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COOK COUNTY RECORDER

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JUNIOR MORTGAGE AND SECURITY AGREEMENT

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THIS INDENTURE (herein referred to as this "Mortgage"), made as of the 10th day of October ~~1996~~, 1996, by and between BELHAVEN CONVALESCENT CENTER, INC., a Maryland non-stock corporation whose address is c/o Olivia Byrne, Shulman, Rogers, Gandal, Pordy, & Ecker, P.A., 11921 Rockville Pike, Third Floor, Rockville, MD 20852 (herein referred to as "Mortgagor"), and BELHAVEN ASSOCIATES, LTD., an Illinois limited partnership whose address is 2500 East Devon Avenue, Des Plaines, Illinois 60018 (herein referred to as "Mortgagee");

WITNESSETH:

THAT, WHEREAS, Mortgagor is justly indebted to Mortgagee in the principal sum of ~~one hundred and fifty thousand dollars (\$150,000)~~ evidenced by that certain Promissory Note of even date herewith in said amount executed by Mortgagor, made payable to the order of Mortgagee and delivered to Mortgagee, in and by which said note Mortgagor promises to pay the said principal sum and interest thereon as provided in said note, on or before ~~October 31, 1996~~ at such place as the holder of the note may, from time to time in writing appoint, and in the absence of such appointment, then at the office of Belhaven Management Group, 2500 East Devon Avenue, Des Plaines, Illinois 60018.

where
max
10, 1998

NOW, THEREFORE, Mortgagor, to secure the payment of said principal sum of money and all interest thereon in accordance with the terms, provisions and limitations of this Mortgage, and of the note secured hereby, and any substitutions and replacements thereof, and any other sums advanced by Mortgagee to protect the security of this Mortgage or discharge the obligations of Mortgagor hereunder, and the performance of the covenants and agreements herein contained, by Mortgagor to be performed, and also in consideration of the sum of ONE DOLLAR (\$1.00) in hand paid, the receipt whereof is hereby acknowledged, does by these presents **MORTGAGE, GRANT, CONVEY and RELEASE** unto Mortgagee, its successors and assigns, the following

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BOX 333-CTI

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described real estate and all of its estate, right, title and interest therein, situate, lying and being in the County of Cook and State of Illinois, to-wit:

THE REAL ESTATE MORTGAGED HEREBY IS DESCRIBED ON EXHIBIT "A" ATTACHED HERETO AND MADE A PART HEREOF;

which, with the property hereinafter described, is referred to herein as the "Premises" or as the "Mortgaged Premises";

TOGETHER with all improvements, tenements, easements, hereditaments and appurtenances thereunto belonging and all rents, issues and profits thereof for so long and during all such times as Mortgagor may be entitled thereto (which are pledged primarily and on a parity with said real estate and not secondarily), and all partitions, attached floor coverings, now or hereafter thereon or thereon, all elevators, and all fixtures, apparatus and equipment used to supply heat, gas, air conditioning, water, light, power, sprinkler protection, waste removal, refrigeration, and ventilation, including (without restricting the foregoing) all fixtures, apparatus and equipment used in the operation of any business conducted on the Premises (other than trade fixtures, furnishings and furniture installed by space tenants therein), the structures or buildings, additions and improvements, and replacements thereof, erected upon the realty, including any on-site total energy systems providing electricity, heating and air conditioning, and all plant, equipment, apparatus, machinery and fixtures of every kind and nature whatsoever forming part of said structures or buildings or of any structures or buildings heretofore or hereafter standing on the realty or on any part thereof, and

TOGETHER with (1) all of Mortgagor's rights further to encumber said property for debt except by such encumbrance, which, by its actual terms and specifically expressed intent, shall be, and at all times remain, subject and subordinate to (a) any and all tenancies in existence when such encumbrance becomes effective, and (b) any tenancies thereafter created, and (2) all of Mortgagor's rights to enter into any lease or lease agreement which would create a tenancy that is or may become subordinate in any respect to any mortgage or deed of trust other than this Mortgage.

TO HAVE AND TO HOLD the Premises unto the said Mortgagor, its successors and assigns **FOREVER**, for the purposes and uses herein set forth.

IT IS FURTHER UNDERSTOOD AND AGREED THAT:

1. **Maintenance, Repair and Restoration of Improvements, Payment of Prior Liens, etc.** Mortgagor shall (a) promptly repair, restore or rebuild any buildings or improvements now or hereafter on the Premises which may become damaged or be destroyed; (b) keep said Premises in good condition and repair, without waste, and free from mechanics' liens or claims for lien not expressly subordinated to the lien hereof; (c) pay when due any indebtedness which may be secured by a lien or charge on the Premises superior to the lien hereof; (d) comply with all requirements of law, municipal ordinances, or restrictions of record

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with respect to the Premises and the use thereof; (e) make no material alterations in the Premises except as required by law or municipal ordinance and other than contemplated by Mortgagor upon execution hereof; (f) suffer or permit no change in the general nature of the occupancy of the Premises, without Mortgagee's written consent; (g) initiate or acquiesce in no zoning reclassification, without Mortgagee's written consent; (h) pay each item of indebtedness secured by this Mortgage when due according to the terms hereof or of the note secured hereby.

2. **Payment of Taxes:** Mortgagor shall pay before any penalty attaches all general taxes, and shall pay special taxes, special assessments, water charges, sewer service charges, and other charges against the Premises when due, and shall, furnish to Mortgagee evidence of payment in full thereof within a reasonable time after requested to do so by Mortgagee. To prevent default hereunder, Mortgagor shall pay in full under protest, in the manner provided by statute, any tax or assessment which Mortgagor may desire to contest.

3. **Insurance:** Mortgagor shall keep the premises and all buildings and improvements now or hereafter situated on the premises insured against loss or damage by fire and extended coverage, malicious mischief and vandalism and such other hazards in such amounts as may reasonably be required by Mortgagee, but in any case for ~~an amount of \$24,000,000.00~~ or full replacement value, whichever is less (provided Mortgagor shall at times maintain sufficient insurance to avoid becoming a co-insurer). Mortgagor shall also provide and keep in effect plate glass and comprehensive public liability insurance with such limits for personal injury and death and property damage as Mortgagee may reasonably require, and will also keep in effect business interruption insurance, employer's liability and worker's compensation insurance, in such amounts as Mortgagee may reasonably require. All policies of insurance to be furnished hereunder shall be in forms, companies and amounts reasonably satisfactory to Mortgagee, with standard mortgagee loss payable clauses attached to all policies in favor of and in form satisfactory to Mortgagee, including a provision requiring that the coverage evidenced thereby shall not be terminated or materially modified without thirty (30) days' prior written notice to the Mortgagee. Mortgagor shall deliver the original of all policies (or certificates evidencing coverage thereunder), including additional and renewal policies, to Mortgagee, and, in the case of insurance about to expire, shall deliver renewal policies or certificates not less than thirty (30) days prior to their respective dates of expiration. If any renewal policy is not delivered to Mortgagee thirty (30) days before the expiration of any existing policy or policies, with evidence of premium paid, Mortgagee may, but is not obligated, to obtain the required insurance on behalf of Mortgagor (or insurance in favor of Mortgagee alone) and pay the premiums thereon. Any monies so advanced shall be so much additional indebtedness secured hereby and shall become immediately due and payable with interest thereon at the Default Rate as defined in Paragraph 23 hereof. Notwithstanding the foregoing, so long as Mortgagor complies with the requirements of the holder of the Senior Mortgage (herein defined) with respect to insurance coverage (and provided that Mortgagor maintains property insurance at all times in an amount of ~~\$24,000,000.00~~ or full replacement value, whichever is less) such compliance will be deemed compliance with the provisions of this paragraph.

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In the event of a foreclosure of this Mortgage, or in case of any transfer of title to the mortgaged premises in extinguishment of the debt secured hereby, all right, title and interest of Mortgagor to any insurance policy covering the mortgaged premises shall pass to the Mortgagee or transferee of the mortgaged premises.

4 Adjustment of Losses with Insurer and Application of Proceeds of Insurance:

4.1 In case of loss and subject to the prior rights of the holder of the Senior Mortgage, the Mortgagee (or after entry of decree of foreclosure, purchaser at the sale, or the decree creditor, as the case may be) is hereby authorized either (i) to settle and adjust any claim under such insurance policies jointly with Mortgagor, or (ii) to allow Mortgagor to agree with the insurance company or companies on the amount to be paid upon the loss. In either case Mortgagee is authorized to collect and receipt for any such insurance money. If (i) Mortgagor is obligated to restore or replace the damaged or destroyed buildings or improvements under the terms of any document which is or may be prior to the lien of this Mortgage, and (ii) such damage or destruction does not result in a breach in or default under such document, and (iii) the insurers do not deny liability as to the insureds, such proceeds, after deducting therefrom any expenses incurred in the collection thereof, shall, subject to the provision of subparagraphs 4.1 and 4.2 hereof, be used to reimburse Mortgagor for the cost of rebuilding or restoration of buildings and improvements on said premises. In all other cases, such insurance proceeds may, at the option of Mortgagee and subject to the prior rights of the holder of the Senior Mortgage, either be applied in reduction of the indebtedness secured hereby, whether due or not, or be held by the Mortgagee and used to reimburse Mortgagor for the cost of the rebuilding or restoration of the buildings or improvements on said premises. In the event that Mortgagee elects to apply said insurance proceeds in reduction of the indebtedness secured hereby, all expenses and fees of collection shall first be deducted and paid to Mortgagee, and it is further covenanted and agreed that should the net insurance proceeds be insufficient to pay the then existing indebtedness secured hereby, together with all accrued interest thereon, fees and charges, Mortgagee may, at its sole election, declare the entire unpaid balance of the debt secured hereby to be immediately due and payable, and the failure of the payment thereof shall be a default hereunder.

4.2 In the event that Mortgagee elects to permit any such insurance proceeds, to be applied to pay for the cost of rebuilding or restoration of the buildings and improvements on the mortgaged premises, such funds will be made available for disbursement by Mortgagee; provided however, that (i) should any insurance company have, in the opinion of Mortgagee, a defense against Mortgagor (but not against Mortgagee) to any claim for payment due to damage or destruction of the mortgaged premises or any part thereof by reason of fire or other casualty submitted by Mortgagee or any party on behalf of Mortgagee, or should such company raise any defense against Mortgagee (but not against Mortgagor) to such payment, or (ii) should the net proceeds of such insurance collected by Mortgagee together with any funds deposited by Mortgagor with Mortgagee be less than the estimated cost of the requisite work as determined by Mortgagee, which estimate shall include a reasonable contingency, then in either case Mortgagee may, at its option, whether or not Mortgagee has received funds from any insurance settlements, declare the unpaid balance of the debt secured hereby to be immediately due and

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payable, and Mortgagee may then treat the same as in the case of any other default hereunder. In the event that such proceeds are applied toward restoration or rebuilding, the buildings and improvements shall be so restored or rebuilt as to be of at least equal value and substantially the same character as prior to such damage or destruction. Such proceeds shall be made available, from time to time, upon such reasonable conditions as are imposed by Mortgagee and upon the Mortgagee being furnished with satisfactory evidence of the estimated cost of completion thereof and with such architect's certificates, waivers of lien, contractors' sworn statements and other evidence of cost and of payments, including, insurance against mechanic's liens and/or a performance bond or bonds in form satisfactory to Mortgagee which shall be the sole or a dual obligee, and which bonds shall be written with such surety company or companies as may be satisfactory to Mortgagee. All plans and specifications for such rebuilding or restoration shall be presented to and approved by Mortgagee prior to the commencement of any such repair or rebuilding. Disbursement of such insurance proceeds shall not exceed ninety percent (90%) of the value of the work performed from time to time, and at all times the undisbursed balance of said proceeds remaining in the hands of the Mortgagee shall be at least sufficient to pay for the cost of completion of the work free and clear of liens.

4.3 In case of loss after foreclosure proceedings have been instituted, the proceeds of any such insurance policy or policies, if not applied as aforesaid in rebuilding or restoring the building or improvements, shall be used to pay the amount due in accordance with any decree of foreclosure that may be entered in any such proceedings, and the balance, if any, shall be paid to the owner of the equity of redemption if he shall then be entitled to the same, or as the court may direct. In case of the foreclosure of this Mortgage, the court in its decree may provide that the Mortgagee's clause attached to each of said insurance policies may be cancelled and that the decree creditor may cause a new loss clause to be attached to each of said policies making the loss thereunder payable to said decree creditor; and any such foreclosure decree may further provide that in case of one or more redemptions under said decree, pursuant to the statute in such case made and provided, then and in every such case, each successive redeemer may cause the preceding loss clause attached to each insurance policy to be cancelled and a new loss clause to be attached thereto, making the loss thereunder payable to such redeemer. In the event of foreclosure sale, Mortgagee is hereby authorized, without the consent of Mortgagor, to assign any and all insurance policies to the purchaser at the sale, or to take such other steps as Mortgagee may deem advisable, to cause the interest of such purchaser to be protected by any of the said insurance policies.

Nothing contained in this Mortgage shall create any responsibility or obligation on the Mortgagee to collect any amount owing on any insurance policy to rebuild, repair or replace any damaged or destroyed portion of the premises or any improvements thereon or to perform any act hereunder.

5. Method of Taxation:

5.1 Stamp Tax: If, by the laws of the United States of America, or of any state, municipality or other governmental body having jurisdiction over Mortgagor or its property,

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any tax imposition or assessment is due or becomes due in respect of the issuance of the note hereby secured, this Mortgage or upon the interest of Mortgagee in the Premises, or any tax, assessment or imposition is imposed upon Mortgagee relating to the lien created hereunder, or any of the foregoing, Mortgagor covenants and agrees to pay such tax, levy, assessment or imposition in the manner required by any such law and the failure to so pay same shall constitute a default hereunder and at the option of Mortgagee all sums secured hereby shall be immediately due and payable. Mortgagor further covenants to hold harmless and agrees to indemnify Mortgagee, its successors or assigns, against any liability incurred by reason of the imposition of any tax on the issuance of the note secured hereby.

5.2 Change in Method of Taxation: In the event of the enactment after this date of any law of the state in which the Premises are located deducting from the value of land for the purpose of taxation any lien thereon, or imposing upon Mortgagee the payment of the whole or any part of the taxes or assessments or charges or liens herein required to be paid by Mortgagor, or changing in any way the laws relating to the taxation of mortgages or debts secured by mortgages or Mortgagee's interest in the property, or the manner of collection of taxes, so as to affect this Mortgage or the debt secured hereby or the holder hereof, then, and in any such event, Mortgagor, upon demand by Mortgagee, shall pay such taxes or assessments, or reimburse Mortgagee therefor; provided, however, that if in the opinion of counsel for Mortgagee (a) it might be unlawful to require Mortgagor to make such payment; or (b) the making of such payment might result in the imposition of interest beyond the maximum amount permitted by law, then and in such event, Mortgagee may elect, by notice in writing given to Mortgagor, to declare all of the indebtedness secured hereby to be and become due and payable sixty (60) days from the giving of such notice.

6. Prepayment Privilege: At such time as Mortgagor is not in default either under the terms of the note secured hereby or under the terms of this Mortgage, Mortgagor shall have the privilege of making prepayments on the principal of said note (in addition to the required payments) in accordance with the terms and conditions set forth in said note.

7. Assignment of Rents and Leases: To further secure the indebtedness secured hereby and subject to the rights of the holder of the Senior Mortgage, Mortgagor does hereby sell, assign and transfer unto Mortgagee all the rents, issues and profits now due with respect to the Premises and does hereby sell, assign and transfer unto Mortgagee all Mortgagor's right, title and interest as lessor under or by virtue of any lease, whether written or verbal, or any letting of, or of any agreement for the use or occupancy of the Premises or any part thereof which may have been heretofore or may be hereafter made or agreed to or which may be made or agreed to by Mortgagor or its agents or beneficiaries under the powers herein granted, it being the intention hereby to establish an absolute transfer and assignment of all of such leases and agreements, and all the avails thereunder, unto Mortgagee, and Mortgagor does hereby appoint irrevocably Mortgagee its true and lawful attorney in its name and stead to rent, lease or let all or any portion of the Premises to any party or parties at such rental and upon such terms as said Mortgagee shall, in its discretion, determine, and to collect all of said avails, rents, issues and

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profits arising from or accruing at any time hereafter, and all now due or that may hereafter exist on the Premises.

7.1 Mortgagor represents and agrees that no rent has been or will be paid by any person in possession of any portion of the Premises for more than one installment in advance and that the payment of none of the rents to accrue for any portion of the said Premises has been or will be, without Mortgagee's consent, waived, released, reduced, discounted, or otherwise discharged or compromised by Mortgagor. Mortgagor waives any rights of set off against any person in possession of any portion of the Premises. Mortgagor agrees that it will not assign any lease or any rents or profits of the Premises, except to Mortgagee or with the prior written consent of Mortgagee.

7.2 Nothing herein contained shall be construed as constituting Mortgagee as a mortgagee in possession in the absence of the taking of actual possession of the Premises by Mortgagee. In the exercise of the powers herein granted Mortgagee, no liability shall be asserted or enforced against Mortgagee, except for Mortgagee's gross negligence or willful misconduct all such liability being expressly waived and released by Mortgagor.

7.3 Mortgagor further agrees to assign and transfer to Mortgagee all future leases upon all or any part of the Premises hereinbefore described and to execute and deliver, at the request of Mortgagee, all such further assurances and assignments in the Premises as Mortgagee shall from time to time require.

7.4 Although it is the intention of the parties that the assignment contained in this Paragraph shall be a present assignment, it is expressly understood and agreed, anything herein contained to the contrary notwithstanding, that so long as Mortgagor is not in default hereunder, or under the note secured hereby, it shall have the privilege of collecting and retaining the rents accruing under the leases assigned hereby, until such time as Mortgagee shall elect to collect such rents pursuant to the terms and provisions of this Mortgage. Mortgagee may exercise its rights under this assignment immediately upon a default by Mortgagor hereunder or under the note secured hereby and after any applicable notice and grace period as set forth in Paragraph 9 hereof.

8. **Additional Rights of Mortgagee:** Mortgagor hereby covenants and agrees that: In the event that the ownership of the Mortgaged Premises or any part thereof, becomes vested in a person or entity other than Mortgagor (without hereby implying Mortgagee's consent to any assignment, transfer or conveyance of the Mortgaged Premises) Mortgagee may, without notice to Mortgagor, deal with such successor or successors in interest with reference to this Mortgage and to said debt in the same manner as with Mortgagor without in any way vitiating or discharging Mortgagor's liability hereunder or upon the debt. No sale of the Mortgaged Premises, and no forbearance on the part of Mortgagee, and no extension of the time for the payment of the debt hereby secured, given by Mortgagee, shall operate to release, modify, change, or affect the original liability, if any, of Mortgagor, either in whole or in part.

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9. **Acceleration of Indebtedness in Case of Default:** If (a) default be made and continues beyond any applicable notice and grace period in the due and punctual payment of said note or in the payment of any sum required to be paid by Mortgagor or the maker of said note herein required or set forth in said note or pursuant to the terms of any collateral or security agreement executed in connection with this Mortgage or the indebtedness secured hereby; or (b) Mortgagor shall file a petition in voluntary bankruptcy or under Title 11 of the United States Code or any other similar law, statute or regulation, state or federal, whether now or hereafter existing, or an answer admitting insolvency or inability to pay its debts, or fail to obtain a vacation or stay of involuntary proceedings within sixty (60) days as hereinafter provided; or (c) Mortgagor or any guarantor of the obligation secured hereby shall be adjudicated bankrupt, or a trustee or receiver shall be appointed for Mortgagor, or guarantor or for all of its property or the major part thereof in any involuntary proceeding, or any court shall have taken jurisdiction of the property of Mortgagor, or the major part thereof in any involuntary proceedings for the reorganization, dissolution, liquidation or winding up of Mortgagor, and such trustee or receiver shall not be discharged or such jurisdiction relinquished or vacated or stayed on appeal or otherwise stayed within sixty (60) days; or (d) Mortgagor shall make an assignment for the benefit of creditors, or shall admit in writing its inability to pay its debts generally as they become due, or shall consent to the appointment of a receiver or trustee or liquidator of all of its property or the major part thereof; or (e) default shall be made in the due observance or performance of any other of the covenants, agreements or conditions hereinbefore or hereinafter contained or contained in any loan, collateral or security agreement executed in connection with this Mortgage or the indebtedness secured hereby and required to be kept or performed or observed by Mortgagor and the same shall continue for thirty (30) days after written notice given by Mortgagee to Mortgagor; or (f) any material representation or warranty made by Mortgagor or others in, under or pursuant to the note secured hereby, this Mortgage, or any document further securing the obligations secured hereby, shall prove to have been false or misleading in any material aspect as of the date on which such representation or warranty was made; or (g) if the holder of a mortgage or of any other lien on the Mortgaged Premises (without hereby implying Mortgagee's consent to any such mortgage or other lien) institutes foreclosure proceedings or other proceedings for the enforcement of its remedies thereunder and the same remain undischarged or unbonded to Mortgagee's satisfaction for a period of thirty (30) days, then and in every such case the whole of said principal sum hereby secured shall, at once, at the option of Mortgagee, become immediately due and payable, together with accrued interest thereon, without notice to Mortgagor.

10. **Foreclosure; Expense of Litigation:** When the indebtedness hereby secured or any part thereof shall become due, whether by acceleration or otherwise, Mortgagee shall have the right to foreclose the lien hereof for such indebtedness or part thereof, and in the event of the default in the payment of any installment due under the note secured hereby, the owner of such note may accelerate the payment of same and may institute proceedings to foreclose this Mortgage for the entire amount then unpaid with respect to said note. In any suit to foreclose the lien hereof, there shall be allowed and included as additional indebtedness in the decree for sale all expenditures and expenses which may be paid or incurred by or on behalf of Mortgagee for reasonable attorney's fees, appraiser's fees, outlays for documentary and expert evidence,

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stenographer's charges, publication costs, and costs (which may be estimated as to items to be expended after entry of the decree) of procuring all such abstracts of title, title searches and examinations, title insurance policies, Torrens certificates, and similar data and assurances with respect to title as Mortgagee may deem reasonably necessary either to prosecute such suit or to evidence to bidders at any sale which may be had pursuant to such decree the true condition of the title to or the value of the Premises. All expenditures and expenses of the nature in this paragraph mentioned, and such expenses and fees as may be incurred in the protection of said Premises and the maintenance of the lien of this Mortgage, including the reasonable fees of any attorney employed by Mortgagee in any litigation or proceeding affecting this Mortgage, the note or the Premises, including probate and bankruptcy proceedings, or in preparations for the commencement or defense of any proceeding or threatened suit or proceeding, shall be immediately due and payable by Mortgagor, with interest thereon at the Default Rate as set forth in Paragraph 23 hereof and shall be secured by this Mortgage.

10.1 Mortgagee may employ counsel for advice or other legal service at Mortgagee's discretion in connection with any dispute as to the obligations of Mortgagor hereunder, or as to the title of Mortgagee to the Mortgaged Premises pursuant to this Mortgage, or in any litigation to which Mortgagee may be a party which may affect the title to the Mortgaged Premises or the validity of the indebtedness hereby secured, and any reasonable attorneys' fees so incurred shall be added to and be a part of the debt hereby secured. Any costs and expenses reasonably incurred in connection with any other dispute or litigation affecting said debt or Mortgagee's title to the Mortgaged Premises, including reasonably estimated amounts to conclude the transaction, shall be added to and be a part of the indebtedness hereby secured. All such amounts shall be payable by Mortgagor to Mortgagee without formal demand, and if not paid, shall be included as a part of the mortgage debt and shall include interest at the Default Rate as set forth in Paragraph 23 hereof from the dates of their respective expenditures.

10.2 The proceeds of any foreclosure sale of the Premises shall be distributed and applied in the following order of priority: First, on account of all costs and expenses incident to the foreclosure proceedings, including all such items as are mentioned in the preceding paragraph hereof; second, all other items which under the terms hereof constitute secured indebtedness additional to that evidenced by said note, with interest thereon as herein provided; third, all principal and interest remaining unpaid on said note in the order of priority therein described; fourth, any overplus to Mortgagor, its successors or assigns, as their rights may appear.

10.3 After an event of default, Mortgagee shall have the right and option to commence a civil action to foreclose the lien of this Mortgage and to obtain an order or judgment of foreclosure and sale subject to the rights of any tenant or tenants of the Premises. The failure to join any tenant or tenants of the Premises as party defendants in any such civil action or the failure of any such order or judgment to foreclose their rights shall not be asserted by Mortgagor as a defense in any civil action instituted to collect the indebtedness secured hereby, or any part thereof or any deficiency remaining unpaid after foreclosure and sale of the Premises, any statute or rule of law at any time existing to the contrary notwithstanding.

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11. **Appointment of Receiver:** Upon or at any time after the filing of a complaint to foreclose this Mortgage, the court in which such complaint is filed may appoint a receiver of the Premises. Such appointment may be made either before or after sale, without notice, without regard to the solvency or insolvency of Mortgagor at the time of application for such receiver and without regard to the then value of the Premises or whether the same shall be then occupied as a homestead or not and Mortgagee hereunder or any holder of the note may be appointed as such receiver. Such receiver shall have power to collect the rents, issues and profits of the Premises during the pendency of such foreclosure suit and, in case of a sale and a deficiency, during the full statutory period of redemption, whether there be redemption or not, as well as during any further times when Mortgagor, except for the intervention of such receiver, would be entitled to collect such rents, issues and profits, and all other powers which may be necessary or are usual in such cases for the protection, possession, control, management and operation of the Premises during the whole of said period. The court from time to time may authorize the receiver to apply the net income in his hands after deducting reasonable compensation for the receiver and his counsel as allowed by the court, in payment (in whole or in part) of any or all of any obligation secured hereby, including without limitation the following, in such order of application as Mortgagee may elect: (i) amounts due upon the note secured hereby, (ii) amounts due upon any decree entered in any suit foreclosing this Mortgage, (iii) costs and expenses of foreclosure and litigation upon the Premises; (iv) insurance premiums, repairs, taxes, special assessments, water charges and interest, penalties and costs, in connection with the Premises; (v) any other lien or charge upon the Premises that may be or become superior to the lien of this Mortgage, or of any decree foreclosing the same; provided that such application is made prior to foreclosure sale; and (vi) the deficiency in case of a sale and a deficiency.

12. **Application of Income Received by Mortgagee:** Mortgagee, in the exercise of the rights and powers hereinabove conferred upon it shall have full power to use and apply the avails, rents, issues and profits of the Premises to the payment of or on account of the following, in such order as Mortgagee may determine: (a) to the payment of the operating expenses of the Premises including cost of management and leasing thereof (which shall include reasonable compensation to Mortgagee and its agent or agents, if management be delegated to an agent or agents, and shall also include lease commissions and other compensation and expenses of seeking and procuring tenants and entering into leases), established claims for damages, if any, and premiums on insurance hereinabove authorized; (b) to the payment of taxes and special assessments now due or which may hereafter become due on the Premises; (c) to the payment of all repairs, decorating, renewals, replacements, alterations, additions, betterments, and improvements of the Premises, and of placing said property in such condition as will, in the judgment of Mortgagee, make it readily rentable; (d) to the payment of any indebtedness secured hereby in the order of priority set forth in the note or other document evidencing same or any deficiency which may result from any foreclosure sale.

13. **Access by Mortgagee:** Promptly upon reasonable request, Mortgagor will deliver to Mortgagee duplicate originals or certified copies of any leases, agreements and documents relating to the Premises and shall permit access by Mortgagee to its books and records, construction project reports, if any, tenant registers, if any, insurance policies and other papers

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for examination and making copies and extracts thereof. Mortgagee, its agents and designees shall have the right to inspect the Premises at all reasonable times and access thereto shall be permitted for that purpose.

14. **Condemnation:** Subject to the rights of the holder of the Senior Mortgage, Mortgagor hereby assigns, transfers and sets over unto Mortgagee the entire proceeds of any award or any claim for damages for any of the Mortgaged Premises taken or damaged under the power of eminent domain or by condemnation. Mortgagor hereby empowers Mortgagee, in Mortgagee's sole discretion, and at its election to settle, compromise and adjust any and all claims or rights arising under any condemnation or eminent domain proceeding relating to the Premises or any portion thereof. Mortgagor shall so settle, compromise and adjust such claims or rights in the event that Mortgagee does not elect to do so as provided above. Mortgagee may elect to apply the proceeds of the award upon or in reduction of the indebtedness secured hereby, whether due or not, or to the cost of the rebuilding or restoring of buildings on the Premises. If the amount of such award is insufficient to cover the cost of rebuilding or restoration, Mortgagor shall pay such cost in excess of the award, before being entitled to reimbursement out of the award. Any surplus which may remain out of said award after payment of such cost of rebuilding or restoration shall, at the option of Mortgagee, be applied on account of the indebtedness secured hereby or be paid to any other party entitled thereto.

15. **Release Upon Payment and Discharge of Mortgagor's Obligations:** Mortgagee shall release this Mortgage and the lien thereof by proper instrument upon payment and discharge of all indebtedness and other obligations secured hereby.

16. **Notices:** All notices hereunder shall be in writing and shall be deemed to have been sufficiently given or served for all purposes when presented personally, forwarded by expedited messenger with evidence of delivery, or sent by registered or certified mail to any party hereto at its address stated above or at such other address of which it shall have notified the party giving such notice in writing. Whenever in this Mortgage the giving of notice by mail or otherwise is required, the giving of such notice may be waived in writing by the person or persons entitled to receive such notice.

17. **Waiver of Statutory Rights:** Mortgagor shall not and will not apply for or avail itself of any appraisal, valuation, 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 waives any and all right to have the property and estates comprising the Mortgaged Premises marshaled upon any foreclosure of the lien hereof and agrees that any court having jurisdiction to foreclose such lien may order the Mortgaged Premises sold as an entirety. Mortgagor hereby waives any and all rights of redemption from sale under any order or decree of foreclosure of this Mortgage on its behalf and on behalf of each and every person, except decree or judgment creditors of Mortgagor, acquiring any interest in or title to the Premises subsequent to the date of this Mortgage.

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18. Usury Laws, Etc.:

A. Mortgagor represents and agrees that the proceeds of the note secured by this Mortgage will be used for the purpose specified in 815 ILCS 205/4(1)(c) and that the principal obligation secured hereby constitutes a business loan which comes within the purview of said statute.

B. If from any circumstances whatever fulfillment of any provision of this Mortgage or the note secured hereby at the time performance of such provision shall be due shall involve transcending the limit of validity prescribed by applicable usury statute or any other law, then ipso facto the obligation to be fulfilled shall be reduced to the limit of such validity, and paid according to the provisions of the note, so that in no event shall any exaction be possible under this Mortgage or the note that is in excess of the limit of such validity; but such obligation shall be fulfilled to the limit of such validity. In no event shall Mortgagor, its successors or assigns, be bound to pay for the use, forbearance or detention of the money loaned and secured hereby interest of more than the legal limit, and the right of Mortgagee to demand any such excess shall be and hereby is waived. The provisions of this paragraph shall control every other provision of this Mortgage and the note secured hereby.

19. Binding on Successors and Assigns; Gender: This Mortgage and all provisions hereof shall extend to and be binding upon Mortgagor, its successors, vendees and assigns and all persons claiming under or through Mortgagor, and the word "Mortgagor" when used herein shall include all such persons and all persons liable for the payment of the indebtedness or any part thereof, whether or not such persons shall have executed the note or this Mortgage. The word "Mortgagee" when used herein shall include the successors, vendees and assigns of Mortgagee named herein, and the holder or holders, from time to time, of the note secured hereby. Wherever used, the singular number shall include the plural and the plural the singular, and the use of any gender shall be applicable to all genders.

20. Captions: The captions and headings of various paragraphs of this Mortgage are for convenience only and are not to be construed as defining or limiting, in any way, the scope or intent of the provisions hereof.

21. No Liability on Mortgagee: Notwithstanding anything contained herein, Mortgagee shall not be obligated to perform or discharge, and does not hereby undertake to perform or discharge, any obligation, duty or liability of Mortgagor, whether hereunder, under any lease affecting the Premises, under any contract relating to the Premises or otherwise, and Mortgagor shall and does hereby agree to indemnify against and hold Mortgagee harmless of and from: any and all liability, loss or damage which Mortgagee may incur under or with respect to any portion of the Premises or under or by reason of its exercise of rights hereunder; and any and all claims and demands whatsoever which may be asserted against it by reason of any alleged obligation or undertaking on its part to perform or discharge any of the terms, covenants or agreements contained in any of the contracts, documents or instruments affecting any portion of the Mortgaged Premises or effecting any rights of Mortgagor thereto except for those arising

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out of Mortgagee's gross negligence or willful misconduct. Mortgagee shall not have responsibility for the control, care, management or repair of the Premises or be responsible or liable for any negligence in the management, operation, upkeep, repair or control of the Premises resulting in loss or injury or death to any tenant, licensee, employee, stranger or other person. No liability shall be enforced or asserted against Mortgagee in its exercise of the powers herein granted to it, and Mortgagor expressly waives and releases any such liability. Should Mortgagee incur any such liability, loss or damage under any of the leases affecting the Premises or under or by reason hereof, or in the defense of any claims or demands, Mortgagor agrees to reimburse Mortgagee immediately upon demand for the full amount thereof, including costs, expenses and reasonable attorneys' fees.

22. **Environmental Matters:** [INTENTIONALLY OMITTED]

23. **Default Rate:** The term "Default Rate" when used in this Mortgage shall mean a rate equal to four percent (4%) over the Loan Interest Rate as defined in the note.

24. **Prohibition on Sale or Financing:**

24.1 For the purpose of and without limiting the generality of Paragraph 24.1, the occurrence at any time of any of the following events shall be deemed to be an unpermitted transfer of title to the Premises and therefore an event of default hereunder: (a) any sale, conveyance, assignment or other transfer of any ownership interest in Mortgagor; (b) any grant of a security interest in any ownership interest in Mortgagor.

25. **Licensure:** At all times that this Mortgage remains in effect, the facility will maintain in good standing its licensure as a skilled/intermediate care nursing home (or similar licenses if licensing terms are changed) and will comply with all rules, regulations and requirements of all state and federal authorities regulating, licensing and funding Mortgagor's operations and facilities.

26. **Junior Mortgage Covenant:** This Mortgage is a Junior Mortgage, the lien of which is junior and subordinate to that certain mortgage dated the 10th day of October, 1996, from Mortgagor to GMAC Commercial Mortgage Corporation securing an original indebtedness of TWELVE MILLION FIVE HUNDRED FIFTY THOUSAND AND NO/100 (\$12,550,000.00) DOLLARS. Said Mortgage was duly recorded with the Recorder of Cook County, Illinois on the 11th day of October, 1996 as Document No. 96779863 (hereinafter referred to as the "Senior Mortgage"). It is a covenant hereof that if the Senior Mortgage or the note secured thereby shall be in default for any reason or should any suit be commenced to foreclose the Senior Mortgage or for the exercise of any remedies under the Senior Mortgage or any suit be commenced to enter judgment on said note, such default or commencement of foreclosure, or commencement of the exercise of remedies, or the commencement of suit, shall constitute an event of default under this Mortgage on account of which the whole of the indebtedness secured hereby shall at once, at the option of the Mortgagee, become immediately due and payable without notice to the Mortgagor; and Mortgagee may, but shall not be required to, cure any such

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default and/or perform such acts as may be necessary to secure the dismissal of any such suit, and to cause said mortgagee to terminate any such suit or to cause said mortgagee to terminate its exercise of any remedies under the Senior Mortgage or available to said mortgagee in law or in equity, and all monies advanced for that purpose, with interest thereon at the rate of eighteen (18%) per annum from the time of the advance or advances therefor, shall, without demand or notice, be immediately due and payable by Mortgagor to Mortgagee and shall be added to the indebtedness secured by this Mortgage. Mortgagor and Mortgagee shall immediately upon receiving any knowledge or notice of default under the Senior Mortgage give written notice thereof to each other, and shall furnish each other with a true copy of each and every notice, summons, legal process, legal paper or other communication relating in any way to said Senior Mortgage or the performance or enforcement thereof, or to any default thereunder. Mortgagor further agrees not to modify or alter said note or the Senior Mortgage without receiving the prior written consent of Mortgagee, which consent will not unreasonably be withheld. If there is any conflict between the terms of this Mortgage and the terms of the Senior Mortgage, the Senior Mortgage shall control.

27. Exculpatory Clause: Anything herein to the contrary notwithstanding, it is expressly understood and agreed between Mortgagee and Mortgagor, and it is an operating covenant hereof that nothing herein or in the note secured hereby contained shall create any liability on the Mortgagor to personally pay the indebtedness hereby secured, or personally perform the obligations of Mortgagor hereunder; all such liability being expressly waived by Mortgagee and by every person now or hereafter claiming any right or security hereunder. And provided further that insofar as Mortgagor is concerned the Mortgagee herein or the legal holders or owners of the note secured hereby shall look solely to the premises hereby mortgaged for the payment thereof, by the enforcement of the lien created hereby, in the manner herein and in said note provided.

IN WITNESS WHEREOF, BELHAVEN CONVALESCENT CENTER, INC., a Maryland non-stock corporation, has caused these presents to be signed by its President on the day and year first above written.

BELHAVEN CONVALESCENT CENTER, INC.

By: *Richard Lopez*
Its: President

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STATE OF ILLINOIS)

COUNTY OF Cook)

I, Benjamin D. Steiner, a Notary Public in and for the said County in the State aforesaid, DO HEREBY CERTIFY that Richard Kagan, as President of BELHAVEN CONVALESCENT CENTER, INC., who is personally known to me to be the same person whose name is subscribed to the foregoing instrument as such President of said corporation, 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 10 day of July, 1996.

Benjamin D. Steiner
Notary Public

~~~~~  
"OFFICIAL SEAL"  
Benjamin D. Steiner  
Notary Public, State of Illinois  
My Commission Expires 09/19/00  
~~~~~

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EXHIBIT "A"

LEGAL DESCRIPTION OF THE PROPERTY

Commonly known as: 11401 South Oakley Avenue
Chicago, IL 60627

Permanent Index Number: 25-19-110-040

LOTS 3 TO 9, BOTH INCLUSIVE AND LOTS 25 TO 33, BOTH INCLUSIVE, ALL IN DAVOL'S SUBDIVISION OF LOTS 1 TO 11 IN BLOCK "F" IN MORGAN PARK IN SECTION 19, TOWNSHIP 37 NORTH, RANGE 14 EAST OF THE THIRD PRINCIPAL MERIDIAN, (EXCEPT THAT PART DESCRIBED AS FOLLOWS:

THAT PART OF SAID LOT 25 TOGETHER WITH THE SOUTH 15.08 FEET OF LOT 26 LYING WEST OF A LINE DRAWN 71.31 FEET WEST OF THE SOUTHEAST CORNER OF SAID LOT 25 AND 80.75 FEET WEST OF THE NORTHEAST CORNER OF SAID LOT 25 AS MEASURED ALONG THE NORTH AND SOUTH LINES OF SAID LOT 25, SAID LINE BEING PERPENDICULAR TO THE SOUTH AND NORTH LINES OF SAID LOT 25), ALL IN COOK COUNTY, ILLINOIS.

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