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THIS INSTRUMENT PREPARED BY,
AND AFTER RECORDING, RETURN
TO: Richard B. Muller, Esq.
Illinois Housing Development
Authority

401 N. Michigan Avenue, 9th Floor
Chicago, Illinois 60611
Permanent Index Tax
Identification No.
20-11-206-027, 20-11-206-028
20-11-206-058
Property Address:
4800 S. Lake Park Ave.
Chicago, Illinois 60615
IHDA Loan No. ML-01

DEPT-01 RECORDING

\$91.00

746666 TRAN 9183 07/08/97 11:30:00

74648 : IR #-97-490274

COOK COUNTY RECORDER

SECOND MORTGAGE, ASSIGNMENT OF RENTS AND LEASES, SECURITY AGREEMENT AND FINANCING STATEMENT

THIS SECOND MORTGAGE, ASSIGNMENT OF RENTS AND LEASES,
SECURITY AGREEMENT AND FINANCING STATEMENT (this "Second
Mortgage"), dated as of the KL day of June, 1997, by HARPER
SQUARE HOUSING CORPORATION, an Illinois corporation
("Mortgagor"), having its principal office at 4800 S. Lake Park
Ave., Chicago, Illinois, to the ILLINOIS HOUSING DEVELOPMENT
AUTHORITY, a body politic and corporate established pursuant to
the Illinois Housing Development Act, 20 ILCS 3805/1 et seq.
(1994), as amended from time to time (the "Act"), having its
principal office at 401 North Michigan Avenue, Suite 900,
Chicago, Illinois ("Mortgagee").

WITNESSETH

WHEREAS, Mortgagee has previously made a first mortgage loan
to Mortgagor (the "Prior Loan") for the acquisition and permanent
financing of the Development (as hereinafter defined). The Prior
Loan is evidenced by that certain Mortgage Note dated April 23,
1970 and Mortgage Note No. 2 dated February 25, 1973
(collectively, the "Prior Note"); secured by that certain
mortgage on the Development, dated as of April 23, 1970 and
recorded in the Office of the Recorder of Deeds of Cook County,
Illinois (the "Recorder's Office") on April 30, 1970 as Document
No. 21147119 and re-recorded in the Recorder's Office on May 6,
1970 as Document No. 21151559, and that certain First Supplement
to and Modification of Mortgage dated as of February 25, 1973 and
recorded in the Recorder's Office on April 10, 1973 as Document
No. 22281595 (collectively, the "First Mortgage"); and governed
by that certain Regulatory Agreement dated as of April 23, 1970,
and recorded in the Recorder's Office on June 17, 1971 as
Document No. 21515555, and that certain Amendment to Regulatory
Agreement dated February 25, 1973 and recorded in the Recorder's
Office on April 10, 1973 as Document No. 22281597 (collectively,
the "Regulatory Agreement"); the Prior Note, the First Mortgage,

TTI, Box 15
316188 (STO)



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First Mortgage, the Regulatory Agreement and the other documents evidencing, securing and governing the Prior Loan are hereinafter referred to as the "Prior Loan Documents"; and

WHEREAS, the Development was initially financed with the proceeds of Housing Development Bonds issued by the Mortgagee pursuant to the provisions of its Housing Development Bond Resolution; and

WHEREAS, as of November 19, 1993, Mortgagee amended and restated its Housing Development Bond Resolution (as restated, amended and supplemented from time to time, the "General Resolution"); and

WHEREAS, pursuant to the Bond Resolution, Mortgagee has issued its 1993 Series A Housing Development Bonds (the "Bonds") refunding certain series of its Housing Development Bonds (the "Refunding"). As a result of the Refunding, Mortgagee acquired certain funds (the "Housing Development Bond Fund"), which are to be used to make second mortgage loans to owners of certain developments originally financed under the General Resolution, the proceeds of which are to be used to make capital repairs to those developments; and

WHEREAS, the Development was originally financed under the General Resolution; and

WHEREAS, Mortgagee has agreed to make a loan to Mortgagor (hereinafter referred to as the "Second Mortgage Loan") from the Housing Development Bond Fund of a sum of money (to be used with such other monies, if any, paid by Mortgagor) to make certain capital repairs to improvements on the real property legally described in the exhibit attached hereto as Exhibit A and by this reference made a part hereof (the "Real Estate"). The Real Estate, together with all improvements now or hereafter constructed on it, is referred to in this Second Mortgage as the "Development"; and

WHEREAS, contemporaneously with the execution and delivery of this Second Mortgage, Mortgagor has executed and delivered to Mortgagee its mortgage note in the amount of Three Million Five Hundred Thousand and No/100 Dollars (\$3,500,000.00) (the "Note") as evidence of its indebtedness to Mortgagee.

NOW, THEREFORE, THIS INDENTURE OF SECOND MORTGAGE WITNESSETH that to secure the payment of an indebtedness evidenced by the Note in the aggregate principal sum of Three Million Five Hundred Thousand and No/100 Dollars (\$3,500,000.00) (the "Second Mortgage Debt") and to secure the performance and observance of all of the provisions of this Second Mortgage and the Note, and of any other document evidencing or securing the indebtedness evidenced by the

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Note (collectively, the "Loan Documents"), Mortgagor **MORTGAGES AND WARRANTS** to Second Mortgagee and grants to Second Mortgagee a security interest in and to the Development;

Together with all right, title, equity and interest of Mortgagor, if any, of, in, and to beds of the streets, roads, avenues, lanes, alleys, passages and ways, and any easements, rights, liberties, hereditaments and appurtenances whatsoever belonging to, on, over, below, or adjoining the Real Estate;

Together with (a) any and all structures, buildings and improvements and replacements of them and additions to them, now or at any time hereafter constructed, erected, installed or placed in or upon the Real Estate; (b) any and all fixtures, fittings, appliances, apparatus, equipment, machinery, chattels, and articles of personal property, including, but not limited to, steam and hot water boilers, pipes, radiators, bath tubs, water closets, refrigerators, freezers, stoves, ovens, sinks, dishwashers, cabinets, carpeting, air conditioners, gas and electrical fixtures, ranges and all other fixtures and personal property of whatever kind and nature now or at any time hereafter affixed to, attached to, placed upon, or used, or stored on or off the Development, or in any way connected with the complete and comfortable use, enjoyment, occupancy or operation of the Development (except only personal property owned by tenants who occupy the Development) and all renewals and replacements of, or articles in substitution for, them; and all proceeds and profits of them and all of the estate, right, title and interest of Mortgagor in and to all property of any nature whatsoever, now or hereafter situated on the Real Estate or intended to be used in connection with the operation of the Development; (c) all rents, income, profits, revenues, receipts, royalties, bonuses, rights, accounts, contract rights, general intangibles, books and records relating to the Development and benefits and guarantees under any and all leases, tenancies, licenses or other use agreements or arrangements now existing or hereafter created of the Development or any part of it with the right to receive and apply them to the Second Mortgage Debt; Mortgagee may demand, sue for and recover such payments but shall not be required to do so; (d) all judgments, awards of damages and settlements hereafter made as a result of or in place of any taking of the Development of any part of it or interest in it under the power of eminent domain, or for any damage (whether caused by such taking or otherwise) to the Development or the improvements on it or any part of it or interest in it, including any award for change of grade of streets; (e) all proceeds of the conversion, voluntary or involuntary of any of the foregoing into cash or liquidated claims; (f) any monies on deposit for the payment of real estate taxes or special assessments against the Development or for the payment of premiums on policies of fire and other hazard insurance covering the collateral described hereunder or the

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Development, and all proceeds paid for damage done to the collateral described hereunder or the Development; (g) all the right, title and interest of the Mortgagor in the Reserve Fund for Replacements or Residual Receipts (as all such terms are defined in the Regulatory Agreement); and (h) all substitutions, replacements, additions and proceeds, including insurance and condemnation award proceeds, of any of the foregoing property; the enumeration of any specific articles of property shall in no wise exclude or be held to exclude any items of property not specifically mentioned. All of the land, estate and property hereinabove described, real, personal and mixed, whether affixed or annexed or not (except where otherwise hereinabove specified) and all rights conveyed and mortgaged by this Second Mortgage, Mortgagor declares and agrees shall be and remain and constitute a portion of the security for the Second Mortgage Debt and a part of the Real Estate covered by and subject to the lien of this Second Mortgage. If the lien of this Second Mortgage is subject at any time to a security instrument or security interest under the Illinois Uniform Commercial Code, 810 ILCS 5/1-101, et seq. (the "UCC") covering any personal property other than the one granted by this Second Mortgage in favor of Mortgagee, other than any security interest securing the Prior Loan, all the right, title, equity and interest of Mortgagor in and to any and all such personal property, together with the benefits of any deposits or payments made on it by Mortgagor or its successors or assigns, shall nevertheless be assigned to Mortgagee, its successors or assigns, and are covered by and subject to the lien of this Second Mortgage. Mortgagor shall promptly on request of Mortgagee procure the discharge of any such security instruments or security interests under the UCC so that this Second Mortgage shall at all times constitute a second lien on all of such personal property. As to the above-described personal property which the UCC classifies as fixtures, this instrument shall constitute a fixture filing and financing statement under the UCC with Mortgagor as debtor and Mortgagee as secured party under them.

This Second Mortgage, duly executed by the appropriate officers of Mortgagor, includes the following covenants, terms and provisions:

1. All of the foregoing recitals are made a part of this Second Mortgage.

2. The indebtedness evidenced and secured by the Prior Loan Documents is a separate and distinct debt from the indebtedness secured by this Second Mortgage. The lien of the Prior Loan Documents that secure the indebtedness evidenced by the Prior Loan Documents shall be prior in right to the lien of this Second Mortgage, and such prior debt and documents shall not be merged in this Second Mortgage or in the debt secured by it.

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Mortgagor and Mortgagee expressly acknowledge that each of the Prior Loan Documents remains in full force and effect and shall not be merged in this Second Mortgage or in the other Loan Documents. Mortgagor and Mortgagee further expressly acknowledge that it is their intention that no foreclosure by Mortgagee of this Second Mortgage or of any of the other Loan Documents, or the acquisition of the Development by Mortgagee pursuant to any such foreclosure, shall merge the interest of Mortgagee under the Prior Loan Documents into the interest of Mortgagee in the fee estate interest to the Development that may by such foreclosure be acquired by Mortgagee. Such interests will be and remain at all times separate and distinct, and any such foreclosure or acquisition shall be subject to the lien of the Prior Loan Documents.

3. Mortgagor shall pay the Second Mortgage Debt as provided in the Note.

4. Mortgagor shall not attach to or incorporate into the Development any personal property that is subject to a security interest of anyone other than Mortgagee under the UCC or otherwise.

5. Mortgagor shall not sell, lease (except to residential tenants for actual occupancy) or otherwise encumber the Real Estate or the Development, except that: (a) Mortgagor, with approval of Mortgagee confirmed in writing by an authorized officer of Mortgagee ("Authorized Officer"), may grant easements, licenses or rights-of-way over, under or upon the site of the Development, so long as such easements, licenses or rights-of-way do not destroy or diminish the value or usefulness of the Real Estate or the Development, as determined by Mortgagee and confirmed in writing by an Authorized Officer; (b) when and to the extent authorized by law, Mortgagor, with approval of Mortgagee confirmed in writing by an Authorized Officer, may lease the Development, or a portion of it, to a third party for the purposes of operation, such lease to be subject to all of the terms, provisions and limitations of this Second Mortgage relating to the Development; (c) Mortgagor, with approval of Mortgagee confirmed in writing by an Authorized Officer, may sell or exchange any portion of the Real Estate not required for the Development, provided that the proceeds derived by Mortgagor from the sale of any such portion of the Real Estate shall be paid over to Mortgagee for such use and application as Mortgagee, in its sole discretion, shall determine under the provisions of the Bond Resolution; (d) Mortgagor may be permitted to sell the Development to another mortgagor approved in writing by an Authorized Officer; upon the approval of such Authorized Officer and the sale of the Development, the successor mortgagor shall assume this Second Mortgage; and (e) Mortgagor may encumber the Development in favor of Mortgagee as a mortgagee under a lien

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junior to the lien of this Second Mortgage if in the judgment of Mortgagee, confirmed in writing by an Authorized Officer, such lien provides funds which are likely to preserve, maintain or enhance the Development. Upon conveyance of the Development to, and assumption of this Second Mortgage by, a successor mortgagor, in accordance with Paragraph 5(e) hereof, Mortgagee may, in its sole discretion, release Mortgagor from its obligations under this Second Mortgage.

6. Mortgagor shall cause the buildings, fixtures and articles of personal property on the Real Estate to be fully insured against loss by fire and against loss by other hazards as may be required by Mortgagee for the benefit of Mortgagee. Such insurance (the "Policies") shall be written by companies, in amounts and in form satisfactory to Mortgagee, including a standard mortgagee loss payable clause or endorsement. Mortgagor shall assign and deliver the Policies to Mortgagee, and shall reimburse Mortgagee for any premiums paid for insurance procured by Mortgagee or deemed necessary by Mortgagee.

(a) If the Development is damaged or destroyed by any cause covered by the Policies, and if the Development, when repaired or restored, will produce sufficient income to meet the then existing obligations of Mortgagor under this Second Mortgage and the Note, and provided no Event of Default (as hereinafter defined) has occurred and is continuing, and no event has occurred and is continuing that would constitute an Event of Default but for a requirement of the giving of notice and/or the expiration of a period of time to cure, such insurance proceeds shall be deposited by Mortgagor with Mortgagee in an account designated by and under control, direction and supervision of Mortgagee and shall be applied first toward the cost of repairing or restoring the Development, and the balance, if any, shall be applied for the benefit of the Development in a manner approved by Mortgagee.

(b) If the Development is damaged or destroyed by any cause covered by the Policies, and if (i) the Development, when repaired or restored, will not produce sufficient income to meet the then existing obligations of Mortgagor under this Second Mortgage and the Note or (ii) an Event of Default has occurred and is continuing or an event has occurred and is continuing which would constitute an Event of Default but for a requirement of the giving of notice and/or the expiration of a period of time to cure, such insurance proceeds shall be deposited by Mortgagor with Mortgagee in an account designated by and under the control, direction and supervision of Mortgagee and shall be applied, in the sole discretion of Mortgagee, either toward the cost of repairing or restoring the Development, or toward

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satisfaction of the Second Mortgage Debt. The balance, if any, of the insurance proceeds shall be applied for the benefit of the Development in a manner approved by Mortgagee.

7. Mortgagor represents and warrants to Mortgagee that all approvals required by applicable laws and governmental regulations for the rehabilitation, ownership and operation of the Development have been obtained and that the Development and its present use complies with all applicable laws and governmental regulations. Mortgagor shall maintain the Development in a decent, safe, sanitary, rentable and tenantable state of repair, and shall keep the Development free from mechanics' liens or other liens or claims for liens other than liens in favor of Mortgagee, and no building on the Real Estate shall be removed, demolished or substantially altered, nor (except where appropriate replacements free of liens, claims and superior title immediately are made of value at least equal to the value of the fixtures or equipment or articles of personal property removed) shall any fixtures or equipment or articles of personal property covered by this Second Mortgage be removed without approval of Mortgagee confirmed in writing by an Authorized Officer, nor shall Mortgagor commit any waste on the Development or make any change in the use of the Development that will in any way increase any fire or other hazard arising out of repair or operation of the Development.

8. Mortgagor shall pay when due all real estate taxes, assessments, water rates, sewer, gas or electric charges, insurance premiums and any imposition or lien on the Real Estate, and in default of such payments, Mortgagee may pay them. The sum or sums so paid by Mortgagee shall be added to the Second Mortgage Debt and shall bear interest at the rate (hereinafter referred to as the "Default Rate") equal to the lesser of (i) eleven percent (11%) per year or (ii) the highest legal rate then in effect. Mortgagee shall have the right to declare immediately due and payable any amount paid by it for any such real estate tax, assessment, water rate, sewer, gas or electric charge, insurance premium or imposition or lien, whether or not such lien shall have priority over this Second Mortgage, and to foreclose for such amount or for any unpaid installment of principal or interest, subject to the continuing lien of this Second Mortgage for the balance of the Second Mortgage Debt not then due; Mortgagor shall continue to be liable for the payment of the entire Second Mortgage Debt, or so much of it as has been advanced, until it has been paid in full.

9. Mortgagor, within three (3) days from the date of verbal request in person of an Authorized Officer or a duly authorized representative, confirmed in writing, or within five (5) days from the postmark of a written request by an Authorized

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Officer deposited in the United States Mail, postage prepaid, and addressed to Mortgagor, shall furnish a written statement duly acknowledged of the amount advanced to it under this Second Mortgage, and/or the amount due on this Second Mortgage, and whether any offsets or defenses exist against the Second Mortgage Debt and certifying as to such other matters as Mortgagee may reasonably require.

10. If any action or proceeding is commenced, except an action to foreclose this Second Mortgage or to collect the Second Mortgage Debt, to which Mortgagee is made a party, or in which it becomes necessary to defend or uphold the lien of this Second Mortgage, all reasonable sums paid by Mortgagee in litigation expenses to establish or defend the rights and lien of this Second Mortgage, including reasonable attorneys' fees and costs and allowances, shall be paid by Mortgagor, together with interest at the Default Rate, and any such sum or sums and the interest on such sums shall be a further lien on the Development and secured by this Second Mortgage. Notwithstanding this Paragraph 10, in any action or proceeding to foreclose this Second Mortgage, or to recover or collect the Second Mortgage Debt, the provisions of law and of Paragraph 11 hereof respecting the recovery of costs, disbursements and allowances shall prevail over this Paragraph 10.

11. If this Second Mortgage or the Note are in default and are placed in the hands of an attorney for the collection of any payment due under them or for the enforcement of any of their terms, covenants and conditions, Mortgagor agrees to pay all costs of collection, including reasonable attorneys' fees, incurred by Mortgagee, either with or without the institution of an action or proceeding, and in addition to such payments all costs, disbursements and allowances provided by law. All such costs so incurred shall be deemed to be secured by this Second Mortgage and collectable in any manner permitted by law or by this Second Mortgage.

12. (a) As additional security for the payment of the Second Mortgage Debt and for the faithful performance of the terms and conditions contained in this Second Mortgage and the Note, Mortgagor bargains, sells, transfers, assigns, conveys, sets over and delivers to Mortgagee all of its right, title and interest as landlord in and to all leases affecting the Development, now existing or which may be executed by any landlord at any time in the future, and all guaranties, amendments, extensions and renewals of such leases (individually, a "Lease" and collectively the "Leases") and all rents, income, revenues, receipts, security deposits and profits that may now or hereafter be or become due and owing under (x) the Leases, or (y) on account of the use of the Development or any business conducted on it. Mortgagor will not, without first obtaining

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approval of Mortgagee confirmed in writing by an Authorized Officer, assign or attempt to assign the rents or Leases of the Development or any part of them, nor consent to the cancellation or surrender of any Lease of the Real Estate or of any part of it, now existing or hereafter to be made, having an unexpired term of two (2) years or more; nor modify any such Lease so as to shorten its unexpired term, or so as to decrease the amount of the rent payable under it; nor in any other manner impair or threaten to impair the value of the Real Estate, the Development or the security of Mortgagee for the payment of the Second Mortgage Debt. Mortgagor, at its sole cost and expense, will (i) at all times promptly and faithfully abide by, discharge and perform all of the covenants, conditions and agreements contained in all Leases that the landlord under the Leases must keep or perform; (ii) enforce or secure the performance of all of the covenants, conditions and agreements of such Leases that must the tenant keep and perform; (iii) appear in and defend any action or proceeding arising under, growing out of or in any manner connected with such Leases or the obligations, duties or liabilities of landlord or of the tenants under them; (iv) transfer and assign to Mortgagee upon written request of an Authorized Officer any and all Leases of the Development heretofore or hereafter entered into, and make, execute and deliver to Mortgagee upon demand, any and all instruments required to effectuate such transfer and assignment; (v) furnish Mortgagee, within three (3) days from the date of verbal request in person of an Authorized Officer or a duly authorized representative, confirmed in writing, or within five (5) days from the date of notice from an Authorized Officer, a written statement containing the names of all tenants, the terms of all Leases, including the spaces occupied and the rentals payable under them; and (vi) exercise, within three (3) days from the date of verbal request in person of an Authorized Officer or a duly authorized representative, confirmed in writing, or within five (5) days from the date of notice from an Authorized Officer, any right to request from the tenant under any Lease of the Development a certificate with respect to its status.

(b) Nothing in this Second Mortgage, the Note or any other documents relating to the Second Mortgage Loan shall be construed to obligate Mortgagee, expressly or by implication, to perform any of the covenants of the landlord under any of the Leases or to pay any sum of money or damages that the Leases require the landlord to pay; Mortgagor agrees to perform and pay in a timely manner each and all of such covenants and payments.

(c) If Mortgagee enforces the remedies provided for by law or by this Second Mortgage, the tenant under each Lease shall attorn to any person succeeding to the interest of Mortgagor as a result of such enforcement and shall recognize such successor in interest as landlord under such Lease without change in its terms

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or other provisions; however, such successor in interest shall not be bound by any payment of rent or additional rent for more than one month in advance.

(d) Mortgagor shall give prompt notice to Mortgagee of any notice received by Mortgagor claiming that a default has occurred under any of the Leases on the part of Mortgagor, together with a complete copy of such notice. Mortgagee shall be entitled to cure any default of the landlord in any Lease, and the cost to effect the cure of any default (including reasonable attorneys' fees), together with interest on such cost at the Default Rate, shall be so much additional indebtedness secured by this Second Mortgage and shall be immediately due and payable without notice. Mortgagee shall have the option to declare this Second Mortgage in default because of a default of landlord in any Lease, whether or not such default is cured by Mortgagee pursuant to the right granted herein. A default under the assignment of rents and leases contained herein or in any separate assignment of rents and leases executed by Mortgagor in favor of Mortgagee, shall constitute an Event of Default on account of which the whole of the Second Mortgage Debt shall, at the option of Mortgagee, become immediately due and payable without notice to Mortgagor.

(e) This assignment of rents and leases is absolute and is effective immediately. Notwithstanding the foregoing, until an Event of Default has occurred, or a default has occurred under the Note or under any other instrument constituting additional security for the Note, Mortgagor may receive and collect the rents, income and profits accruing from the Development as trustee for the benefit of Mortgagee, in accordance with the terms and conditions of the Regulatory Agreement, the Authority's rules and regulations and the Act.

(f) At any time upon an Event of Default, or upon the occurrence of a default under the Note or under any other instrument constituting additional security for the Note, Mortgagee may, at its option and upon the expiration of any applicable grace or cure period, receive and collect all rents, income and profits accruing from the Development as they become due. Mortgagee shall thereafter continue to receive and collect all such rents, income and profits as long as such default or defaults continue to exist, and during the pendency of any foreclosure proceedings, and if there is a deficiency, during any redemption period.

(g) Mortgagor irrevocably appoints Mortgagee its true and lawful attorney, with full power of substitution and with full power for Mortgagor in its own name and capacity or in the names and capacities of Mortgagor or Mortgagee, to demand, collect, receive and give complete acquittance for any and all

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rents, income and profits accruing from the Development, and at Mortgagee's discretion to file any claim or take any other action or proceeding and make any settlement of any claims, either in its own name or in the name of Mortgagor or otherwise, that Mortgagee may deem necessary or desirable in order to collect and enforce the payment of such rents, income and profits. Tenants of the Development are expressly authorized and directed by Mortgagor to pay any and all amounts due Mortgagor pursuant to the Leases to Mortgagee or such nominee as Mortgagee may designate in a writing delivered to and received by such tenants, who are expressly relieved of any and all duty, liability or obligation to Mortgagor and/or its beneficiaries in respect of all payments so made.

(f) From and after an Event of Default, or a default under the Note or under any other instrument constituting additional security for the Note, and after the expiration of any applicable grace or cure period, Mortgagee is vested with full power to use all measures, legal and equitable, deemed by it necessary or proper to enforce this assignment of rents and leases and to collect the rents, income and profits assigned under this Paragraph 12, including the right of Mortgagee or its designee to enter upon the Development, or any part of it, with process of law, with power to eject or dispossess tenants and to rent or lease any portion of the Development on any terms approved by Mortgagee and take possession of all or any part of the Development together with all personal property, fixtures, documents, books, records, papers and accounts of Mortgagor relating to it, and to exclude the Mortgagor, its agents, and servants, wholly from it. Mortgagor grants full power and authority to Mortgagee to exercise all rights, privileges and powers granted in this Second Mortgage at any and all times from and after such Event of Default and the expiration of any applicable grace period, with full power to use and apply all of the rents and other income assigned in this Second Mortgage to the payment of the costs of managing and operating the Development and of any indebtedness or liability of Mortgagor to Mortgagee, including, but not limited to, the payment of taxes, special assessments, insurance premiums, damage claims, the costs of maintaining, repairing, rebuilding and restoring the Development or of making it rentable, attorneys' fees incurred in connection with the enforcement of this assignment of rents and leases, and of principal and interest payments due from Mortgagor to Mortgagee on the Note and this Second Mortgage, all in such order as Mortgagee may determine. Mortgagee shall be under no obligation to exercise or prosecute any of the rights or claims assigned to it under this Second Mortgage or to perform or carry out any of the obligations of the landlord under any of the Leases, and does not assume any of the liabilities in connection with or arising or growing out of the covenants and agreements of Mortgagor in the Leases. Mortgagor agrees to indemnify Mortgagee

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and to hold it harmless from any liability, loss or damage, including, without limitation, reasonable attorneys' fees, that may be incurred by it under the Leases or by reason of this assignment of rents and leases, and from any and all claims and demands whatsoever that may be asserted against Mortgagee by reason of any alleged obligations or undertakings on its part to perform or discharge any of the terms, covenants or agreements contained in any of the Leases. This assignment of rents and leases shall not operate to place responsibility for the control, care, management or repair of the Development, or any part of it, upon Mortgagee, nor shall it operate to make Mortgagee liable for the performance of any of the terms and conditions of any of the Leases or for any waste of the Development by any tenant under any of the Leases or by any other person, or for any dangerous or defective condition of the Development or for any negligence in the management, upkeep, repair or control of the Development resulting in loss or injury or death to any lessee, licensee, employee or stranger.

(i) The waiver of or acquiescence of Mortgagee in any Event of Default, or failure of Mortgagee to insist upon strict performance by Mortgagor of any covenants, conditions or agreements in this assignment of rents and leases, shall not constitute a waiver of any subsequent or other Event of Default or failure, whether similar or dissimilar.

(j) The rights and remedies of Mortgagee under this assignment of rents and leases are cumulative and are not in lieu of, but are in addition to, any other rights or remedies that Mortgagee has under the Note, this Second Mortgage or any other instrument constituting security for the Note or at law or in equity.

(k) Mortgagee may, at its option, although it shall not be obligated to, discharge or perform any covenant, condition or agreement contained in any Leases that the landlord must keep and perform under them, for and on behalf of Mortgagor and any monies expended in so doing shall be chargeable with interest at the Default Rate to Mortgagor and added to the indebtedness secured by this Second Mortgage.

13. From time to time whenever Mortgagee may demand, Mortgagor, within six (6) days from such demand, shall execute and deliver to Mortgagee in form and content satisfactory to it a security agreement under the UCC covering the equipment, chattels, and personal property then or thereafter to be installed in, or used in connection with the operation of the Development or any part of it; any delay, failure or refusal so to do shall constitute an Event of Default. All such equipment, chattels, and personal property shall be and remain clear and unencumbered except by this Second Mortgage and any other lien in

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favor of Mortgagee. Such security agreement under the UCC delivered to Mortgagee shall be cumulative with the lien of this Second Mortgage and given as additional security and shall not have the effect of removing the equipment, chattels, or personal property from the lien of this Second Mortgage.

14. The whole of the Second Mortgage Debt shall immediately become due and payable at the option of Mortgagee, its successors and assigns, upon the happening of any one or more of the following events (individually, an "Event of Default") and, in the case of any non-monetary default (except as otherwise specified in the following subparagraphs), after the expiration of a cure period not to exceed thirty (30) days from the date of notice from mortgagee to Mortgagor of such Event of Default:

(a) A default in the payment of any installment of principal, interest, additional interest, service fee or other amount for costs and expenses under the Note on its due date, or a default in the payment of any real estate tax, assessment, water rate, sewer, gas or electric charge, insurance premium, any reserve required by Mortgagee, or any charge or imposition that may become a lien upon the Real Estate, that continues unpaid for fifteen (15) days after its due date;

(b) A default in the payment of any installment of principal, interest, additional interest, service fee or other amount for costs and expenses under the Prior Note, or a default under the First Mortgage, the Regulatory Agreement or any other document evidencing, securing or governing the Prior Loan; however, a default under the Second Mortgage shall not constitute a default under the First Mortgage;

(c) If after application for insurance policies for the Development by Mortgagor to two (2) or more financially responsible casualty insurance companies lawfully doing business in the State of Illinois and issuing policies of fire or other hazard insurance in the place where the Real Estate is located, such companies refuse to issue such policies;

(d) Failure to exhibit to Mortgagee, within ten (10) days after demand made therefor, receipted bills showing the payment of all real estate taxes, assessments, water rates, sewer, gas or electric charges, insurance premiums, or any charge or imposition that may have become a lien upon the Real Estate prior to the lien of this Second Mortgage;

(e) Without limiting the provisions of subparagraph (a) of this Paragraph 14, failure to pay, within twenty (20) days after notice and demand, any real estate tax,

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assessment, water rate, sewer, gas or electric charge, or any other charge or imposition that is or may become a lien on the Development prior to the lien of this Second Mortgage, notwithstanding the fact that such charge may not be due and payable at the time of such notice and demand;

(f) Failure to pay the amounts secured by this Second Mortgage within thirty (30) days after notice and demand given by the holder of this Second Mortgage in the event of the passage after the date hereof of any law of the State of Illinois deducting from the value of the Real Estate for the purpose of taxation any lien on it, or changing in any way the laws for the taxation of mortgages, or of debts secured by mortgages, for state or local purposes, or the manner of the collection of any such taxes, so as to affect this Second Mortgage, the Note or their holder;

(g) Failure on the part of Mortgagor or any owner of the Real Estate to maintain the Development in a decent, safe, sanitary, rentable and tenantable state of repair, free from mechanics' liens or other liens or claims for liens other than liens in favor of Mortgagee, after notice of the condition of the Development is given to Mortgagor or any other owner by Mortgagee or by any municipal entity claiming jurisdiction, and Mortgagor or any other owner fails to comply in a reasonably prompt and diligent manner with any order of any municipal entity claiming jurisdiction of the Real Estate after the making of any such order; or failure on the part of Mortgagor or any other owner of the Real Estate, or of any tenant holding under Mortgagor, or any other owner, to comply with all or any of the statutes, requirements, orders or decrees of any Federal, State or municipal entity relating to the use of the Development or any part of it;

(h) Failure to furnish Mortgagee, within sixty (60) days following the end of each fiscal year, a complete annual financial report based upon an examination of the books and records of Mortgagor, prepared in accordance with the requirements of Mortgagee, certified to by Mortgagor, and when required by Mortgagee, certified, at Mortgagor's expense, by an Illinois licensed certified public accountant or other person acceptable to Mortgagee;

(i) The transfer of any funds from any operating, working capital or reserve account established for the Development for any purpose, if the transfer or purpose has not been approved by Mortgagee in accordance with the terms and conditions of the Regulatory Agreement;

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(j) Failure to permit Mortgagee, its agents or representatives, at any and all reasonable times to make inspection of the Development, or to examine and make copies of the books and records of Mortgagor;

(k) If a petition in bankruptcy is filed by or against Mortgagor or any other owner of the Real Estate, or a receiver or trustee of the property of Mortgagor or any other owner of the Real Estate is appointed, or if Mortgagor or any other owner of the Real Estate makes an assignment for the benefit of creditors or is adjudged insolvent by any State or Federal court. However, in the case of an involuntary petition, action or proceeding for the adjudication as a bankrupt or for the appointment of a receiver or trustees of the property of Mortgagor or any other owner of the Real Estate, not initiated by Mortgagor or any other owner of the Real Estate, Mortgagor or any other owner of the Real Estate shall have sixty (60) days after the service of such petition or the commencement of such action or proceeding, as the case may be, within which to obtain a dismissal of such petition, action or proceeding, provided that Mortgagor is not otherwise in default under the terms of this Second Mortgage, including, but not limited to, the payment of interest, principal and any other payments under the Note;

(l) A default of the performance or a breach of any of the other covenants or conditions contained in any of the provisions of this Second Mortgage for thirty (30) days; however, if such default or breach of such other covenants or conditions is not due to or caused by any act or failure to act Mortgagor or any other owner of the Development, and if Mortgagor or any other owner of the Development has no knowledge, actual or constructive, of such default, then only when any such default or breach continues for thirty (30) days after Mortgagee provides notice of it to Mortgagor or any other owner of the Development;

(m) Failure to comply with the Act and any rules and regulations duly promulgated from time to time by Mortgagee; and/or

(n) Failure to comply with any of the terms and conditions contained in or any document, instrument or agreement given as security for the Note.

15. The holder of this Second Mortgage, in any action to foreclose it, shall be entitled, without notice and without regard to the adequacy of the security, to the appointment of a receiver. Such receiver shall have all of the rights and powers

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provided for by the Illinois Mortgage Foreclosure Law (735 ILCS 5/15-1101, et seq.) (the "Mortgage Foreclosure Act").

16. In case of sale under foreclosure, the Real Estate may be sold in one (1) or more parcels.

17. Giving of Notice.

Any notice, demand, request or other communication that any party may desire or may be required to give to any other party hereunder shall be given in writing, at the addresses set forth below, by any of the following means: (a) personal service, (b) overnight courier; or (c) registered or certified United States mail, postage prepaid, return receipt requested.

Mortgagor: Harper Square Housing Corporation
4800 S. Lake Park Ave.
Chicago, Illinois 60615
Attn: Manager

with a courtesy copy to:

Herbert H. Fisher
Corporation Counsel
205 W. Wacker Dr.
Chicago, Illinois 60606-1211

Mortgagee: Illinois Housing Development
Authority
401 N. Michigan Avenue, Suite 900
Chicago, Illinois 60611
Attention: Legal Department

Such addresses may be changed by notice to the other party given in the same manner as provided in this Mortgage. Any notice, demand, request or other communication sent pursuant to subsection (a) shall be served and effective upon such personal service. Any notice, demand, request or other communication sent pursuant to subsection b) shall be served and effective one (1) business day after deposit with the overnight courier. Any notice, demand, request or other communication sent pursuant to subsection (c) shall be served and effective three (3) business days after proper deposit with the United States Postal Service.

Except as other wise specifically required herein, notice of the exercise of any right or option granted to Mortgagee by this Second Mortgage is not required to be given.

18. The failure or delay of Mortgagee or any subsequent holder of the Note and this Second Mortgage to assert in any one

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or more instances any of its rights under this Second Mortgage shall not be deemed or construed a waiver of any such rights.

19. All covenants and conditions of this Second Mortgage shall be construed as affording to Mortgagee rights additional to, and not exclusive of, the rights conferred under the provisions of the Illinois law, including, but not limited to, the Mortgage Foreclosure Act.

20. If part of the Development is taken by or sold to any municipal, federal or state entity or any other entity having the power of eminent domain (under eminent domain proceedings or under bona fide threat of eminent domain proceedings), and if the remaining portion of the Development can be restored, in whole or in part, and the Development as so restored will produce sufficient income to meet the then existing obligations (after the reduction hereinafter described) of Mortgagor under this Second Mortgage and the Note, all as determined by Mortgagee, and no Event of Default then exists, and no event has occurred and is continuing which would constitute an Event of Default but for a requirement of the giving of notice and/or the expiration of any cure period, the proceeds of such taking or sale, if sufficient for the purpose and to the extent necessary for the purpose, shall first be applied toward payment of appraisers' fees, reasonable attorneys' fees, court costs and other reasonable expenses incurred by Mortgagee in collecting such proceeds, and then shall be made available to Mortgagor for such restoration. Any balance remaining after such restoration shall be applied for the benefit of the Development in a manner approved by Mortgagee. If part of the Development is taken by or sold to any municipal, Federal or State entity or any other entity having the power of eminent domain, and if the Development, when restored, will not produce sufficient income to meet the then existing obligations (after the reduction hereinafter described) of Mortgagor under this Second Mortgage and the Note, all as determined by Mortgagee, or if an Event of Default has occurred and is continuing, or if an event has occurred and is continuing that would constitute an Event of Default but for a requirement of the giving of notice and/or the expiration of any cure period, the proceeds of such taking shall be deposited by Mortgagor with Mortgagee in an account designated by and under the control, direction and supervision of Mortgagee and shall be applied, in the sole discretion of Mortgagee, either toward the cost of restoring the Development, or toward satisfaction of the Note, and the balance, if any, of the proceeds of such taking or sale shall be applied for the benefit of the Development in a manner approved by Mortgagee. Such restoration shall be made in a manner approved by Mortgagee and such governmental entity as may then have jurisdiction. If the entire Development is taken by or sold to any municipal, Federal or State entity or any other entity having the power of eminent domain (under eminent domain

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proceedings or under bona fide threat of eminent domain proceedings), the proceeds of such taking or sale shall first be applied toward payment of appraisers' fees, reasonable attorneys' fees, court costs and other reasonable expenses incurred by Mortgagee in collecting such proceeds; next toward satisfaction of the Second Mortgage Debt; and the remainder, if any, to Mortgagor. Mortgagor shall not approve or accept the amount of any such award or sale price without approval by Mortgagee of such amount confirmed in writing by an Authorized Officer. If Mortgagor does not diligently pursue any such actual or threatened eminent domain proceedings and competently attempt to obtain a proper settlement or award, Mortgagee, at Mortgagee's option may take such steps, in the name of and in behalf of Mortgagor, as Mortgagee deems necessary to obtain such settlement or award, and Mortgagor shall execute such instruments as may be necessary to enable Mortgagee to represent Mortgagor in such proceedings.

21. This Second Mortgage, to the extent inconsistent with the Act, shall be governed by the Act, and the rights and obligations of the parties shall at all times be in conformance with the Act.

22. To the extent permitted by law, Mortgagor shall 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 Second Mortgage, but waives the benefit of all 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 Development marshalled upon any foreclosure of the lien of this Second Mortgage and agrees that any court having jurisdiction to foreclose such lien may order the Development sold as an entirety. Mortgagor expressly waives any and all rights of redemption from any order, judgment or decree of foreclosure of this Second Mortgage on behalf of Mortgagor, the trust estate and all persons beneficially interested therein, and each and every person acquiring any interest in or title to the Development subsequent to the date of this Second Mortgage. Mortgagor further expressly waives, to the extent now or hereafter permitted by law, all rights of reinstatement of this Second Mortgage pursuant to Section 15-1602 of the Mortgage Foreclosure Act.

23. Mortgagor shall pay all filing, registration and recording fees, and all expenses incident to the execution and acknowledgement of this Second Mortgage, and all Federal, State, county, and municipal taxes, and other taxes, duties, imposts, assessments and charges arising out of or in connection with the execution, delivery and recording of this Second Mortgage.

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24. Mortgagor agrees that any property management agreement for the Development shall be on a form prescribed from time to time by Mortgagee and that such management agreement shall not be modified, amended, extended or terminated without the prior written consent of an Authorized Officer of Mortgagee. In addition, to the extent permitted by law, Mortgagor shall cause the property manager, at Mortgagee's option, to enter into a waiver or subordination agreement with Mortgagee, in recordable form, whereby the property manager waives and releases any and all mechanics' lien rights that it or anyone claiming by, through or under it may have pursuant to Illinois law or subordinates its present and future lien rights and those of any party claiming by, through or under it to the lien of this Second Mortgage. Mortgagor's failure to comply with the provisions of this **Paragraph 24** (including without limitation, Mortgagor's failure to cause the property manager to enter into a waiver or subordination agreement described herein) shall constitute an Event of Default.

25. Upon an Event of Default, Mortgagee, pursuant to the appropriate provisions of the UCC, shall have the option of proceeding as to both real and personal property in accordance with its rights and remedies with respect to the Real Estate, in which event the default provisions of the UCC shall not apply. The parties agree that, if the Mortgagee elects to proceed with respect to the personal property collateral securing the indebtedness separately from the Real Estate, ten (10) days notice of the sale of the personal property collateral shall be reasonable notice. The reasonable expenses of retaking, holding, preparing for sale, selling and the like incurred by Mortgagee shall include, but not be limited to, reasonable attorneys' fees and legal expenses incurred by Mortgagee. Mortgagor agrees that, without the written consent of Mortgagee, Mortgagor will not remove or permit to be removed from the Development any of the personal property or fixtures securing the Second Mortgage Debt, except that so long as Mortgagor is not in default hereunder, Mortgagor shall be permitted to sell or otherwise dispose of such property when obsolete, worn out, inadequate, unserviceable or unnecessary for use in the operation of the Development upon replacing or substituting each property, such other property at least equal in value to the initial value to that disposed of and in such a manner so that such other property shall be subject to the security interest created by this Second Mortgage and so that the security interest of Mortgagee shall always be perfected and first in priority. All replacements, substitutions and additions to the property securing the Second Mortgage Debt shall immediately be subject to the security interest of this Second Mortgage and covered by it. Mortgagor shall, from time to time, on request of Mortgagee, deliver to Mortgagee in reasonable detail an inventory of the personal property securing the Second Mortgage Debt. Mortgagor covenants and represents that all

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personal property securing the indebtedness now is, and that all replacements of it, substitutions for it or additions to it, unless Mortgagee otherwise consents, will be, free and clear of liens, encumbrances or security interest of others.

26. To the extent any part of the Second Mortgage Debt or any other indebtedness secured by this Second Mortgage is applied in payment of any existing lien against the Development, or any part of it, or to the extent that following the date hereof Mortgagee pays any sum due pursuant to any provision of law or any instrument or document establishing any lien prior or superior to the lien of this Second Mortgage, Mortgagee shall have and be entitled to a lien on the Development equal in parity to such discharged lien and Mortgagee shall be subrogated to, receive and enjoy all rights and liens possessed, held or enjoyed by the holder of such lien, which shall remain in existence and benefit Mortgagee to secure the payment of the Second Mortgage Debt. Mortgagee shall be subrogated, notwithstanding its release of record, to mortgages, trust deeds, superior titles, vendors' liens, and other liens, charges, encumbrances, rights and equities on the Development to the extent that the Mortgagee pays any such obligation discharges it from the Second Mortgage Debt or other payments.

27. Mortgagor shall not by act or omission permit any building or other improvement not subject to the lien of this Second Mortgage to rely on the Development or any part of it or any interest in it to fulfill any municipal or governmental requirement, and Mortgagor irrevocably and unconditionally assigns to Mortgagee any and all rights to give consent for all or any portion of the Development or any interest in it to be so used. Similarly, no portion of the Development shall rely on any premises not subject to the lien of this Second Mortgage or any interest in it to fulfill any governmental or municipal requirement. Mortgagor shall not by act or omission impair the integrity of the Development as zoned. Any act or omission by Mortgagor that would result in a violation of any of the provisions of this Paragraph 27 shall be void.

28. Mortgagor shall not submit the Development or any part of it to the Condominium Property Act of the State of Illinois or to any similar act or statute. Mortgagor shall not otherwise permit cooperative ownership of the Development or any part of it, or any further subdivision of the Development, without first obtaining approval of Mortgagee confirmed in writing by an Authorized Officer.

29. Nothing contained in this Second Mortgage shall be construed to or shall constitute Mortgagee and Mortgagor as partners, joint venturers, or tenants in common, or require Mortgagee to participate in any costs, liabilities, expenses or

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losses of Mortgagor. The only relationship between Mortgagee and Mortgagor is that of secured lender and borrower.

30. Mortgagor represents and warrants to Mortgagee that unless a properly completed Disclosure Statement has been delivered to Mortgagee, the disclosure requirements of the Illinois Responsible Property Transfer Act, 765 ILCS 90/1, et seq., do not apply to the loan transaction contemplated by this Second Mortgage.

31. (a) Mortgagor covenants with and warrants and represents to Mortgagee that Mortgagor has not, and to the best of Mortgagor's knowledge after due and diligent inquiry, no other person or entity has caused or permitted any Hazardous Materials (as hereinafter defined) to be placed, held, located or deposited at, on, in, under or about the Development or any part thereof or into the atmosphere or any watercourse, body of water or wetlands, except for such Hazardous Materials that have been removed from the Development and disposed of in full compliance with all applicable Environmental Laws (as hereinafter defined). Mortgagor further covenants with and warrants and represents to Mortgagee that to the best of Mortgagor's knowledge, (i) neither the Development nor any part of it has ever been used as a treatment, storage or disposal (whether permanent or temporary) site for any Hazardous Materials, (ii) no Hazardous Materials are presently located at, on, in under or about the Development or any part of it, (iii) no notice of violation, lien, complaint, suit, order or other notice with respect to the environmental condition of the Development is outstanding, nor has any such notice been issued which has not been fully satisfied and complied with in a timely fashion so as to bring the Development into full compliance with all Environmental Laws, (iv) no releasing, emitting, discharging, leaching, dumping or disposing of any Hazardous Materials from the Development onto or into other property or from any other property onto or into the Development has occurred or is occurring in violation of any Environmental Law. For the purposes of this Paragraph 31, the term "Hazardous Materials" shall mean any and all existing and future asbestos, polychlorinated biphenyls (PCBs), petroleum products and any other hazardous or toxic materials, wastes and substances which are defined, determined or identified as such in any Federal, State or local laws, rules or regulations (whether now existing or hereafter enacted or promulgated or amended) including, without limitation, the Federal Water Pollution Control Act (33 U.S.C. Section 1251 et seq.), Resource Conservation and Recovery Act (42 U.S.C. Section 6901 et seq.), Safe Drinking Water Act (42 U.S.C. Section 300f et seq.), Toxic Substances Control Act (15 U.S.C. Section 2601 et seq.), Clean Air Act (42 U.S.C. Section 7401 et seq.), Comprehensive Environmental Response, Compensation and Liability Act of 1980 (42 U.S.C. Section 9601 et seq.), Hazardous Materials

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Transportation Act (49 U.S.C. Section 1801 *et. seq.*), the Illinois Environmental Protection Act (415 ILCS 5/1 *et seq.*) and other comparable Federal, State or local laws, statutes, ordinances, orders, decrees, directives, rules and/or regulations, regulating, relating to or imposing liability or standards of conduct concerning any hazardous, toxic or dangerous waste, substance or material as now or at any time hereafter in effect (collectively, the "Environmental Laws").

(b) Mortgagor agrees that it shall comply, and shall cause all tenants or other occupants of the Development, or any part of it, to comply, in all respects with all Environmental Laws, and will not generate, store, handle, process, dispose of or otherwise use, and will not permit any tenant or other occupant of the Development or any part of it to generate, store, handle, process, dispose of or otherwise use Hazardous Materials at, in, on, under or about the Development in a manner that could lead or potentially lead to the imposition on Mortgagee or the Development of any liability or lien of any nature whatsoever under any Environmental Law.

(c) Mortgagor shall notify Mortgagee promptly in the event of any spill or other release of any Hazardous Material at, in, on, under or about the Development that is required to be reported to a Governmental Authority (as hereinafter defined) under any Environmental Law, will promptly forward to Mortgagee copies of any notices received by Mortgagor relating to alleged violations of any Environmental Laws and will promptly pay when due any fine or assessment against Mortgagor, Mortgagee or the Development relating to any Environmental Law. The term "Governmental Authority" shall mean the Federal government, any state or other political subdivision thereof, or any agency, court or body of the Federal government, any state or other political subdivision thereof exercising executive, legislative, judicial, regulatory or administrative functions.

(d) If at any time it is determined that the operation or use of the Development violates any Environmental Law or that there are Hazardous Materials found or otherwise existing on, under or about the Development or any part of it, that, under any Environmental Law, require special handling in collection, storage, treatment or disposal, or any other form of cleanup or corrective action, and whether or not such violation or the existence of such Hazardous Materials previously was disclosed to Mortgagee, Mortgagor shall, within thirty (30) days after receipt of notice thereof from any Governmental Authority or from an Authorized Officer of Mortgagee, take, at its sole cost and expense, all necessary and appropriate actions and shall spend all necessary sums to cause the same to be cleaned up and immediately removed, and Mortgagee shall in no event be liable or responsible for any costs or expenses incurred in so doing. If

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such compliance cannot reasonably be completed within such thirty (30) day period, Mortgagor shall commence such necessary action within such thirty (30) day period and shall thereafter diligently and expeditiously proceed to fully comply in all respects and in a timely fashion with all Environmental Laws. Mortgagor shall at all times observe and satisfy the requirements of and maintain the Development in strict compliance with all of the Environmental Laws. Notwithstanding the foregoing provisions of this subparagraph (d) to the contrary, Mortgagor shall not be responsible to take any curative measures or spend any sums under this Paragraph 31 with respect to Hazardous Materials that did not exist on, under or about the Development or any part of it on or after the date on which Mortgagor no longer owns, leases, operates, possesses or controls the Development.

(e) Mortgagor agrees, at its sole cost and expense, to indemnify and save Mortgagee harmless against and from any and all damages, losses, liabilities, obligations, penalties, claims, litigation, demands, defenses, judgments, suits, proceedings, costs, disbursements or expenses of any kind or of any nature whatsoever (including, without limitation, court costs, attorneys' and experts' fees and disbursements) that may at any time be imposed upon, incurred by or asserted or awarded against Mortgagee due to events caused or conditions existing prior to or during the time when Mortgagor owns, leases, operates, possesses or controls the Development or any part of it and arising from or out of (A) any Hazardous Materials on, in, under or affecting all or any portion of the Development or any surrounding areas, or (B) the enforcement of the covenants and provisions of this Paragraph 31 or the assertion by Mortgagor of any defense to its obligations hereunder, whether any of such matters arise before or after foreclosure of the Second Mortgage or other taking of title to all or any portion of the Development by Mortgagee or its designee, including, without limitation, (i) the costs of removal of any and all Hazardous Materials from all or any portion of the Development or any surrounding areas, including without limitation, all post-foreclosure clean-up and removal costs and expenses, (ii) additional costs required to take necessary precautions to protect against the release of Hazardous Materials on, in, under or affecting the Development or into the atmosphere, any body of water, any other public domain or any surrounding areas, (iii) costs incurred to comply, in connection with all or any portion of the Development or any surrounding areas, with all Environmental Laws, and (iv) costs arising from or out of any claim, action, suit or proceeding for personal injury (including, without limitation, sickness, disease or death), tangible or intangible property damage, compensation for lost wages, business income, profits, or other economic loss, damage to the natural resources or the environment, nuisance, pollution, contamination, leak, spill, release, escape, seepage, discharge, emission or other adverse effect on the environment.

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Upon the written approval of Mortgagee, Mortgagor shall have the right to defend Mortgagee in any action arising out of or in connection with the indemnities provided in this Paragraph 31. The approval of the Authority shall not be unreasonably withheld.

(f) Should Mortgagor at any time default in or fail to perform or observe any of its obligations or agreements under this Paragraph 31, Mortgagee shall have the right, but not the duty, to perform such obligations or agreements, and Mortgagor agrees to pay to Mortgagee, on demand, all costs and expenses incurred by Mortgagee in connection therewith, including, without limitation, all attorneys' fees, together with interest such costs and expenses from the date of expenditure at the Default Rate.

(g) Mortgagee may, at its option, at any time Mortgagee reasonably believes that any Hazardous Materials or other environmental condition violates or threatens to violate any Environmental Law, cause an environmental audit of the Development or portions of it to be conducted to confirm Mortgagor's compliance with the provisions of this Agreement, and Mortgagor shall cooperate in all reasonable ways with Mortgagee in connection with any such audit and shall pay all costs and expenses incurred in connection with such audit.

32. Notwithstanding anything to the contrary in this Second Mortgage, the total aggregate indebtedness secured by this Second Mortgage shall not exceed an amount equal to three hundred percent (300%) of the face amount of the Note.

33. This Second Mortgage and all its provisions, shall extend to and be binding upon Mortgagor and its successors, grantees and assigns, any subsequent owner or owners of the Real Estate and all persons claiming by, through or under Mortgagor. The word "Mortgagee" when used in this Second Mortgage shall include the successors and assigns of the Mortgagee, and the holder and holders, from time to time, of the Note. If one or more of the provisions contained in this Second Mortgage, the Note or any other document securing payment of the Note is for any reason held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall, at the option of the Mortgagee, not affect any other provision of this Second Mortgage, and this Second Mortgage shall be construed as if such invalid, illegal, or unenforceable provision had never been contained in it or such other document. This Second Mortgage and the Note shall be construed and governed by the laws of the State of Illinois. Any amendments or modifications of this Second Mortgage shall be in writing and signed by each of the parties to it.

34. Nothing in this Second Mortgage or in the Note shall be construed as creating any liability on Mortgagor or any of its

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successors or assigns, or any principal, tenant in common, officer, director, trustee, beneficiary, shareholder, controlling person, employee, agent or affiliate of any of the foregoing (each, an "Exculpated Person" and collectively, the "Exculpated Persons") personally to pay the Note or any interest that may accrue on it, or any indebtedness accruing under this Second Mortgage or to perform any of the covenants, obligations, representations and warranties or indemnifications contained herein or in the Note. However, nothing in this Second Mortgage shall be construed to release or impair the Second Mortgage Debt or the lien of this Second Mortgage upon the Development, or preclude the application of the Development to the payment of the Note in accordance with the terms of this Second Mortgage. A negative capital account of any partner of Mortgagor shall not, for these purposes, constitute an asset or property of Mortgagor. Notwithstanding the foregoing, except as set forth in the penultimate sentence of this **Paragraph 34**, Exculpated Persons shall be liable to Mortgagee for any and all loss, cost, expense or damage suffered by Mortgagee (i) as a result of fraud by any Exculpated Person in connection with the representations or warranties contained in this Second Mortgage or the Note or in any other document executed in connection with the Note; (ii) for the fair market value of the personalty or fixtures removed or disposed of by Mortgagor in violation of the terms of this Second Mortgage, any other Loan Document or the Regulatory Agreement (which fair market value shall be determined as of the time immediately before such items were so removed or disposed of); (iii) as a result of the application of any funds or proceeds in violation of the terms of this Second Mortgage, any other Loan Document or the Regulatory Agreement, to the full extent of such misapplied funds and/or proceeds, under any insurance policies or awards resulting from condemnation or the exercise of the power of eminent domain, by reason of damage, loss or destruction of any portion of the Development or any improvements located on it; (iv) as a result of any misapplication of any security deposits attributable to Leases, failure to pay interest on such security deposits as required by law or the collection of rents in violation of any of the Loan Documents or the Regulatory Agreement; (v) to the extent such Exculpated Person receives and retains or converts to its own use funds to which it is not entitled; and (vi) as a result of the intentional waste of any portion of the Development or any improvements located on it. It is expressly understood that no Exculpated Person shall be liable to Mortgagee for any loss, cost, expense or damage suffered by Mortgagee, and none of the property or assets of any Exculpated Person other than its interest in the Development shall be subject to any enforcement procedure for the satisfaction of the remedies of the Mortgagee hereunder, by reason of the acts or omissions described in the foregoing clause (i), (ii), (iii), (iv), (v) or (vi) of this **Paragraph 34**, unless such Exculpated Person perpetrates or knowingly cooperates with or acquiesces in

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such act or omission. The limitation on the liability of any Exculpated Person shall not modify or discharge the liability of any person who is not an Exculpated Person or entities perpetrating or knowingly cooperating with or acquiescing in such act or omission.

MORTGAGOR:

HARPER SQUARE HOUSING CORPORATION
an Illinois corporation

By: Sharon Dawson
Name: Sharon Dawson
President

ATTEST:

By: Delores Jackson
Name: Delores Jackson
Secretary

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ACKNOWLEDGEMENT FOR OWNER

STATE OF ILLINOIS)
) SS
COUNTY OF COOK)

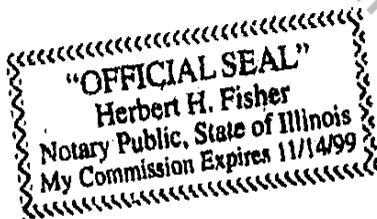
** Shannon Lawson and Debra J. Tolson*

I, the undersigned, a Notary Public in and for the County and State aforesaid, certify that ** Shannon Lawson and Debra J. Tolson*, personally known to me to be the President of HARPER SQUARE HOUSING CORPORATION, an Illinois corporation, appeared before me this day in person and acknowledged that *they* signed and delivered the Second Mortgage, Assignment of Rents and Leases, Security Agreement and Financing Statement in *their* capacity as President of HARPER SQUARE HOUSING CORPORATION as *their* free and voluntary act and as the free and voluntary act and deed of HARPER SQUARE HOUSING CORPORATION, for the uses and purposes therein set forth.

Given under my hand and official seal this 20th day of June, 1997.



Notary Public



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EXHIBIT A

LEGAL DESCRIPTION

All that certain plot, piece or parcel of land, with the buildings and improvements thereon erected, described as follows:

An irregular shaped tract of land in the east half of the Northeast quarter of Section 11, Township 38 North, Range 14 east of the third principal meridian, in Cook County, Illinois, said irregular shaped tract of land being more particularly described as follows:

Beginning at the intersection of the North line of East 49th Street with the East line of South Dorchester Avenue, thence North along the East line of South Dorchester Avenue, 598.78 feet to its intersection with the South line of East 48th Street, extended East, thence East at right angles to the East line of South Dorchester Avenue, a distance of 77.78 feet to a point of curve, thence northeasterly along a curved line convex to the Southeast and having a radius of 383 feet, a distance of 179.93 feet to a point of tangency with a straight line; thence northeasterly along last described tangent line, a distance of 51.22 feet to a point on the southwesterly line of South Lake Park Avenue as dedicated and opened by resolution adopted by the City Council on August 25, 1966, and recorded October 25, 1966, as Document 19976969; thence southeasterly along said street line, as dedicated, a distance of 172.53 feet to a point of tangency with a curved line; thence southeasterly along said curved line convex to the Northeast and having a radius of 5729.58 feet, a distance of 734.31 feet to its intersection with the northwesterly line of the southeasterly 41.12 feet of Lot 3 in Block 6 in "Hyde Park" subdivision aforesaid; thence southwesterly along the northwesterly line of the southeasterly 41.12 feet of said Lot 3, 124.31 feet to the southwesterly line of said lot, being also the northeasterly line of South Lake Park Avenue as originally laid out; thence northwesterly along the northeasterly line of said Lake Park Avenue, 230.21 feet to its intersection with the North line of East 49th Street, extended East; thence west along the North line and the extension of said North line of East 49th street, a distance of 463.54 feet to the point of beginning.

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