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DEPARTMENT OF RECORDING \$63.00
FEB 1 1994 10:54:00
COOK COUNTY RECORDER

Regulatory Agreement
Nursing Homes

U.S. Department of Housing
and Urban Development
Office of Housing
Federal Housing Commissioner



Project Number 071-22003		Mortgagee CAMBRIDGE REALTY CAPITAL LTD. OF ILLINOIS	
Amount of Mortgage Note \$8,746,500.00		Date February 1, 1994	
Mortgage Recorded (State) ILLINOIS	County COOK	Date	
Book		Page	

This Agreement entered into this first day of February, 1994, between HALSTED TERRACE NURSING CENTER, INC. whose address is c/o ITEX, 6633 N. Lincoln, Lincolnwood, Illinois 60645

(jointly and severally, hereinafter referred to as Lessee) and the undersigned Federal Housing Commissioner, (hereinafter called Commissioner).

In consideration of the consent of the Commissioner to the leasing of the aforesaid project by AMERICAN NATIONAL BANK AND TRUST COMPANY OF CHICAGO NOT PERSONALLY BUT SOLELY AS TRUSTEE UNDER TRUST NO. 117869-02 DATED JANUARY 10, 1994, Mortgagor, and in order to comply with the requirements of the National Housing Act and the Regulations adopted by the Commissioner pursuant thereto, Lessees agree for themselves, their successors, heirs and assigns, that in connection with the mortgaged property and the project operated thereon and so long as the Contract of Mortgage Insurance continues in effect, and during such further period of time as the Commissioner shall be the owner, holder or reinsurer of the mortgage, or during any time the Commissioner is obligated to insure a mortgage on the mortgaged property:

- (1) The lease shall be subject and subordinate to the mortgage securing the note or other obligation endorsed for insurance by the commissioner;
- (2) Lessee shall make payments under lease when due;
- (3) Payments by the lessee to the lessor shall be sufficient to pay all mortgage payments including payments to reserves for taxes, insurance, etc., payments to the Reserve for Replacements, and to take care of necessary maintenance. If at the end of any calendar year, or any fiscal year if the project operates on the basis of a fiscal year, payments under the lease have not been sufficient to take care of the above items, the lessor and lessee upon request in writing from the Commissioner shall renegotiate the amounts due under the lease so that such amounts shall be sufficient to take care of such items; the Commissioner shall be furnished by the lessee, within thirty days after being called upon to do so, with a financial report in form satisfactory to the Commissioner covering the operations of the mortgaged property and of the project;
- (4) The lessee shall not sublease the project or any part thereof without the consent of the Commissioner;
- (5) The lessee shall at all times maintain in full force and effect a license from the State or other licensing authority to operate the project as a nursing home, but the owner shall not be required to maintain such a license;
- (6) Lessee shall maintain in good repair and condition any parts of the project for the maintenance of which lessee is responsible under the terms of the lease;
- (7) Lessee shall not remodel, reconstruct, add to, or demolish any part of the mortgaged property or subpart from any real or personal property of the project;
- (8) Lessee shall not use the project for any purpose except the operation of a nursing home;
- (9) If a default is declared by the Commissioner under the provisions of Paragraph 10 of the Regulatory Agreement entered into by the lessor-mortgagor and the Commissioner on the first day of February, 1994, a copy of notice of default having been given to the lessee, the lessee will thereafter make all future payments under the lease to the Commissioner;
- (10) The lease may be cancelled upon thirty days written notice by the Commissioner given to the lessor and the lessee for a violation of any of the above provisions unless the violation is corrected to the satisfaction of the Commissioner within said thirty day period.
- (11) The Commissioner must approve any change in or transfer of ownership of the lessee entity, and any change in or transfer of the management operation, or control of the project.

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- (12) The lessee shall not reduce or expand, allow to be reduced or expanded, or cause the expansion or reduction of the bed capacity of the project without the consent of the Commissioner. Any change in the bed capacity shall violate this Regulatory Agreement.
- (13) The lessee shall not enter into any management contract involving the project, unless such shall contain a provision that, in the event of default under the Regulatory Agreement as recited in paragraph 9 (above) of this Agreement, the management agreement shall be subject to termination without penalty upon written request of the Commissioner. Upon such request the lessee shall immediately arrange to terminate the contract within a period of not more than thirty (30) days and shall make arrangements satisfactory to the Commissioner for continuing proper management of the project.
- (14) The mortgaged property, equipment, buildings, plant, offices, apparatus, devices, books, contracts, records, documents, and other papers relating thereto shall at all times be maintained in reasonable condition for proper audit and subject to examination and inspection at any reasonable time by the Commissioner or his duly authorized agents. Lessee shall keep copies of all written contracts or other instruments which affect the mortgaged property, all or any of which may be subject to inspection and examination by the Commissioner or his/her duly authorized agents.
- (15) There shall be full compliance with the provisions of (1) any State or local laws prohibiting discrimination in housing on the basis of race, color, creed, or national origin; and (2) with the Regulations of the Federal Housing Administration providing for non-discrimination and equal opportunity in housing. It is understood and agreed that failure or refusal to comply with any such provisions shall be a proper basis for the Commissioner to take any corrective action he may deem necessary including, but not limited to, the refusal to consent to a further renewal of the lease between the mortgagor-lessor and the lessee, the rejection of applications for FHA mortgage insurance and the refusal to enter into future contracts of any kind with which the lessee is identified; and further, if the lessee is a corporation or any other type of business association or organization which may fail or refuse to comply with the aforementioned provisions, the Commissioner shall have a similar right of corrective action (1) with respect to any individuals who are officers, directors, trustees, managers, partners, associates or principal stockholders of the lessee; and (2) with respect to any other type of business association, or organization with which the officers, directors, trustees, managers, partners, associates or principal stockholders of the lessee may be identified.

Instructions to Closing Attorney
Regulatory Agreement—form HUD-92466-NH.
Nursing Homes—Section 232

This Regulatory Agreement must be executed by the Lessee and the Commissioner and recorded before the Note is endorsed for insurance.

Note that there is space left on the back of the printed form for proper execution of the instrument.

The execution by the Commissioner and by the Lessee must be in accordance with the requirements of the jurisdiction where the project is located and must permit the instrument to be recorded.

The Agreement is to be executed in the name of the Commissioner. It will be signed for the Commissioner by the Field Office Manager or authorized agent who endorses the Note for insurance.

Recording must be at the expense of the mortgagor-owner or lessee.

Sufficient space is left on the back for the insertion of any necessary additional provisions. Any changes in the Agreement and any substantial additions shall receive the prior approval of the Assistant Secretary for Housing.

A copy of the Commissioner-approved lease shall be attached to this Regulatory Agreement. If the lease has already been filed or recorded re-recording will be unnecessary, and a copy of the recorded lease (with recording data) will be attached following recording of the form HUD-92466-NH.

The Agreement must be executed by the Lessee prior to execution by the Commissioner.

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EXCULPATORY PROVISIONS ATTACHED TO
LEASE AGREEMENT FOR
HALSTED TERRACE NURSING CENTER
FEDERAL HOUSING ADMINISTRATION
PROJECT NO. 071-22003

This document is executed by AMERICAN NATIONAL BANK AND TRUST COMPANY OF CHICAGO, NOT PERSONALLY, BUT SOLELY AS TRUSTEE UNDER TRUST AGREEMENT DATED JANUARY 10, 1994 AND KNOWN AS TRUST NO. 117869-02, in the exercise of the power and authority conferred upon and vested in said Trustee as such, and it is expressly understood and agreed that nothing in this document contained shall be construed as creating any monetary liability on said Trustee personally, to pay any indebtedness occurring thereunder, or any personal monetary liability on said Trustee with respect to the performance of any warranty or covenant, either expressed or implied, in said document (all such personal liability, if any, being expressly waived by the parties hereto and by every person now or hereafter claiming any right or security thereunder) except that the said Trustee shall be liable for funds or property of the project coming into its hand, which by the Regulatory Agreement Housing for Multifamily Housing Projects, it is not entitled to retain.

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AGREEMENT

THIS AGREEMENT (the "Lease"), made as of this 10th day of February, 1994 by and between HALSTED ASSOCIATES LIMITED PARTNERSHIP, an Illinois limited partnership, beneficiary of AMERICAN NATIONAL BANK AND TRUST COMPANY OF CHICAGO as trustee under TRUST Agreement known as Trust Number 117869-02 dated January 10, 1994 (hereinafter referred to as "Lessor"), and HALSTED TERRACE NURSING CENTER, INC., an Illinois corporation (hereinafter referred to as "Lessee").

WITNESSETH:

WHEREAS, Lessor is the owner of that certain tract of land which is improved with a 300 bed nursing home facility, situated in the County of Cook and commonly known as 10935 South Halsted Street, Chicago, Illinois, (hereinafter referred to as the "Demised Premises"); and

WHEREAS, Lessor is the owner of the furnishings, furniture, equipment, supplies and fixtures to be used in or about the Demised Premises (hereinafter referred to as the "Personal Property"); and

WHEREAS, Lessor desires to lease the Demised Premises and Personal Property to the Lessee and Lessee desires to lease the Demised Premises and Personal Property from Lessor; and

WHEREAS, the parties hereto have agreed to the terms and conditions of this Lease.

NOW THEREFORE, it is agreed that the use and occupancy of the Demised Premises, and the use of the Personal Property shall be subject to and in accordance with the terms, conditions and provisions of this Lease.

ARTICLE I - PREAMBLES

1.1 It is agreed between the parties hereto that all of the preceding Preambles to this Lease shall be, and are hereby made, a part of the contractual provisions hereof to the same extent as if specifically set forth in full in this Article I.

ARTICLE II - DEMISED PREMISES AND PERSONAL PROPERTY

2.1 Lessor, for and in consideration of the rents, and covenants and agreements hereinafter reserved, mentioned and contained on the part of the Lessee, its successors and assigns, to be paid, kept and performed, does hereby lease unto Lessee the Demised Premises together with the Personal Property to be used in and upon the Demised Premises for the term hereinafter specified,

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for use and operation therein and thereon of a nursing home facility.

ARTICLE III - TERM OF LEASE

3.1 The term of this lease shall be for a period of two (2) years commencing on or about 2/17, 1994, (said date is hereafter referred to as the "Commencement Date"). This lease shall automatically be extended for additional one (1) year terms, unless terminated by either party upon giving sixty (60) day notice.

ARTICLE IV - RENT

4.1 Lessee shall pay to beneficiary of the Lessor, or as Lessor shall direct, a fixed monthly rental for the Demised Premises and the Personal Property over and above all other and additional payments to be made by Lessee as provided in this lease the amount set forth in Schedule 1 attached hereto.

In the event the Commencement Date shall be other than the first day of the month, Lessee shall pay to Lessor a pro rata portion of the rent for the month and a pro rata portion of all tax, insurance and other deposits provided for in this lease. All rental payments, together with all tax, insurance deposits provided for in this lease shall be paid in advance on the first day of each month. Unless otherwise notified in writing all checks shall be made payable to Lessor and shall be sent as directed by Lessor.

4.2 This lease is and shall be deemed and construed to be a net-net lease and the rent specified herein shall be net to the Lessor in each year during the term of this lease. The Lessee shall pay all costs, expenses and obligations of every kind relating to the Demised Premises which may arise or become due during the term of this lease, except for any principal and interest payments relating to any note secured by a real estate mortgage on the Demised Premises. Lessee does hereby indemnify the Lessor against any and all such costs, expenses and obligations.

ARTICLE V - PERSONAL PROPERTY

5.1 Lessee hereby leases from Lessor the Personal Property used in connection with the operation of the nursing home facility located on the Demised Premises.

ARTICLE VI - PAYMENT OF TAXES, ASSESSMENTS

6.1 Lessee will pay or cause to be paid, as provided herein, as Additional Rent, before any fine, penalty, interest or cost may be added thereto, for the non-payment thereof, all taxes, assessments, licenses and permit fees and other governmental

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charges, general and special, ordinary and extraordinary, foreseen and unforeseen, of any kind and nature whatsoever which during the term of this Lease may have been, or may be assessed, levied, confirmed, imposed upon, or grow or become due and payable out of or in respect of, or become a lien on the Demised Premises and/or Personal Property or any part thereof (hereinafter collectively referred to as "Taxes and Assessments").

6.2 Nothing herein contained shall require Lessee to pay income taxes assessed against Lessor, or capital levy, franchise, estate, succession, inheritance or transfer taxes of Lessor.

6.3 Lessee shall have the right to contest the amount or validity, in whole or in part, of any Taxes and Assessments by appropriate proceedings diligently conducted in good faith, but only after payment of such Taxes and Assessments, unless such payment would operate as a bar to such contest or interfere materially with the prosecution thereof, in which event, Lessee may postpone or defer such payment only if:

(1) Neither the Demised Premises nor any part thereof would by reason of such postponement or deferment be in danger of being forfeited or lost, and

(2) Lessee shall have deposited with Lessor or Mortgagee, to be held in trust, cash or securities satisfactory to Lessor or Mortgagee in an amount equal to not less than one hundred percent (100%) of the amount of such Taxes and Assessments which at such time shall be actually due and payable, and such additional amounts from time to time as may be necessary to keep on deposit at all times an amount equal to one hundred percent (100%) of such Taxes and Assessments at any time actually due and payable, together with all interest and penalties in connection therewith and all charges that may or might be assessed against or become a charge on the Demised Premises or any part thereof in such proceedings. For purposes of this subparagraph, a contest with respect to personal property tax assessment shall not require a deposit unless required by the Mortgagee.

The cash so deposited shall not bear interest and the cash or securities so deposited shall be held by Mortgagee or Lessor until the Demised Premises or any part thereof shall have been released and discharged and shall thereupon be returned to the Lessee, less the amount of any loss, cost, damage and reasonable expense that Mortgagee or Lessor may sustain in connection with the Taxes and Assessments so contested.

6.4 Upon the termination of any such proceedings, Lessee shall pay the amount of such Taxes and Assessments or part thereof as finally determined in such proceedings, the payment of which may have been deferred during the prosecution of such proceedings, together with any costs, fees, interest, penalties or other liabilities in connection therewith, and such payment, at Lessee's

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request, shall be made by Lessor out of the amount deposited with respect to such Taxes and Assessments as aforesaid. In the event such amount is insufficient, then the balance due shall be paid by Lessee.

6.5 Lessor shall not be required to join in any proceedings referred to in paragraph 6.3 of this Article, unless the provisions of any law, rule or regulation at the time in effect shall require that such proceedings be brought by and/or in the name of Lessor or any owner of the Demised Premises, in which event Lessor shall join in such proceedings or permit the same to be brought in its name. Lessor shall not ultimately be subjected to any liability for the payment of any costs or expenses in connection with any such proceedings, and Lessee will indemnify and save harmless Lessor from any such costs and expenses. Lessee shall be entitled to any refund of any real estate taxes and penalties or interest thereon received by Lessor but previously reimbursed in full by Lessee.

6.6 If any income profits or revenue tax shall be levied, assessed or imposed upon the income, profits or revenue arising from rents payable hereunder, partially or totally in lieu of or as a substitute for real estate taxes imposed upon the Demised Premises, then Lessee shall be responsible for the payment of such tax.

ARTICLE VII - TAX AND INSURANCE DEPOSITS

7.1. Lessee shall be required to make deposits for annual real estate taxes and insurance premiums and will make monthly deposits with Lessor, of an amount equal to one-twelfth (1/12) of the annual real estate taxes or such greater amount as may be required by the Mortgage and an amount equal to one-twelfth (1/12) of the annual premiums for insurance on the Demised Premises and Personal Property. Said deposits shall be due and payable on the first (1st) day of each month as Additional Rent, shall not bear interest and shall be held by Lessor or its Mortgagee to pay the real estate taxes and insurance premiums as they become due and payable. If the total of the monthly payments as made under this Article shall be insufficient to pay the real estate taxes and insurance premiums when due, then Lessee shall on demand pay Lessor the amount necessary to make up the deficiency in its pro rata share in the initial year of the term hereof and thereafter shall pay the full deficiency upon demand.

ARTICLE VIII - OCCUPANCY

8.1 During the term of this lease, the Demised Premises shall be used and occupied by Lessee for and as a nursing home facility.

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ARTICLE IX - INSURANCE

9.1 Lessee shall, at its sole cost and expense, during the full term of this Lease, maintain fire, tornado and windstorm insurance with extended coverage endorsement both on the Demised Premises and the Personal Property on the Illinois standard form with a responsible company or companies approved by Lessor, which approval will not be unreasonably withheld. Such insurance shall, at all times, be maintained (without any co-insurance clause, if possible) in an amount as may be required by any mortgagee of the Demised Premises or, absent such requirement, in an amount sufficient to prevent Lessor and Lessee from becoming co-insurers under applicable provisions of the insurance policies. Such insurance shall at all times be payable to Lessor, and Lessee as their interests may appear, and shall contain a loss-payable clause to the holder of any mortgage to which this Lease shall be subject and subordinate, as said mortgagee's interest may appear.

9.2 Lessee shall also, at Lessee's sole cost and expense, cause to be issued and shall maintain during the entire term of this Lease:

(1) A public liability policy naming Lessor, its beneficiary and Lessee, as insured, and insuring them against claims for bodily injury, or property damage occurring upon, in or about the Demised Premises, or in or upon the adjoining streets, sidewalks, passageways and areas. Such insurance to afford protection to the limits of not less than \$1,000,000.00 per each occurrence and \$2,000,000.00 in the aggregate.

(2) Boiler explosion insurance, if required, in the amount of not less than \$100,000.00, under the terms of which Lessor, its beneficiary and Lessee will be indemnified, as their interests may appear, against any loss or damage which may result from any accident or casualty in connection with any boiler used in the Demised Premises, whereby any person or persons may be injured or killed or property damaged in or about the Demised Premises.

9.3 All policies of insurance to the extent applicable shall provide that:

(1) They are carried in favor of the Lessor, Lessee and any mortgagee, as their respective interests may appear, and any loss shall be payable as therein provided, notwithstanding any act or negligence of Lessor or Lessee, which might otherwise result in forfeiture of insurance; and

(2) They shall not be cancelled, terminated, reduced or materially modified without at least twenty (20) days' prior written notice to Lessor.

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9.4 The originals of all insurance policies required by this Article shall be delivered to Lessor at least five (5) days prior to the Commencement Date.

(1) All policies of insurance required by this Article shall contain a standard mortgagee clause in favor of any mortgagee, and shall contain, if obtainable, a waiver of the insurer's right of subrogation against funds paid under the standard mortgagee endorsement which are to be used to pay the cost of any repairing, rebuilding, restoring or replacing.

9.5 Lessee shall at all times keep in effect business interruption insurance naming Lessor as an insured in an amount at least sufficient to cover:

(1) The aggregate of the cost of all Taxes and Assessments due during the period of the next succeeding twelve (12) months following the occurrence of the business interruption; and

(2) The cost of all insurance premiums for insurance required to be carried by Lessee for such twelve (12) month period; and

(3) The aggregate of the amount of the fixed monthly rental for the next succeeding twelve (12) month period. All proceeds of any business interruption insurance shall be applied, first, to the payment of any and all fixed rental payments for the next succeeding twelve (12) months; second, to the payment of any Taxes and Assessments and insurance deposits required for the next succeeding twelve (12) months; and, thereafter, after all necessary repairing, rebuilding, restoring or replacing has been completed as required by the pertinent articles of this Lease and the pertinent sections of any applicable mortgage, any remaining balance of such proceeds shall be paid over to the Lessee.

ARTICLE X - LESSOR'S RIGHT TO PERFECT

10.1 Should Lessee fail to perform any of its covenants herein agreed to be performed, Lessor may, but shall not be required, make such payment or perform such covenants, and all sums so expended by Lessor thereon shall immediately be payable by Lessee to Lessor.

10.2 Performance of and/or payment to discharge said Lessee's obligations shall be optional with Lessor and Mortgagee and such performance and payment shall in no way constitute a waiver of, or a limitation upon, Lessor's and Mortgagee's other rights hereunder.

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ARTICLE XI - REPAIRS AND MAINTENANCE

11.1 Throughout the term of this Lease, Lessee, at its sole cost and expense, will keep and maintain, or cause to be kept and maintained, the Demised Premises (including the grounds, sidewalks and curbs abutting the same) and the Personal Property in good order and condition without waste and in a suitable state of repair at least comparable to that which existed immediately prior to the Commencement Date (ordinary wear and tear excepted), and will make or cause to be made, as and when the same shall become necessary, all structural and nonstructural, exterior and interior, replacing, repairing and restoring necessary to that end. All replacing, repairing and restoring required of Lessee shall be (in the reasonable opinion of Lessor and Mortgagee) of first class quality at least equal to the original work and shall be in compliance with all standards and requirements of law, licenses and municipal ordinances.

11.2 In the event that any part of the Demised Premises or the Personal Property shall be damaged or destroyed by fire or other casualty (any such event being called a "Casualty"), Lessee shall, promptly replace, repair and restore the same as nearly as possible to the condition it was in immediately prior to such Casualty, in accordance with all the terms, covenants and conditions and other requirements of this Lease and the Mortgage applicable in the event of such Casualty. The Demised Premises and the Personal Property shall be so replaced, repaired and restored as to be of at least equal value and substantially the same character as prior to such Casualty. Lessee shall have the right, at any time and from time to time, to remove and dispose of any Personal Property which may have become obsolete or unfit for use, or which is no longer useful in the operation of the Demised Premises, provided Lessee promptly replaces any such Personal Property so removed or disposed of with other personal property free of security interest, liens or encumbrances, of the same character, and least equal usefulness and quality to any such Personal Property so removed or disposed of and such replacement property shall automatically become the property of and shall belong to the Lessor.

ARTICLE XII - DEMOLITION

12.1 Lessee will not demolish the Demised Premises or any portion thereof or allow it to be removed or demolished, without the prior written consent of the Lessor and the Federal Housing Commission, which consent shall not be unreasonably withheld.

ARTICLE XIII - COMPLIANCE WITH LAWS AND ORDINANCES

13.1 Throughout the term of this Lease, Lessee, at its sole cost and expense, will use its best efforts to, obey, observe

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and comply with all present and future laws, ordinances, orders, rules, regulations and requirements of any federal, state and municipal governmental agency or authority having jurisdiction over the Demised Premises.

13.2 Lessee shall likewise observe and comply with the requirements of all policies of public liability and fire insurance and all other policies of insurance at any time in force with respect to the Demised Premises.

ARTICLE XIV - DISCHARGE OF LIENS

14.1 Lessee will not create any lien, encumbrance or charge levied on account of any mechanic's, laborer's or materialman's lien upon the Demised Premises for work or materials or personal property furnished or supplied to, or claimed to have been supplied to or at the request of Lessee.

14.2 If any mechanic's, laborer's or materialman's lien caused or charged to Lessee shall at any time be filed against the Property, Lessee shall have the right to contest such lien or charge.

ARTICLE XV - INSPECTION AND OCCUPANCY OF PREMISES BY LESSOR

15.1 At any time, during reasonable business hours, Lessor and/or its authorized representative shall, have the right to enter and inspect the Demised Premises and Personal Property.

15.2 Lessor agrees that upon entering and inspecting the Demised Premises and Personal Property the person or persons authorized under paragraph 15.1 above will cause an little inconvenience to the Lessee as may reasonably be possible under the circumstances.

ARTICLE XVI - CONDEMNATION

16.1 If all of the Demised Premises is taken by the exercise of the power of eminent domain, or sold under eminent domain proceedings, this Lease shall terminate as of the date possession is taken by the condemnor.

16.2 If less than all of the Demised Premises are taken by the exercise of the power of eminent domain or sold under eminent domain proceedings and if such exercise affected the improvements located on the Demised Premises, the lessor, subject to the consent of any Mortgagee under a mortgage affecting the Demised Premises shall, with reasonable diligence, restore or rebuild to the extent reasonably practicable any improvements upon the Demised Premises affected by the taking, but shall not be

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obligated to spend for such restoration any amount in excess of the amount awarded or paid to it by the condemnor for such purpose and provided that the mortgagees have approved the use of the award for such restoration.

16.3 In the event that all or less than all of the Declined Premiums are taken or so held, and this lease shall terminate as provided herein, then Lessor shall be entitled to the entire award for the real estate and improvements thereof. Lessee shall be entitled to any award that it can prove for damage to its leasehold interest, provided that such award is separately allocated to Lessee by the condemning authority and does not diminish or reduce the award to Lessor for the real estate and improvements.

ARTICLE XVII. RENT ABSOLUTE

17.1 Damage to or destruction of any portion of the buildings, structures and fixtures upon the Declined Premium, by fire, the elements or any other cause whatsoever, whether with or without fault on the part of Lessor, shall not terminate this lease or entitle Lessee to surrender the Declined Premium or entitle Lessor to any abatement or reduction in the rent payable, or otherwise affect the respective obligations of the parties hereto, any present or future law to the contrary notwithstanding.

ARTICLE XVIII. ASSIGNMENT AND SUBLETTING

18.1 During the term of this lease, Lessee shall not assign this lease or sublet all of the Declined Premium without the prior written consent of the Lessor and the Federal Housing Commissioner, which consent shall not be unreasonably withheld.

ARTICLE XIX. ACTS OF DEFAULT

The following acts or events shall be deemed to be a default on the part of the Lessee:

(1) The failure of Lessee to pay when due any rental payment, or any part thereof, or any other sum or sums of money due or payable to the Lessor under the provisions of this Lease, when such failure shall continue for a period of ten (10) days, after written notice to Lessee;

(2) The failure of Lessee to perform, or the violation by Lessee of, any of the covenants, terms, conditions or provisions of this lease, if such failure or violation shall not be cured within thirty (30) days after notice thereof by Lessor to Lessee;

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(3) The making by Lessee or beneficiary of Lessee of an assignment for the benefit of creditors;

(4) The levying of a writ of execution or attachment on or against the property of Lessee which is not discharged or stayed by action of Lessee contesting same, within ninety (90) days after such levy or attachment (provided if the stay is vacated or ended, this paragraph shall again apply);

(5) If proceedings are instituted in a court of competent jurisdiction for the reorganization, liquidation or involuntary dissolution of the Lessee or for its adjudication as a bankrupt or insolvent, or for the appointment of a receiver of the property of Lessee, or beneficiary of Lessee and said proceedings are not dismissed and any receiver, trustee or liquidator appointed therein discharged within ninety (90) days after the institution of said proceedings;

(6) The sale of the interest of Lessee in the Demised Premises under execution or other legal process;

(7) The abandonment of the Demised Premises by Lessee.

ARTICLE XX... RIGHT TO CONTEST

Lessee shall have the right upon written notice thereof to the Lessor, to contest by appropriate legal proceedings, diligently conducted in good faith, the validity or application of any law, regulation or rule mentioned herein, and to delay compliance therewith pending the prosecution of such proceedings.

ARTICLE XXI... LESSOR'S REMEDIES UPON DEFAULT

21.1 In the event of any default on the part of Lessee, Lessor may, if it so elects, forthwith terminate this Lease and Lessee's right to possession of the Demised Premises, or, at the option of the Lessor, terminate Lessee's right to possession of the Demised Premises without terminating this Lease. Upon any such termination of this Lease, or upon any such termination of Lessee's right to possession without termination of this Lease, Lessee shall vacate the Demised Premises immediately, and shall quietly and peaceably deliver possession thereof to the Lessor, and Lessee hereby grants to the Lessor full and free license to enter into and upon the Demised Premises in such event with or without process of law and to repossess the Demised Premises and Personal Property as the Lessor's former estate. In the event of any such termination of this Lease, the Lessor shall again have possession and enjoyment of the Demised Premises and Personal Property to the extent as if this Lease had not been made, and thereupon this Lease and everything herein contained on the part of Lessee to be done and

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performed shall cease and terminate, all, however, without prejudice to and without relinquishing the rights of the Lessor to rent (which, upon such termination of this Lease and entry of Lessor upon the Demised Premises, shall, in any event, be the right to receive rent due up to the time of such entry) or any other right given to the Lessor hereunder or by operation of law.

21.2 In the event of any default on the part of Lessee and Lessor elects either to terminate this lease or to terminate Lessee's right to possession of the Demised Premises, then all licenses, certifications, permits and authorizations issued by any governmental agency, body or authority in connection with or relating to the Demised Premises shall be deemed as being assigned to Lessor. Lessor shall also have the right to continue to utilize the telephone number and name used by Lessee.

21.3 If Lessee abandons the Demised Premises or otherwise entitles Lessor so to elect, the Lessor elects to terminate Lessee's right to possession only, without terminating this Lease. Lessor may, at its option, enter into the Demised Premises, remove Lessee's signs and other evidences of tenancy and take and hold possession thereof as in the foregoing paragraph 21.1 of this Article provided, without such entry and possession terminating this Lease or releasing Lessee in whole or in part, from Lessee's obligation to pay the rent hereunder for the full remaining term of this Lease, and in any such case Lessee shall pay to Lessor a sum equal to the entire amount of the rent reserved hereunder and required to be paid by Lessee up to the time of such termination of the right of possession plus any other sums then due hereunder. In any such case, Lessor may make repairs, alterations and additions in or to the Demised Premises, and redecorate the same to the extent deemed by Lessor desirable, and Lessee shall, upon demand, pay the cost thereof, together with Lessor's expenses of reletting. If the consideration collected by Lessor upon any such reletting is not sufficient to pay monthly the full amount of rent reserved in this Lease, together with the costs of repairs, alterations, additions, redecorating and Lessor's expenses, Lessee shall pay to the Lessor the amount of each monthly deficiency upon demand.

21.4 Except for default by Lessee in the payment of rent or any additional payment required hereunder, in any case where Lessor shall have given to Lessee a written notice specifying a situation which, as hereinbefore provided, must be remedied by Lessee within a certain time period, and, if for causes beyond Lessee's control, it would not reasonably be possible for Lessee to remedy such situation within such period, then, provided Lessee, immediately upon receipt of such notice, shall advise Lessor in writing of Lessee's intention to institute, and shall, as soon as reasonably possible thereafter, duly institute, and thereafter diligently prosecute to completion, all steps necessary to remedy such situation and shall remedy the same.

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ARTICLE XXII - LIABILITY OF LESSOR

It is expressly agreed by the parties that in no case shall Lessor be liable, under any express or implied covenant, agreement or provisions of this Lease, for any damages whatsoever to Lessee beyond the loss of rent reserved in this Lease, accruing after or upon any act or breach hereunder on the part of Lessor and for which damages may be sought to be recovered against Lessor.

ARTICLE XXIII - CUMULATIVE REMEDIES OF LESSOR

The specific remedies to which Lessor may resort under the terms of this Lease are cumulative and are not intended to be exclusive of any other remedies or means of redress to which Lessor may be lawfully entitled in case of any breach or threatened breach by Lessee of any provision or provisions of this Lease. The failure of Lessor to insist, in any one or more cases, upon the strict performance of any of the terms, covenants, conditions, provisions or agreements of this Lease, or to exercise any option herein contained, shall not be construed as a waiver or relinquishment for the future of any such term, covenant, condition, provisions, agreement or option.

ARTICLE XXIV - INDEMNIFICATION

To the extent insurance proceeds do not cover same, Lessee agrees to protect, indemnify and save harmless the Lessor from and against any and all claims, demands and causes of action of any nature whatsoever for injury to or death of persons or loss of or damage to property, occurring on the Demised Premises or any adjoining sidewalks, streets or ways, or in any manner growing out of or connected with the use and occupation of the Demised Premises or the condition thereof, or the use of any existing or future sewer system, or the use of any adjoining sidewalks, streets or ways during the terms of this Lease, and Lessee further agrees to pay any reasonable attorneys' fees and expenses incident to the defense by Lessor of any such claims, demands or causes of action.

ARTICLE XXV - SUBORDINATION PROVISIONS

This Lease (and Lessee's interest in all Personal Property) shall be subject and subordinate and interest to any mortgage given by Lessor to any lender which may affect the Demised Premises and/or Personal Property, and to all renewals, modifications, consolidations, replacements and executions thereof, provided that any such renewals, modifications, consolidations and extensions do not require payments thereon of principal and interest, in excess of the rent reserved hereunder. Lessee agrees to execute and deliver upon demand such further instruments subordinating this lease to any such liens or encumbrances as shall

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be desired by Lessor. If Lessee fails to execute such interest of subordination within a reasonable time, Lessor is hereby granted a limited Power of Attorney to execute same in name of Lessee. This Lease (and Lessee's interest in all personal property) shall be subject and subordinate to the Mortgage securing the Note or other obligations endorsed for insurance by HUD. Nothing contained herein shall relieve the Lessor of any obligations under any Mortgage securing a Note insured by HUD.

ARTICLE XXVI - LESSEE'S FAITHFUL COMPLIANCE WITH MORTGAGE

Anything in this Lease contained to the contrary notwithstanding, Lessee shall at all times and in all respects fully, timely and faithfully comply with and observe each and all of the conditions, covenants, and provisions on the part of the Lessor under any mortgage affecting the Demised Premises (and to any renewals, modifications, extensions, replacements and/or consolidations thereof) to which this Lease is subordinate or to which it later may become subordinate, including, without limitation, such conditions, covenants and provisions thereof as relate to the care, maintenance, repair, insurance, restoration, preservation and condemnation of the Demised Premises, notwithstanding that such conditions, covenants and provisions may require compliance and observance to a standard or degree in excess of that required by the provisions of this Lease, or may require performance not required by the provisions of this Lease, and shall not do or permit to be done anything which would constitute a breach of or default under any obligation of the Lessor under any mortgage it being the intention hereof that Lessee shall so comply with and observe each and all of such covenants, conditions and provisions any mortgage affecting the Demised Premises so that they will at all times be in good standing and there will not be any default on the part of the Lessor thereunder, but nothing in this Article contained shall be construed to obligate Lessee to pay any part of the principal or interest secured by any such mortgage, except as may otherwise be provided in this Lease.

ARTICLE XXVII - MORTGAGE RESERVES

Any tax, insurance or replacement reserve required by the holder of any mortgage against the Demised Premises during the term of this Lease shall be paid by the Lessee to Lessor.

ARTICLE XXVIII - LESSEE'S ATTORNMENT

28.1 Lessee covenants and agrees that, if by reason of a default upon the part of the Lessor herein in the performance of any of the terms and conditions of the Mortgage, or if for any other reason of any nature whatsoever such Mortgage, and the estate of the Lessor thereunder are terminated by summary dispossession proceedings or otherwise, or if such Mortgage is terminated through

foreclosure proceedings brought by the holder of such Mortgage, Lessee will attorn to the then holder of such Mortgage or the purchaser in such foreclosure proceedings, as the case may be, and will recognize such holder of the Mortgage or such purchaser as the Lessor under this Lease. Lessee covenants and agrees to execute and deliver, at any time and from time to time, upon the request of Lessor or of the holder of such Mortgage or the purchaser in foreclosure proceedings, any instrument which may be necessary or appropriate to evidence such attornment. Lessee further waives the provisions of any statute or rule of law now or hereafter in effect which may terminate this Lease or give Lessee the right of election to terminate this lease or to surrender possession of the Demised Premises in the event any such proceedings are brought against the Lessor under such Mortgage or the holder of any such Mortgage, and agrees that this Lease shall not be affected in any way whatsoever by any such proceedings.

28.2 If Lessor shall default in the performance of any of the terms, provisions, covenants or conditions under the Mortgage, or fails to pay the amounts due thereunder when due, then immediately upon notice of such default or failure on the part of Lessor, Lessee shall have the right to cure such defaults, and to make such payments as are due from Lessor, directly to the holder of the first mortgage, and to the extent such payments are accepted by the holder of the first mortgage to deduct the amounts expended by Lessee to cure such defaults from the next succeeding rental payment or payments due under this Lease, and such deductions shall not constitute a default under this Lease.

ARTICLE XXIX - ASSIGNMENT OF RIGHTS AND OBLIGATIONS

29.1 Lessor and Lessee acknowledge that the Demised Premises is secured by a first mortgage loan insured by the United States Department of Housing and Urban Development. In connection herewith the parties hereby acknowledge the following:

29.2 The Demised Premises is subject to a Regulatory Agreement dated February 1, 1994 between Halsted Associates Limited Partnership and the U.S. Department of Housing and Urban Development and Mortgage is attached hereto and hereby made a part hereof; to the extent that any provisions of this Lease Agreement conflict or are inconsistent with the Regulatory Agreement and Mortgage, the latter shall control.

29.3 The Demised Premises is subject to a Regulatory Agreement dated February 1, 1994 between Lessee and HUD is attached hereto and hereby made a part hereof; to the extent that any provisions of this Lease Agreement conflict or are inconsistent with the Regulatory Agreement, the latter shall control.

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29.4 The Demised Premises in subject to a lease and Lessee hereby agrees that Lessee in subject to any restrictions on the use of surplus cash as defined in the Regulatory Agreement and as are applicable to Lessor.

ARTICLE XXX MISCELLANEOUS

30.1 Lessee, upon paying the fixed rental, Additional Rent and all other charges herein provided, and for observing and keeping the covenants, agreements, terms and conditions of this lease on its part to be performed, shall lawfully and quietly hold, occupy and enjoy the Demised Premises during the term of this Lease, and subject to its terms, without hinderance by Lessor or by any other person or persons claiming under Lessor.

30.2 All notices, demands or requests which may or are required to be given by either party to the other shall be in writing and shall be sent by United States certified mail, return receipt requested, addressed to the other party hereto.

30.3 Upon demand by either party, Lessor and Lessee agree to execute and deliver a short form lease in recordable form so that the same may be recorded by either party.

30.4 Each party agrees that any time, and from time to time, upon not less than ten (10) days prior written request from the other party, to execute, acknowledge and deliver to the other party a statement in writing, certifying that this Lease is unmodified and in full force and effect (or if there have been modifications, that the same is in full force and effect as modified, and stating the modifications), the dates to which the rent has been paid, the amount of the Additional Rent held by Lessor, and whether the Lease is then in default or whether any events have occurred which, with the giving of notice or the passage of time, or both, could constitute a default hereunder, it being intended that any such statement delivered pursuant to this paragraph may be relied upon by any prospective assignee, mortgagee or purchaser of the fee interest in the Demised Premises or of this Lease.

30.5 All of the provisions of this Lease shall be deemed and construed to be "conditions" and "covenants" as though the words specifically expressing or importing covenants and conditions were used in each separate provision hereof.

30.6 Any reference herein to the termination of this Lease shall be deemed to include any termination thereof by expiration, or pursuant to Articles referring to earlier termination.

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30.7 The headings and titles in this lease are inserted only as a matter of convenience and for reference and in no way define, limit or describe the scope or intent of this lease, nor in any way affect this lease.

30.8 This lease contains the entire agreement between the parties and any executory agreement hereafter made shall be ineffective to change, modify or discharge it in whole or in part unless such executory agreement is in writing and signed by the party against whom enforcement of the change, modification or discharge is sought. This lease cannot be changed orally or terminated orally.

30.9 Except as otherwise herein expressly provided, the covenants, conditions and agreements in this lease shall bind and inure to the benefit of the lessor and lessee and their respective successors and assigns.

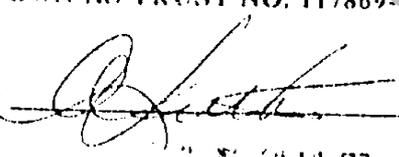
30.10 All nouns and pronouns and any variations thereof shall be deemed to refer to the masculine, feminine, neuter, singular or plural as the identity of the person or persons, firm or firms, corporation or corporations, entity or entities or any other thing or things may require.

30.11 If any term or provision of this lease shall to any extent be held invalid or unenforceable, the remaining terms and provisions of this lease shall not be affected thereby, but each term and provision shall be valid and be enforced to the fullest extent permitted by law.

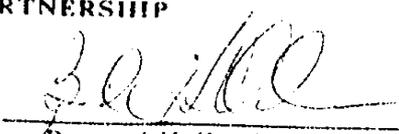
IN WITNESS WHEREOF, the parties hereto have caused this lease to be signed by persons authorized so to do on behalf of each of them respectively the day and year just above written.

SUBJECT TO THE EXCULPATORY PROVISIONS ATTACHED HERETO AND MADE A PART HEREOF

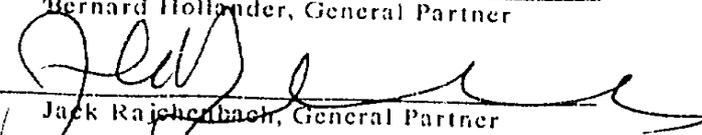
AMERICAN NATIONAL BANK AND TRUST COMPANY OF CHICAGO, NOT PERSONALLY, BUT SOLELY AS TRUSTEE UNDER TRUST AGREEMENT DATED JANUARY 10, 1994 AND KNOWN AS TRUST NO. 117869-92

By: 

HALSTED ASSOCIATES LIMITED PARTNERSHIP

By: 

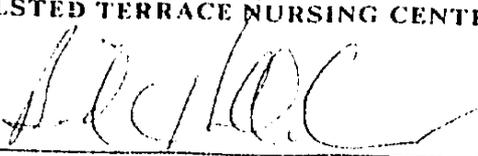
Bernard Hollander, General Partner

By: 

Jack Rajchenbach, General Partner

ATTEST:

HALSTED TERRACE NURSING CENTER, INC.

By: 

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SCHEDULE 1 TO LEASE AGREEMENT

MONTHLY RENT

\$120,000.00

In no event shall the rent be less than an amount sufficient to pay all Mortgage payments including payments to all Reserves, and any payments required by HUD.

Property of Cook County Clerk's Office

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EXHIBIT A

LEGAL DESCRIPTION

FEDERAL HOUSING ADMINISTRATION

PROJECT NO. 071-22003

HALSTED TERRACE NURSING CENTER

***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 ***

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