

**THE PROMONTORY CORPORATION
RECOGNITION AGREEMENT**

THIS RECOGNITION AGREEMENT (this “Agreement”), made and entered into as of the ____ day of _____, 20____, by and between **THE PROMONTORY CORPORATION**, an Illinois not-for-profit corporation (the “Corporation”) and _____, a _____ (“Lender”).

WITNESS:

WHEREAS, the Corporation owns (or is the beneficial owner of) that certain cooperative apartment building located at 5530-5532 South Shore Drive, Chicago, Illinois (the “Property”); and

WHEREAS, _____ (the “Borrower”) is (or will be) the owner of a certain Certificate of Membership No. _____, which Certificate represents one (1) share of the Corporation (the “Shares”), and has (or will have) the right to occupy Apartment No. _____ (the “Apartment”) at the Property pursuant to a proprietary lease dated _____ 20__ (the “Proprietary Lease”) between Borrower and the Corporation; and

WHEREAS, Borrower desires to obtain a loan or revolving line of credit (the “Loan”) from Lender on the value of the Shares, as determined by Lender, which Loan is to be secured by liens and security interests (collectively, “Lender’s Liens”) in and upon Borrower’s right, title and interest in and to the Shares or under the Proprietary Lease or both (such rights of Borrower are sometimes referred to herein collectively as the “Collateral”); and

WHEREAS, Borrower and Lender have requested that the Corporation acknowledge and recognize Lender’s Liens in and upon the Collateral, and the Corporation has agreed to so acknowledge and recognize such Lender’s Liens upon and subject to the terms and conditions of this Agreement;

NOW, THEREFORE, in consideration of the mutual covenants and promises set forth in this Agreement, including the foregoing recitals, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. Acknowledgments of the Corporation

- (a) The Corporation acknowledges Lender’s Liens and agrees to recognize and reflect Lender’s Liens in the books and records of the Corporation.
- (b) The Corporation further acknowledges as follows:
 - (1) Borrower is entitled to occupy the Apartment pursuant to the Proprietary Lease, so long as the Proprietary Lease is in full force and effect;

- (2) The Corporation has issued (or will issue) the Shares to Borrower, and Borrower is (or will be) the record owner of the Shares on the books and records of the Corporation;
 - (3) The Corporation's records do not reflect, and the Corporation has no knowledge or notice of, any encumbrances, liens, or claims upon or relating to the Collateral other than liens, encumbrances or security interests of the Corporation imposed by, or to secure the obligations of Borrower under, the Proprietary Lease, Bylaws, and the other governing documents of the Corporation (collectively, the "Proprietary Documents");
 - (4) The Corporation owns (or is the beneficial owner of) the Property, and is not presently in default in the payment or performance of its obligations under any loans or other indebtedness secured by the Property or any other interest therein;
 - (5) Borrower is not presently in default in the payment or performance of its obligations under any of the terms of the Proprietary Documents and, to the best of the Corporation's knowledge, no state of facts or circumstances exist which, with the giving of notice or the mere passage of time or both, would ripen into a default of Borrower under the Proprietary Documents; and
 - (6) The execution and delivery of this Agreement on behalf of the Corporation have been duly authorized by all necessary action of the Board of Directors of the Corporation.
- (c) If Borrower defaults under his or her Proprietary Lease, which default is also a default under the Loan, and if Lender notifies the Corporation of such default under the Loan and requests the Corporation to do so, the Corporation agrees to file the appropriate eviction action in the Circuit Court of Cook County, Illinois in order to terminate Borrower's Proprietary Lease and possession of the Apartment. Any action taken by the Corporation pursuant to this subparagraph shall be at Lender's sole cost and expense.

2. Subordination of Lender's Liens

Lender's rights under the documents evidencing and securing the Loan (the "Loan Documents") and Lender's Liens shall be subject and subordinate to any and all liens, security interests and other rights granted to or held by the Corporation under this Agreement or the Proprietary Documents or both. Without limiting the generality of the foregoing, Lender acknowledges and agrees that:

- (a) Pursuant to the terms of the Proprietary Documents, the Corporation has the right to encumber the Property with mortgages and other security agreements, and the Loan Documents and Lender's Liens shall be subject and subordinate to any present or future mortgage or other security agreement affecting the Property entered into by the Corporation in accordance with the terms of the Proprietary Documents; and

- (b) Pursuant to the terms of the Proprietary Documents, the Corporation has the power to levy assessments and other charges upon the respective shares held by the members/shareholders of the Corporation and secure the payment thereof by liens upon or security interests in the shares held by the members/shareholders of the Corporation, and the Loan Documents and Lender's Liens shall be subject and subordinate to any such liens or security interests in favor of the Corporation; provided that such priority in favor of the Corporation shall be limited to Borrower's pro-rata share of the Corporation's payments for the blanket mortgage on the Property, the current year's real estate taxes, operating expenses and maintenance fees, other charges agreed upon or permitted under the Proprietary Documents (including, without limitation, interest, late fees, penalties, legal fees, and parking and utility expenses), and any special assessments.

3. Lender's Right to Notice and to Consent

- (a) The Corporation shall give Lender written notice of the occurrence of any of the following events:
- (1) Any ninety (90) day delinquency by Borrower that is related to his or her monetary obligations under the Proprietary Lease;
 - (2) Any default under the Proprietary Documents by Borrower, other than a failure to pay money when due, which remains uncured for thirty (30) days after the Corporation has delivered a written notice of default to Borrower;
 - (3) Any written notice from Borrower of, or request from Borrower for, the Corporation's consent to any assignment, subletting, termination, modification or amendment of the Proprietary Lease;
 - (4) Any written notice from Borrower of, or request from Borrower for, the Corporation's consent to any additional pledge, assignment, hypothecation, mortgage or grant of any security interest by Borrower in the Shares or the Proprietary Lease other than in favor of the Corporation;
 - (5) Any threatened or actual condemnation, eminent domain proceeding or acquisition, or any actual loss in excess of \$500,000, whether or not covered by insurance, that affects the Apartment or any portion of the common areas of the Property;
 - (6) Failure to maintain compliance with cooperative corporation eligibility under IRS Code Section 216 (or any successor Section or statute);
 - (7) Any thirty (30) day delinquency by the Corporation in payments due under any blanket mortgage for real estate taxes, assessments, and charges imposed by a government entity or public utility, provided, however, any

such thirty (30) day delinquency shall be deemed extended by the length of any applicable grace period set forth in any blanket mortgage;

- (8) Any lapse, cancellation, or material modification of any insurance or fidelity insurance coverages maintained by the Corporation;
 - (9) Any proposed action that expressly requires the consent of a specified percentage of eligible share loan holders; or
 - (10) Any proposed material changes to Proprietary Documents with respect to the allocation of membership interests, voting rights, and any provisions which are for the express benefit of the Lender.
- (b) Lender shall have the right to review and approve the following actions prior to the Corporation's consent thereto, which action shall be deemed approved if no written response is given to the Corporation within thirty days (30) days after the Corporation gives Lender notice of such proposed action:
- (1) Any surrender, cancellation, or assignment of any documents evidencing ownership, possession and use of the Apartment;
 - (2) Any sublease of the Apartment;
 - (3) Any further or additional pledge or mortgage of any documents evidencing ownership, possession and use of the Apartment;
 - (4) Any action to change the form of ownership of the Property;
 - (5) The contraction, expansion or termination of the cooperative project.

4. Lender's Right to Cure Borrower's Default

Prior to any termination of the Proprietary Lease or the enforcement or foreclosure of the Corporation's security interest in the Shares, upon any default by Borrower (whether monetary or non-monetary) in the performance of Borrower's obligations under the Proprietary Documents, the Corporation shall give written notice to Lender specifying in reasonable detail Borrower's default or non-performance under the Proprietary Documents. The Corporation shall not take action to terminate the Proprietary Lease, or to enforce or foreclose its security interest in the Shares, if within thirty (30) days, for monetary default, or thirty (30) days, for non-monetary default, after the receipt of notice of such default Lender either cures the default, induces Borrower to cure the default, or provides the Corporation with a copy of a document commencing enforcement and foreclosure of Lender's Liens and thereafter proceeds with reasonable diligence to enforce and foreclose Lender's Liens by non-judicial or judicial means and during the pendency of such enforcement or foreclosure proceeding satisfies (or causes Borrower to satisfy) Borrower's continuing monetary obligations to the Corporation under the Proprietary Documents. Nothing in this Agreement shall be deemed or construed to make Lender a

guarantor of the obligations of Borrower under the Proprietary Documents or obligate Lender to cure or induce Borrower to cure any default of Borrower under the Proprietary Documents or to enforce or foreclose Lender's Liens.

5. Enforcement of Lender's Liens

- (a) Notwithstanding anything to the contrary contained in this Agreement or in the Loan Documents, any enforcement by Lender of the Loan Documents shall be subject to the terms and conditions of the Proprietary Documents. Lender acknowledges that:
- (1) Pursuant to the Proprietary Documents, any proposed assignment, conveyance or other transfer of the Shares or Borrower's rights under the Proprietary Lease requires the consent of the Board of Directors of the Corporation (including, without limitation, consent to the identity and financial condition of the proposed transferee);
 - (2) Such consent and approval shall continue to be required in the case of any proposed assignment, conveyance or other transfer of the Shares and/or Borrower's rights under the Proprietary Documents, regardless of whether such assignment, conveyance or other transfer results from foreclosure of the Loan Documents, a deed-in-lieu of foreclosure transaction, or any transfer by Lender or any purchaser at a foreclosure sale or otherwise; and
 - (3) As a condition to the granting of any such consent and approval, the Board of Directors of the Corporation may require that any and all amounts of the nature referenced in Paragraphs 6(a)(1) and (2) below be paid to the Corporation prior to or contemporaneously with the giving of any such consent and approval.
- (b) Lender shall be permitted to sell its interest in the Collateral after it has taken possession of the Collateral. If Lender sells its interest in the Collateral, Lender agrees promptly to notify the Corporation in writing of such sale and the name and address of the purchaser of the Collateral. If Lender is unable to effectuate a satisfactory sale within sixty (60) days after taking possession of the Collateral, the Corporation may not prohibit Lender from subletting the Apartment; provided that Lender's request to sublease the Apartment is subject to the Corporation's approval pursuant to the Proprietary Documents, which action must be completed within a reasonable time after Lender's request to sublease the Apartment.

6. Disposition of Proceeds

- (a) If Lender fails to cure a default of Borrower, cause Borrower to cure such default or diligently prosecute its remedies against the Collateral, as provided in Paragraph 4 above, the Corporation may cancel the Shares or terminate the Proprietary Lease or both as provided in the Proprietary Documents. In that event, the Corporation shall be entitled to dispose of the Shares and the Apartment in such a manner as the

Board of Directors of the Corporation, in its sole discretion deems appropriate and the Corporation and Lender agree that the proceeds from any such disposition shall be distributed as follows:

- (1) First, to the Corporation the amount of the brokerage commissions, attorneys' fees and other costs and expenses incurred by the Corporation in connection with making such disposition;
 - (2) Second, to the Corporation an amount equal to the sum of all amounts due from Borrower to the Corporation under the Proprietary Documents, subject to lien priority rights set forth in Paragraph 2(b) above;
 - (3) Third, to Lender an amount equal to the amount due under the Loan, which amount shall be certified in writing to the Corporation by Lender; and
 - (4) The balance, if any, to the Corporation or Borrower, as provided in the Proprietary Documents.
- (b) Lender acknowledges and agrees that the Corporation shall have no liability to Lender if the amount distributed to Lender pursuant to Subparagraph (a)(3) above is not sufficient to repay the Loan in full, and Lender agrees to look solely to Borrower, and not to the Corporation, for recovery of any delinquency.

7. General Provisions

- (a) Notices. Any notice provided or permitted to be given under this Agreement shall be in writing and must be served by (i) depositing the same in the United States Mail by certified mail, with a return receipt requested, addressed to the party to be notified, postage prepaid, (ii) hand delivery, or (iii) delivery by a reputable courier. All notices permitted or required pursuant to this Agreement shall be deemed to have been given on the date of the first to occur of (i) when actually received by the addressee; or (ii) three calendar days after deposit in the U.S. Mail; or (iii) the refusal to accept delivery or failure to retrieve delivery after notice. For purpose of notices, the addresses of the parties shall be as follows:

To the Corporation:

The Promontory Corporation
Attention: Property Manager
5530 S. South Shore Drive
Chicago, IL 60637

To Lender:

Each party may change its address for notices by the giving of notice thereof in the manner provided in this Subparagraph (a).

- (b) Governing Law; Interpretation. This Agreement and the rights and obligations of the parties hereunder are to be governed by and interpreted and enforced in

accordance with the internal laws of the State of Illinois, without regard to its conflict of laws principles. Each party acknowledges that it has been represented by counsel in connection with this Agreement and agrees that this Agreement shall be construed as if it has been drafted by all the parties to this Agreement and that no rule of contract construction requiring that this Agreement be construed against the party drafting same shall be applied.

- (c) Binding Agreement. This Agreement shall be binding upon and inure to the benefit of the parties to this Agreement and their respective successors and assigns.
- (d) Entire Agreement; Amendment. This Agreement constitutes the entire understanding and agreement among the parties to this Agreement with respect to the subject matter hereof, and there are no agreements, understandings, restrictions or representations between the parties to this Agreement not set forth herein. This Agreement may not be amended, altered or modified except by an instrument in writing signed by each of the parties to this Agreement. Lender agrees that its consent shall not be required to any amendment or modification of any of the Proprietary Documents that does not materially and adversely affect the rights of Lender under this Agreement.
- (e) Further Assurances. Lender and the Corporation each agree to execute and deliver to the other such additional documents and instruments as may reasonably be necessary or appropriate to effectuate all of the terms, provisions and conditions of this Agreement. Without limiting the generality of the foregoing, at the request of the Corporation, Lender will execute and deliver a recordable document confirming the subordination of Lender's Liens to the lien of any present or future mortgage affecting the Property entered into by the Corporation in accordance with the terms of the Proprietary Documents, as provided in Paragraph 2 hereof.
- (f) Waivers. No breach of any provision of this Agreement may be waived except by a writing executed by the party entitled to waive such breach. Waiver of any one breach shall not be deemed to constitute a waiver of any other breach of the same or any other provision of this Agreement.
- (g) Headings. The headings set forth in this Agreement are for convenience of reference only and shall not be deemed a part of this Agreement and shall not affect the meaning or construction of any of the provisions of this Agreement.
- (h) Definitions. Any capitalized words used and not defined in this Agreement shall have the meaning given them in the Proprietary Documents.
- (i) No Third-Party Rights. This Agreement is made for the sole benefit of the parties to this Agreement and no other person or entity shall be deemed to have any privity of contract hereunder, or any right to rely hereon to any extent for any purpose whatsoever, or have any right of action of any kind hereunder or on account of any action taken by any party hereto hereunder or be deemed to be a third-party beneficiary hereunder.

- (j) Transfer of Loan. Lender agrees promptly to notify the Corporation upon any sale, assignment or transfer of the Loan by Lender. Upon any such sale, assignment or transfer, the Corporation shall have no further obligation to Lender hereunder.
- (k) Counterparts. This Agreement and any amendments to this Agreement for convenience may be executed in any number of counterparts with the same effect as though each party to this Agreement had executed the same instrument.
- (l) Conflicts. As between Lender and the Corporation, in the event of any conflict between the provisions of this Agreement and the provisions of the Loan Documents, the provisions of this Agreement shall control.
- (m) Lender's Other Remedies. Nothing herein shall be deemed to restrict Lender's right to pursue whatever independent remedies it may have against Borrower as the result of a default by Borrower under the Loan.
- (n) Corporation's Other Remedies. Nothing herein shall be deemed to limit or restrict the Corporation's right to pursue any rights and remedies it has against Borrower in the event of any default by Borrower under the Proprietary Lease or Proprietary Documents; or to limit the Corporation to any specific remedies requested by Lender; or to require the Corporation to employ private remedies in lieu of judicial remedies or vice versa.
- (o) Attorneys Fees. If either party hereto brings an action to enforce or interpret the provisions of this Agreement, the prevailing party in any such action shall be entitled to recover from the non-prevailing party the amount of any and all reasonable attorneys' fees and other costs and expenses incurred by the prevailing party in connection with such action.
- (p) Non-Recordation. Lender shall not record, or cause to be recorded, the Loan, documents in connection with or related to the Loan, any other documentation evidencing the Loan or Lender's Liens, the Proprietary Lease, or any other document against the title of the Property.

{Signatures on following page}

IN WITNESS WHEREOF, the parties hereto have executed and delivered this Agreement as of the day and year first above written.

THE PROMONTORY CORPORATION (CORPORATION)

By: _____
Printed Name: _____
Its: _____

_____(LENDER)

By: _____
Printed Name: _____
Its: _____

BORROWER'S AGREEMENT AND CONSENT

To induce the Corporation to enter into the foregoing Recognition Agreement and otherwise to consent to and approve the Loan and Lender's Liens referenced in the Recognition Agreement, the undersigned, _____, jointly and severally, do hereby (a) agree and consent to and approve of all of the terms and provisions of the foregoing Recognition Agreement, (b) agree that any default by the undersigned under any of the Loan Documents shall constitute a default under the Proprietary Documents, and (c) agree to indemnify, defend and hold harmless the Corporation, its officers, directors, agents and employees, and Lender, and each of them, from and against any and all loss, damage, cost and expense (including, without limitation, reasonable attorneys' fees) suffered or incurred by any of such indemnitees on account of any action taken or omission by Borrower under the Loan Documents.

BORROWER

Signature: _____
Printed Name: _____
Dated: _____

Signature: _____
Printed Name: _____
Dated: _____