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THIS DOCUMENT WAS DRAFTED BY
AND WHEN RECORDED RETURN TO:

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MORTGAGE
AND
SECURITY AGREEMENT
AND
FIXTURE FINANCING STATEMENT

THIS INDENTURE (hereinafter referred to as "Mortgage"), made and given this 31 day of December, 1999 by TARRA INVESTMENTS INTERNATIONAL, LLC, an Illinois limited liability company ("Mortgagor"), whose post office address is 4200 North River Road, Schiller Park, Illinois 60176 to MILLER AND SCHKEDER INVESTMENTS CORPORATION, a Minnesota corporation ("Mortgagee"), whose post office address is Suite 3000, 150 South Fifth Street, Minneapolis, Minnesota 55402.

PRELIMINARY RECITALS:

A. Pursuant to a certain Construction Loan Agreement between the Mortgagor and Mortgagee dated of even date herewith ("Construction Loan Agreement") the Mortgagee has agreed to make a Mortgage Loan to the Mortgagor in the amount of up to Thirteen Million Fifty Thousand and no/100 Dollars (\$13,050,000.00) ("Loan").

B. The Loan is evidenced by a Promissory Note dated of even date herewith executed and delivered by the Mortgagor to the Mortgagee in the principal sum of Thirteen Million Fifty Thousand and no/100 Dollars (\$13,050,000.00) ("Note").

C. The Note bears interest at a variable per annum rate of interest all as more fully set forth in the Note ("Interest Rate") except that during the period of and continuance of a default under the Note or Event of Default under this Mortgage the Note shall bear interest at a

per annum rate of interest of Four percent (4%) percent in excess of the interest rate then in effect on the Note whether or not the Mortgagee has exercised its option to accelerate the maturity of the Note and declare the entire unpaid Indebtedness Secured Hereby due and payable as more fully set forth in the Note ("Default Rate").

D. As security for the repayment of the Loan as evidenced by the Note the Mortgagor is executing and delivering this Mortgage.

E. The Note is payable in installments with a final installment payment of principal and interest due on January 1, 2005 ("Maturity Date").

F. As used herein the term "Note Rate" shall mean the rate of interest then in effect on the Note whether the Interest Rate or Default Rate, as the case may be.

G. As security for the repayment of the Note, Thomas Katsoulis and Theresa Navarro ("Guarantors") are executing and delivering to Mortgagee an absolute and unconditional Guaranty dated of even date herewith ("Guaranty").

NOW, THEREFORE, that the said Mortgagor in consideration of the debt hereinafter described and the sum of One and 00/100 Dollars (\$1.00) to Mortgagee in hand paid by the said Mortgagee, the receipt whereof is hereby acknowledged, does hereby MORTGAGE, GRANT, BARGAIN, SELL AND CONVEY unto the said Mortgagee, its successors and assigns, forever, AND GRANTS TO THE MORTGAGEE A SECURITY INTEREST IN all of the following properties hereinafter set forth (all of the following being hereafter collectively referred to as the "Premises"):

A.

REAL PROPERTY

All the tracts or parcels of real property lying and being in the County of Cook, State of Illinois, all as more fully described in Exhibit "A" attached hereto and made a part hereof, together with all the estates and rights in and to the real property and in and to lands lying in streets, alleys and roads adjoining the real property and all buildings, structures, improvements, fixtures and annexations, access rights, easements, rights of way or use, servitudes, licenses, tenements, hereditaments and appurtenances now or hereafter belonging or pertaining to the real property; together with all water rights (whether riparian, appropriative or otherwise, whether or not appurtenant) now or hereafter relating to or used in connection with the real property, and all shares of stock, if any, evidencing such rights ("Real Property").

B.

BUILDINGS AND IMPROVEMENTS

All buildings and improvements now or hereafter located on the Real Property.

C.

PERSONAL PROPERTY

All machinery, fittings, fixtures, apparatus, equipment or articles of personal property now or hereafter owned by Mortgagor and now or hereafter attached to, located at or on, or used in the operations of Mortgagor's business on the Real Property including all such items used to supply heating, gas, electricity, air conditioning, water, light, waste disposal, power, refrigeration, ventilation, and fire and sprinkler protection; all maintenance supplies and repair equipment; all draperies, carpeting, floor coverings, screens, storm windows and window coverings, blinds, awnings, shrubbery and plants; all elevators, escalators and shafts, motors, machinery, fittings and supplies necessary for their use; all building materials and supplies now or hereafter delivered to the Real Property; all furniture, fixtures, carpeting, floor coverings, draperies, curtains, lamps, beds, mattresses, box springs, towels, linens, chests, chairs and other furniture, all uniforms furnished to employees; all equipment and fixtures of every kind and nature used in connection with any food and beverage facilities including but not limited to all kitchen equipment, tables, chairs, booths, bar equipment, flatware, restaurant equipment, ice machines and entertainment equipment; all televisions, radios, cabling, telephones, computer systems (hardware and software), communications systems, switchboards, conduits, call systems, cash registers, safes, office equipment, reservation systems and the like; all athletic, swimming pool and patio equipment and furniture; all lobby furniture and furnishings; all ground keeping, lawn sprinklers and lawn maintenance systems; all vehicles including courtesy vans and courtesy cars; all food stock, liquor, operating supplies, food stuffs and inventory on hand or on order; all cleaning supplies and equipment; all laundry machines and equipment; all convenience items furnished to guests; all stationery, brochures, booklets, written materials and writing supplies furnished or made available to guests or invitees, all art work, and all other equipment and accouterments of any nature whatsoever used in operating a hotel on the Real Property ("Hotel") (it being understood that the enumeration of any specific articles of property shall in no way be held to exclude any items of property not specifically enumerated), as well as renewals, replacements, proceeds, additions, accessories, increases, parts, fittings, insurance payments, awards and substitutes thereof, together with all interest of Mortgagor in any such items hereafter acquired, as well as the Mortgagor's interest in any lease, or conditional sales agreement under which the same is acquired, all of which personal property mentioned herein shall be deemed fixtures and accessory to the freehold and a part of the realty and not severable in whole or in part without material injury to the Real Property ("Personal Property").

D.

RECEIVABLES

All present and future rights to payment for goods sold or leased or for services rendered, with respect to the Premises and its operations and all receivables of whatever nature whatsoever which are not evidenced by Chattel Paper, Documents or Instruments.

E.

ACCOUNTS

All "Accounts" (as that item is defined in the Uniform Commercial Code) now owned or hereafter acquired with respect to the Premises.

F.
CHATTEL PAPER

All "Chattel Paper" (as that item is defined in the Uniform Commercial Code) now owned or hereafter acquired with respect to the Premises.

G.
DOCUMENTS

All "Documents" (as that item is defined in the Uniform Commercial Code) now or hereafter acquired with respect to the Premises.

H.
INTANGIBLES

All "Intangibles" (as that item is defined in the Uniform Commercial Code) now owned or hereafter acquired with respect to the Premises.

I.
INSTRUMENTS

All "Instruments" (as that item is defined in the Uniform Commercial Code) now or hereafter acquired with respect to the Premises.

J.
RENTS, INCOME, LEASES AND PROFITS

All rents, income, contract rights, leases, room rates, issues, revenues, deposits, accounts, profits and other benefits from the operation of the Hotel including without limitation all revenues and credit card receipts collected from guest rooms, restaurants, bars, mini-bars, meeting rooms, banquet rooms and recreational facilities and otherwise, all rental payments now due or which may hereafter become due under or by virtue of any lease, license or agreement, whether written or verbal, for the use or occupancy of the Real Property or any part thereof together with all tenant security deposits, all receivables, customer obligations, installment payment obligations and other obligations now existing or hereafter arising or created out of sale, lease, sublease, license, concession or other grant of the right of possession, use or occupancy of any portion of the Real Property, or the rendering of services by Mortgagor or any operator or manager of the Hotel or a commercial space located on the Real Property or acquired from others including, without limitation, from the rental of any office space, retail space, commercial space, guest room or other space, halls, stores or offices, including any deposits securing reservations of such space, exhibit or sales space of every kind, license, lease, sublease and concession fee and rentals, health club membership fees, food and beverage wholesale and retail sales, service charges, vending machine sales and proceeds, if any, and all proceeds from the same.

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K.

INSURANCE PROCEEDS

All awards, payments, proceeds now or hereafter payable under any policy of insurance insuring the Premises including but not limited to the proceeds of casualty insurance, title insurance, business interruption/rents insurance or other insurance maintained with respect to the Premises.

L.

JUDGMENTS AND AWARDS

All awards, compensation and settlements in lieu thereof made as a result of the taking by power of eminent domain of the whole or any part of the Premises, including any awards for damages sustained to the Premises, for a temporary taking, change of grade of streets or taking of access.

M.

PERMITS, FILES AND RECORDS

All contracts, franchises, licenses, permits, management records, files, consents, governmental approvals and intangibles used, useful or required in the ownership and management of the Premises.

N.

PERMITS AND LICENSES

All soil reports, building permits, operating permits and licenses, variances, utility permits and other permits, licenses and agreements relating to the construction, equipping, operation or maintenance of the Premises, including without limitation, all warranties and contract rights.

O.

CONSTRUCTION CONTRACTS

Each contract or agreement for the design, construction, furnishing and equipping of any improvements to be constructed on the Real Property, together with all rights, title and interest of Mortgagor in and to any existing or future changes, extensions, revisions, modifications, guarantees or performance, or warranties of any kind thereunder.

P.

PLANS AND SPECIFICATIONS

All plans and specifications, all surveys, site plans, soil reports, working drawings and papers, relating to the Real Property and the construction and equipping of any improvements on the Real Property, including without limitation, all architectural drawings and site plans.

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Q.
BUILDING SUPPLIES

All building supplies and materials ordered or purchased for use in connection with the construction and equipping of the improvements on the Real Property.

R.
SERVICE AGREEMENTS

All rights and interests of Mortgagor in and under any and all service contracts and other agreements relating to the servicing, operation, maintenance, and repair of the Real Property or the buildings and improvements thereon.

S.
LOGO

All right and interest in and to any and all trademarks, tradenames, corporate names, franchised names, business names, fictitious names, trade styles, logos, service marks, business identifiers used in the operation of the Hotel.

T.
ACCOUNTS AND CONTRACT RIGHTS

All accounts, contract rights and rights to payments arising out of the operation of any facilities on the Real Property including but not limited to payments for the rental or sale or use of rooms, for goods sold or leased, for services rendered, whether or not evidenced by an Instrument or Chattel Paper, whether or not yet earned by performance, for the rental, sale or use of any equipment, from vending machines, all payments from any consumer credit/charge card organization, whether or not now existing or owed or hereinafter credited or owed, and all proceeds of the foregoing, whether cash or non-cash.

U.
MANAGEMENT AGREEMENT

All right and interest in and to that certain Management Agreement dated November 18, 1997 ("Management Agreement") by and between Bridge Street Hospitality, L.L.C. and Mortgagor covering the Hotel and all renewals, replacements and substitutions thereof and all modifications and amendments thereto.

V.
LICENSE AGREEMENT

All right and interest in and to that certain Franchise Agreement ("License") dated November 6, 1999 by and between Mortgagor and Choice Hotels International, Inc., all renewals, replacements and substitutions thereof and all modifications and amendments thereto.

W.
OPERATING LICENSES

All licenses and permits used, useful or necessary in the operation of the Real Property including in the case of the Hotel all liquor licenses, hotel/innkeepers licenses, swimming pool permits, elevator permits, beverage and food licenses.

TO HAVE AND TO HOLD THE SAME, together with the possession and right of possession of the Premises, unto the Mortgagee, its successors and assigns, forever.

PROVIDED NEVERTHELESS, that if the Mortgagor, its successors or assigns, shall:

- i) pay to the Mortgagee, its successors or assigns, the sum of Thirteen Million Fifty Thousand and no/100 Dollars (\$13,050,000.00), according to the terms of the Note, or so much as is from time to time disbursed thereon the terms and conditions of which are incorporated herein by reference and made a part hereof, together with any extensions or renewals thereof, due and payable with interest thereon at the Note Rate, the balance of said principal sum together with interest thereon being due and payable in any event on the Maturity Date; and
- ii) pay to the Mortgagee, its successors or assigns, at the times demanded and with interest thereon at the Note Rate, all sums advanced (a) in protecting the lien of this Mortgage, (b) in payment of taxes on the Premises, (c) in payment of insurance premiums covering improvements thereon, (d) in payment of principal and interest on prior liens, (e) in payment of expenses and attorney's fees herein provided for and (f) all sums advanced for any other purpose authorized herein; and
- iii) keep and perform all of the covenants and agreements herein contained; and
- iv) keep and perform all of the terms and conditions of any instrument given as collateral for the Loan; and
- v) keep and perform all of the terms and conditions of the Construction Loan Agreement;

then the Mortgagee shall release this Mortgage. The Note, all such sums and all such obligations, together with interest thereon, are herein collectively referred to as the "Indebtedness Secured Hereby".

AND IT IS FURTHER COVENANTED AND AGREED AS FOLLOWS:

1.
GENERAL COVENANTS, AGREEMENTS, WARRANTIES

1.1 Payment of Indebtedness: Observance of Covenants. Mortgagor shall duly and punctually pay each and every installment of principal and interest on the Note and all other Indebtedness Secured Hereby, as and when the same shall become due, and shall duly and

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punctually perform and observe all of the covenants, agreements and provisions contained herein, in the Note and any other instrument given as security for the payment of the Note.

1.2 Maintenance: Repairs. Mortgagor shall not abandon the Premises, shall keep and maintain the Premises in good condition, repair and operating condition, normal wear and tear excluded, free from any waste or misuse, and shall promptly repair or restore any buildings, improvements or structures now or hereafter on the Real Property which may become damaged or destroyed to their condition prior to any such damage or destruction. Mortgagor further agrees that excepting the requirements imposed upon it under the Construction Loan Agreement to complete the improvements as defined therein it will not expand any improvements on the Real Property, erect any new improvements or make any material alterations in any improvements which shall alter the basic structure, adversely affect the market value or change the existing architectural character of the Premises, nor remove or demolish any improvements without suitable replacement thereof, and shall complete within a reasonable time any buildings now or at any time in the process of remodeling on the Real Property; provided nothing herein shall preclude Mortgagor from constructing improvements necessary or desirable to the use of the Premises for Mortgagor's business purposes which are non-structural in nature and which do not constitute material alterations to the Premises or affect the nature of use, structure or utility of the Premises or decrease the market value of the Premises.

1.3 Compliance with Laws. Mortgagor shall comply with all requirements of law, municipal ordinances and regulations affecting the Premises, shall comply with all private restrictions and covenants affecting the Premises and shall not acquiesce in or seek any rezoning classification affecting the Real Property.

1.4 Payment of Operating Costs: Prior Mortgages and Liens. Mortgagor shall pay all operating costs and expenses of the Premises, shall keep the Premises free from levy, attachment, mechanics', materialmen's and other liens ("Liens") and shall pay when due all indebtedness which may be secured by mortgage, lien or charge on the Premises.

1.5 Payment of Impositions. Mortgagor shall pay when due and in any event before any penalty attaches all taxes, assessments, governmental charges, water charges, sewer charges, and other fees, taxes, charges and assessments of every kind and nature whatsoever assessed or charged against or constituting a lien on the Premises or any interest therein ("Impositions") and will upon demand furnish to the Mortgagee proof of the payment of any such Impositions. In the event of a court decree or an enactment after the date hereof by any legislative authority of any law imposing upon a mortgagee the payment of the whole or any part of the Impositions herein required to be paid by the Mortgagor, or changing in any way the laws relating to the taxation of mortgages or debts secured by mortgages or a mortgagee's interest in mortgaged premises, so as to impose such Imposition on the Mortgagee or on the interest of the Mortgagee in the Premises, then, in any such event, Mortgagor shall bear and pay the full amount of such Imposition, provided that if for any reason payment by Mortgagor of any such Imposition would be unlawful, or if the payment thereof would constitute usury or render the Indebtedness Secured Hereby wholly or partially usurious, Mortgagee, at its option, may declare the whole sum secured by this Mortgage with interest thereon to be immediately due and payable, without prepayment premium, or Mortgagee, at its option, may pay that amount or portion of such Imposition as renders the Indebtedness Secured Hereby unlawful or usurious, in which event

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Mortgagor shall concurrently therewith pay the remaining lawful and non-usurious portion or balance of said Imposition.

1.6 Contest of Impositions, Liens and Levies. Mortgagor shall not be required to pay, discharge or remove any Imposition or any Lien so long as the Mortgagor shall in good faith contest the same or the validity thereof by appropriate legal proceedings which shall operate to prevent the collection of the Lien or Imposition so contested and the sale of the Premises, or any part thereof, to satisfy the same, provided that the Mortgagor shall, prior to the date such Lien or Imposition is due and payable, have given such reasonable security as may be demanded by the Mortgagee to insure such payments plus interest or penalties thereon, and prevent any sale or forfeiture of the Premises by reason of such nonpayment. Any such contest shall be prosecuted with due diligence and the Mortgagor shall promptly after final determination thereof pay the amount of any such Lien or Imposition so determined, together with all interest and penalties which may be payable in connection therewith. Notwithstanding these provisions Mortgagor shall (and if Mortgagor shall fail so to do, Mortgagee, may but shall not be required to) pay any such Lien or Imposition notwithstanding such contest if in the reasonable opinion of the Mortgagee, the Premises shall be in jeopardy or in danger of being forfeited or foreclosed.

1.7 Protection of Security. Mortgagor shall promptly notify Mortgagee of and appear in and defend any suit, action or proceeding that affects the Premises or the rights or interest of Mortgagee hereunder and the Mortgagee may elect to appear in or defend any such action or proceeding. Mortgagor agrees to indemnify and reimburse Mortgagee from any and all loss, damage, expense or cost arising out of or incurred in connection with any such suit, action or proceeding, including costs of evidence of title and reasonable attorney's fees and such amounts together with interest thereon at the Note Rate shall become additional "Indebtedness Secured Hereby" and shall become immediately due and payable.

1.8 Annual Statements. Mortgagor shall furnish to the Mortgagee at the times required therein the financial statements required under the Construction Loan Agreement. In the event Mortgagor fails to furnish any such statements after written request to Mortgagor, the same shall be an Event of Default and in addition to any other remedies available to Mortgagee, the Mortgagee may cause an audit to be made of the respective books and records at the sole cost and expense of the Mortgagor. Mortgagee also shall have the right to examine at their place of safekeeping at reasonable times all books, accounts and records relating to the operation of the Premises. The books of account and all other records relating to, or reflecting the operation of, the Hotel shall be kept at the Hotel or Manager's corporate offices and shall be made available to Mortgagee on reasonable notice and its representatives at all reasonable times for examination, audit, inspection and transcription. Excepting an Event of Default, the costs of examination shall be at Mortgagee's expense. Upon the taking of possession of the premises by the Mortgagee or upon the appointment of a receiver for the Premises, all books and records shall be turned over to Mortgagee to insure the orderly continuance of the operation of the Hotel.

1.9 Additional Assurances. Mortgagor agrees upon reasonable request by the Mortgagee to execute and deliver such further instruments, deeds and assurances including financing statements under the Uniform Commercial Code and will do such further acts as may be necessary or proper to carry out more effectively the purposes of this Mortgage and without limiting the foregoing, to make subject to the lien hereof any property agreed to be subjected

hereto or covered by the granting clause hereof, or intended so to be. Mortgagor agrees to pay any recording fees, filing fees, note taxes, mortgage registry taxes or other charges arising out of or incident to the filing or recording of this Mortgage, such further assurances and instruments and the issuance and delivery of the Note.

1.10 Current Compliance With Laws. The Real Property as improved on the date hereof, comply with all material requirements of laws, including requirements of any Federal, State, County, City or other governmental authority having jurisdiction over the Mortgagor or the Real Property and including, but not limited to, any applicable zoning, occupational safety and health, the Americans with Disability Act, energy and environmental laws, ordinances and regulations, and the Mortgagor has obtained all necessary consents, permits and licenses to construct, occupy and operate the Premises for its intended purposes.

1.11 Title. Mortgagor is the lawful owner of and has good and marketable fee simple absolute title to the Premises and will warrant and defend title to the same free of all liens and encumbrances, other than the Encumbrances permitted under the policy of Mortgagee's title insurance issued to Mortgagee in connection with this Mortgage and has good right and lawful authority to grant, bargain, sell, convey, mortgage and grant a security interest in the Premises as provided herein.

1.12 Construction Loan Agreement. This Mortgage secures an obligation incurred for the construction of an improvement on land and is a "Construction Mortgage" as that term is used in the Uniform Commercial Code. This Mortgage is the Mortgage referred to in and is also given as security for the due and punctual performance, observance and payment by the Mortgagor of the terms and conditions set forth in that certain Construction Loan Agreement ("Construction Loan Agreement") of even date herewith between the Mortgagor and the Mortgagee the terms and conditions of which are incorporated herein by reference. In addition to its remedies hereunder, the Mortgagee may, but shall not be required to, avail itself of any or all of the rights and remedies available to it under the Construction Loan Agreement, and any sums expended by the Mortgagee in availing itself of such rights and remedies shall bear interest thereon at the rate specified in the Construction Loan Agreement and shall be so much additional Indebtedness Secured Hereby, and shall be payable to the Mortgagee immediately upon demand; provided that, no such payment by the Mortgagee shall be considered as waiving the event of default.

1.13 Personal Property Replacement. Mortgagor will keep the Personal Property in good order and repair and condition and will maintain adequate reserves for replacement of the same. As and when any item of Personal Property becomes worn or obsolete the Mortgagor shall replace the same with a replacement item of Personal Property of same utility and value.

1.14 Hotel Rentals. Mortgagor shall not enter into any lease or other occupancy agreement ("Occupancy Agreement") except for (i) the leasing of the restaurant facility and banquet facilities to be located in the Hotel, (ii) the short term rental of rooms in the ordinary course of business and (iii) leases of concession space ("Concession Space") without the prior written consent of the Mortgagee.

1.15 Management Agreement. Mortgagor will punctually keep and perform all of the terms and conditions of the Management Agreement and will keep the same free of default.

1.16 License Agreement. Mortgagor will punctually keep and perform all of the terms and conditions of the License Agreement and will keep the same free of default.

1.17 Personal Property Replacement. Mortgagor will keep the Personal Property in the Hotel in good order and repair and condition and will maintain adequate reserves for replacement of the same. As and when any item of Personal Property becomes worn or obsolete the Mortgagor shall replace the same with a replacement item of Personal Property of same utility and value.

1.18 Licenses and Permits. Mortgagor shall obtain and keep in full force and effect all licenses and permits required to operate the Hotel and all its components, shall pay all required license and permit fees thereunder and shall not surrender or permit such licenses and permits to lapse or terminate without the prior written consent of the Mortgagee.

1.19 Compliance With Americans With Disabilities Act. Mortgagor covenants and agrees that it will comply with the requirements of the Americans with Disabilities Act, as the same may be amended from time to time, during the entire term of this Mortgage and that it will comply with any requirements established by any federal, state or local governmental authorities having jurisdiction over such matters. All future maintenance, renovation, repair and construction conducted on the Real Property shall all be completed in accordance with the Americans with Disabilities Act. Failure to comply with the provisions of the Americans with Disabilities Act shall constitute an Event of Default under the terms of this Mortgage and shall entitle the Mortgagee to exercise all remedies available to it hereunder.

2.

INSURANCE AND ESCROWS

2.1 Insurance. Mortgagor shall obtain, pay for and keep in full force and effect during the term of this Mortgage the policies of insurance required under the Construction Loan Agreement. Such insurance policies shall be written on forms and with insurance companies satisfactory to Mortgagee, shall be in amounts sufficient to prevent the Mortgagor from becoming a co-insurer of any loss thereunder, and shall bear a satisfactory mortgagee clause in favor of the Mortgagee with loss proceeds under any such policies to be made payable to the Mortgagee. Blanket policies must include limits by property location. All required policies of insurance or acceptable certificates thereof together with evidence of the payment of current premiums therefor shall be delivered to and be held by the Mortgagee. The Mortgagor shall, within thirty (30) days prior to the expiration of any such policy, deliver other original policies or certificates of the insurer evidencing the renewal of such insurance together with evidence of the payment of current premiums therefor. In the event of a foreclosure of this Mortgage or any acquisition of the Premises by the Mortgagee all such policies and any proceeds payable therefrom, whether payable before or after a foreclosure sale, or during the period of redemption, if any, shall become the absolute property of the Mortgagee to be utilized at its discretion. In the event of foreclosure or the failure to obtain and keep any required insurance the Mortgagor empowers the Mortgagee to effect the above insurance upon the Premises at Mortgagor's

expense and for the benefit of the Mortgagee in the amounts and types aforesaid for a period of time covering the time of redemption from foreclosure sale, and if necessary therefor, to cancel any or all existing insurance policies. Mortgagor agrees to pay Mortgagee such fees as may be permitted under applicable law for the costs incurred by Mortgagee in determining, from time to time, whether the Real Property is located within an area having special flood hazards. Such fees shall include the fees charged by any organization providing for such services.

2.2 Escrows. Mortgagor shall deposit with the Mortgagee, or at Mortgagee's request, with its servicing agent, on the first day of each and every month hereafter as a deposit to pay the costs of taxes, assessments and insurance premiums next due ("Charges"):

- (a) Initially a sum such that the amounts to be deposited pursuant to (b) next and such initial sum shall equal the estimated Charges for the next due payment; and
- (b) Thereafter an amount equal to one-twelfth (1/12th) of the estimated annual Charges due on the Premises.

Mortgagee will, upon the presentation to the Mortgagee by the Mortgagor of the bills therefor, pay the Charges from such deposits or will upon presentation of receipted bills therefor, reimburse the Mortgagor for such payments made by the Mortgagor. In the event the deposits on hand shall not be sufficient to pay all of the estimated Charges when the same shall become due from time to time, or the prior deposits shall be less than the currently estimated monthly amounts, then the Mortgagor shall pay to the Mortgagee on demand any amount necessary to make up the deficiency. The excess of any such deposits shall be credited to subsequent payments to be made for such items. If a default or an event of default shall occur under the terms of this Mortgage the Mortgagee may, at its option, without being required so to do, apply any deposits on hand to the Indebtedness Secured Hereby, in such order and manner as the Mortgagee may elect. When the Indebtedness Secured Hereby has been fully paid any remaining deposits shall be returned to the Mortgagor as its interest may appear. All deposits are hereby pledged as additional security for the Indebtedness Secured Hereby, shall be held for the purposes for which made as herein provided, may be held by Mortgagee or its servicing agent and may be commingled with other funds of the Mortgagee, or its servicing agent, shall be held without any allowance of interest thereon and shall not be subject to the decision or control of the Mortgagor. Neither Mortgagee nor its servicing agent shall be liable for any act or omission made or taken in good faith. In making any payments, Mortgagee or its servicing agent may rely on any statement, bill or estimate procured from or issued by the payee without inquiry into the validity or accuracy of the same. If the taxes shown in the tax statement shall be levied on property more extensive than the Real Property, then the amounts escrowed shall be based on the entire tax bill and Mortgagor shall have no right to require an apportionment and Mortgagee or its servicing agent may pay the entire tax bill notwithstanding that such taxes pertain in part to other property and the Mortgagee shall be under no duty to seek a tax division or apportionment of the tax bill.

3.

UNIFORM COMMERCIAL CODE SECURITY AGREEMENT

3.1 Security Agreement. This Mortgage shall constitute a security agreement as defined in the Uniform Commercial Code ("Code") in all items of the Premises described in the Granting Clauses of this Mortgage that are subject to the Code ("Collateral"). Any Collateral installed in or used in the Real Property are to be used by the Mortgagor solely for Mortgagor's business purposes or as the equipment and fixtures leased or furnished by the Mortgagor, as landlord, to tenants of the Real Property and such Collateral will be kept at the buildings on the Real Property and will not be removed therefrom without the consent of the Mortgagee and may be affixed to such buildings but will not be affixed to any other real estate. The remedies of the Mortgagee hereunder are cumulative and separate, and the exercise of any one or more of the remedies provided for herein or under the Uniform Commercial Code shall not be construed as a waiver of any of the other rights of the Mortgagee including having any Collateral deemed part of the realty upon any foreclosure thereof. If notice to any party of the intended disposition of the Collateral is required by law in a particular instance, such notice shall be deemed commercially reasonable if given at least ten (10) days prior to such intended disposition and may be given by advertisement in a newspaper accepted for legal publications either separately or as part of a notice given to foreclose the Premises or may be given by private notice if such parties are known to Mortgagee. Neither the grant of a security interest pursuant to this Mortgage nor the filing of a financing statement pursuant to the Code shall ever impair the stated intention of this Mortgage that all Collateral comprising the Premises and at all times and for all purposes and in all proceedings both legal or equitable shall be regarded as part of the real property mortgaged hereunder irrespective of whether such item is physically attached to the real property or any such item is referred to or reflected in a financing statement. Mortgagor will on demand deliver all financing statements that may from time to time be required by Mortgagee to establish, perfect and continue the priority of Mortgagee's security interest in the Collateral and shall pay all expenses incurred by Mortgagee in connection with the renewal or extensions of any financing statements executed in connection with the Premises; and shall give advance written notice of any proposed change in Mortgagor's name, identity or structure and will execute and deliver to Mortgagee prior to or concurrently with such change all additional financing statements that Mortgagee may require to establish and perfect the priority of Mortgagee's security interest.

3.2 Maintenance of Property. Subject to the provisions of this section, in any instance where Mortgagor in its sound discretion determines that any Collateral subject to a security interest under this Mortgage has become inadequate, obsolete, worn out, unsuitable, undesirable or unnecessary for the operation of the Premises, Mortgagor may, at its expense, remove and dispose of it and substitute and install other items not necessarily having the same function, provided, that such removal and substitution shall not impair the operating utility and unity of the Premises. All substituted items shall become a part of the Premises and subject to the lien of the Mortgage. Any amounts received or allowed Mortgagor upon the sale or other disposition of the removed items of Collateral shall be applied first against the cost of acquisition and installation of the substituted items. Nothing herein contained shall be construed to prevent any tenant from removing from the Premises trade fixtures, furniture and equipment installed by the tenant and removable by the tenant under its terms of the lease, on the condition, however, that the tenant

shall at its own cost and expense, repair any and all damages to the Premises resulting from or caused by the removal thereof.

3.3 Fixture Filing. THIS MORTGAGE SHALL BE EFFECTIVE AS A FINANCING STATEMENT FILED AS A FIXTURE FILING WITH RESPECT TO ALL GOODS CONSTITUTING A PART OF THE PREMISES WHICH ARE OR ARE TO BECOME FIXTURES RELATED TO THE PREMISES. FOR PURPOSES OF THE UNIFORM COMMERCIAL CODE THE FOLLOWING INFORMATION IS FURNISHED:

- (a) The name and address of the record owner of the real estate described in this instrument is:

Tarra Investments International, LLC
4200 North River Road
Schiller Park, Illinois 60176

- (b) The name and address of the Debtor is:

Tarra Investments International, LLC
4200 North River Road
Schiller Park, Illinois 60176

- (c) Debtor's Federal Tax ID No. 26-4194683.

- (d) the name and address of the Secured Party is:

Miller & Schroeder Investments Corporation
Suite 3000
150 South Fifth Street
Minneapolis, Minnesota 55402

- (e) Information concerning the security interest evidenced by this instrument may be obtained from the Secured Party at its address above:

- (f) This document covers goods which are or are to become fixtures.

4.

APPLICATION OF INSURANCE AND AWARDS

4.1 Damage or Destruction of the Premises. Mortgagor shall give the Mortgagee prompt notice of any damage to or destruction of the Premises and in case of loss covered by policies of insurance the Mortgagee is hereby authorized at its option to settle and adjust any claim arising out of such policies and collect and receipt for the proceeds payable therefrom, provided, that the Mortgagor may itself adjust and collect for any losses arising out of a single occurrence aggregating not in excess of Twenty-Five Thousand and 00/100 (\$25,000.00) Dollars. Any expense incurred by the Mortgagee in the adjustment and collection of insurance proceeds (including the cost of any independent appraisal of the loss or damage on behalf of Mortgagee) shall be reimbursed to the Mortgagee first out of any proceeds. Subject to Section

4.3 the proceeds or any part thereof shall be applied to reduction of the Indebtedness Secured Hereby then most remotely to be paid, whether due or not, without the application of any prepayment premium, or to the restoration or repair of the Premises, the choice of application to be solely at the discretion of Mortgagee.

4.2 Condemnation. Mortgagor shall give the Mortgagee prompt notice of any actual or threatened condemnation or eminent domain proceedings affecting the Premises and hereby assigns, transfers, and sets over to the Mortgagee the entire proceeds of any award or claim for damages or settlement in lieu thereof for all or any part of the Premises taken or damaged under such eminent domain or condemnation proceedings, the Mortgagee being hereby authorized to intervene in any such action and to collect and receive from the condemning authorities and give proper receipts and acquittances for such proceeds. Mortgagor will not enter into any agreements with the condemning authority permitting or consenting to the taking of the Premises or agreeing to a settlement unless prior written consent of Mortgagee is obtained. Any expenses incurred by the Mortgagee in intervening in such action or collecting such proceeds, including reasonable attorney's fees, shall be reimbursed to the Mortgagee first out of the proceeds. The proceeds or any part thereof shall be applied upon or in reduction of the Indebtedness Secured Hereby then most remotely to be paid, whether due or not, without the application of any prepayment premium, or to the restoration or repair of the Premises, the choice of application to be solely at the discretion of Mortgagee.

4.3 Mortgagee to Make Proceeds Available. Notwithstanding the foregoing, in the event of an insured casualty to the Improvements ("Casualty") the Mortgagee agrees to make the proceeds payable from such event ("Proceeds") available to the restoration ("Restoration") of the improvements located on the Real Property ("Improvements") under the following conditions:

- (a) The Improvements can be restored to their condition and useable square footage as existed prior to such Casualty and a complete architectural unit with the same use pursuant to plans and specifications acceptable to Mortgagee and the same value after Restoration as that prior to the Casualty.
- (b) The ratio of the Loan balance to the appraised value of the Premises after Restoration is not more than 63%.
- (c) Mortgagor shall provide a sworn construction statement itemizing the full cost of Restoration.
- (d) The Proceeds are sufficient to complete such Restoration or the Mortgagor deposits with Mortgagee prior to commencing Restoration such amount as is necessary to assure completion.
- (e) Disbursement of Proceeds shall be made not more frequently than once a month for Restoration work completed and in place pursuant to prudent construction lending procedures as reasonably determined by Mortgagee including (i) a retainage of ten (10%) percent of the disbursement requested, (ii) itemized draw requests approved by an inspector acceptable to Mortgagee and (iii) lien waivers for the work done. At Mortgagee's election the Proceeds shall be deposited with

and shall be disbursed through an escrow account established with the title insurer having issued the Mortgagee's Title Insurance Policy ("Title").

- (f) The Proceeds shall be held by Mortgagee without any obligation to deposit in an interest bearing account. If so deposited, all interest earning shall be considered as earnings of Mortgagor and shall be reported on Mortgagor's tax returns and such interest earnings shall be retained in the construction escrow account.
- (g) Mortgagee must receive adequate evidence at the time of disbursement that the cost of Restoration has been paid and shall be given such lien protection as Mortgagee and Title shall require including lien waivers and an endorsement to Mortgagee's title policy.
- (h) No Event of Default shall exist at the time of such Casualty or Condemnation or at any time a disbursement is required. If such Event of Default exists, the Proceeds may be applied to the Indebtedness Secured Hereby at Mortgagee's election in the manner provided for in Section 4.1.
- (i) The Mortgagor shall pay any actual expenses Mortgagee incurs including any escrow expenses and any costs and expenses for title insurance and Title's disbursement charges.

No right to use Proceeds for Restoration shall be applicable to the last six (6) months prior to the Maturity Date. Any surplus which may remain after payment of all costs of Restoration or repair may at the option of the Mortgagee be applied on account of the Indebtedness Secured Hereby then most remotely to be paid, whether due or not, without application of any prepayment premium or shall be returned to Mortgagor as its interest may appear, the choice of application to be solely at the discretion of Mortgagee.

5.

LEASES AND RENTS

5.1 Assignment of Leases and Rents. To further secure the Indebtedness Secured Hereby the Mortgagor does hereby sell, assign and transfer unto Mortgagee all of the leases, rents, income and profits now due and which may hereafter become due under or by virtue of any lease, whether written or verbal, or any agreement for the use or occupancy of the Premises, it being the intention of this Mortgage to establish an absolute transfer and assignment of all such leases and agreements and all of the rents, income and profits from the Premises unto the Mortgagee and the Mortgagor does hereby appoint irrevocably the Mortgagee its true and lawful attorney in its name and stead, which appointment is coupled with an interest, to collect all of said rents, income and profits; provided, Mortgagee grants the Mortgagor the revocable privilege to collect and retain such rents, income, and profits. Upon an Event of Default Mortgagee may, at its option, without notice, either in person or by agent, with or without taking possession of or entering the Premises, with or without bringing any action or proceeding, or by a receiver to be appointed by a court, collect all of the rents and enforce the payment thereof, and all of the rights of the Mortgagor under the lease(s) and all of the rights of the Mortgagee hereunder, and may enter upon, take possession of, manage and operate said Premises, or any part thereof; may

cancel, enforce or modify the lease(s), and fix or modify rents, and do any acts which the Mortgagee deems proper to protect the security hereof with or without taking possession of said Premises, and may apply the same to the costs and expenses of operation, management and collection, including reasonable attorney's fees, to the payment of the fees and expenses of any agent, or receiver so acting, to the payment of taxes, assessments, insurance premiums and expenditures for the management and upkeep of the Premises, to the performance of the landlord's obligation under the lease(s) and to any Indebtedness Secured Hereby all in such order as the Mortgagee may determine. The entering upon and taking possession of said Premises, the collection of such rents, and the application thereof as aforesaid, shall not cure or waive any default or waive, modify or affect notice of default under this Mortgage or invalidate any act done pursuant to such notice nor in any way operate to prevent the Mortgagee from pursuing any remedy which it now or hereafter may have under the terms or conditions of this Mortgage or the Note or any other instrument securing the same.

5.2 Present Assignment and License. The assignment of the rents and leases contained herein is a perfected, absolute and present assignment of the rents and lease(s), provided the Mortgagee grants to the Mortgagor a revocable license to:

- (a) collect, but not prior to accrual, the rents, and to retain, use and enjoy the same; and
- (b) take "in the ordinary course of business" Leasing Actions provided prompt notification is given to the Mortgagee of any such Leasing Action.

As used herein the term "in the ordinary course of business" means acting as a prudent and responsible landlord would under similar circumstances with due regard for the maintenance of the income stream provided by the lease(s). As used herein the term "Leasing Actions" shall mean all of the following rights of the Mortgagor:

- (i) the right to waive, excuse, condone or in any manner release or discharge the tenants of or from the obligations, covenants, conditions and agreements by any tenant to be performed under the lease(s);
- (ii) the right to terminate any lease(s);
- (iii) the right to amend or modify any lease(s) or alter the obligations of the parties thereunder without the consent of the Mortgagee;
- (iv) the right to accept a surrender of any lease(s) prior to its expiration date; and
- (v) the right to exercise the remedies of the landlord under the lease(s) by reason of any default by the tenant(s) thereunder.

The Mortgagee at its sole election may revoke any such licenses granted to Mortgagor upon the occurrence of an Event of Default.

6.

RIGHTS OF MORTGAGEE

6.1 Right to Cure Default. If the Mortgagor shall fail to comply with any of the covenants or obligations of this Mortgage, the Mortgagee may, but shall not be obligated to, without further notice to Mortgagor, and without waiving or releasing Mortgagor from any obligation in this Mortgage contained, remedy such failure, and the Mortgagor agrees to repay upon demand all sums incurred by the Mortgagee in remedying any such failure together with interest at the then rate in effect on the Note. All such sums, together with interest as aforesaid shall become so much additional Indebtedness Secured Hereby, but no such advance shall be deemed to relieve the Mortgagor from any failure hereunder.

6.2 No Claim Against the Mortgagee. Nothing contained in this Mortgage shall constitute any consent or request by the Mortgagee, express or implied, for the performance of any labor or services or for the furnishing of any materials or other property in respect of the Premises or any part thereof, nor as giving the Mortgagor or any party in interest with Mortgagor any right, power or authority to contract for or permit the performance of any labor or services or the furnishing of any materials or other property in such fashion as would create any personal liability against the Mortgagee in respect thereof or would permit the making of any claim that any lien based on the performance of such labor or services or the furnishing of any such materials or other property is prior to the lien of this Mortgage.

6.3 Inspection. Mortgagor will permit the Mortgagee's authorized representatives to enter the Premises at reasonable times for the purpose of inspecting the same; provided the Mortgagee shall have no duty to make such inspections and shall not incur any liability or obligation for making or not making any such inspections.

6.4 Waivers; Releases; Resort to Other Security, Etc. Without affecting the liability of any party liable for payment of any Indebtedness Secured Hereby or performance of any obligation contained herein, and without affecting the rights of the Mortgagee with respect to any security not expressly released in writing, the Mortgagee may, at any time, and without notice to or the consent of the Mortgagor or any party in interest with the Real Property or the Note:

- (a) release any person liable for payment of all or any part of the Indebtedness Secured Hereby or for performance of any obligation herein;
- (b) make any agreement extending the time or otherwise altering the terms of payment of all or any part of the Indebtedness Secured Hereby or modifying or waiving any obligation, or subordinating, modifying or otherwise dealing with the lien or charge hereof;
- (c) accept any additional security;
- (d) release or otherwise deal with any property, real or personal, including any or all of the Real Property, including making partial releases of the Real Property; or
- (e) resort to any security agreements, pledges, contracts of guarantee, assignments of rents and leases or other securities, and exhaust any one or more of said securities

and the security hereunder, either concurrently or independently and in such order as it may determine.

6.5 Waiver of Appraisal, Homestead, Marshaling. The Mortgagor waives to the full extent lawfully allowed the benefit of any homestead, appraisal, evaluation, stay and extension laws now or hereinafter in force. Mortgagor waives any rights available with respect to marshaling of assets so as to require the separate sales of any portion of the Premises, or as to require the Mortgagee to exhaust its remedies against a specific portion of the Premises before proceeding against the other and does hereby expressly consent to and authorize the sale of the Premises or any part thereof as a single unit or parcel or as separate parcels.

7.

EVENTS OF DEFAULT AND REMEDIES

7.1 Events of Default. It shall be an event of default ("Event of Default") under this Mortgage upon the happening of any of the following:

- (a) failure to make any payment on the Note whether principal, interest, premium or late charge, within five (5) days after the date when and as the same becomes due (whether at the stated maturity or at a date fixed for any installment payment or any accelerated payment date or otherwise); or
- (b) a "Default" as defined therein shall occur under the Note and shall not have been cured within the time permitted therein to cure; or
- (c) failure to pay, perform or comply with when due any other Indebtedness Secured Hereby; or
- (d) failure to comply with or perform any of the other terms, conditions or covenants of this Mortgage and such failure shall continue for a period of ten (10) days after notice thereof to Mortgagor; or
- (e) the Mortgagor or any Guarantor shall fail to pay its/his/her debts as they become due, make an assignment for the benefit its/his/her creditors, or shall admit in writing his/her inability to pay its/his/her debts as they become due, or shall file a petition under any chapter of the Federal Bankruptcy Code or any similar law, state or federal, now or hereafter existing, or shall become "insolvent" as that term is generally defined under the Federal Bankruptcy Code, or shall in any involuntary bankruptcy case commenced against it/him/her file an answer admitting insolvency or inability to pay its/his/her debts as they become due, or shall fail to obtain a dismissal of such case within sixty (60) days after its commencement or convert the case from one chapter of the Federal Bankruptcy Code to another chapter, or be the subject of an order for relief in such bankruptcy case, or be adjudged a bankrupt or insolvent, or shall have a custodian, trustee or receiver appointed for, or have any court take jurisdiction of its/his/her property, or any part thereof, in any proceeding for the purpose of reorganization, arrangement, dissolution or liquidation, and such custodian, trustee or receiver

shall not be discharged, or such jurisdiction shall not be relinquished, vacated or stayed within sixty (60) days of the appointment; or

- (f) an event of default shall occur under any other instrument securing the Note and shall not have been cured within the time permitted therein to cure; or
- (g) a judgment, writ or warrant of attachment or execution, or similar process shall be entered and become a lien or be issued or levied against the Premises and shall not be released or fully bonded within forty-five (45) days after its entry, issue or levy; or
- (h) any representation or warranty made by Mortgagor herein, in the Note or in any other instrument given as security for the Note shall be false, materially breached or dishonored; or
- (i) the Mortgagor shall be dissolved, liquidated or wound up or shall fail to maintain its existence as a going concern in good condition; or
- (j) either Guarantor shall be adjudged incompetent or a conservator, custodian or guardian be appointed to handle his/her affairs or shall die and a replacement credit acceptable to Mortgagee is not substituted as guarantor under the Guaranty; or
- (k) either Guarantor shall fail to keep or perform any covenant, undertaking or agreement on his/her part under the Guaranty or any separate guaranty, indemnity or other surety arrangement given in connection with the Note; or
- (l) the Mortgagor shall default under or shall fail to comply with any of the terms, conditions or provisions of the Construction Loan Agreement referred to in this Mortgage; or
- (m) the License is terminated and a substitute license agreement acceptable to the Mortgagee with a licensor acceptable to Mortgagee is not entered into within thirty (30) days thereof; or
- (n) the Management Agreement is terminated and a substitute management agreement acceptable to the Mortgagee with a management company acceptable to Mortgagee is not entered into within thirty (30) days thereof.

7.2 Mortgagee's Right to Accelerate. If an Event of Default shall occur the Mortgagee may declare the entire unpaid principal balance of the Note together with all other Indebtedness Secured Hereby to be immediately due and payable and thereupon all such unpaid principal balance of the Note together with all accrued interest thereon at the Note Rate and all other Indebtedness Secured Hereby shall be and become immediately due and payable.

7.3 Right to Foreclose. If an Event of Default shall occur the Mortgagee may, either with or without entry or taking possession, proceed by suit or suits at law or in equity or by any other appropriate proceedings or remedy to enforce payment of the Indebtedness Secured Hereby

or the performance of any other term hereof or any other right and the Mortgagor hereby authorizes and fully empowers the Mortgagee to foreclose this Mortgage by judicial proceedings either in one parcel or separate lots and parcels, all in accordance with and in the manner prescribed by law, and out of the proceeds arising from sale and foreclosure to retain the principal and interest due on the Note and the Indebtedness Secured Hereby together with all such sums of money as Mortgagee shall have expended or advanced pursuant to this Mortgage or pursuant to statute together with interest thereon at the Note Rate and all costs and expenses of such foreclosure, including attorney's fees, with the balance, if any, to be paid to the persons entitled thereto by law. In any such proceeding the Mortgagee may apply all or any portion of the Indebtedness Secured Hereby to the amount of the purchase price.

7.4 Waiver of Appraisal, Homestead, Redemption. The Mortgagor hereby covenants and agrees that it will not at any time insist or plead, or in any manner whatever claim or take any advantage of, any stay, exemption or extension law or any so-called "Moratorium Law" now or at any time hereafter in force, nor claim, take or insist upon any benefit of advantage of or from any law now or hereafter in force providing for the valuation or appraisal of the Premises, or any part thereof, prior to any sale or sales thereof to be made pursuant to any provisions herein contained, or to decree, judgment or order of any court of competent jurisdiction; or after such sale or sales claim or exercise any rights under any statute now or hereafter in force to redeem the property so sold, or any part thereof, or relating to the marshaling thereof, upon foreclosure sale or other enforcement hereof. Mortgagor hereby specifically waives all rights of redemption from sale pursuant to any order or decree of foreclosure of this Mortgage on its own behalf and on behalf of each Owner of Redemption, as defined in Section 5/15-1212 of the Illinois Code of Civil Procedure (735 ILCS 5/15-1212), and all other persons, to the full extent permitted by Section 5/15-1601 of the Illinois Code of Civil Procedure (735 ILCS 5/15-1601) and any successor provisions. The Mortgagor will not invoke or utilize any such law or laws or otherwise hinder, delay or impede the execution of any right, power or remedy herein or otherwise granted or delegated to the Mortgagee, but will suffer and permit the execution of every other right, power and remedy as though no such law or laws had been made or enacted.

7.5 Receiver. If an Event of Default shall occur, the Mortgagee shall be entitled as a matter of right without notice and without giving bond and without regard to the solvency or insolvency of the Mortgagor, or waste of the Premises or adequacy of the security of the Premises, and whether or not proceedings have been brought to enforce this Mortgage to have a receiver appointed and who shall in addition to all the rights and powers granted to it under the terms of its receivership shall have all the rights and powers granted the Mortgagee hereunder including the right to the possession of the Premises, to collect the rents, income and profits therefrom and otherwise deal with and manage the Premises as to rents, income and profits and apply the same to the payment of taxes, assessments, insurance premiums and expenditures for the management, repair and upkeep of the Premises, to the performance of landlord's obligations under any leases and to the Indebtedness Secured Hereby.

7.6 Use and Control of Premises. Upon an Event of Default, Mortgagee further may i) use, operate, manage, and control the Premises or any part thereof, and conduct the business thereof (by itself or by its attorneys and agents) including leasing the same, ii) collect any and all rents and profits due or to become due, without prejudice of its rights to foreclosure, to

appointment of a receiver, and other rights, and iii) from time to time, either by purchase, repair, or construction, maintain, restore, and insure and keep insured, the buildings, structures, improvements, fixtures, machinery, equipment, and other property constituting a part of or used in connection with the Premises. After paying all of the expenses of operating the Premises and said property, Mortgagee shall apply the moneys arising therefrom to the payment of the amount then due on the Note for interest and principal, with interest on overdue interest and principal at the Note Rate, whether by lapse of time, acceleration, or otherwise.

7.7 Rights Under Uniform Commercial Code. In addition to the rights available to a mortgagee of real property Mortgagee shall also have all the rights, remedies and recourse available to a secured party under the Uniform Commercial Code including the right to proceed under the provisions of the Uniform Commercial Code governing default as to any property which is subject to the security interest created by the Mortgage or to proceed as to such personal property in accordance with the procedures and remedies available pursuant to a foreclosure of real estate.

7.8 Due on Sale or Mortgaging, Etc. In the event of a Transfer without the written consent of the Mortgagee being first obtained, whether voluntarily, involuntarily, or by operation of law, then at the sole option of the Mortgagee, the Mortgagee may declare the entire unpaid principal balance together with accrued interest, due and payable in full and call for payment of the same in full at once. Any such payment shall be subject to the requirements, if any, in the Note providing for the payment of a prepayment premium in the event of a non-permitted Transfer. A consent by the Mortgagee as to any one Transfer shall not be deemed to be a waiver of the right to require consent to a future Transfer. As used herein, the term "Transfer" shall include any sale, pledge, assignment, mortgage, encumbrance, security interest, consensual lien, hypothecation, transfer or divesture, or otherwise, of or in (i) the Premises or (ii) the Mortgagor or (iii) any underlying ownership in the Mortgagor or (iv) any entity controlling, managing or in control of the Mortgagor. Any change in the legal or equitable title of the Premises or in the beneficial ownership of the Premises or the Mortgagor whether or not of record and whether or not for consideration shall be deemed a Transfer.

7.9 Rights Cumulative. Each right, power or remedy herein conferred upon the Mortgagee is cumulative and in addition to every other right, power or remedy, express or implied, now or hereafter arising, available to Mortgagee, at law or in equity, or under any other agreement, and each and every right, power and remedy herein set forth or otherwise so existing may be exercised from time to time as often and in such order as may be deemed expedient by the Mortgagee and shall not be a waiver of the right to exercise at any time thereafter any other right, power or remedy. No delay or omission by the Mortgagee in the exercise of any right, power or remedy arising hereunder or arising otherwise shall impair any such right, power or remedy or the right of the Mortgagee to resort thereto at a later date or be construed to be a waiver of any default or Event of Default under this Mortgage or the Note.

7.10 Right to Discontinue Proceedings. In the event Mortgagee shall have proceeded to invoke any right, remedy or recourse permitted under this Mortgage and shall thereafter elect to discontinue or abandon the same for any reason, Mortgagee shall have the unqualified right to do so and in such event Mortgagor and Mortgagee shall be restored to their former positions with respect to the Indebtedness Secured Hereby. This Mortgage, the interest of the Mortgagee in the

Premises and all rights, remedies and recourse of the Mortgagee shall continue as if the same had not been invoked.

8.

HAZARDOUS SUBSTANCE

8.1 Definitions. As used herein, the following definitions shall apply:

- (a) "Hazardous Substance" shall mean any hazardous or toxic material, substance or waste, pollutant or contaminant which is defined, prohibited, limited or regulated under any statute, law, ordinance, rule or regulation of any local, state, regional or Federal authority having jurisdiction over the property of the Mortgagor, or its use, including but not limited to any material, substance or waste which is (a) defined, listed or otherwise classified as a hazardous substance, hazardous material, hazardous waste or other words of similar meaning under any Environmental Laws; (b) petroleum, petroleum hydrocarbons, and all petroleum products; (c) polychlorinated biphenols; (d) lead; (e) urea formaldehyde; (f) asbestos and asbestos containing materials; (g) flammables and explosives; (h) infectious materials; (i) atmospheric radon at levels over 4 picocuries per cubic liter; (j) radio active materials; or (k) defined, prohibited, limited or regulated as a hazardous substance or hazardous waste under any rules or regulations promulgated under any Environmental Laws.
- (b) "Environmental Laws" shall mean any international, federal, state or local statute, law, regulation, order, consent, decree, judgment, permit, license, code, covenant, deed restriction, common law, treaty, convention, ordinance or other requirement relating to public health, safety or the environment, including, without limitation, those relating to releases, discharges or emissions to air, water, land or groundwater, to the withdrawal or use of groundwater, to the use and handling of polychlorinated biphenyls or asbestos, to the disposal, treatment, storage or management of hazardous or solid waste, or Hazardous Substances or crude oil, or any fraction thereof, or to exposure to toxic or hazardous materials, or to the handling, transportation, discharge or release of gaseous or liquid Hazardous Substances and any regulation, order, notice or demand issued pursuant to such law, statute or ordinance in each case applicable to the property of the Mortgagor or its affiliates, if any, including without limitation the following: the Comprehensive Environmental Response, Compensation and Liability Act, the Superfund Amendments and Reauthorization Act, the Solid Waste Disposal Act, the Resource Conservation and Recovery Act, the Hazardous and Solid Waste Act, the Hazardous Substances Transportation Act, the Federal Water Pollution Control Act, the Clean Water Act, the Safe Drinking Water Act, the Clean Air Act, the Toxic Substances Control Act, the Occupational Safety and Health Act, the Emergency Planning and Community Right-to-Know Act, the Federal Insecticide, Fungicide and Rodenticide Act, the Rivers and Harbors Appropriation Act, the Endangered Species Act, the National Environmental Policy Act, the Oil Pollution Act, and any state or local law, and any state statute or local ordinance

implementing the same, and any further amendments thereto and all rules and regulations promulgated thereunder.

8.2 Covenants of Mortgagor. Mortgagor hereby covenants to Mortgagee that Mortgagor shall (a) comply and shall cause all occupants of the Premises to comply with all federal, state and local laws, rules, regulations and orders with respect to the discharge, generation, removal, transportation, storage and handling of Hazardous Substances, (b) remove any Hazardous Substances immediately upon discovery of same, in accordance with applicable laws, ordinances and orders of governmental authorities having jurisdiction thereof, (c) pay or cause to be paid all costs associated with such removal; (d) prevent the migration of Hazardous Substances from or through the Real Property onto or under other properties; (e) keep the Premises free of any lien imposed pursuant to any state or federal law, rule, regulation or order in connection with the existence of Hazardous Substances on the Real Property; (f) not install or permit to be incorporated into any improvements in the Real Property or to exist in or on the Real Property any asbestos, asbestos-containing materials, urea formaldehyde insulation or any other chemical or substance which has been determined to be a hazard to health and environment; (g) not cause or permit to exist, as a result of an intentional or unintentional act or omission on the part of Mortgagor or any occupant of the Real Property, a releasing, spilling, leaking, pumping, emitting, pouring, emptying or dumping of any Hazardous Substances onto the Real Property or into waters or other lands; and (h) give all notifications and prepare all reports required by Environmental Laws or any other law with respect to Hazardous Substances existing on, released from or emitted from the Real Property.

8.3 Representations of Mortgagor. The Mortgagor represents that, to the best of its knowledge following due inquiry as a duly diligent property owner, and except as disclosed by the Environmental Site Assessment delivered to and accepted by the Mortgagee, (i) the Premises has been and is free from contamination by Hazardous Substances but including neither (A) immaterial quantities of automotive motor oil leaked inadvertently from vehicles in the ordinary course of the operation of the Premises and cleaned up in accordance with reasonable property management procedures and any applicable law nor (B) immaterial quantities of substances customarily and prudently used in the cleaning and maintenance of the Premises in accordance with any applicable law, (ii) no release of any such Hazardous Substance has occurred on or about the Premises, (iii) the Premises currently complies, and will comply based on its anticipated use, with all current Environmental Laws, (iv) in connection with the ownership, operation, and use of the Premises, all necessary notices have been filed and all required permits, licenses and other authorizations have been obtained, including those relating to the generation, treatment, storage, disposal or use of Hazardous Substances, (v) there is no present or to the best of Mortgagor's knowledge following inquiry as a duly diligent property owner, past or threatened investigation, inquiry or proceeding relating to the environmental condition of, or to events on or about, the Premises, and (vi) there are not to the best of Mortgagor's knowledge any underground storage tanks currently existing or to the extent such underground storage tanks are existing they are registered under the required Environmental Laws and do not contain any leakages, and (vii) Mortgagor has not received nor does it have any knowledge of any summons, citation, directive, letter or other communication, written or oral, from any local, state or federal governmental agency concerning (A) the existence of Hazardous Substances on the Premises or in the immediate vicinity, (B) the transportation, releasing, spilling, leaking, pumping, pouring,

emitting, emptying, or dumping of Hazardous Substances onto the Premises or into waters or other lands or (C) violation of Environmental Laws.

8.4 Environmental Indemnification. The Mortgagor indemnifies and holds harmless the Mortgagee, its officers, directors, employees, agents, contractors, subcontractors, licensees, invitees, successors and assigns ("Indemnified Parties") from and against any and all claims, losses, liabilities (including without limitation strict liability), suits, obligations, fines, damages, judgments, injuries, administrative orders, consent agreements and orders, penalties, actions, causes of action, charges, costs and expenses, including without limitation attorneys' fees and consultants' fees (i) arising out of the inclusion in the Premises of Hazardous Substances or the presence on, the release from, the generation, manufacture, refining, treatment, storage, handling or disposal on, in or from the Premises of any Hazardous Substances, or any underground or above ground storage tanks containing Hazardous Substances and the cost of removal and remediation of the foregoing, or (ii) arising out of the transportation, discharge or removal from the Premises of any Hazardous Substance, or (iii) arising out of the inclusion in any product manufactured on the Premises of a Hazardous Substance; or (iv) arising out of the failure to perform the removal or abatement of or to institute a safe, effective and environmentally approved control plan for any Hazardous Substance or the replacement or removal of any soil, water, surface water, or ground water containing Hazardous Substance in accordance with Environmental Laws; or (v) arising out of the existence of any environmental lien against the Premises pursuant to any Environmental Laws; or (vi) arising out of any violation or claim of violation of Environmental Laws with respect to the Premises; or (vii) arising out of any administrative proceedings and negotiation, of any description with any and all persons, political subdivisions, or governmental agencies in connection with an alleged or actual violation of an Environmental Law or presence of Hazardous Substances on the Premises; or (viii) arising out of any breach of any of the representations and covenants contained herein relating to Hazardous Substances and Environmental Laws (collectively the "Indemnified Loss"). Mortgagor shall bear, pay and discharge such Indemnified Loss as and when the same becomes due and payable.

8.5 Additional Indebtedness. These covenants, representations, warranties and indemnities shall survive any foreclosure of this Mortgage and any acquisition of title of Mortgagee. The amount of all such indemnified loss, damage, expense or cost, shall bear interest thereon at the rate of interest in effect on the Note and shall become so much additional Indebtedness Secured Hereby and shall become immediately due and payable in full on demand of the Mortgagee, its successors and assigns. The indemnification contained herein shall be a personal monetary obligation of the Mortgagor notwithstanding any provisions of this Mortgage to the contrary that limit or exculp the personal liability of the Mortgagor and/or require the Mortgagee to look solely to the security of the Premises.

8.6 Duration. Notwithstanding anything in this Mortgage to the contrary, the indemnifications herein shall not apply to the initial introduction of Hazardous Substances on or to the Premises by anyone other than the Mortgagor from and after the date that the Mortgagee acquires title to the Premises through foreclosure free of any right of redemption or by a deed in lieu of foreclosure (the "Transfer Date"); provided, however, the Mortgagor shall bear the burden of proof that the initial introduction of such Hazardous Substances (i) occurred subsequent to the Transfer Date, (ii) did not occur as a result of any acts or inaction of the Mortgagor, and (iii) did not occur as a result of a continuing migration or release of any

Hazardous Substances initially introduced, stored, or manufactured on the Premises prior to the Transfer Date.

9.

MISCELLANEOUS

9.1 Release of Mortgage. When all Indebtedness Secured Hereby has been paid, this Mortgage and all assignments herein contained shall be void and this Mortgage shall be released by the Mortgagee at the cost and expense of the Mortgagor, otherwise to remain in full force and effect.

9.2 Choice of Law. Notwithstanding the place of execution of this instrument, the parties to this instrument have contracted for Illinois law to govern this instrument and it is controllingly agreed that this instrument is made pursuant to and shall be construed and governed by the laws of the State of Illinois without regard to the principles of conflicts of law.

9.3 Successors and Assigns. This Mortgage and each and every covenant, agreement and other provision hereof shall be binding upon the Mortgagor and its successors and assigns including without limitation each and every from time to time record owner of the Real Property or any other person having an interest therein, shall run with the land and shall inure to the benefit of the Mortgagee and its successors and assigns. As used herein the words "successors and assigns" shall also be deemed to include the heirs, representatives, administrators and executors of any natural person who is or becomes a party to this Mortgage. In the event that the ownership of the Real Property becomes vested in a person or persons other than the Mortgagor, the Mortgagee shall not have any obligation to deal with such successor or successors in interest unless such transfer is permitted by this Mortgage and then only upon being notified in writing of such change of ownership. Upon such notification, the Mortgagee may thereafter deal with such successor in place of Mortgagor without any obligation to thereafter deal with Mortgagor and without waiving any liability of Mortgagor hereunder or under the Note. No change of ownership shall in any way operate to release or discharge the liability of the Mortgagor hereunder unless such release or discharge is expressly agreed to in writing by the Mortgagee.

9.4 Unenforceability of Certain Clauses. The unenforceability or invalidity of any provisions hereof shall not render any other provision or provisions herein contained unenforceable or invalid.

9.5 Captions and Headings. The captions and headings of the various sections of this Mortgage are for convenience only and are not to be construed as confining or limiting in any way the scope or intent of the provisions hereof. Whenever the context requires or permits the singular shall include the plural, the plural shall include the singular and the masculine, feminine and neuter shall be freely interchangeable.

9.6 Savings Clause. It is expressly stipulated and agreed to be the intent of Mortgagor, and Mortgagee at all times to comply with applicable state law or applicable United States federal law (to the extent that it permits the Mortgagee to contract for, charge, take, reserve, or receive a greater amount of interest than under state law) and that this section shall control every other covenant and agreement in the Note, this Mortgage and any other loan

documents delivered in connection with this instrument ("Loan Documents"). If the applicable law is ever judicially interpreted so as to render usurious any amount called for under the Note, this Mortgage or under any of the other Loan Documents, or contracted for, charged, taken, reserved, or received with respect to the indebtedness evidenced by the Note ("Indebtedness"), or if the Mortgagee's exercise of the option to accelerate the maturity of the Note, or if any prepayment by Mortgagor results in Mortgagor having paid any interest in excess of that permitted by applicable law, then it is Mortgagor's and Mortgagee's express intent that all excess amounts theretofore collected by Mortgagee shall be credited on the principal balance of the Note and all other Indebtedness (or, if the Note and all other Indebtedness have been or would thereby be paid in full, refunded to Mortgagor), and the provisions of the Note and this Mortgage and the other Loan Documents shall immediately be deemed reformed and the amounts thereafter collectible hereunder and thereunder reduced, without the necessity of the execution of any new documents, so as to comply with the applicable law, but so as to permit the recovery of the fullest amount otherwise called for hereunder or thereunder. All sums paid or agreed to be paid to Mortgagee for the use, forbearance, or detention of the Indebtedness shall, to the extent permitted by applicable law, be amortized, prorated, allocated, and spread throughout the full stated term of the Indebtedness until payment in full so that the rate or amount of interest on account of the Indebtedness does not exceed the maximum lawful rate from time to time in effect and applicable to the Indebtedness for so long as the Indebtedness is outstanding. Notwithstanding anything to the contrary contained herein or in any of the other Loan Documents, it is not the intention of the Mortgagee to accelerate the maturity of any interest that has not accrued at the time of such acceleration or to collect unearned interest at the time of such acceleration.

9.7 Notices. Any notices and other communications permitted or required by the provisions of this Mortgage (except for telephonic notices expressly permitted) shall be in writing and shall be deemed to have been properly given or served by depositing the same with the United States Postal Service, or any official successor thereto, designated as Certified Mail, Return Receipt Requested, bearing adequate postage, or deposited with reputable private courier or overnight delivery service, and addressed as hereinafter provided. Each such notice shall be effective upon being deposited as aforesaid. The time period within which a response to any such notice must be given, however, shall commence to run from the date of receipt of the notice by the addressee thereof. Rejection or other refusal to accept or the inability to deliver because of changed address of which no notice was given shall be deemed to be receipt of the notice sent. By giving to the other party hereto at least ten (10) days' notice thereof, either party hereto shall have the right from time to time to change its address and shall have the right to specify as its address any other address within the United States of America.

Each notice to Mortgagee shall be addressed as follows:

Miller & Schroeder Investments Corporation
Suite 3000
150 South Fifth Street
Minneapolis, Minnesota 55402
Attn: Vice President - Mortgage Department

UNOFFICIAL COPY

Each notice to Mortgagor shall be addressed as follows:

00053083

Tarra Investments International, LLC
4200 North River Road
Schiller Park, Illinois 60176

9.8 Adjustable Rate Note. The Note secured by this Mortgage provides for adjustments in its interest rate from time to time in accordance with its terms. Reference is made to the Note for the time, terms and conditions of the adjustments in the interest rate. Such times, terms and conditions are incorporated herein by reference.

9.9 Consent to Jurisdiction. The Mortgagor submit(s) and consent(s) to personal jurisdiction of the Courts of the State of Illinois and Courts of the United States of America sitting in such State for the enforcement of this instrument and waive(s) any and all personal rights under the laws of any state or the United States of America to object to jurisdiction in the State of Illinois. Litigation may be commenced in any state court of general jurisdiction for the State of Illinois or the United States District Court located in that state, at the election of the Mortgagee. Nothing contained herein shall prevent Mortgagee from bringing any action against any other party or exercising any rights against any security given to Mortgagee or against the Mortgagor personally, or against any property of the Mortgagor, within any other state. Commencement of any such action or proceeding in any other state shall not constitute a waiver of consent to jurisdiction or of the submission made by the Mortgagor to personal jurisdiction within the State of Illinois.


IN WITNESS WHEREOF, the Mortgagor has caused these presents to be executed as of the date first above written.

TARRA INVESTMENTS INTERNATIONAL,
LLC, an Illinois limited liability company

By:  _____

Thomas J. Katsoulis

Its: Manager

By:  _____

ANTHOONY Theresa Navarro

Its: Manager

UNOFFICIAL COPY

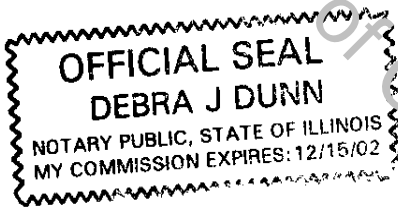
STATE OF ILLINOIS)
) ss.
COUNTY OF COOK)

00053083

I, the undersigned, a Notary Public in and for said County, in the state aforesaid, Do Hereby Certify, that Thomas J. Katsoulis and ~~Theresa~~^{ANTHONY} Navarro, the Managers, of Tarra Investments International, LLC, an Illinois limited liability company, personally known to me to be the same persons whose names are subscribed to the foregoing instrument as such Managers appeared before me this day in person and acknowledged that he/she signed and delivered the said instrument as his/her own free and voluntary act, as the free and voluntary act of said corporation, for uses and purposes therein set forth.

Given under my hand and Notarial Seal this 31st day of December, 1999.

Debra J. Dunn
Notary Public



Property of Cook County Clerk's Office

UNOFFICIAL COPY

EXHIBIT "A"

00053083

Legal Description

Parcel 1:

Lot 1 in Blue Diamond Consolidation Plat being a consolidation of part of Lots 1 and 7 in Kolze's Subdivision and part of Superior Court Partition, in the Southwest Fractional $\frac{1}{4}$ of Section 15; Also County Clerk's Division of Lot 3 in the South Section of Robinson's Reserve, all in Township 40 North, Range 12 East of the Third Principal Meridian, in Cook County, Illinois.

Parcel 2:

Lot 11 in Volk Bros., Second Addition to Schiller Park, being part of Lot 3 in the Subdivision of the Southwest Fractional $\frac{1}{4}$ of Section 15, Township 40 North, Range 12, East of the Third Principal Meridian, in Cook County, Illinois.

Property of Cook County Clerk's Office