SIXTH DIVISION MARCH 31, 2017

No. 1-15-0923

NOTICE: This order was filed under Supreme Court Rule 23 and may not be cited as precedent by any party except in the limited circumstances allowed under Rule 23(e)(1).

IN THE
APPELLATE COURT OF ILLINOIS
FIRST JUDICIAL DISTRICT

IN THE MATTER OF THE APPLICATION OF THE Appeal from the Circuit Court of COUNTY COLLECTOR FOR JUDGMENT AND ORDER OF SALE AGAINST LANDS AND LOTS Cook County. RETURNED DELINQUENT FOR NONPAYMENT OF GENERAL TAXES AND/OR SPECIAL ASSESSMENTS FOR THE YEAR 2007 AND PRIOR No. 11 COTD 2348 YEARS Honorable EQUITY ONE INVESTMENT FUND LLC, Maureen Ward Kirby, Petitioner.) Judge Presiding. MRR 1843 S. RACINE, LLC, an Illinois limited) liability company, Appeal from the Circuit Court of Cook County. Plaintiff-Appellee, v. No. 13 M1 705453 JOAQUIN ROSALES and MARIA ROSALES, **Defendants-Appellants** Honorable Martin Paul Moltz, (Unknown Occupants, Judge Presiding. Defendants).)

JUSTICE CUNNINGHAM delivered the judgment of the court. Justices Rochford and Delort concurred in the judgment.

ORDER

Held: The trial court did not abuse its discretion in denying defendants' section 2-1401 petition (735 ILCS 5/2-1401 (West 2012)) and their motion for reconsideration. Defendants did not act with due diligence in pursuing their section 2-1401 petition and the record is inadequate to review the court's rulings for an abuse of discretion. Further, defendants did not establish that the tax deed was procured by fraud or deception.

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Defendants Joaquin and Maria Rosales¹ appeal from orders of the circuit court of Cook County denying both their petition pursuant to section 2-1401 of the Code of Civil Procedure (Code) (735 ILCS 5/2-1401 (West 2012)) and their motion to reconsider that ruling. These consolidated matters involve the issuance of a tax deed for property formerly owned by defendants and located at 1843 S. Racine Avenue in Chicago (the property) and the efforts of MRR 1843 S. Racine, LLC, (MRR) the entity that purchased the property from the tax deed petitioner, to evict defendants from the property. Finding no abuse of discretion by the trial court, we affirm.

¶ 3

BACKGROUND

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On July 21, 2009, the property was sold for delinquent taxes for the tax year 2007. Notice of the sale was sent to defendants. On June 17, 2011, the purchaser at the sale, Equity One Investment Fund, LLC, (Equity One) filed an application for issuance of a tax deed. The record reflects that defendants were served both personally and by certified mail. Defendants did not appear or otherwise participate in the case.

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Equity One filed an amended application on February 23, 2012. The amended application alleged that the period of redemption expired on November 16, 2011. A prove-up hearing on the amended application was held on the same day. During the hearing, counsel for Equity One

¹ Maria Rosales is also referred to as Maria Guerra in the record. We refer to the couple as "defendants."

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advised the court that the certificate issued to Equity One as a result of the tax sale had not been assigned and that Equity One currently held all right, title and interest in the certificate. Counsel also provided that court with proof of Equity One's payment of taxes on the property for 2008, 2009, 2010 and the first installment of 2011. The court took the matter under advisement.

On April 27, 2012, the court granted leave to 1843 S. Racine Avenue–1168 W. 19th Street Land Trust (the land trust) to substitute for Equity One, based on the trust's representation that Equity One had assigned its interest to the land trust. Finding that Equity One had satisfied the prerequisites to issuance of a tax deed, the trial court also directed issuance of the tax deed the same day. The tax deed was ultimately recorded on August 13, 2012.

On January 30, 2013, the land trust (which is not a party in this appeal) sold the property to MRR for \$200,000. There is no indication in the record that MRR had any prior relationship with either Equity One or the land trust, and it was not previously a party to the tax deed case. On March 6, 2013, MRR commenced proceedings to evict defendants from the property before filing a verified complaint for forcible entry and detainer. Defendants did not appear in that case prior to the entry of an order of possession on May 22, 2013.

On June 19, 2013, within 30 days of entry of the order of possession, defendants filed a petition pursuant to section 2-1301 of the Code (735 ILCS 2-1301 (West 2012)) to vacate that order. Defendants' section 2-1301 petition claimed that Equity One had breached an agreement with defendants entered into on December 16, 2011, after the period of redemption had expired. Pursuant to the agreement, which was attached to the section 2-1301 petition, defendants agreed to pay Equity One \$5,000 on December 16, 2011, and another \$33,102.70 by May 16, 2012, in order to redeem their interest in the property. The agreement recited that if defendants made the payments as called for, Equity One would "cause its Petition for Tax Deed to be dismissed even though the final payment may be after the final redemption date established by the Tax Deed

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Petition." Defendants alleged that, contrary to the agreement, Equity One obtained an order directing the issuance of a tax deed on April 27, 2012, before the due date of the second payment. Defendants further revealed that they had filed a bankruptcy petition on April 27, 2012 (after the tax deed order was entered) and, therefore, they contended that the post-petition recordation of the tax deed on August 13, 2012, was "void." Defendants also indicated that their April 2012 bankruptcy petition was dismissed on October 2, 2012, due to an "irregularity," but that they had filed two later petitions. On the basis of defendants' claim that the tax deed was "void," they disputed MRR's entitlement to possession in the eviction case.

On June 27, 2013, defendants filed a section 2-1401 petition in the tax deed case. In their petition, defendants again alleged the existence of the agreement with Equity One and alleged Equity One's breach. Defendants also claimed that Equity One's failure to inform the tax deed court of its agreement with defendants rendered false Equity One's representation to the court that the period of redemption had expired and constituted fraud sufficient to support their request for relief. The section 2-1401 petition also referred to the fact that as of April 27, 2012, Equity One had already been dissolved, but advanced no claim to relief on that basis.

With respect to due diligence, the section 2-1401 petition alleged:

"The Rosales have been diligent in their very exhaustive efforts to try and save their property and on advise [sic] of other counsel proceeded to protect their interest through three bankruptcy petitions which became impossible when their last Petition for a stay was denied on June 18, 2013.

Faced with imminent eviction, the Rosaleses sought other counsel, who immediately filed a Motion to Vacate the Order of

Possession against them and this instant Petition to Vacate the Tax Deed."

Although defendants verified the allegations of their section 2-1401 petition by certification pursuant to section 1-109 of the Code (735 ILCS 5/1-109 (West 2012)), they did not attach an affidavit or authenticate a copy of the agreement they claimed to have entered into with Equity One. See 735 ILCS 5/2-1401(b) (West 2012) ("The petition must be supported by affidavit or other appropriate showing as to matters not of record."). However, Equity One later admitted the existence of the agreement in its response to the petition.

- On defendants' motion, the tax deed case and the eviction case were consolidated.

 Because defendants' entitlement to relief in both matters depended upon their success in vacating the order directing issuance of the tax deed through which MRR obtained title, the parties focused on defendants' section 2-1401 petition. The order of possession was vacated pending ruling on defendants' section 2-1401 petition. MRR participated in the briefing on the section 2-1401 petition.
- As noted, defendants' claimed meritorious defense under section 2-1401 rested on their assertion that Equity One committed fraud when it represented to the court in the tax deed case that the period of redemption had expired. Defendants claimed that representation was demonstrably false given the agreement they had with Equity One. Defendants further argued that the motion for issuance of the tax deed in advance of the May 16, 2012 due date of the second payment from defendants was itself a breach of the agreement.
- ¶ 13 The parties briefed the defendants' section 2-1401 petition. For its part, Equity One (which has not appeared in this appeal) argued that it was entitled to seek issuance of a tax deed notwithstanding its agreement with defendants because, until the deed was recorded, no transfer

of an interest in the property was effective. See 35 ILCS 200/ 22-60 (West 2012) (tax deed "shall not be of any force or effect until after it has been recorded in the office of the recorder."). Equity One reasoned that although it obtained the order directing issuance of the tax deed before the second payment due date of May 16, 2012, it refrained from recording the deed and thus did not effect a transfer of defendants' interest in the property until it recorded the deed on August 13, 2012, a date long after the due date of the second payment, which defendants never made.

In its response to the section 2-1401 petition, MRR advised the court of defendants' multiple bankruptcy filings. After defendants' April 27, 2012 bankruptcy petition was dismissed in October 2012 due to defendants' unreasonable delay, defendants filed another petition on December 6, 2012. MRR pointed out that under the U.S. Bankruptcy Code, a second petition filed within one year of the dismissal of a prior petition does not automatically trigger the automatic stay of actions against the debtors' estate. 11 U.S.C. §362(c)(4)(A)(i). Recognizing that they were not entitled to the benefit of the automatic stay, defendants filed a motion in the bankruptcy court seeking to impose the automatic stay. That motion was denied on January 8, 2013. The conveyance from the land trust to MRR took place on January 30, 2013, and, therefore, no stay was in effect at that time. MRR also argued that it was a third party purchaser of the property for value, having paid \$200,000 to acquire it. MRR invoked section 2-1401(e) (735 ILCS 5/2-1401(e) (West 2012)) to argue that because it acquired its interest in the property after issuance of the final judgment in the tax deed case and before the filing of defendants' section 2-1401 petition, and because no jurisdictional defects appeared on the face of the record, its title to the property could not be affected. Finally, MRR disputed defendants' claim that they exercised due diligence either in presenting their claims in the tax deed case or in pursuing their section 2-1401 petition. MRR pointed out that in a filing in the bankruptcy court, defendants admitted that they became aware of the transfer to MRR in February 2013 when MRR told

defendants it intended to evict them, but defendants waited four more months to file their section 2-1401 petition.

Defendants' section 2-1401 petition was set for hearing on November 21, 2014. On the day of the hearing, defendants filed a motion to amend their petition to include a claim that the tax deed court lacked jurisdiction over Equity One's petition for a tax deed. Defendants represented that on September 29, 2014, they learned that the owner of Equity One had formed a Delaware limited liability company (the Delaware entity) on May 18, 2011, and that defendants had also "recently" learned that Equity One, on May 18, 2011, had transferred all of its assets, including the tax certificate for defendants' property, to the Delaware entity, also named Equity One. Thus, defendants claimed that when Illinois Equity One filed the tax deed case on June 17, 2011, it was not the owner of the tax deed certificate and, therefore, the court lacked jurisdiction.

There is no transcript or bystander's report of the hearing on defendants' section 2-1401 petition in the record. Following the hearing, the trial court denied defendants' petition on November 21, 2014. In a written order containing only the court's findings, the court first found that the filing of defendants' initial bankruptcy petition posed no impediment to entry of the order on April 27, 2012, directing issuance of the tax deed, because that order was entered prior to the bankruptcy filing. The court further found that defendants failed to exercise due diligence in presenting their section 2-1401 petition given that it was not filed for more than a year after entry of the April 27, 2012 order. Regarding defendants' claim that Equity One had committed fraud, the court determined that there was no misrepresentation regarding either Equity One's corporate status or the expiration of the redemption period. The court also entered another order of possession in the eviction case. Finally, in the same November 21, 2014 order, defendants' motion to amend their section 2-1401 petition was denied.

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Defendants moved to reconsider on December 19, 2014. Defendants claimed that, in addition to misrepresenting its corporate status, Equity One also told the court that it had not assigned its interest in the tax certificate, which was not true given the pre-suit assignment to the Delaware entity. Defendants also argued that by the time they executed the December 16, 2011 agreement with Equity One, it was a dissolved entity and that, in any event, there were multiple breaches of the December 16, 2011 agreement, which should have precluded issuance of the tax deed on April 27, 2012. Defendants claimed that they exercised due diligence in pursuing relief under section 2-1401 and that any delay was due to Equity One's failure to give them notice that Equity One was declaring the December 16, 2011 agreement null and void.

¶ 18 Defendants' motion to reconsider was denied on January 30, 2015. Defendants timely appealed both the denial of their section 2-1401 petition and the denial of the motion for reconsideration.

¶ 19 ANALYSIS

MRR first seeks dismissal of defendants' appeal pursuant to Illinois Supreme Court Rule 303(c), which provides that a notice of appeal shall be served within seven days of filing on every party entitled to notice. Ill. S. Ct. R. 303(e) (eff. Jan 1, 2015). When they filed their notice of appeal, defendants served it on one law firm purportedly representing both Equity One and MRR. But the firm never represented Equity One at any time in the trial court and by the time the notice of appeal was served, MRR was represented by new counsel, who had been granted leave to appear in the trial court prior to the ruling on defendants' section 2-1401 petition. MRR claims it only discovered that the appeal had been filed by happenstance. While we do not condone defendants' disregard of the rules, we are able to address the issues in this appeal notwithstanding defendants' failure to properly serve the notice of appeal. Further, because the

service defect is not jurisdictional (*Wells Fargo Bank, N.A. v. Zwolinski,* 2013 IL App (1st) 120612, ¶ 14), we decline to dismiss this appeal.

- MRR further argues that defendants have forfeited their arguments regarding Equity

 One's corporate status and its assignment of the tax certificate to the Delaware entity because
 those arguments were not raised in the trial court. In fact, defendants attempted to pursue these
 arguments via their belated motion to amend their section 2-1401 petition, which was ultimately
 denied, and in their motion to reconsider, which was also denied. Because the argument was
 raised, albeit late, in the trial court, we would be reluctant to preclude defendants from
 addressing it on appeal on the basis of forfeiture. But in any event, we need not reach the
 forfeiture issue because other issues are dispositive of this appeal.
- The parties agree, as do we, that under section 2-1401, we should review the denial of defendants' fact-based challenge to the final order entered in the tax deed case under the abuse of discretion standard of review. *Warren County Soil and Water Conservation District v. Walters*, 2015 IL 117783, ¶ 51 (*Walters*). We will find that a trial court abused its discretion only when no reasonable person would have taken the view adopted by the trial court. *Compton v. Country Mutual Insurance Co.*, 382 Ill. App. 3d 323, 331-32 (2008).
- Defendants contend, however, that we should review *de novo* the trial court's denial of their motion for reconsideration. Defendants characterize the trial court's order denying reconsideration as involving a claimed error in the court's "application of the law to the facts." In the context of a motion for reconsideration, *de novo* review is appropriate only when the motion is based solely on the trial court's application of existing law. See *Muhammad v. Muhammad-Rahmah*, 363 Ill. App. 3d 407, 415 (2006). But where the losing party seeks to bring new matters and arguments to the trial court's attention that were not presented prior to the entry of the challenged order, abuse of discretion is the appropriate standard of review. *Id.* Here, defendants'

motion for reconsideration did not present a purely legal issue, but instead presented new arguments and evidence that had not been included in their section 2-1401 petition. Thus, we review the denial of their motion for reconsideration for an abuse of discretion.

As a threshold matter, as noted above, there is no transcript of the hearings on defendants' section 2-1401 petition or the motion to reconsider denial of that petition. It has long been recognized that it is the appellants' burden to present a court of review with a record sufficient to support review of claimed errors by the trial court. *Balough v. Northeast Illinois Regional Commuter R.R. Corp.*, 409 Ill. App. 3d 750, 770 (2011) (citing *Foutch v. O'Bryant*, 99 Ill. 2d 389, 393 (1984)). Particularly where the standard of review is abuse of discretion, the lack of a record of proceedings hinders our review. *In re Marriage of Blinderman*, 283 Ill. App. 3d 26, 34 (1996). In the absence of a complete record, we must presume that the order entered by the trial court was in conformity with the law and had a sufficient factual basis. *Foutch*, 99 Ill. 2d at 391-92; see also *Corral v. Mervis Industries*, 217 Ill. 2d 144, 157 (2005) ("without an adequate record preserving the claimed error, the reviewing court must presume that the circuit court had a sufficient factual basis for its holding and that its order conforms with the law."); *Young v. Alden Gardens of Waterford, LLC*, 2015 IL App (1st) 131887, ¶ 67.

- ¶25 Without a transcript of proceedings, it is difficult for us to discern the reasoning underlying the trial court's denial of defendants' section 2-1401 petition and their motion for reconsideration. On this basis alone, we could refuse to consider further the issues defendants raise.
- But leaving aside the insufficiency of the record, we will address the conclusions reached by the trial court in its written order. Under well-settled standards applicable to fact-based section 2-1401 petitions, a party seeking relief from a final judgment more than 30 days after its entry must set forth specific factual allegations regarding each of the following factors: (1) the

existence of a meritorious defense; (2) the exercise of due diligence in presenting this defense in the underlying action; and (3) due diligence in filing the section 2-1401 petition. *Walters*, 2015 IL 117783, ¶ 51; *Paul v. Gerald Adelman & Associates, Ltd.*, 223 Ill. 2d 85, 94 (2006). In the context of a challenge to a tax deed, the Property Tax Code, as applicable here, limits the grounds for relief under section 2-1401 to claims involving "proof by clear and convincing evidence that the tax deed had been procured by fraud or deception by the tax purchaser or his or her assignee." 35 ILCS 200/22-45(3) (West 2012). Defendants' petition fails to satisfy the foregoing requirements.

First and most obviously, we can readily conclude that the trial court did not abuse its discretion in determining, as a matter of law, that defendants did not exercise due diligence, either in defending the tax deed case or in pursuing their section 2-1401 petition for relief from the judgment in that case. The tax deed case was filed on June 17, 2011. Defendants concede that they were properly served both with the notice of tax sale in 2009 and with process in the tax deed case. But they did nothing over the next five months and prior to the expiration of the period of redemption on November 16, 2011, to protect their interests. They offer no excuse for their inaction.

After defendants were served, and after expiration of the period of redemption, they negotiated an agreement with Equity One dated December 16, 2011, which they claim was breached on April 27, 2012, when the land trust to which Equity One had assigned its interest applied to the court for issuance of a tax deed. Defendants were undoubtedly aware of these developments given that they promptly filed a bankruptcy petition on the same day. But still they took no action. For 14 months after entry of the April 27, 2012 order, instead of pursuing relief from the judgment in the tax deed case, defendants filed serial bankruptcy petitions. As in the case of their ability to defend the tax deed case, nothing—including their own bankruptcy filings

¶ 30

—prevented defendants from pursuing a section 2-1401 petition for relief from the tax deed judgment following its entry.

Moreover, defendants' conduct in filing serial bankruptcy petitions, while it may be characterized as an effort to "save" their property, cannot satisfy their obligation to exercise due diligence in presenting their section 2-1401 petition. Had defendants been ready, willing and able to pay the second installment due under their contract with Equity One (an allegation nowhere to be found in the record), it would stand to reason that they would have immediately pursued relief from the April 27, 2012 order. See *Carley Capital Group v. Fireman's Fund Insurance Co.*, 889 F.2d 1126, 1127 (D.C. Cir. 1989) (automatic stay imposed on the filing of a bankruptcy petition only stays proceedings against debtor, and not actions brought by debtor that would inure to benefit of debtor's estate). Their failure to do so and their conduct in filing multiple bankruptcy petitions are strong indicators that defendants' primary goal was delay for delay's sake and not the enforcement of whatever contract rights they had under their private agreement with Equity One. On these undisputed facts, the trial court correctly found, as a matter of law, that defendants failed to act with due diligence.

While defendants' failure to exercise due diligence in presenting their claim in the tax deed case and in filing their section 2-1401 petition, standing alone, constitutes sufficient grounds for affirming the trial court's judgment, it is also apparent that the trial court properly concluded that defendants failed to allege facts supporting the existence of a meritorious defense consisting of clear and convincing proof that the tax deed was procured by fraud. Defendants present a multi-faceted argument regarding Equity One's alleged "fraud" in the tax deed case, which focuses on Equity One's failure to disclose (1) its corporate status, (2) the pre-suit assignment of the tax certificate to the Delaware entity, and (3) its December 16, 2011 agreement

¶ 32

with defendants. But none of these arguments, either singly or together, constitutes a meritorious defense that the tax deed was procured by fraud or deception.

Defendants do not dispute that they did not pay the 2007 taxes on the property or that Equity One was the purchaser at the tax sale. It is also undisputed that Equity One paid the taxes on the property for 2008, 2009, 2010 and the first installment of 2011. The period to redeem the property expired on November 16, 2011. Although following expiration of the period of redemption, Equity One entered into a contract with defendants by which defendants could have made payments to Equity One in order to save their property, this agreement does not constitute a "defense" to the tax deed case. At most, when Equity One obtained an order directing the issuance of a tax deed in April 2012, even if we assume that Equity One acted with intent to defraud defendants, that conduct potentially constituted an anticipatory breach of the December 16, 2011 contract. But given the fact that Equity One did not record the tax deed (and thus, as noted, did not effect a transfer of defendants' interest in the property) until August 2012, and defendants do not allege that they were ever prepared to pay the second installment under the December 16, 2011 agreement prior to that date, defendants clearly suffered no damage as a result of the "breach."

Defendants' arguments regarding Equity One's conduct in the tax deed case fare no better. Variously, defendants claim that the Illinois entity known as Equity One was "dissolved" at the time the tax deed case was filed and Equity One falsely represented to the trial court that the period of redemption had expired without revealing the existence of its agreement with defendants. Assuming the truth of these allegations, they do not afford a basis for relief to defendants. The period of redemption had expired before Equity One entered into the December 16, 2011 agreement with defendants. No term of the agreement required Equity One to forebear seeking issuance of a tax deed, which, of course, it would want to have in hand in the event

defendants failed to make the second payment called for under the agreement. Conversely, the existence of the order directing issuance of the tax deed did not impair defendants' ability to make the second payment, which they have never indicated their willingness or ability to do.

Finally, defendants argue that the recordation of the tax deed in August 2012 was "void" given the existence of the automatic stay in bankruptcy. Because defendants' first bankruptcy petition filed on April 27, 2012, was not dismissed for unreasonable delay until October 2, 2012, we will assume, for purposes of this appeal, that the land trust violated the automatic stay by recording the deed in the recorder's office. That said, it was incumbent on defendants, as beneficiaries of the stay, to take some timely action in the bankruptcy court to enforce it. The record does not reveal any such effort on defendants' part and, in fact, because their bankruptcy petition was dismissed on October 2, 2012, rendering the automatic stay no longer in effect, the land trust would have been free to re-record the deed at that point, ultimately leading to the same result.

- ¶ 34 Because defendants can satisfy none of the elements of a successful section 2-1401 petition, the trial court properly exercised its discretion in denying it.
- Defendants' motion for reconsideration was similarly without merit. Although defendants claim the motion presented newly discovered evidence in the form of the dissolution of Equity One's Illinois entity and the corporate assignment of the tax certificate to the Delaware entity, it is not at all clear that this constitutes "newly discovered" evidence. The motion itself, filed on December 19, 2014, revealed that defendants had been aware of the dissolution since September 29, 2014. And the vague allegation that defendants only "recently" became aware of the intracorporate transfer is insufficient to establish their inability to raise this evidence sooner.

Defendants characterize their motion for reconsideration as raising an issue regarding the tax deed court's "jurisdiction" based on Equity One's corporate status. We disagree. We first note that it is not clear from the record which Equity One entity filed the tax deed case. Although defendants contend that it was the dissolved Illinois entity based on the representation in the petition that Equity One was the purchaser at the tax sale, it is equally plausible that following the assignment to the Delaware entity of the same name, it was, in fact, that entity that filed the petition. The petition does not allege the state of incorporation of the petitioner. Either way, defendants do not articulate how they could have prevailed in the tax deed case had it been brought to the court's attention that a dissolved corporate entity, also known as Equity One, was the original holder of the tax certificate nor do they demonstrate why, if the court had been aware of the intra-company transfer to a Delaware entity, it would have refused to order issuance of the deed. At most, defendants' arguments go to Equity One's standing, an affirmative defense that defendants never sought to raise.

¶ 37

The circuit court had jurisdiction over both the subject matter of and the parties to the tax deed case. Any question about the identity of the entity that was the petitioner in the case rendered the order directing issuance of the tax deed potentially voidable, but not void. See LVNV Funding, LLC v. Trice, 2015 IL 116129, \P 32. And because, as we have concluded above, issues regarding Equity One's corporate status afford no basis to set aside the final order in the tax deed case on grounds of fraud or deception, defendants' motion for reconsideration was properly denied.

¶ 38

CONCLUSION

¶ 39

The circuit court properly denied both the defendants' section 2-1401 petition and their motion for reconsideration. We therefore affirm those orders. Further, because defendants do not

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raise any additional arguments in their appeal relating to the order of possession, we affirm that order as well.

- ¶ 40 For the foregoing reasons, we affirm the judgment of the circuit court of Cook County.
- ¶ 41 Affirmed.