

RECOGNITION AGREEMENT

**THIS AGREEMENT** is made as of this \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_, by and among **EDGEWATER BEACH APARTMENTS CORPORATION**, an Illinois corporation (the “Corporation”), \_\_\_\_\_ (“Lender”), and \_\_\_\_\_ (“Lessee-Shareholder”).

WITNESSETH:

The Corporation is a duly organized and existing corporation under the laws of the State of Illinois, and is the owner in fee simple of an apartment building (the “Building”) and the land underlying the Building (the “Land”) (the Building and the Land are hereinafter collectively referred to as the “Real Estate”) located at 5555 N. Sheridan Road, Chicago, Illinois 60640; and

Lessee-Shareholder is or will become the record owner of \_\_\_\_\_ (\_\_\_\_) shares (the “Shares”) of the capital stock of the Corporation and is or will be the sole record and beneficial lessee of Apartment in the Building (the “Apartment”) as evidenced by that certain Proprietary Lease dated \_\_\_\_\_ (the “Proprietary Lease”) between Lessee-Shareholder and the Corporation; and

Lender has agreed to make a share loan to Lessee-Shareholder in the principal amount of \_\_\_\_\_ Dollars (\$ \_\_\_\_\_) (the “Share Loan”), subject to the condition that Lessee-Shareholder grant to Lender a lien against the Shares and the interest of Lessee-Shareholder’s interest in the Proprietary Lease (hereinafter collectively referred to as the “Collateral”) as security for the Loan; and

The terms of the Corporation’s By-Laws and the Proprietary Lease prohibit the transfer or assignment of shares without the written consent of the Lessor (the Proprietary Lease, By-Laws, and Articles of Incorporation may be referred to collectively as “Governance Documents”); and

**NOW, THEREFORE**, in consideration of the mutual covenants and agreements set forth below, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto do hereby agree as follows:

1. **Acknowledgement of Lien in Collateral.** The Corporation hereby agrees to register and recognize Lender’s lien in the Collateral on the books and records of the Corporation, solely with respect to the Loan, subject to the terms and conditions set forth below.
2. **Covenants, Representations, and Warranties of the Corporation.** The Corporation hereby covenants, represents and warrants to Lender as of the date hereof as follows:
  - (a) The form of this Agreement, and the procedure for the Corporation’s execution of this Agreement, have been duly authorized by the Board of Directors of the Corporation;

- (b) During such time as Lender shall have a valid security interest in the Collateral or any portion thereof, the Corporation shall be deemed to be holding the certificate unless Lender requires the certificate which evidence the Shares for the mutual benefit of the Corporation and Lender;
- (c) During such time as Lender shall have a valid security interest in the Collateral or any portion thereof, the certificate or certificates evidencing the Shares shall have endorsed on the reverse side thereof a restrictive legend evidencing Lender's security interest in the Collateral, which restrictive legend shall be in the form of the legend set forth on Exhibit A (Note: Exhibit A not included) attached hereto and incorporated hereby this reference;
- (d) Intentionally Deleted;
- (e) Lender shall have the right to review and approve the following actions prior to the Corporation's consent thereto:
  - (i) Any surrender, cancellation, modification or assignment of any documents evidencing ownership, possession and use of the Apartment;
  - (ii) Any sublease of the Apartment;
  - (iii) Any further or additional pledge or mortgage of any documents evidencing ownership, possession and use of the Apartment;
  - (iv) Any action to change the form of ownership of the Real Estate;

3. **Notice the Lender.** The Corporation shall give Lender written notice of the occurrence of any of the following events:

- (a) If the Corporation takes legal action against Lessee-Shareholder for any default under the Governance Documents or the Corporation's rules and regulations as from time to time in effect ("Rules and Regulations").
- (b) If the Corporation receives from Lessee-Shareholder a request to transfer, surrender, terminate, modify or cancel the Shares or the Proprietary Lease.
- (c) If Lessee-Shareholder requests a subleasing of the Apartment.
- (d) If the Corporation is requested by the Lessee-Shareholder to consent to or to recognize any further or additional pledge, assignment, grant of security interest or mortgage or subletting of the Shares or the Proprietary Lease,

other than in favor of the Corporation or Lender, or in respect to any underlying mortgage on the Building, the Land or the Real Estate.

- (e) Any threatened or actual condemnation, eminent domain proceeding or acquisition, or any actual loss, whether or not covered by insurance, that materially affects any portion of the Land, Building or Apartment.
- (f) The Corporation's failure to maintain compliance with co-operative corporation eligibility under IRS Code Section 216.
- (g) Any 30 day delinquency by the Corporation in payments due under any blanket mortgage for real estate taxes, assessments and charges imposed by a governmental entity or public utility, or under any ground lease.
- (h) Any lapse, cancellation or material modification of any insurance or fidelity insurance coverages maintained by the Corporation.
- (i) Any proposed action that requires the consent of a specified percentage of eligible share loan holders.
- (j) Any 60 day delinquency by the Lessee-Shareholder that is related to the payment of his or her monthly assessments.
- (k) Any proposed material change to the allocation of membership interests, voting rights, insurance coverages, and any provisions that are for the express benefit of Lender.

Notwithstanding anything herein to the contrary, failure by the Corporation to give notice to Lender upon the occurrence of any of the above-described events shall not be deemed a waiver or relinquishment of any right or remedy which the Corporation has or may have with respect to Lessee-Shareholder or Lender, and shall in no event relieve Lender or Lessee-Shareholder of any of their respective obligations hereunder. If the Corporation shall fail to notify Lender of Borrower's default prior to the termination of the Proprietary Lease, or any other notices required herein, Lender will not seek to hold the Corporation liable for breach of this Agreement, provided that:

- (1) Lender has not suffered any loss or damage as a result of the termination of the Proprietary Lease; and
  - (2) The Corporation advises Lender promptly after discovering its failure; and
  - (3) The Corporation has not sold or contracted to sell the Shares.
4. **Covenants, Representatives and Warranties of Lender.** Lender hereby covenants, represents and warrants to and with the Corporation as follows:
- (a) The Corporation will at all times have a first and paramount lien against all of the Collateral, prior in security and right of payment to any lien or claim

in favor of Lender, for all amounts which are due and owing to the Corporation pursuant to the terms of the Governance Documents or the Rules and Regulations, provided that such priority shall be limited to the Lessee-Shareholder's pro-rata share of the Corporation's payments for the blanket mortgage on the Building, Land or Real Estate, the current year's real estate taxes, operating expenses or maintenance fees, and any special assessments.

- (b) The interest of the Lender in the Collateral is subordinate and subject to the interest of any mortgage, trust deed or agreement made by the Corporation for the Real Estate. Lender and Lessee-Shareholder further agree to execute at the request of the Corporation, any conveyances, assignment, subordination agreements, or further assurances requested by such mortgagee or grantee of a mortgagee or trust deed.
- (c) In the event of a default by the Lessee-Shareholder which entitles Lender under the terms of the documents evidencing or securing the Loan (the "Loan Documents") or under applicable law to exercise any remedies with respect to the Collateral:
  - (i) Lender's rights and remedies with respect to the Collateral (including without limitation the right to assign or sublease the rights under the Proprietary Lease, to permit persons to occupy the Apartment and to sell or dispose of the Collateral) shall be subject and subordinate to all of the provisions of the Governance Documents;
  - (ii) Lender shall not hypothecate or encumber the Collateral without the prior written consent of the Corporation, which consent may be withheld in the sole discretion of the Corporation; and
  - (iii) The Lender shall not sell, assign or transfer any part of the Collateral except to an assignee or transferee of all of the Collateral.
- (d) Lender shall not do or cause to be done any act, which may or will cause Lessee-Shareholder to be in default under any of the provisions of the Governance Documents or the Rules and Regulations.
- (e) In the unanticipated event that the Lender shall at any time obtain possession of the certificate or certificate which evidence the Shares, or any portion thereof, then Lender shall promptly deliver possession of said certificate or certificates to the Corporation.

- (f) Lender represents that it has secured an appraisal for the Shares and Apartment \_\_\_\_\_ showing the value of this property to be \_\_\_\_\_ (\$\_\_\_\_\_); Lender further represents that the amount of the Share Loan is \_\_\_\_\_ percent (\_\_\_\_%) of the appraised value of the Shares and Apartment.
5. **Notice to Corporation.** Lender promptly shall give the Corporation notice of the occurrence of any of the following events:
- (a) If Lessee-Shareholder defaults under the terms of the Loan Documents and such default is not cured within any applicable cure or grace period therefor.
- (b) If, to Lender's knowledge, Lessee-Shareholder is attempting to make or has made any pledge, assignment, grant of security interest, subletting or mortgage of any portion of the Collateral other than to the Corporation, to Lender with respect to the Loan, or to a third party with respect to any underlying mortgage on the Building, the Land or the Real Estate.
6. **Covenants, Representations and Warranties of Lessee-Shareholder.** Lessee-Shareholder covenants, represents and warrants to and with the Corporation and Lender, as of the execution hereof, as follows:
- (a) Lessee-Shareholder is or will become the sole record and beneficial owner of the shares.
- (b) Lessee-Shareholder is or will become the sole record and beneficial Lessee under the Proprietary Lease.
- (c) Lessee-Shareholder shall not, without the prior written consent of the Corporation, consent to or recognize any further or additional pledge, assignment, and grant of security interest, mortgage or subletting of the Shares or Lessee-Shareholder's interest under the Proprietary Lease other than with respect to any underlying mortgage on the Real Estate.
- (d) Lessee-Shareholder has read the Governance Documents and the Rules and Regulations, understands the provisions thereof, and agrees that he is bound by the terms and conditions thereof, all as in effect from time to time.
- (e) Contemporaneously with the execution hereof, Lessee-Shareholder shall deliver to the Corporation the following:
- (i) A certificate or certificates evidencing the Shares to the Corporation;
- (ii) An executed assignment of the Shares, in blank, and;

- (iii) An executed assignment of Lessee-Shareholder's interest in the Proprietary Lease, in blank, all of which shall be in the form approved by counsel for the Corporation.

In the event there shall occur any event which gives the Corporation the right, power and privilege to sell the Shares and assign the Lessee-Shareholder's interest in the Proprietary Lease, then Lessee-Shareholder hereby designates the Corporation as his or her attorney in fact to make such sale and assignment, to execute and deliver all agreements, instruments and forms in connection therewith, to pay all expenses of sale and assignment (including without limitation any attorneys' fees arising therefrom), to pay to the Corporation all amounts owed to it from the proceeds of the sale and to thereafter pay to or at the direction of Lender, to the extent of the remaining sales proceeds, any amount certified in writing by Lender to the Corporation as the amount then due and owing to Lender by Lessee-Shareholder.

- (f) Subject to all rights of the Corporation hereunder, any proceeds of such sales or assignment which would otherwise be payable to Lessee-Shareholder, shall first be paid to the Lender, to be applied on account of all sums due Lender as advised by it, and the balance, if any, shall be paid to Lessee-Shareholder.

7. **Default by Lessee-Shareholder in his Obligations to the Corporation Cure by Lender.**

- (a) In the event of a default by Lessee-Shareholder under the Governance Documents, the Corporation will notify the Lender of the default. The Corporation will not take action to terminate the Proprietary Lease and sell the Shares if the Lender cures the default, including payment of rents/assessments to the Corporation, within thirty (30) days of the notice from the Corporation. In no event shall Lender's right to cure, impair or delay the Corporation's rights or remedies relating to any default by Lessee-Shareholder. Lender's cure hereunder shall include without limitation any charges incurred by the Corporation to sell the Shares or assign the Proprietary Lease. If Lender fails to timely cure any such default (including the payment of all legal fees and other expenses for which Lessee-Shareholder is liable to the Corporation), then Lender Shall be deemed to have fully waived all rights to cure hereunder.
- (b) In the event of a default by the Lessee-Shareholder under the Share Loan documents with the Lender, as a condition precedent to foreclosure of its security interest, the Lender shall pay the Corporation the amount of any monetary obligation then due the Corporation, and shall continue to pay the monetary obligation of the Lessee-Shareholder to the Corporation during the pending of foreclosure or other proceedings to enforce the loan documents.

8. **Lessee-Shareholder's Voting and Occupancy Rights.** Until such time as a default shall have occurred under the Loan Documents which extends beyond any applicable grace and cure, Lessee-Shareholder shall retain the right to vote on all matters requiring the vote of shareholders or, if Lessee-Shareholder is a member of the Board of Directors of the Corporation, to vote on all matters within the jurisdiction of the Board of Directors; and to occupy the Apartment.
9. **Additional Rights of the Corporation.** If the Corporation shall determine:
  - (a) To borrow money secured by a lien against the Building, the Land or the Real Estate or to refinance or extend the terms of any such loan; or
  - (b) To sell the Building, the Land or the Real Estate; or
  - (c) To demolish or raze the Building whether or not in conjunction with a proposed redevelopment of the Land; or
  - (d) To convert the form of ownership of the Building, the Land or the Real Estate to a condominium or air rights form of ownership; or
  - (e) To engage in any construction activities with respect to the Real Estate; or
  - (f) To do or refrain from doing any other act with respect to the Building, the Land or the Real Estate,

Then, regardless of whether such determination occurs before or after a default by Lessee-Shareholder under the Loan Documents, Lender shall have no greater position or voting rights with respect to any such determination or act or omission than Lessee-Shareholder would have if the Loan never would have existed.

10. **Lender Has No Right of Occupancy.** Accordance with the provisions of the Proprietary Lease, Lender hereby agrees that in no event shall it or any party designated by it have any right to occupy the Apartment without the prior written consent of the Corporation.
11. **Notice.** Any notice required or permitted by this Agreement by any party, shall be in writing, and shall be delivered either by personal delivery, private courier service, or by certified or registered mail, postage prepaid, return receipt requested, addressed to the party to whom intended at the following address:
  - (a) If to the Corporation:

President, Edgewater Beach Apartment Corporation  
c/o Management Office  
5555 North Sheridan Road  
Chicago, Illinois 60640

with a copy to:

General Manager  
Edgewater Beach Apartments Corporation  
5555 North Sheridan Road  
Chicago, Illinois 60640

with a further copy to:

Patricia A. O'Connor  
Levenfeld Pearlstein  
2 North LaSalle Street  
Suite 1300  
Chicago, IL 60602

(b) If to lender:

(c) If to Lessee-Shareholder:

5555 N. Sheridan Road, Apartment #\_\_\_\_\_  
Chicago, Illinois 60640

or to such other address or addresses as a party hereto may from time to time designate for itself by written notice delivered to each other party hereto in accordance herewith. Notice by certified or registered mail shall be effective on the date it is deposited with the Postal Service for delivery to the intended recipient. All notices delivered in person shall be deemed to have been delivered to and received by the addressee, and shall be effective, on the date of personal delivery.

12. **Law to Govern.** This Agreement and the rights and obligations of the parties hereunder shall be governed in all respects by the laws of the State of Illinois, without regard to its conflict of laws rules.
13. **Successor and Assigns.** This Agreement shall be binding upon and shall inure to the benefit of the Corporation, Lessee-Shareholder and Lender, and their respective heirs, executors, administrators, personal representatives, successors and assigns.
14. **Waiver of Provisions.** The terms, covenants, representatives, warranties and conditions of this Agreement may be waived only by a written instrument executed by the party waiving compliance. Except as otherwise provided herein, the failure of any party at any time to require performance of any provisions hereof shall, in no manner, affect the right at a later date to enforce the same.
15. **Savings Clause.** Nothing in this Agreement shall be deemed to impair, modify or limit any rights or remedies of the Corporation under the Governance Documents.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first written above.

**THE CORPORATION:**

**EDGEWATER BEACH APARTMENTS  
CORPORATION, and Illinois Corporation**

By: \_\_\_\_\_  
\_\_\_\_\_, President

**LENDER:**

\_\_\_\_\_  
By: \_\_\_\_\_  
Its: \_\_\_\_\_

**LESSEE-SHAREHOLDER:**

\_\_\_\_\_

**LESSEE-SHAREHOLDER:**

\_\_\_\_\_  
\_\_\_\_\_