants, do any acts, and make any payments required by the terms of the Fee Mortgage, the Fee Note, or any other document securing the Fee Note that have not been performed by, done by, or paid by Mortgagor at the times required by such documents and instruments. All expenses incurred and all sums paid by Bank relative to the foregoing authority shall be secured hereby with interest thereon at the Default Interest Rate and shall be payable to Bank on demand. The exercise of the option by Bank to perform any of such covenants, do any of such acts, or make any of such payments as aforesaid may be made by Bank prior to, simultaneously with, or subsequent to the exercise by Bank of the option in this paragraph contained to declare all indebtedness hereby secured, without notice, to be immediately due and payable.

VII

DEFAULTS AND REMEDIES

7.01 Events Constituting Defaults. Each of the following events shall constitute a default (a "Default") under this Mortgage:

(a) Failure of Mortgagor to pay any amount secured hereby when such sum becomes due and payable hereunder or under the Guaranty;

(b) Failure of Mortgagor to comply with the covenants, warranties and provisions of Paragraphs 3.03 and 3.05;

(c) Failure of Mortgagor to comply with any covenant, warranty, or other provision contained herein, other than those covenants, warranties and provisions identified in Paragraphs 7.01(a) and (b) above, for a period in excess of 30

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days after the date on which notice of the nature or existence of such failure is given by Bank to Mortgagor;

(d) Untruth or material deceptiveness of any representation or warranty contained herein;

(e) Admission by any of Borrower, Mortgagor or Lessor, in writing, including without limitation an answer or other pleading filed in any court, of any of Mortgagor's, Borrower's or Lessor's insolvency or the inability of any of them to pay their debts generally as they fall due;

(f) Institution by any of Borrower, Mortgagor or Lessor of bankruptcy, insolvency, reorganization, or arrangement proceedings of any kind under the Federal Bankruptcy Code or any similar law, federal or state, now or hereafter existing, or the making by any of Borrower, Mortgagor or Lessor of a general assignment for the benefit of creditors;

(g) Institution of any proceedings described in Paragraph 7.01(f) against any of Borrower, Mortgagor or Lessor that are consented to by any of Borrower, Mortgagor or Lessor, or are not dismissed, vacated, or stayed within thirty (30) days after the filing thereof;

(h) Appointment by any court of a receiver, trustee, or liquidator of or for, or assumption by any court of jurisdiction of, all or any part of the Mortgaged Property or all or a major portion of the property of any of Borrower, Mortgagor or Lessor, if such appointment or assumption is consented to by any of Borrower, Mortgagor or Lessor, or, within thirty (30) days after such appointment or assumption, such receiver, trustee, or liquidator is not discharged or such jurisdiction is not relinquished, vacated, or stayed;

(i) Declaration by any court or governmental agency of the bankruptcy or insolvency of Borrower, Mortgagor or Lessor;

(j) The death or adjudicated incompetency of Borrower;
or

(k) The occurrence of any Event of Default under the Guaranty or any other one of the Loan Documents.

7.02 Acceleration of Maturity. At any time during the existence of any Default, and at the option of Bank, the entire principal balances then outstanding under the Notes, together with interest accrued thereon and all other sums due from Borrower under the Loan Documents, shall become immediately due and payable with interest thereon at the Default Interest Rate without notice.

7.03 Foreclosure of Mortgage; Other Remedies. Upon the occurrence of any Default, or at any time thereafter, Bank may, at its option, proceed to foreclose the lien of this Mortgage by judicial proceedings in accordance with the laws of the State of Illinois

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and may exercise any rights and remedies available to Bank under the Uniform Commercial Code of Illinois or under any other statute of the State of Illinois. If any notification of intended disposition of any of the Goods is required by law, such notification shall be deemed reasonable and proper if given at least ten (10) days before such disposition. Any failure by Bank to exercise either of such options shall not constitute a waiver of its right to exercise the same at any other time.

7.04 Bank's Continuing Options. The failure of Bank to exercise either or both of its options to accelerate the maturity of the indebtedness secured hereby and to foreclose the lien hereof following any Default as aforesaid, or to exercise any other option granted to Bank hereunder in any one or more instances, or the acceptance by Bank of partial payments of such indebtedness, shall neither constitute a waiver of any such Default or of Bank's options hereunder nor establish, extend, or affect any grace period for payments due under the Notes or the Guaranty, but such options shall remain continuously in force. Acceleration of maturity, once claimed hereunder by Bank, may at Bank's option be rescinded by written acknowledgement to that effect by Bank and shall not affect Bank's right to accelerate maturity upon or after any future Default.

7.05 Intentionally deleted.

7.06 Performance by Bank. In the event of any Default, Bank may, but need not, make any payment or perform any act herein required of Mortgagor in any form and manner deemed expedient by Bank in its reasonable discretion. All monies paid for any of the purposes authorized herein and all expenses paid or incurred in connection therewith, including reasonable attorney's fees, and any other monies advanced by Bank to protect the Mortgaged Property and the lien of this Mortgage, shall be so much additional indebtedness under the Guaranty and secured hereby. Inaction of Bank shall never be construed to be a waiver of any right accruing to Bank by reason of any default by Mortgagor.

7.07 Right of Possession. In any case in which, under the provisions of this Mortgage or the other Loan Documents, Bank has a right to institute foreclosure proceedings, whether or not the entire principal sum secured hereby becomes immediately due and payable as aforesaid, or whether before or after the institution of proceedings to foreclose the lien hereof or before or after sale thereunder, Mortgagor shall, forthwith upon demand of Bank, surrender to Bank, and Bank, in person, by agent or by a judicially appointed receiver, shall be entitled to enter upon and take and maintain possession of all or any part of the Mortgaged Property, together with all documents, books, records, papers, and accounts of Mortgagor (or the then owner of the Mortgaged Property) relating thereto, and may exclude Mortgagor, such owner, and any agents and servants thereof wholly therefrom. Bank, personally, by its agents or by a judicially appointed receiver may, to the extent permitted by law and under the powers herein granted: (a) hold, operate, manage, and control all or any part of the Mortgaged Property, as

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tenant under the Lease, collect the rents arising from any subleases and conduct the business, if any, thereof, with full power to use such measures, legal or equitable, as in its discretion may be deemed proper or necessary, all without notice to Mortgagor; (b) cancel or terminate any lease or sublease of all or any part of the Mortgaged Property for any cause or on any ground that would entitle Mortgagor to cancel the same; (c) elect to disaffirm any lease or sublease of all or any part of the Mortgaged Property made subsequent to this Mortgage or subordinated to the lien hereof; (d) extend or modify any then existing leases and make new leases of all or any part of the Mortgaged Property and issue a deed or deeds to a purchaser or purchasers at a foreclosure sale; it being understood and agreed that any such leases, and all of the provisions thereof, shall be binding upon Mortgagor, all persons whose interests in the Mortgaged Property are subject to the lien hereof, and the purchaser or purchasers at any foreclosure sale, notwithstanding any redemption from sale, discharge of the indebtedness secured hereby, satisfaction of any foreclosure decree, or issuance of any certificate of sale or deed to any such purchaser; and (e) make all necessary or proper repairs, decoration, renewals, replacements, alterations, additions, betterments, and improvements in connection with the Mortgaged Property as may seem judicious to Bank; insure and reinsure the Mortgaged Property and all risks incidental to Bank's possession, operation, and management thereof; and receive all rents, issues, deposits, profits, and avails therefrom.

7.08 Application of Rents and Other Payments. Any rents, issues, deposits, profits, and avails of the Mortgaged Property received by Bank after taking possession of all or any part of the Mortgaged Property, or pursuant to any assignment thereof to Bank under the Loan Documents from any subleases, shall be applied in payment of or on account of the following, in such order as Bank or, in case of a receivership, as the court, may determine: (a) operating and maintenance expenses of the Mortgaged Property; (b) taxes, special assessments, and other charges due or to become due on the Mortgaged Property; (c) any and all repairs, decorating, renewals, replacements, alterations, additions, betterments, and improvements of the Mortgaged Property; (d) any indebtedness or obligations secured by this Mortgage or any deficiency that may result from any foreclosure sale pursuant hereto; and (e) any remaining funds to Mortgagor or its successors or assigns, in their interests and rights may appear.

7.09 Foreclosure Sale: Application of Proceeds Thereof. In the event of any foreclosure sale of the Mortgaged Property, the same may be sold in one or more parcels. Bank may be the purchaser at any foreclosure sale of the Mortgaged Property or any part thereof. The proceeds of any foreclosure sale of the Mortgaged Property, or any part thereof, shall be distributed and applied in the following order of priority: (a) on account of all costs and expenses incident to the foreclosure proceedings; (b) in payment of all other amounts that, under the terms of this Mortgage, constitute secured indebtedness additional to that evidenced or secured by the Guaranty, with interest thereon at the Default

Interest Rate; (c) as a payment under the Guaranty in the order, if any, of priority specified therein; and (d) the balance, if any, to Mortgagor or its successors or assigns, as their interests and rights may appear.

7.10 Application of Deposits. In the event of any Default, Bank may, at its option, apply any monies or securities that constitute deposits made to or held by Bank or any depository pursuant to any of the provisions of this Mortgage toward payment of any of Mortgagor's obligations under the Guaranty, in the order, if any, specified in the Guaranty. Such deposits are hereby pledged as additional security for the prompt payment of the indebtedness and obligations evidenced by the Guaranty.

7.11 Waiver of Statutory Rights. Mortgagor shall not apply for or avail itself of any appraisal, valuation, redemption, stay, extension, or exemption laws, or any so-called "moratorium laws," now existing or hereafter enacted, in order to prevent or hinder the enforcement or foreclosure of this Mortgage, but hereby waives the benefit of such laws. Mortgagor, for itself and all who may claim through or under it, hereby also waives any and all rights to have the Mortgaged Property and estates comprising the Mortgaged Property marshaled upon any foreclosure of the lien hereof, and agrees that any court having jurisdiction to foreclose such lien may order the Mortgaged Property sold in its entirety. Mortgagor hereby further waives any and all rights of redemption from sale under any order or decree of foreclosure of the lien hereof pursuant to the rights herein granted, for itself and on behalf of any trust estate of which the Premises are a part, all persons beneficially interested therein, and each and every person acquiring any interest in the Mortgaged Property or any interest in the Premises subsequent to the date of this Mortgage, and, on behalf of all other persons, all to the extent permitted by applicable law.

VIII

MISCELLANEOUS

8.01 Notices. Except as otherwise hereinabove specified, any notice hereunder shall be in writing and shall be mailed or delivered to the intended recipient thereof at its address hereinabove set forth or at such other address as such intended recipient may, from time to time, by notice in writing, designate to the sender pursuant hereto. Any such notice shall be deemed to have been delivered two (2) business days after mailing by United States registered or certified mail, return receipt requested, or when delivered in person, with written acknowledgment of the receipt thereof.

8.02 Time of Essence. Time is of the essence of this Mortgage.

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8.03 Covenants Run with Land. All of the covenants of this Mortgage shall run with the land constituting the Premises.

8.04 Governing Law. This Mortgage shall be construed and enforced according to the laws of the State of Illinois.

8.05 Severability. If any provision of this Mortgage, or any paragraph, sentence, clause, phrase, or word, or the application thereof, in any circumstance, is held invalid, the validity of the remainder of this Mortgage shall be construed as if such invalid part were never included herein.

8.06 Grammar: Joint and Several Liability. As used in this Mortgage, the singular shall include the plural, and masculine, feminine, and neuter pronouns shall be fully interchangeable, where the context so requires. To the extent that Mortgagor consists of more than one person, partnership, corporation or other entity or combination thereof, all warranties, representations, covenants and agreements made herein and in the other Loan Documents shall be deemed to be made jointly and severally by each person, partnership, corporation and entity comprising Mortgagor.

8.07 Successors and Assigns. This Mortgage and the Guaranty and all their respective provisions shall be binding upon Mortgagor, its successors, assigns, legal representatives, and all other persons or entities claiming under or through Mortgagor.

8.08 Exculpation. This Mortgage is executed and delivered by Lessor on behalf of American National Bank & Trust Company of Chicago, not personally but as Trustee as aforesaid. It is expressly understood and agreed that nothing contained in this Mortgage shall be construed as creating any liability on said Bank personally to pay the indebtedness secured by this Mortgage or any interest that may accrue thereon, or to perform any covenant, express or implied, contained herein, all such personal liability, if any, being expressly waived by Bank and by every person now or hereafter claiming any right or security hereunder.

8.09 Waiver of Jury Trial. MORTGAGOR WAIVES ANY RIGHT TO HAVE A JURY PARTICIPATE IN RESOLVING ANY DISPUTE, WHETHER SOUNDING IN CONTRACT, TORT, OR OTHERWISE, BETWEEN BANK AND MORTGAGOR ARISING OUT OF, CONNECTED WITH, RELATED TO OR INCIDENTAL TO THE RELATIONSHIP ESTABLISHED BETWEEN THEM IN CONNECTION WITH THIS MORTGAGE. INSTEAD, ANY DISPUTES RESOLVED IN COURT WILL BE RESOLVED IN A BENCH TRIAL WITHOUT A JURY.

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IN WITNESS WHEREOF, Mortgagor has caused this Mortgage to be executed as of the date hereinabove first written.

MORTGAGOR:

HALSTED TERRACE NURSING CENTER, INC.,
an Illinois corporation


By: 
Bernard Hollander, President

JOINDER BY LESSOR:

The undersigned hereby joins in the execution of this Mortgage for the purpose of acknowledging and agreeing to all of the terms and conditions hereof:

LESSOR:

HALSTED TERRACE LIMITED PARTNERSHIP,
an Illinois limited partnership, for
itself and as Beneficiary of American
National Bank Trust Number 117869-02
dated January 10, 1994

By: 
Bernard Hollander,
Managing General Partner

PROPERTY OF COOK COUNTY CLERK'S Office

9401100

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EXHIBIT A

LEGAL DESCRIPTION

PARCEL 1:

THE WEST 158 FEET OF THE NORTH HALF OF LOT 52, (EXCEPT THE SOUTH 50 FEET THEREOF) AND (EXCEPT THE NORTH 33 FEET AND EXCEPT THE WEST 50 FEET OF SAID NORTH HALF OF LOT 52 TAKEN FOR STREETS) IN SCHOOL TRUSTEES' SUBDIVISION OF SECTION 16, TOWNSHIP 37 NORTH, RANGE 14 EAST OF THE THIRD PRINCIPAL MERIDIAN, IN COOK COUNTY, ILLINOIS

PARCEL 2:

THE SOUTH 50 FEET OF THE EAST 108 FEET OF THE WEST 158 FEET OF THE NORTH HALF OF LOT 52 IN SCHOOL TRUSTEES' SUBDIVISION OF SECTION 16, TOWNSHIP 37 NORTH, RANGE 14 EAST OF THE THIRD PRINCIPAL MERIDIAN, IN COOK COUNTY, ILLINOIS

PARCEL 3:

THE EAST 108 FEET OF THE WEST 158 FEET OF THE SOUTH HALF OF LOT 52; ALSO THAT PART OF THE EAST 108 FEET OF THE WEST 158 FEET OF LOT 53 LYING NORTH OF THE SOUTH 33 FEET OF SAID LOT 53, ALL IN SCHOOL TRUSTEES' SUBDIVISION OF SECTION 16, TOWNSHIP 37 NORTH, RANGE 14 EAST OF THE THIRD PRINCIPAL MERIDIAN, IN COOK COUNTY, ILLINOIS ***

PIN NUMBERS: 25-16-316-001
25-16-316-002
25-16-316-012
25-16-316-013

COMMON STREET ADDRESS:

10935 South Halsted
Chicago, Illinois 60628

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EXHIBIT B

FEE MORTGAGE AND FEE MORTGAGEE

Mortgage dated February 1, 1994 made by American National Bank & Trust Company of Chicago, a national banking association, as Trustee under Trust Agreement dated January 10, 1994 and known as Trust Number 117869-02, as Mortgagor, to Cambridge Realty Capital Ltd. of Illinois, an Illinois corporation, recorded in the Office of the Recorder of Deeds of Cook County, Illinois on February 16, 1994 as Document No. 94153541 to secure a Note in the original principal amount of \$8,746,500.

Property of Cook County Clerk's Office

94153541

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9 1 5 4 1 5 2

STATE OF ILLINOIS)
) SS
COUNTY OF C O O K)

I, NANCY A. CERVANTES, a Notary Public, in and for said County, in the State aforesaid, DO HEREBY CERTIFY that Bernard Hollander, President of Halsted Terrace Nursing Center, Inc., an Illinois corporation, who is personally known to me to be the same person whose name is subscribed to the foregoing instrument as such President, appeared before me this day in person and acknowledged that he signed and delivered the said instrument as his own free and voluntary act and as the free and voluntary act of said corporation, for the uses and purposes therein set forth.

GIVEN under my hand and Notarial Seal this 13th day of July, 1994.

Nancy A. Cervantes
Notary Public

My Commission Expires:

July 28, 1997



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STATE OF ILLINOIS)
) SS
COUNTY OF C O O K)

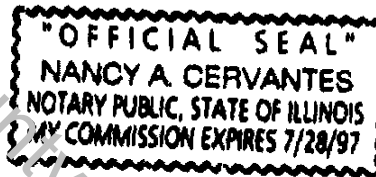
I, Nancy A. Cervantes, a Notary Public, in and for said County, in the State aforesaid, DO HEREBY CERTIFY that Bernard Hollander, Managing General Partner of Halsted Terrace Limited Partnership, an Illinois limited partnership, for itself and as Beneficiary of American National Bank Trust Number 117869-02 dated January 10, 1994, who is personally known to me to be the same person whose name is subscribed to the foregoing instrument as such Managing General Partner, appeared before me this day in person and acknowledged that he signed and delivered the said instrument as his own free and voluntary act and as the free and voluntary act of said partnership, for the uses and purposes therein set forth.

GIVEN under my hand and Notarial Seal this 13th day of July, 1994.

Nancy A. Cervantes
Notary Public

My Commission Expires:

July 28, 1997



9464195