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MORTGAGE

1
2
3 THIS MORTGAGE (the "Mortgage") is made as of February 2,
4 1998, by H.O Plus, L.P, a limited partnership, having an address at
5 845 West Madison, Chicago, Illinois (the "Borrower") to John Melk,
6 an individual having an address at 676 North Michigan, Chicago,
7 Illinois (the "Lender").
8

9 Borrower has executed and delivered to Lender a Promissory
10 Note (the "Note") of even date herewith payable to the order of
11 Lender in the principal sum of Five Hundred Thousand Dollars
12 (\$500,000.00), bearing interest and payable as set forth in the
13 Note, and due on demand.
14

15 In order to secure the payment of the principal indebtedness
16 under the Note and interest and premiums on the principal
17 indebtedness under the Note (and all replacements, renewals and
18 extensions thereof, in whole or in part) according to its tenor,
19 and to secure the payment of all other loans to Borrower from
20 Lender and all other sums which may be at any time due under the
21 Note or this Mortgage or otherwise due from Borrower to Lender
22 (collectively sometimes referred to herein as "Indebtedness"); and
23 to secure the performance and observance of all the provisions
24 contained in this Mortgage or the Note, and to charge the
25 properties, interests and rights hereinafter described with such
26 payment, performance and observance, and for other valuable
27 consideration, the receipt and sufficiency of which is hereby
28 acknowledged, Borrower DOES HEREBY MORTGAGE AND CONVEY unto Lender,
29 its successors and assigns forever, the following described
30 property, rights and interests (which are referred to herein as the
31 "Premises"), all of which property, rights and interests are hereby
32 pledged primarily and on a parity with the Land (as hereinafter
33 defined) and not secondarily:
34

35 THE LAND located in the State of Illinois (the "Land") and
36 legally described on Exhibit A attached hereto.
37

38 TOGETHER WITH all improvements of every nature whatsoever now
39 or hereafter situated on the Land, and all fixtures and personal
40 property of every nature whatsoever now or hereafter owned by

THIS DOCUMENT PREPARED BY
AND AFTER RECORDING RETURN TO:
Benjamin D. Schwartz, Esq.
10 South Wacker Drive, #4000
Chicago, IL 60606

ADDRESS OF PREMISES:
21 South Peoria
Chicago, IL
P.I.N. 17-17-208-001-0000
17-17-208-002-0000
17-17-208-005-0000
17-17-208-006-0000
17-17-208-007-0000
17-17-208-009-0000
17-17-208-010-0000
17-17-208-016-0000
17-17-208-017-0000
17-17-208-018-0000

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41 Borrower and located on or used or intended to be used in
42 connection with the Land or the improvements, or in connection with
43 any construction thereon, and owned by Borrower, and all of
44 Borrower's rights or payments now or hereafter made on such
45 personal property or fixtures by Borrower or on its behalf (the
46 "Improvements");
47

48 TOGETHER WITH all easements, rights of way, gores of land,
49 streets, ways, alleys, passages, sewer rights, waters, water
50 courses, water rights and powers, and all estates, rights, titles,
51 interests, privileges, liberties, tenements, hereditaments and
52 appurtenances whatsoever, in any way now or hereafter belonging,
53 relating or appertaining to the Land, and the reversions,
54 remainders, rents, issues and profits thereof, and all the estate,
55 right, title, interest, property, possession, claim and demand
56 whatsoever, at law as well as in equity, in and to the same;
57

58 TOGETHER WITH all income from the Premises to be applied
59 against the Indebtedness, provided, however, that Borrower may, so
60 long as no Default has occurred hereunder, collect income and other
61 benefits as it becomes due, but not more than one (1) month in
62 advance thereof;
63

64 TOGETHER WITH all proceeds of the foregoing, including without
65 limitation all judgments, awards of damages and settlements
66 hereafter made resulting from condemnation proceeds or the taking
67 of the Premises or any portion thereof under the power of eminent
68 domain, any proceeds of any policies of insurance, maintained with
69 respect to the Premises or proceeds of any sale, option or contract
70 to sell the Premises or any portion thereof.
71

72 TO HAVE AND TO HOLD the Premises, unto the Lender, its
73 successors and assigns, forever, for the purposes herein set forth
74 together with all right to possession of the Premises after the
75 occurrence of any Default as hereinafter defined; the Borrower
76 hereby RELEASING AND WAIVING all rights under and by virtue of the
77 homestead exemption laws of the State of Illinois
78

79 BORROWER COVENANTS that it is lawfully seized of the Land, and
80 that it has lawful authority to mortgage the same, and that it will
81 warrant and defend the Land and the quiet and peaceful possession
82 of the same against the lawful claims of all persons whomsoever.
83

84 PROVIDED, NEVERTHELESS, that if Borrower shall pay in full
85 when due the Indebtedness and shall timely perform and observe all
86 of the provisions herein and in the Note provided to be performed
87 and observed by the Borrower, then this Mortgage and the interest
88 of Lender in the Premises shall cease and become void, but shall
89 otherwise remain in full force.
90

91 BORROWER FURTHER AGREES AS FOLLOWS:
92

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93 1. Payment of Indebtedness and Performance of Covenants.
94 Borrower shall (a) pay the Indebtedness when due and (b) punctually
95 perform and observe all of the requirements of the Note and this
96 Mortgage.

97
98 2. Maintenance, Repair, Compliance with Law, Use, etc.
99 Borrower shall (a) promptly repair or restore any portion of the
100 Improvements which may become damaged or be destroyed whether or
101 not proceeds of insurance are available or sufficient for that
102 purpose; (b) keep the Premises in good condition and free from
103 waste; (c) pay all operating costs of the Premises; (d) complete,
104 within a reasonable time, any building or other Improvements at any
105 time in the process of erection upon the Premises; (e) comply with
106 all requirements of law relating to the Premises and the use
107 thereof; (f) refrain from any action and correct any condition
108 which would increase the risk of fire or other hazard to the
109 Improvements; (g) comply with any restrictions of record with
110 respect to the Premises; and comply with any conditions necessary
111 to preserve and extend all rights that are applicable to the
112 Premises; and (h) cause the Premises to be managed in a competent
113 manner. Without the prior written consent of Lender, Borrower
114 shall not cause, suffer or permit any (i) material alterations of
115 the Premises except as required by law or except as permitted or
116 required to be made by the terms of any Leases approved by Lender;
117 (ii) change in the intended use of the Premises; (iii) change in
118 the identity of the person or firm responsible for managing the
119 Premises; (iv) zoning reclassification with respect to the
120 Premises; (v) unlawful use of, or nuisance to exist upon, the
121 Premises; or (vi) granting of any easements, licenses, covenants,
122 conditions or declarations of use against the Premises, other than
123 use restrictions contained or provided for in Leases approved by
124 Lender.

125
126 3. Liens, Prohibition. Subject to the provisions of
127 Paragraph 4 hereof, Borrower shall not create or suffer or permit
128 any encumbrance to attach to or be filed against the Premises,
129 excepting only (i) the lien of real estate taxes and assessments
130 not due and (ii) any liens and encumbrances of Lender.

131
132 4. Taxes.

133
134 4.1 Payment. Borrower shall pay when due all taxes,
135 assessments, and charges of every kind levied or assessed against
136 the Premises or any interest therein or any obligation or
137 instrument secured hereby, and all installments thereof (all herein
138 generally called "Taxes"), whether or not assessed against
139 Borrower, and Borrower shall furnish to Lender receipts therefor on
140 or before the date the same are due; and shall discharge any claim
141 or lien relating to Taxes upon the Premises.

142
143 4.2 Contest. Borrower may, in good faith and with
144 reasonable diligence, contest the validity or amount of any such
145 Taxes, provided:

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146 4.2.1 Such contest shall prevent the collection of
147 the Taxes so contested and the sale or forfeiture of the Premises
148 or any part thereof or interest therein to satisfy the same;

149
150 4.2.2 Borrower has notified Lender in writing of
151 the intention of Borrower to contest the same before any Tax has
152 been increased by any interest, penalties, or costs; and

153
154 4.2.3 Borrower has deposited with Lender, at such
155 place as Lender may from time to time in writing designate, a sum
156 of money or other security acceptable to Lender that, when added to
157 the monies or other security, if any, deposited with Lender
158 pursuant to Paragraph 7 hereof, is sufficient, in Lender's
159 judgment, to pay in full such contested Tax, including interest and
160 penalties, and shall increase such deposit to cover additional
161 interest and penalties whenever Lender deems such an increase
162 advisable.

163
164 If Borrower fails to prosecute such contest with reasonable
165 diligence or fails to maintain sufficient funds on deposit as
166 hereinabove provided, Lender may, at its option, apply the monies
167 and liquidate any securities deposited with Lender, in payment of,
168 or on account of, such Taxes, or any portion thereof then unpaid,
169 including all penalties and interest thereon. If the amount of the
170 money and any such security so deposited is insufficient for the
171 payment in full of such Taxes, together with all penalties and
172 interest thereon, Borrower shall forthwith, upon demand, either
173 deposit with Lender a sum that, when added to such funds then on
174 deposit, is sufficient to make such payment in full, or, if Lender
175 has applied funds on deposit on account of such Taxes, restore such
176 deposit to an amount satisfactory to Lender. Provided that
177 Borrower is not then in default hereunder, Lender shall, upon
178 Borrower's written request, after final disposition of such contest
179 and upon Borrower's delivery to Lender of an official bill for such
180 Taxes, apply the money so deposited in full payment of such Taxes
181 or that part thereof then unpaid, together with penalties and
182 interest thereon.

183
184 5. Insurance Coverage. Borrower will insure the Premises
185 against such perils and hazards, and in such amounts and with such
186 limits, as Mortgagee may from time to time require, and in any
187 event will continuously maintain the following described policies
188 of insurance (the "Insurance Policies"):

189
190 5.1 Casualty insurance against loss and damage by all
191 risks of physical loss or damage, including fire, windstorm, flood,
192 earthquake and other risks covered by the so-called extended
193 coverage endorsement in amounts not less than the full insurable
194 replacement value of all Improvements, fixtures and equipment from
195 time to time on the Premises and bearing a replacement cost agreed
196 amount endorsement;

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198 5.2 Comprehensive public liability against death, bodily
199 injury and property damage with such limits as Lender may require;
200

201 5.3 Rental or business interruption insurance in amounts
202 sufficient to pay, for a period of up to one (1) year, all amounts
203 required to be paid by Borrower pursuant to the Note and this
204 Mortgage;
205

206 5.4 Steam boiler, machinery and pressurized vessel
207 insurance, if applicable;
208

209 5.5 If the Federal Insurance Administration (FIA) has
210 designated the Premises to be in a special flood hazard area and
211 designated the community in which the Premises are located eligible
212 for sale of subsidized insurance, first and second layer flood
213 insurance when and as available; and
214

215 5.6 The types and amounts of coverage as are customarily
216 maintained by owners or operators of like properties.
217

218 6. Insurance Policies. All Insurance Policies shall be in
219 form, companies and amounts reasonably satisfactory to Lender. All
220 Insurance Policies shall (i) include, when available, non-
221 contributing mortgagee endorsements in favor of and with loss
222 payable to Lender, (ii) include standard waiver of subrogation
223 endorsements, (iii) provide that the coverage shall not be
224 terminated or materially modified without thirty (30) days' advance
225 written notice to Lender and (iv) provide that no claims shall be
226 paid thereunder without ten (10) days' advance written notice to
227 Lender. Borrower will deliver all Insurance Policies premium
228 prepaid, to Lender and will deliver renewal or replacement policies
229 at least thirty (30) days prior to the date of expiration of any
230 policy.
231

232 7. Deposits for Taxes and Insurance Premiums. In order to
233 assure the payment of Taxes and insurance policy premiums
234 ("Premiums") when due:
235

236 7.1 Borrower shall deposit with Lender on the first
237 business day of each month, an amount equal to one-twelfth (1/12)
238 of the Taxes and Premiums thereof to become due upon the Premises
239 between one (1) and thirteen (13) months after the date of such
240 deposit; provided that in the case of the first such deposit,
241 Borrower shall deposit in addition an amount which, when added to
242 the aggregate amount of monthly deposits to be made hereunder with
243 respect to Taxes and Premiums to become due within thirteen (13)
244 months after such first deposit, will provide (without interest) a
245 sufficient fund to pay such Taxes and Premiums, one (1) month prior
246 to the date when they are due. The amounts of such deposits
247 (herein generally called "Tax and Insurance Deposits") shall be
248 based upon Lender's estimate of the amount of Taxes and Premiums.
249 Borrower shall promptly upon the demand of Lender make additional
250 Tax and Insurance Deposits as Lender may from time to time require

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251 due to (i) failure of Lender to require, or failure of Borrower to
252 make, Tax and Insurance Deposits in previous months,
253 (ii) underestimation of the amounts of Taxes and/or Premiums,
254 (iii) the particular due dates and amounts of Taxes and/or Premiums
255 or (iv) application of the Tax and Insurance Deposits pursuant to
256 Paragraph 7.3 hereof. Additionally, upon the execution hereof,
257 Borrower shall deposit with Lender, as a Tax and Insurance Deposit,
258 the amount of all Taxes and Premiums to become due and payable
259 prior to the first monthly Tax and Insurance Deposit or within one
260 (1) month thereafter. Lender shall hold all Tax and Insurance
261 Deposits without any allowance of interest thereon.
262 Notwithstanding any provision hereof to the contrary, Lender shall
263 not require Borrower to make Tax and Insurance Deposits unless one
264 or more of the following events has occurred: (i) a Default has
265 occurred hereunder; (ii) Borrower has failed to provide for the
266 payment of Taxes and Premiums in a manner satisfactory to Lender;
267 or (iii) Borrower has failed to maintain the Insurance Policies in
268 a manner satisfactory to Lender.

269
270 7.2 Lender will, out of the Tax and Insurance Deposits,
271 upon the presentation to Lender by Borrower of the bills therefor,
272 pay the Taxes and Premiums or will, upon the presentation of
273 receipted bills therefor, reimburse Borrower for such payments made
274 by Borrower. If the total Tax and Insurance Deposits on hand shall
275 not be sufficient to pay all of the Taxes and Premiums when the
276 same shall become due, then Borrower shall pay to Lender on demand
277 the amount necessary to make up the deficiency.

278
279 7.3 Upon a Default under this Mortgage, Lender may, at
280 its option, without being required to do so, apply any Tax and
281 Insurance Deposits on hand to the Indebtedness, in such order and
282 manner as Lender may elect. When the indebtedness has been fully
283 paid, any remaining Tax and Insurance Deposits shall be paid to
284 Borrower. All Tax and Insurance Deposits are hereby pledged as
285 additional security for the Indebtedness, and shall be held by
286 Lender irrevocably to be applied for the purposes for which made as
287 herein provided, and shall not be subject to the direction or
288 control of Borrower.

289
290 7.4 Notwithstanding anything herein contained to the
291 contrary, Lender shall not be liable for any failure to apply the
292 Tax and Insurance Deposits unless Borrower, while no Default exists
293 hereunder, shall have (i) requested in writing that Lender apply
294 such Deposits to the payment of the Taxes or Premiums, and
295 (ii) presented Lender with bills for such Taxes or Premiums.

296
297 7.5 The provisions of this Mortgage are for the benefit
298 of Borrower and Lender alone. No provision of this Mortgage shall
299 be construed as creating in any other party any rights in the Tax
300 and Insurance Deposits or any rights to have the Tax and Insurance
301 Deposits applied to payment of Taxes and Premiums. Lender shall
302 have no obligation to any third party to collect Tax and Insurance
303 Deposits.

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304 8. Proceeds of Insurance. Borrower will give Lender prompt
305 notice of any loss or damage to the Premises, and:
306

307 8.1 In case of loss covered by insurance policies,
308 Lender (or, after entry of decree of foreclosure, the purchaser at
309 the foreclosure sale or decree creditor, as the case may be) is
310 hereby authorized at its option either (i) to settle and adjust any
311 claim under such policies without the consent of Borrower, or
312 (ii) to allow Borrower to settle or adjust such claims; provided
313 that Borrower may itself adjust losses aggregating not in excess of
314 _____ Thousand Dollars (\$ _____) if such adjustment is
315 carried out in a competent and timely manner. The expenses
316 incurred by Lender in the adjustment and collection of insurance
317 proceeds shall be so much additional Indebtedness and Borrower
318 shall reimburse Lender for such expense upon demand.
319

320 8.2 In the event of any insured damage to the Premises
321 (herein called an "Insured Casualty"), and if, in the reasonable
322 judgment of Lender, the Premises can be restored to an economic
323 unit not less valuable than the same was prior to the Insured
324 Casualty, then, if Borrower shall not be in default or Default
325 hereunder, the proceeds of insurance shall be applied to reimburse
326 Borrower for the cost of restoring or repairing the Premises, as
327 provided for in Paragraph 8 hereof; and Borrower shall diligently
328 restore or repair the Premises; provided that Borrower shall pay
329 all costs of such restoring or repairing in excess of the net
330 proceeds of insurance made available pursuant to the terms hereof.
331

332 8.3 Except as provided in Paragraph 8.2, Lender may
333 apply the proceeds of insurance consequent upon any Insured
334 Casualty upon the Indebtedness in such order as Lender may elect;
335 provided, however, that such application of proceeds shall not be
336 considered a voluntary prepayment of the Note which would require
337 the payment of any prepayment premium.
338

339 8.4 Whether or not proceeds of insurance are made
340 available to Borrower for the restoring or repairing of the
341 Premises, Borrower shall restore or repair the same to be of at
342 least equal value and of substantially the same character as prior
343 to such damage in accordance with plans and specifications to be
344 approved in advance by Lender.
345

346 9. Disbursement of Insurance Proceeds. Insurance proceeds
347 held by Lender for restoration or repairing of the Premises shall
348 be disbursed from time to time upon Borrower furnishing Lender with
349 (i) evidence satisfactory to it of the estimated cost of the
350 restoration or repair, (ii) funds sufficient in addition to the
351 proceeds of insurance, to fully pay for the restoration or repair,
352 and (iii) such architect's certificates, waivers of lien,
353 contractor's sworn statements, title insurance endorsements, plats
354 of survey and such other evidences of cost, payment and performance
355 as Lender may require and approve. No payment made prior to the
356 final completion of the restoration or repair shall exceed seven

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357 hundred percent (700%) of the value of the work performed from time
358 to time, as such value shall be determined by Lender in its
359 exclusive judgment; funds other than insurance proceeds shall be
360 disbursed prior to disbursement of such proceeds; and at all times
361 the undisbursed balance of such proceeds remaining in the hands of
362 Lender, together with funds deposited or irrevocably committed, to
363 the satisfaction of Lender, by or on behalf of Borrower to pay the
364 cost of such repair or restoration shall be at least sufficient in
365 the reasonable judgment of Lender to pay the entire unpaid cost of
366 the restoration or repair free and clear of all liens or claims for
367 lien. Any surplus of insurance proceeds held by Lender after
368 payment of such costs of restoration or repair shall be paid to
369 Borrower provided Borrower is not in default hereunder. No
370 interest shall be allowed to Borrower on account of any proceeds of
371 insurance or other funds held by Lender.
372

373 10. Condemnation and Eminent Domain. All awards (the
374 "Awards") made to the owner of the Premises, by any governmental or
375 other lawful authority for the taking, by condemnation or eminent
376 domain, of all or any part of the Premises, are hereby assigned by
377 Borrower to Lender. Lender is hereby authorized to give
378 appropriate acquittances thereof. Borrower shall immediately
379 notify Lender of the actual or threatened commencement of any
380 condemnation or eminent domain proceedings affecting the Premises
381 and shall deliver to Lender copies of any papers served in
382 connection with any such proceedings. Borrower shall make and
383 deliver to Lender, at any time upon request, free of any
384 encumbrance, all further assignments and other instruments deemed
385 necessary by Lender for the purpose of assigning all Awards to
386 Lender. If any portion of or interest in the Premises is taken by
387 condemnation or eminent domain, either temporarily or permanently,
388 and the remaining portion of the Premises is not, in the judgment
389 of Lender, a complete economic unit having equivalent value to the
390 Premises as it existed prior to the taking, then, at the option of
391 Lender, the entire Indebtedness shall immediately become due.
392 After deducting from the Award for such taking all of its expenses
393 incurred in the collection and administration of the Award,
394 including attorney's fees, Lender shall be entitled to apply the
395 net proceeds toward repayment of such portion of the Indebtedness
396 as it deems appropriate without affecting the lien of this
397 Mortgage. In the event of any partial taking of the Premises or
398 any interest in the Premises, which, in the judgment of Lender
399 leaves the Premises as a complete economic unit having equivalent
400 value to the Premises as it existed prior to the taking, and
401 provided no Default has occurred and is then continuing, the Award
402 shall be applied to reimburse Borrower for the cost of restoration
403 and rebuilding the Premises in accordance with plans,
404 specifications and procedures approved by Lender, and such Award
405 shall be disbursed in the same manner as is hereinabove provided
406 above for the application of insurance proceeds, provided that any
407 surplus after payment of such costs shall be applied on account of
408 the Indebtedness. If the Award is not applied for reimbursement of

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409 such restoration costs, the Award shall be applied against the
410 Indebtedness, in such order or manner as Lender shall elect.
411

412 11. Restrictions on Transfer. Borrower shall not, without
413 the prior written consent of Lender, effect, suffer or permit any
414 "Prohibited Transfer" (as defined herein). Any conveyance, sale,
415 assignment, transfer, lien, pledge, mortgage, security interest or
416 other encumbrance or alienation (or any agreement to do any of the
417 foregoing) of any of the following properties, rights or interests
418 shall constitute a "Prohibited Transfer":
419

420 11.1 The Premises or any part thereof or interest
421 therein;

422
423 11.2 All or any portion of the beneficial interest or
424 power of direction in or to the trust under which Borrower is
425 acting, if Borrower is a Trustee;
426

427 11.3 Any shares of capital stock of a corporation which
428 is a beneficiary of a trustee Borrower, a corporation which is a
429 general partner in a partnership beneficiary of a trustee Borrower,
430 or a corporation which is the owner of substantially all of the
431 capital stock of any corporation described in this subparagraph
432 (other than the shares of capital stock of a corporate trustee or
433 a corporation whose stock is publicly traded on a national
434 securities exchange or on the National Association of Securities
435 Dealer's Automated Quotation System); or
436

437 11.4 All or any part of the partnership or joint venture
438 interest, as the case may be, of a partnership beneficiary of a
439 Trustee Borrower;
440

441 in each case whether any such conveyance, sale, assignment,
442 transfer, lien, pledge, mortgage, security interest, encumbrance or
443 alienation is effected directly, indirectly, voluntarily or
444 involuntarily, by operation of law or otherwise; provided, however,
445 that the foregoing provisions of this Paragraph 11 shall not apply
446 (i) to liens securing the Indebtedness, (ii) to the lien of current
447 taxes and assessments not in default, or (iii) to any transfers of
448 the Premises, or part thereof, or interest therein, or any
449 beneficial interests, or shares of stock or partnership or joint
450 venture interests, as the case may be, by or on behalf of an owner
451 thereof who is deceased or declared judicially incompetent, to such
452 owner's heirs, legatees, devisees, executors, administrators,
453 estate or personal representatives.
454

455 12. Defaults. If one or more of the following events (herein
456 called "Defaults") shall occur:
457

458 12.1 If Borrower shall, after the expiration of any
459 applicable grace periods, fail to make payments of amounts owed
460 under the Note or this Mortgage when due;
461

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462 12.2 If any default shall, after the expiration of any
463 applicable grace periods, exist under any other document or
464 instrument regulating, evidencing, securing or guarantying any of
465 the Indebtedness;

466
467 12.3 A Prohibited Transfer;

468
469 12.4 If default shall continue for fifteen (15) days
470 after notice thereof by Lender to Borrower in the punctual
471 performance or observance of any other agreement or condition
472 herein contained;

473
474 12.5 If (and for the purpose of this subparagraph 12.5
475 only, the term Borrower shall mean not only Borrower, but also any
476 beneficiary of a trustee Borrower, any general partner in a
477 partnership Borrower or in a partnership which is a beneficiary of
478 a trustee Borrower, any owner of more than ten percent (10%) of the
479 stock in a corporate Borrower or a corporation which is the
480 beneficiary of a trustee Borrower and each person who, as
481 guarantor, co-maker or otherwise, shall be or become liable for any
482 part of the Indebtedness or any of the agreements contained
483 herein):

484
485 12.5.1 Borrower shall file a voluntary petition
486 in bankruptcy or for relief under the Federal Bankruptcy Act or any
487 similar state or federal law;

488
489 12.5.2 Borrower shall file a pleading in any
490 proceeding admitting insolvency;

491
492 12.5.3 Within sixty (60) days after the filing
493 against Borrower of any involuntary proceeding under the Federal
494 Bankruptcy Act or similar state or federal law, such proceedings
495 shall not have been vacated;

496
497 12.5.4 A substantial part of Borrower's assets
498 are attached, seized, subjected to a writ or distress warrant, or
499 are levied upon, unless such attachment, seizure, writ, warrant or
500 levy is vacated within sixty (60) days;

501
502 12.5.5 Borrower shall make an assignment for the
503 benefit of creditors or shall consent to the appointment of a
504 receiver or trustee or liquidator of all or the major part of its
505 property, or the Premises; or

506
507 12.5.6 Any order appointing a receiver, trustee
508 or liquidator of Borrower or all or a major part of Borrower's
509 property or the Premises is not vacated within ninety (90) days
510 following the entry thereof;

511
512 then Lender may, at its option and without affecting the lien
513 hereby created or the priority of said lien or any other right of
514 Lender hereunder, to declare, without further notice, all

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515 Indebtedness to be immediately due with interest thereon at the
516 Default Rate, whether or not such Default be thereafter remedied by
517 Borrower, and Lender may immediately proceed to foreclose this
518 Mortgage and to exercise any right provided by this Mortgage, the
519 Note or otherwise.
520

521 13. Foreclosure. When the Indebtedness shall become due,
522 whether by acceleration or otherwise, Lender shall have the right
523 to foreclose the lien hereof in accordance with the Illinois
524 Mortgage Foreclosure Act, 735 ILCS 5/15-1101 et seq. (the "Act")
525 and to exercise any other remedies of Lender provided in the Note,
526 this Mortgage, the Loan Agreement, or which Lender may have at law,
527 at equity or otherwise. In any suit to foreclose the lien hereof,
528 there shall be allowed and included as additional Indebtedness in
529 the decree of sale, all expenditures and expenses which may be paid
530 or incurred by or on behalf of Lender for attorney's fees,
531 appraiser's fees, outlays for documentary and expert evidence,
532 stenographer's charges, publication costs, costs (which may be
533 estimated as to items to be expended after entry of the decree) of
534 procuring all such abstracts of title, title searches and
535 examinations, title insurance policies, and similar data and
536 assurance with respect to title as Lender may deem reasonably
537 necessary either to prosecute such suit or to evidence to bidders
538 at sales which may be had pursuant to such decree the true
539 conditions of the title to or the value of the Premises, and any
540 other expenses and expenditures which may be paid or incurred by or
541 on behalf of Lender and permitted by the Act to be included in such
542 decree. All expenditures and expenses of the nature mentioned in
543 this Paragraph, and such other expenses and fees as may be incurred
544 in the protection of the Premises and rents and income therefrom
545 and the maintenance of the lien of this Mortgage, including the
546 fees of any attorney employed by Lender in any litigation or
547 proceedings affecting this Mortgage, the Note or the Premises,
548 including probate and bankruptcy proceedings, or in preparation of
549 the commencement or defense of any proceedings or threatened suit
550 or proceeding, or otherwise in dealing specifically therewith,
551 shall be so much additional Indebtedness and shall be immediately
552 due and payable by Borrower, with interest thereon at the Default
553 Rate until paid.
554

555 14. Right of Possession. When the indebtedness shall become
556 due, whether by acceleration or otherwise, or if Lender has a right
557 to institute foreclosure proceedings, Borrower shall, forthwith
558 upon demand of Lender, surrender to Lender, and Lender shall be
559 entitled to be placed in possession of the Premises as provided in
560 the Act and Lender, in its discretion and pursuant to court order,
561 may reasonably, by its agent or attorneys, enter upon and take and
562 maintain possession of all or any part of the Premises, together
563 with all documents, books, records and accounts of Borrower or the
564 then owner of the Premises relating thereto, and may exclude
565 Borrower, such owner, and any agents and servants thereof wholly
566 therefrom and may, on behalf of Borrower or such owner, or in its
567 own name as Lender and under the powers herein granted:

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568 14.1 Hold, manage, and control all or any part of the
569 Premises and conduct the business, if any, thereof, either
570 personally or by its agents, with full power to use such measures,
571 legal or equitable, as in its discretion may be deemed proper or
572 necessary to enforce the payment or security of the rents, issues,
573 deposits, profits, and avails of the Premises;

574
575 14.2 Cancel or terminate any Lease or sublease of all
576 or any part of the Premises for any cause or on any ground that
577 would entitle Borrower to cancel the same;

578
579 14.3 Extend or modify any then existing Leases and make
580 new Leases of all or any part of the Premises, which extensions,
581 modifications, and new Leases may provide for terms to expire, or
582 for options to lessees to extend or renew terms to expire, beyond
583 the maturity date of the loan evidenced by the Note and the
584 issuance of a deed to a purchaser at a foreclosure sale, it being
585 understood and agreed that any such Leases, and the options or
586 other such provisions to be contained therein, shall be binding
587 upon Borrower, all persons whose interests in the Premises are
588 subject to the lien hereof, and the purchaser at any foreclosure
589 sale, notwithstanding any redemption from sale, reinstatement,
590 discharge of the Indebtedness, satisfaction of any foreclosure
591 decree, or issuance of any certificate of sale or deed to any such
592 purchaser;

593
594 14.4 Make all necessary or proper repairs, decoration
595 renewals, replacements, alterations, additions, betterments, and
596 improvements in connection with the Premises as may seem judicious
597 to Lender, to insure and reinsure the Property and all risks
598 incidental to Lender's possession, operation, and management
599 thereof, and to receive all rents, issues, deposits, profits, and
600 avails therefrom; and

601
602 14.5 The net income, after allowing a reasonable fee for
603 the collection thereof and for the management of the Premises, to
604 the payment of Taxes, Premiums and other charges applicable to the
605 Premises, or in reduction of the Indebtedness Hereby Secured in
606 such order and manner as Lender shall select.

607
608 Without limiting the generality of the foregoing, Lender shall have
609 all power, authority and duties as provided in the Act. Nothing
610 herein contained shall be construed as constituting Lender a
611 mortgagee in possession in the absence of the actual taking of
612 possession of the Premises.

613
614 15. Receiver. Upon the filing of a complaint to foreclose
615 this Mortgage or at any time thereafter, the court in which such
616 complaint is filed may appoint upon petition of Lender, and at
617 Lender's sole option, a receiver of the Premises pursuant to the
618 Act. Such appointment may be made either before or after sale,
619 without notice, without regard to solvency or insolvency of
620 Borrower at the time of application for such receiver, and without

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621 regard to the then value of the Premises or whether the same shall
622 be then occupied as a homestead or not; and Lender hereunder or any
623 employee or agent thereof may be appointed as such receiver. Such
624 receiver shall have all powers and duties prescribed by the Act,
625 including the power to make leases to be binding upon all parties,
626 including the mortgagor, the purchaser at a sale pursuant to a
627 judgment of foreclosure and any person acquiring an interest in the
628 Premises after entry of a judgment of foreclosure, all as provided
629 in the Act. In addition, such receiver shall also have the power
630 to extend or modify any then existing leases, which extensions and
631 modifications may provide for terms to expire, or for options to
632 lessees to extend or renew terms to expire, beyond the maturity
633 date of the Note and beyond the date the issuance of a deed or
634 deeds to a purchaser or purchasers at a foreclosure sale, it being
635 understood and agreed that any such leases, and the options or
636 other provisions to be contained therein, shall be binding upon
637 Borrower and all the persons whose interest in the Premises are
638 subject to the lien hereof and upon the purchaser or purchasers at
639 any foreclosure sale, notwithstanding any redemption,
640 reinstatement, discharge of the Indebtedness, satisfaction of any
641 foreclosure judgment, or issuance of any certificate of sale or
642 deed to any purchaser. In addition, such receiver shall have the
643 power to collect the rents, issues and profits of the Premises
644 during the pendency of such foreclosure suit and, in case of a sale
645 and deficiency, during the full statutory period of redemption, if
646 any, whether there be a redemption or not, as well as during any
647 further times when Borrower, except for the intervention of such
648 receiver, would be entitled to collection of such rents, issues and
649 profits, and such receiver shall have all other powers which may be
650 necessary or are usual in such cases for the protection,
651 possession, control, management and operation of the Premises
652 during the whole of said period. The court may, from time to time,
653 authorize the receiver to apply the net income from the Premises in
654 payment in whole or in part of: (a) the Indebtedness or the
655 indebtedness secured by a decree foreclosing this Mortgage, or any
656 tax, special assessment, or other lien which may be or become
657 superior to the lien hereof or of such decree, provided such
658 application is made prior to the foreclosure sale; or (b) the
659 deficiency in case of a sale and deficiency.

660
661 16. Foreclosure Sale. Except to the extent otherwise
662 required by the Act, the proceeds of any foreclosure sale of the
663 Premises shall be distributed and applied in the following order of
664 priority: First, all items which under the terms hereof constitute
665 Indebtedness additional to the principal and interest evidenced by
666 the Note in such order as Lender shall elect with interest thereon
667 as herein provided; and Second, all principal and interest
668 remaining unpaid on the Note in such order as Lender shall elect;
669 and lastly any surplus to Borrower and its successors and assigns,
670 as their rights may appear.

671
672 17. Insurance During Foreclosure. In case of an insured loss
673 after foreclosure proceedings have been instituted, the proceeds of

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674 any Insurance Policy, if not applied in rebuilding or restoring the
675 Improvements, shall be used to pay the amount due in accordance
676 with any decree of foreclosure that may be entered in any such
677 proceedings, and the balance shall be paid as the court may direct.
678 The foreclosure decree may provide that the mortgagee's clause
679 attached to each of the casualty Insurance Policies may be
680 cancelled and that the decree creditor may cause a new loss clause
681 to be attached to each of said casualty Insurance Policies making
682 the loss thereunder payable to said decree creditors. The
683 foreclosure decree may further provide that in the case of one or
684 more redemptions under said decree, each successive redepton may
685 cause the preceding loss clause attached to each casualty Insurance
686 Policy to be cancelled and a new loss payable clause to be attached
687 thereto, making the loss thereunder payable to such redepton. In
688 the event of foreclosure sale, Lender may, without the consent of
689 Borrower, assign any Insurance Policies to the purchaser at the
690 sale, or take such other steps to protect the interest of such
691 purchaser.

692
693 18. Waiver of Right of Redemption and Other Rights. To the
694 full extent permitted by law, Borrower agrees that it will not at
695 any time or in any manner whatsoever take any advantage of any
696 stay, exemption or extension law or any so-called "Moratorium Law"
697 now or at any time hereafter in force, nor take any advantage of
698 any law now or hereafter in force providing for the valuation or
699 appraisement of the Premises, or any part thereof, prior to any
700 sale thereof to be made pursuant to any provisions herein
701 contained, or to any decree, judgment or order of any court of
702 competent jurisdiction; or after such sale claim or exercise any
703 rights under any statute now or hereafter in force to redeem the
704 property so sold, or any part thereof, or relating to the
705 marshalling thereof, upon foreclosure sale or other enforcement
706 hereof. To the full extent permitted by law, Borrower hereby
707 expressly waives any and all rights it may have to require that the
708 Premises be sold as separate tracts or units in the event of
709 foreclosure. To the full extent permitted by law, Borrower hereby
710 expressly waives any and all rights of redemption under the Act, on
711 its own behalf, on behalf of all persons claiming or having an
712 interest (direct or indirect) by, through or under Borrower and on
713 behalf of each and every person acquiring any interest in or title
714 to the Premises subsequent to the date hereof, it being the intent
715 hereof that any and all such rights of redemption of Borrower and
716 such other persons, are and shall be deemed to be hereby waived to
717 the full extent permitted by applicable law. To the full extent
718 permitted by law, Borrower agrees that it will not, by invoking or
719 utilizing any applicable law or laws or otherwise, hinder, delay or
720 impede the exercise of any right, power or remedy herein or
721 otherwise granted or delegated to Lender, but will permit the
722 exercise of every such right, power and remedy as though no such
723 law or laws have been or will have been made or enacted. To the
724 full extent permitted by law, Borrower hereby agrees that no action
725 for the enforcement of the lien or any provision hereof shall be
726 subject to any defense which would not be good and valid in an

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727 action at law upon the Note. Borrower acknowledges that the
728 Premises do not constitute agricultural real estate as defined in
729 Section 15-1201 of the Act or residential real estate as defined in
730 Section 15-1219 of the Act.

731
732 19. Lender's Performance of Borrower's Obligations. In case
733 of Default, either before or after acceleration of the Indebtedness
734 or the foreclosure of the lien hereof and during the period of
735 redemption, if any, Lender may, but shall not be required to, make
736 any payment or perform any act herein required of Borrower (whether
737 or not Borrower is personally liable therefor) in any form and
738 manner deemed expedient to Lender. Lender may, but shall not be
739 required to, complete construction, furnishing and equipping of the
740 Improvements and rent, operate and manage the Premises and the
741 Improvements and pay operating costs and expenses, including
742 management fees, of every kind and nature in connection therewith,
743 so that the Premises shall be operational and useable for their
744 intended purposes. All monies paid, and all expenses incurred in
745 connection therewith, including attorneys' fees, shall be so much
746 additional Indebtedness, whether or not the Indebtedness, as a
747 result thereof, shall exceed the face amount of the Note, and shall
748 become immediately due and payable on demand, and with interest
749 thereon at the Default Rate specified in the Note (the "Default
750 Rate"). Inaction of Lender shall not be a waiver of any right
751 accruing to it on account of any Default nor shall the provisions
752 of this Paragraph or any exercise by Lender of its rights hereunder
753 prevent any default from constituting a Default. Lender, in making
754 any payment hereby authorized (a) relating to Taxes, may do so
755 according to any bill, statement or estimate, without inquiry into
756 the validity of any tax, assessment, sale, forfeiture, tax lien or
757 title or claim thereof; (b) for the purchase, discharge, compromise
758 or settlement of any lien, may do so without inquiry as to the
759 validity or amount of any claim for lien which may be asserted; or
760 (c) in connection with the completion of construction, furnishing
761 or equipping of the Premises or the rental, operation or management
762 of the Premises or the payment of operating costs and expenses
763 thereof, may do so in such amounts and to such persons as Lender
764 may deem appropriate. Nothing contained herein shall be construed
765 to require Lender to advance or expend monies for any purpose.
766

767 20. Rights Cumulative. Each right herein conferred upon
768 Lender is cumulative and in addition to every other right provided
769 by law or in equity, and Lender may exercise each such right in any
770 manner deemed expedient to Lender. Lender's exercise or failure to
771 exercise any right shall not be deemed a waiver of that right or
772 any other right or a waiver of any default. Except as otherwise
773 specifically required herein, Lender is not required to give notice
774 of its exercise of any of its right under this Mortgage.
775

776 21. Successors and Assigns.
777

778 21.1 Holder of the Note. This Mortgage and each
779 provision hereof shall be binding upon Borrower and its successors

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780 and assigns (including, without limitation, each and every record
781 owner from time to time of the Premises or any other person having
782 an interest therein), and shall inure to the benefit of Lender and
783 its successors and assigns. Wherever herein Lender is referred to,
784 such reference shall be deemed to include the holder from time to
785 time of the Note; and each such holder of the Note shall have all
786 of the rights afforded hereby and may enforce the provisions
787 hereof, as fully as if Lender had designated such holder of the
788 Note herein by name.

789
790 21.2 Covenants Run with Land; Successor Owners. All of
791 the covenants of this Mortgage shall run with the Land and be
792 binding on any successor owners of the Land. If the ownership of
793 Premises or any portion thereof becomes vested in a person other
794 than Borrower, Lender may, without notice to Borrower, deal with
795 such person with reference to this mortgage and the Indebtedness in
796 the same manner as with Borrower without in any way releasing
797 Borrower from its obligations hereunder. Borrower will give
798 immediate written notice to Lender of any conveyance, transfer or
799 change of ownership of the Premises, but nothing in this Paragraph
800 shall vary the provisions of Paragraph 12 hereof.

801
802 22. Effect of Extensions and Amendments. If the payment of
803 the Indebtedness be extended or varied, or if any part of the
804 security or guaranties therefor be released, all persons at any
805 time liable therefor, or interested in the Premises, shall be held
806 to assent to such extension, variation or release, and their
807 liability, and the lien, and all provisions hereof, shall continue
808 in full force and effect; the right of recourse against all such
809 persons being expressly reserved by Lender, notwithstanding any
810 such extension, variation or release. Any person, firm or
811 corporation taking a junior mortgage or other lien upon the
812 Premises or any part thereof or any interest therein, shall take
813 the said lien subject to the rights of Lender to amend, modify,
814 extend or release the Note, this Mortgage or any other document or
815 instrument evidencing, securing or guarantying the Indebtedness, in
816 each case without obtaining the consent of the holder of such
817 junior lien and without the lien of this Mortgage losing its
818 priority over the rights of any such junior lien.

819
820 23. Environmental Matters. Borrower represents that it is
821 currently in compliance with, and covenants and agrees that, it
822 will manage and operate the Premises and will cause each tenant to
823 occupy its demised portion of the Premises in compliance with, all
824 federal, state and local laws, rules, regulations and ordinances
825 regulating, without limitation, air pollution, soil and water
826 pollution, and the use, generation, storage, handling or disposal
827 of hazardous or toxic substances or other materials (including,
828 without limitation, raw materials, products, supplies or wastes).
829 Borrower further covenants and agrees that it shall not install or
830 permit to be installed in the Premises asbestos or any substance
831 containing asbestos and deemed hazardous by or in violation of
832 federal, state or local laws, rules, regulations or orders

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833 respecting such material. Borrower shall send to Lender within
834 five (5) days of receipt or completion thereof, any report,
835 citation, notice or other writing including, without limitation,
836 hazardous waste disposal manifests, by, to or from any governmental
837 or quasi-governmental authority empowered to regulate or oversee
838 any of the foregoing activities. Borrowers shall remove from the
839 Premises and dispose of any such hazardous or toxic substances or
840 other materials in a manner consistent with and in compliance with
841 applicable laws, rules, regulations and ordinances and shall take
842 any and all other action to remedy, rectify, rehabilitate and
843 correct any violation of any applicable law, rule, regulation or
844 ordinance concerning toxic or hazardous substances or any violation
845 of any agreement entered into between Borrower, Lender and/or any
846 third party with respect to hazardous or toxic materials. Borrower
847 agrees to indemnify, defend with counsel reasonably acceptable to
848 Lender (at Borrower's sole cost), and hold Lender harmless against
849 any claim, response or other costs, damages, liability or demand
850 (including without limitation reasonable attorneys' fees and costs
851 incurred by Lender) arising out of any claimed violation by
852 Borrower of any of the foregoing laws, regulations or ordinances or
853 breach of any of the foregoing covenants or agreements. The
854 foregoing indemnity shall survive repayment of the Indebtedness.
855

856 24. Future Advances. At all times, regardless of whether any
857 loan proceeds have been disbursed, this Mortgage secures as part of
858 the Indebtedness the payment of all loan commissions, service
859 charges, liquidated damages, attorney's fees, expenses and advances
860 due to or incurred by Lender in connection with the Indebtedness,
861 all in accordance with the Note and this Mortgage; provided,
862 however, that in no event shall the total amount of the
863 Indebtedness, including loan proceeds disbursed plus any additional
864 charges, exceed \$10,000,000. All such advances are intended by the
865 parties hereto to be a lien on the premises from the time this
866 Mortgage is recorded, as provided in the Act.
867

868 25. Subrogation. If any part of the Indebtedness is used
869 directly or indirectly to satisfy, in whole or in part, any prior
870 encumbrance upon the Premises or any part thereof, then Lender
871 shall be subrogated to the rights of the holder thereof in and to
872 such other encumbrance and any additional security held by such
873 holder, and shall have the benefit of the priority of the same.
874

875 26. Option to Subordinate. At the option of Lender, this
876 Mortgage shall become subordinate, in whole or in part (but not
877 with respect to priority of entitlement to insurance proceeds or
878 any award in condemnation) to any leases of all or any part of the
879 Premises upon the execution by Lender and recording thereof, at any
880 time hereafter, in the Office of the Recorder of Deeds for the
881 county wherein the Premises are situated, of a unilateral
882 declaration to that effect.
883

884 27. Governing Law. The place of negotiation, execution, and
885 delivery of this Mortgage and the location of the Property being

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886 the State of Illinois, this Mortgage shall be construed and
887 enforced according to the laws of that State, without reference to
888 the conflicts of law principles of that State.

889
890 28. Business Loan. The proceeds of the Note will be used for
891 the purposes specified in Ill. Rev. Stat. ch. 17, para. 6404
892 (1987), and the principal obligation secured hereby constitutes a
893 "business loan" coming within the definition and purview of said
894 section.

895
896 29. Inspection of Premises and Records. Borrower shall keep
897 and maintain full and correct books and records showing in detail
898 the income and expenses of the Premises. Lender and its agents
899 shall have the right to inspect the Premises and all books, records
900 and documents relating thereto at all reasonable times.

901
902 30. Financial Statements. If required by Lender, Borrower
903 will, within ninety (90) days after the end of each fiscal year of
904 Borrower, furnish to Lender financial and operating statements of
905 the Premises for such fiscal year, including, but without
906 limitation, a balance sheet and supporting schedules, detailed
907 statement of income and expenditures and supporting schedules, all
908 prepared in accordance with generally accepted principles of
909 accounting consistently applied. Such financial and operating
910 statements shall be prepared and certified in such manner as may be
911 acceptable to Lender, and Lender may, by notice in writing to
912 Borrower, require that the same be certified and prepared pursuant
913 to audit, by a firm of independent certified public accountants
914 satisfactory to Lender, in which case such accountants shall state
915 whether, during the course of their audit, they discovered or
916 became aware of any information which would lead them to believe
917 that a Default exists.

918
919 31. Time of the Essence. Time is of the essence of the Note,
920 this Mortgage, and any other document or instrument evidencing or
921 securing the Indebtedness.

922
923 32. Captions and Pronouns. The captions and headings of the
924 various sections of this Mortgage are for convenience only, and are
925 not to be construed as limiting in any way the scope or intent of
926 the provisions hereof. Whenever the context requires or permits,
927 the singular shall include the plural, the plural shall include the
928 singular, and the masculine, feminine and neuter shall be freely
929 interchangeable.

930
931 33. Notices. Any notice or other communication which any
932 party hereto may desire or may be required to give to any other
933 party hereto shall be in writing, and shall be deemed given when
934 (i) personally delivered, (ii) upon receipt if sent by a nationally
935 recognized overnight courier addressed to a party at its address

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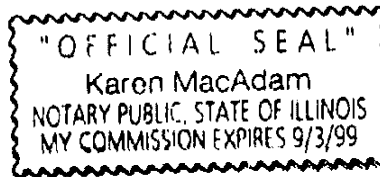
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set forth above, or (iii) on the second business day after being deposited in United States registered or certified mail, postage prepaid, addressed to a party at its address set forth above, or to such other address as the party to receive such notice may have designated to the other party by notice in accordance herewith.

Except as otherwise specifically required herein, notice of the exercise of any right, power or option granted to Lender by this Mortgage is not required to be given.

By: [Signature]
Name JOHN J. HELK
Title PRESIDENT

STATE OF (C))
COUNTY OF COOK) SS.



I HEREBY CERTIFY that on this 24 day of APRIL, 1998, before me a Notary Public for the state and county aforesaid, personally appeared JOHN HELK, known to me or satisfactorily proven to be the same person whose name is subscribed to the foregoing instrument, who acknowledged that he is the Pres. of Her, that he has been duly authorized to execute, and has executed, such instrument on its behalf for the purposes therein set forth, and that the same is its act and deed.

IN WITNESS WHEREOF, I have set my hand and Notarial Seal the day and year first above written.

[Signature]
NOTARY PUBLIC

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EXHIBIT A

98364678

LEGAL DESCRIPTION OF THE LAND

Lots 3 to 16, all inclusive, in Block 2 in Duncan's addition to Chicago, being a subdivision of the east 1/2 of the northeast 1/4 of Section 17, Township 39 North, Range 14 East of the Third Principal Meridian, in Cook County, Illinois.

P.I.N. #s:

17-17-208-001-0000
17-17-208-002-0000
17-17-208-005-0000
17-17-208-006-0000
17-17-208-007-0000
17-17-208-009-0000
17-17-208-010-0000
17-17-208-016-0000
17-17-208-017-0000
17-17-208-018-0000

Common Address:

21 South Peoria
Chicago, Illinois

327526.1

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

OMB APPROVAL	
OMB Number:	3235-0076
Expires:	December 31, 1996
Estimated average burden	

FORM D
NOTICE OF SALE OF SECURITIES
PURSUANT TO REGULATION D,
SECTION 4(6), AND/OR
UNIFORM LIMITED OFFERING EXEMPTION

SEC USE ONLY		
Prefix		Serial
DATE RECEIVED		

Name of Offering (check if this is an amendment and name has changed, and indicate change.)

Convertible Proprietary Investment Group, Inc. and CC Investments, LDC Private Placement

Filing Under (Check box(es) that apply): Rule 504 Rule 505 Rule 506 Section 4(6) ULOE

Type of Filing: New Filing Amendment

A. BASIC IDENTIFICATION DATA

1. Enter the information requested about the issuer

Name of Issuer (check if this is an amendment and name has changed, and indicate change.)

Interactive Entertainment Limited

Address of Executive Offices (Number and Street, City, State, Zip Code)	Telephone Number (Including Area Code)
845 Crossover Lane, Suite D-215, Memphis, Tennessee 38117	(901)537-3800

Address of Principal Business Operations (Number and Street, City, State, Zip Code) (if different from Executive Offices)	Telephone Number (Including Area Code)

Brief Description of Business

Development, distribution and service of software for in-flight interactive gaming and entertainment

Type of Business Organization

corporation limited partnership, already formed other (please specify):
 business trust limited partnership, to be formed

GENERAL INSTRUCTIONS

Actual or Estimated Date of Incorporation or Organization: Actual Estimated

Jurisdiction of Incorporation or Organization: (Enter two-letter U.S. Postal Service abbreviation for State; CN for Canada; FN for other foreign jurisdiction) F N

Federal:
Who Must File: All issuers making an offering of securities in reliance on an exemption under Regulation D or Section 4(6), 17 CFR 230.501 et seq. or 15 U.S.C. 77d(6).

When To File: A notice must be filed no later than 15 days after the first sale of securities in the offering. A notice is deemed filed with the U.S. Securities and Exchange Commission (SEC) on the earlier of the date it is received by the SEC at the address given below or, if received at that address after the date on which it is due, on the date it was mailed by United States registered or certified mail to that address.

Where to File: U.S. Securities and Exchange Commission, 450 Fifth Street, N.W., Washington, D.C. 20549.

Copies Required: Five (5) copies of this notice must be filed with the SEC, one of which must be manually signed. Any copies not manually signed must be photocopies of the manually signed copy or bear typed or printed signatures.

Information Required: A new filing must contain all information requested. Amendments need only report the name of the issuer and offering, any changes thereto, the information requested in Part C, and any material changes from the information previously supplied in Parts A and B. Part E and the Appendix need not be filed with the SEC.

Filing Fee: There is no federal filing fee.

State:
This notice shall be used to indicate reliance on the Uniform Limited Offering Exemption (ULOE) for sales of securities in those states that have adopted ULOE and that have adopted this form. Issuers relying on ULOE must file a separate notice with the Securities Administrator in each state where sales are to be, or have been made. If a state requires the payment of a fee as a precondition to the claim for the exemption, a fee in the proper amount shall accompany this form. This notice shall be filed in the appropriate states in accordance with state law. The Appendix to the notice constitutes a part of this notice and must be completed.

ATTENTION
Failure to file notice in the appropriate states will not result in a loss of the federal exemption. Conversely, failure to file the appropriate federal notice will not result in a loss of an available state exemption unless such exemption is predicated on the filing of a federal notice

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BASIC IDENTIFICATION DATA

2. Enter the information requested for the following:
- Each promoter of the issuer, if the issuer has been organized within the past five years;
 - Each beneficial owner having the power to vote or dispose, or direct the vote or disposition of, 10% or more of a class of equity securities of the issuer;
 - Each executive officer and director of corporate issuers and of corporate general and managing partners of partnership issuers; and
 - Each general and managing partner of partnership issuers.

Check Box(es) that Apply: Promoter Beneficial Owner Executive Officer Director General and/or Managing Partner

Full Name (Last name first, if individual)
Gordon Stevenson

Business or Residence Address (Number and Street, City, State, Zip Code)
845 Crossover Lane, Suite D-215, Memphis, TN 38117

Check Box(es) that Apply: Promoter Beneficial Owner Executive Officer Director General and/or Managing Partner

Full Name (Last name first, if individual)
Laurence Geller

Business or Residence Address (Number and Street, City, State, Zip Code)
c/o Strategic Hotel Capital Incorporated, 77 West Wacker Drive, Suite 4600, Chicago, IL 60601

Check Box(es) that Apply: Promoter Beneficial Owner Executive Officer Director General and/or Managing Partner

Full Name (Last name first, if individual)
David Lamm

Business or Residence Address (Number and Street, City, State, Zip Code)
845 Crossover Lane, Suite D-215, Memphis, TN 38117

Check Box(es) that Apply: Promoter Beneficial Owner Executive Officer Director General and/or Managing Partner

Full Name (Last name first, if individual)
Michael Irwin

Business or Residence Address (Number and Street, City, State, Zip Code)
845 Crossover Lane, Suite D-215, Memphis, TN 38117

Check Box(es) that Apply: Promoter Beneficial Owner Executive Officer Director General and/or Managing Partner

Full Name (Last name first, if individual)
David Trowern

Business or Residence Address (Number and Street, City, State, Zip Code)
845 Crossover Lane, Suite D-215, Memphis, TN 38117

Check Box(es) that Apply: Promoter Beneficial Owner Executive Officer Director General and/or Managing Partner

Full Name (Last name first, if individual)
Pat Belaustegui

Business or Residence Address (Number and Street, City, State, Zip Code)
845 Crossover Lane, Suite D-215, Memphis, TN 38117

Check Box(es) that Apply: Promoter Beneficial Owner Executive Officer Director General and/or Managing Partner

Full Name (Last name first, if individual)
Malcolm P. Burke

Business or Residence Address (Number and Street, City, State, Zip Code)
595 Howe Street, Suite 1115, Vancouver, British Columbia, V6C 2T5

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2. Enter the information requested for the following:

- Each promoter of the issuer, if the issuer has been organized within the past five years;
- Each beneficial owner having the power to vote or dispose, or direct the vote or disposition of, 10% or more of a class of equity securities of the issuer;
- Each executive officer and director of corporate issuers and of corporate general and managing partners of partnership issuers; and
- Each general and managing partner of partnership issuers.

Check Box(es) that Apply: Promoter Beneficial Owner Executive Officer Director General and/or Managing Partner

Full Name (Last name first, if individual)

Charles Atwood

Business or Residence Address (Number and Street, City, State, Zip Code)

c/o Harrah's Entertainment, Inc., 1023 Cherry Road, Memphis, TN 38117

Check Box(es) that Apply: Promoter Beneficial Owner Executive Officer Director General and/or Managing Partner

Full Name (Last name first, if individual)

John M. Boushy

Business or Residence Address (Number and Street, City, State, Zip Code)

c/o Harrah's Entertainment, Inc., 1023 Cherry Road, Memphis, TN 38117

Check Box(es) that Apply: Promoter Beneficial Owner Executive Officer Director General and/or Managing Partner

Full Name (Last name first, if individual)

Anthony P. Clements

Business or Residence Address (Number and Street, City, State, Zip Code)

c/o T. Hoare & Co., 4th Floor, Cannon Bridge, 25 Dow Gate Hill, London, England EC4R 2YA

Check Box(es) that Apply: Promoter Beneficial Owner Executive Officer Director General and/or Managing Partner

Full Name (Last name first, if individual)

Brian Deeson

Business or Residence Address (Number and Street, City, State, Zip Code)

c/o Century International Hotels, 20/F Allied Kajima, 138 Gloucester Road, Wanchai, Hong Kong

Check Box(es) that Apply: Promoter Beneficial Owner Executive Officer Director General and/or Managing Partner

Full Name (Last name first, if individual)

Amnon Shibolet

Business or Residence Address (Number and Street, City, State, Zip Code)

350 5th Avenue, Suite 6011, New York, NY 10118

Check Box(es) that Apply: Promoter Beneficial Owner Executive Officer Director General and/or Managing Partner

Full Name (Last name first, if individual)

Phillip Gordon

Business or Residence Address (Number and Street, City, State, Zip Code)

c/o Altheimer & Gray, 10 South Wacker Drive, Suite 4000, Chicago, IL 60614

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2. Enter the information requested for the following:

- Each promoter of the issuer, if the issuer has been organized within the past five years;
- Each beneficial owner having the power to vote or dispose, or direct the vote or disposition of, 10% or more of a class of equity securities of the issuer;
- Each executive officer and director of corporate issuers and of corporate general and managing partners of partnership issuers; and
- Each general and managing partner of partnership issuers.

Check Box(es) that Apply: Promoter Beneficial Owner Executive Officer Director General and/or Managing Partner

Full Name (Last name first, if individual)

Judy Wormser

Business or Residence Address (Number and Street, City, State, Zip Code)

c/o Harrah's Entertainment, Inc., 1023 Cherry Road, Memphis, TN 38117

Check Box(es) that Apply: Promoter Beneficial Owner Executive Officer Director General and/or Managing Partner

Full Name (Last name first, if individual)

Kathleen Seymour

Business or Residence Address (Number and Street, City, State, Zip Code)

845 Crossover Lane, Suite D-215, Memphis, TN 38117

Check Box(es) that Apply: Promoter Beneficial Owner Executive Officer Director General and/or Managing Partner Full

Name (Last name first, if individual)

Harrah's Interactive Investment Company

Business or Residence Address (Number and Street, City, State, Zip Code)

c/o Harrah's Entertainment, Inc., 1023 Cherry Road, Memphis, TN 38117

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1. Has the issuer sold, or does the issuer intend to sell, to non-accredited investors in this offering? 98364678

Yes No

Answer also in Appendix, Column 2, if filing under ULOE.

2. What is the minimum investment that will be accepted from any individual? N/A

Yes No

3. Does the offering permit joint ownership of a single unit?

4. Enter the information requested for each person who has been or will be paid or given, directly or indirectly, any commission or similar remuneration for solicitation of purchasers in connection with sales of securities in the offering. If a person to be listed is an associated person or agent of a broker or dealer registered with the SEC and/or with a state or states, list the name of the broker or dealer. If more than five (5) persons to be listed are associated persons of such a broker or dealer, you may set forth the information for that broker or dealer only.

Full Name (Last name first, if individual)

Dr. Brett Cormick

Business or Residence Address (Number and Street, City, State, Zip Code)

18 Charter House, Crown Court, London, WC2B 5SQ

Name of Associated Broker or Dealer

European Venture Finance

States in Which Person Listed Has Solicited or Intends to Solicit Purchasers

(Check "All States" or check individual States) All States

Table with 14 columns representing US states: [AL], [AK], [AZ], [AR], [CA], [CO], [CT], [DE], [DC], [FL], [GA], [HI], [ID], [IL], [IN], [IA], [KS], [KY], [LA], [ME], [MD], [MA], [MI], [MN], [MS], [MO], [MT], [NE], [NV], [NH], [NJ], [NM], [NY], [NC], [ND], [OH], [OK], [OR], [PA], [RI], [SC], [SD], [TN], [TX], [UT], [VT], [VA], [WA], [WV], [WI], [WY], [PR]

Full Name (Last name first, if individual)

Business or Residence Address (Number and Street, City, State, Zip Code)

Name of Associated Broker or Dealer

States in Which Person Listed Has Solicited or Intends to Solicit Purchasers

(Check "All States" or check individual States) All States

Table with 14 columns representing US states: [AL], [AK], [AZ], [AR], [CA], [CO], [CT], [DE], [DC], [FL], [GA], [HI], [ID], [IL], [IN], [IA], [KS], [KY], [LA], [ME], [MD], [MA], [MI], [MN], [MS], [MO], [MT], [NE], [NV], [NH], [NJ], [NM], [NY], [NC], [ND], [OH], [OK], [OR], [PA], [RI], [SC], [SD], [TN], [TX], [UT], [VT], [VA], [WA], [WV], [WI], [WY], [PR]

Full Name (Last name first, if individual)

Business or Residence Address (Number and Street, City, State, Zip Code)

Name of Associated Broker or Dealer

States in Which Person Listed Has Solicited or Intends to Solicit Purchasers

(Check "All States" or check individual States) All States

Table with 14 columns representing US states: [AL], [AK], [AZ], [AR], [CA], [CO], [CT], [DE], [DC], [FL], [GA], [HI], [ID], [IL], [IN], [IA], [KS], [KY], [LA], [ME], [MD], [MA], [MI], [MN], [MS], [MO], [MT], [NE], [NV], [NH], [NJ], [NM], [NY], [NC], [ND], [OH], [OK], [OR], [PA], [RI], [SC], [SD], [TN], [TX], [UT], [VT], [VA], [WA], [WV], [WI], [WY], [PR]

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C. OFFERING PRICE, NUMBER OF INVESTORS, EXPENSES AND USE OF PROCEEDS

98364678

Enter the aggregate offering price of securities included in this offering and the total amount already sold. Enter "0" if answer is "none" or "zero." If the transaction is an exchange offering, check this box and indicate in the columns below the amount of the securities offered for exchange and already exchanged.

Type of Security	Aggregate Offering Price	Amount Already Sold
Debt	\$ <u>0</u>	\$ <u>0</u>
Equity	\$ <u>3,000,000</u>	\$ <u>1,000,000</u>
<input type="checkbox"/> Common <input checked="" type="checkbox"/> Preferred		
Convertible Securities (including warrants)	\$ <u>0</u>	\$ <u>0</u>
Partnership Interests	\$ <u>0</u>	\$ <u>0</u>
Other (Specify _____)	\$ <u>0</u>	\$ <u>0</u>
Total	\$ <u>3,000,000</u>	\$ <u>1,000,000</u>

Answer also in Appendix, Column 3, if filing under ULOE.

2. Enter the number of accredited and non-accredited investors who have purchased securities in this offering and the aggregate dollar amounts of their purchases. For offerings under Rule 504 indicate the number of persons who have purchased securities and the aggregate dollar amount of their purchases on the total lines. Enter "0" if answer is "none" or "zero."

	Number Investors	Aggregate Dollar Amount of Purchases
Accredited Investors	<u>2</u>	\$ <u>1,000,000</u>
Non-accredited Investors	<u>0</u>	\$ <u>0</u>
Total (for filings under Rule 504 only)	_____	\$ _____

Answer also in Appendix, Column 4, if filing under ULOE.

3. If this filing is for an offering under Rule 504 or 505, enter the information requested for all securities sold by the issuer, to date, in offerings of the types indicated, in the twelve (12) months prior to the first sale of securities in this offering. Classify securities by type listed in Part C - Question 1.

Type of Security	Type of Security	Dollar Amount Sold
Rule 505	_____	\$ _____
Regulation A	_____	\$ _____
Rule 504	_____	\$ _____
Total	_____	\$ _____

4. a. Furnish a statement of all expenses in connection with the issuance and distribution of the securities in this offering. Exclude amounts relating solely to organization expenses of the issuer. The information may be given as subject to future contingencies. If the amount of an expenditure is not known, furnish an estimate and check the box to the left of the estimate.

Transfer Agent's Fees	<input type="checkbox"/>	\$ <u>0</u>
Printing and Engraving Cost	<input type="checkbox"/>	\$ <u>0</u>
Legal Fees	<input checked="" type="checkbox"/>	\$ <u>10,000</u>
Accounting Fees	<input type="checkbox"/>	\$ <u>0</u>
Engineering Fees	<input type="checkbox"/>	\$ <u>0</u>
Sales Commission (specify finders' fees separately)	<input type="checkbox"/>	\$ <u>80,000</u>
Other Expenses (identify) <u>Travel and Promotional</u>	<input checked="" type="checkbox"/>	\$ <u>6,000</u>
Total	<input checked="" type="checkbox"/>	\$ <u>96,000</u>

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b. Enter the difference between the aggregate offering price given in response to Part C - Question 1 and total expenses furnished in response to Part C - Question 4.a. This difference is the "adjusted gross proceeds to the issuer."

\$ 204,000

98364678

Indicate below the amount of the adjusted gross proceeds to the issuer used or proposed to be used for each of the purposes shown. If the amount for any purpose is not known, furnish an estimate and check the box to the left of the estimate. The total of the payments listed must equal the adjusted gross proceeds to the issuer set forth in response to Part C - Question 4.b above.

	Payments to Officers, Directors, & Affiliates	Payments To Others
Salaries and fees	<input type="checkbox"/> \$ _____	<input type="checkbox"/> \$ _____
Purchase of real estate	<input type="checkbox"/> \$ _____	<input type="checkbox"/> \$ _____
Purchase, rental or leasing and installation of machinery and equipment	<input type="checkbox"/> \$ _____	<input type="checkbox"/> \$ _____
Construction or leasing of plant buildings and facilities	<input type="checkbox"/> \$ _____	<input type="checkbox"/> \$ _____
Acquisition of other businesses (including the value of securities involved in this offering that may be used in exchange for the assets or securities of another issuer pursuant to a merger)	<input type="checkbox"/> \$ _____	<input type="checkbox"/> \$ _____
Repayment of indebtedness	<input type="checkbox"/> \$ _____	<input type="checkbox"/> \$ _____
Working capital	<input type="checkbox"/> \$ _____	<input checked="" type="checkbox"/> \$ 204,000
Other (specify): _____	<input type="checkbox"/> \$ _____	<input type="checkbox"/> \$ _____
_____	<input type="checkbox"/> \$ _____	<input type="checkbox"/> \$ _____
Column Totals	<input type="checkbox"/> \$ _____	<input type="checkbox"/> \$ _____
Total Payments Listed (column totals added)		<input checked="" type="checkbox"/> \$ 204,000

D. FEDERAL SIGNATURE

The issuer has duly caused this notice to be signed by the undersigned duly authorized person. If this notice is filed under Rule 505, the following signature constitutes and undertaking by the issuer to furnish to the U.S. Securities and Exchange Commission, upon written request of its staff, the information furnished by the issuer to any non-accredited investor pursuant to paragraph (b)(2) of Rule 502.

Issuer (Print or Type) Interactive Entertainment Limited	Signature	Date
Name of Signer (Print or Type) Michael Irwin	Title of Signer (Print or Type) Assistant Secretary	

ATTENTION

Intentional misstatements or omissions of fact constitute federal criminal violations. (See 18 U.S.C. 1001.)

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11/11/2011

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1. Is any party described in 17 CFR 230.252(c), (d), (e) or (f) presently subject to any of the disqualification provisions of such rules? Yes No

See Appendix, Column 5, for state response.

2. The undersigned issuer hereby undertakes to furnish to any state administrator of any state in which this notice is filed, a notice on Form D (17 CFR 239.500) at such times as are required by state law.

3. The undersigned issuer hereby undertakes to furnish to the state administrators, upon written request, information furnished by the issuer to offerees.

4. The undersigned issuer represents that the issuer is familiar with the conditions that must be satisfied to be entitled to the Uniform Limited Offering Exemption (ULOE) of the state in which this notice is filed and understands that the issuer claiming the availability of this exemption has the burden of establishing that these conditions have been satisfied.

The issuer has read this notification and knows the contents to be true and has duly caused this notice to be signed on its behalf by the undersigned duly authorized person.

Issuer (Print or Type) Interactive Entertainment Limited	Signature	Date
Name (Print or Type) Michael Irwin	Title (Print or Type) Assistant Secretary	

Instruction:

Print the name and title of the signing representative under his signature for the state portion of this form. One copy of every notice on Form D must be manually signed. Any copies not manually signed must be photocopies of the manually signed copy or bear typed or printed signatures.

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APPENDIX

State	2 Intend to sell to non-accredited investors in State (Part B-Item 1)		3 Type of security and aggregate offering price offered in state (Part C-Item 1)	4 Type of investor and amount purchased in State (Part C-Item 2)				5 Disqualification under State ULOE (if yes, attach explanation of waiver granted) (Part E-Item 1)	
	Yes	No		Number of Accredited Investors	Amount	Number of Non-Accredited Investors	Amount	Yes	No
AL									
AK									
AZ									
AR									
CA									
CO									
CT									
DE									
DC									
FL									
GA									
HI									
ID									
IL		X	Convertible Preferred	1	500,000	0	0		X
IN									
IA									
KS									
KY									
LA									
ME									
MD									
MA									
MI									
MN									
MS									
MO									
MT									
NE									
NV									
NH									
NJ									
NM									
NY		X	Convertible Preferred	1	500,000	0	0		X
NC									

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APPENDIX

1 State	2 Intend to sell to non-accredited investors in State (Part D-Item 1)		3 Type of security and aggregate offering price offered in state (Part C-Item 1)	4 Type of investor and amount purchased in State (Part C-Item 2)				5 Disqualification under State ULOE (if yes, attach explanation of waiver granted) (Part E-Item 1)	
	Yes	No		Number of Accredited Investors	Amount	Number of Non-Accredited Investors	Amount	Yes	No
ND									
OH									
OK									
OR									
PA									
RI									
SC									
SD									
TN									
TX									
UT									
VT									
VA									
WA									
WV									
WI									
WY									
PR									

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