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IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF MARYLAND
(Baltimore Division)



In re:)
)
FRANK'S NURSERY & CRAFTS, INC., et al.,)
)
)
Debtors.)

Case Nos. 01-5-2415-JS and
01-5-2416-JS
(Chapter 11)
(Jointly Administered)

ENTERED
MAR 09 2001

CLERK'S OFFICE
U.S. BANKRUPTCY COURT
DISTRICT OF MARYLAND
BALTIMORE

**FINAL ORDER PURSUANT TO SECTIONS 105, 107, 362 AND 364 OF THE
BANKRUPTCY CODE AND RULE 4001 OF THE FEDERAL RULES OF BANKRUPTCY
PROCEDURE (1) AUTHORIZING AND APPROVING POST-PETITION FINANCING,
(2) GRANTING SENIOR LIENS AND SUPERPRIORITY ADMINISTRATIVE EXPENSE
STATUS AND (3) MODIFYING THE AUTOMATIC STAY**

THIS MATTER came before the Court for an interim hearing on February 20, 2001 (the "Interim Hearing") and a final hearing on March 8, 2001 (the "Final Hearing"), upon the Debtors' Motion for Orders Pursuant to Bankruptcy Code Sections 105, 107, 362, 363 and 364 and Bankruptcy Rules 2002, 4001 and 9014: (A) Authorizing Debtors in Possession to Obtain Secured Superpriority Postpetition Financing on an Interim and Final Basis; (B) Approving Agreements Relating to Foregoing; (C) Scheduling a Hearing and Prescribing Form and Manner of Notice; and (D) Granting Related Relief, Including Approving of a Cash Collateral Stipulation with Chase ("Motion"), filed on February 19, 2001 (the "Petition Date"), by Frank's Nursery & Crafts, Inc., (hereinafter "Frank's") and FNC Holdings, Inc. (hereinafter, "FNC" and together with Frank's, the "Debtors") seeking, inter alia:

- a. authority, pursuant to Sections 105, 107, 362 and 364 of the United States Bankruptcy Code, 11 U.S.C. §§ 101, et seq. (the "Bankruptcy Code") and Rules 4001 and 9014 of the Federal Rules of Bankruptcy Procedure and any applicable local bankruptcy rules (collectively the "Bankruptcy Rules"), for the Debtors to obtain post-petition loans, advances and

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other financial accommodations (the "Financing") on an interim and permanent basis from Wells Fargo Retail Finance, LLC, as agent (the "Agent") for a syndicate of other financial institutions arranged by Agent and defined as "Lenders" in the Financing Agreements (as hereinafter defined) in accordance with the formulae and the terms and conditions set forth in the Financing Agreements as amended and restated;

b. authority to enter into a certain Amended and Restated Loan and Security Agreement dated February 19, 2001 (the "Loan and Security Agreement") and the related loan, financing, security agreements and mortgages and fee letter by and among the Debtors, the Agent and the Lenders named therein (collectively, the "Financing Agreements") (terms not otherwise defined herein shall have the meanings set forth in the Financing Agreements);

c. approval of all of the terms and conditions of the Financing Agreements by and between Debtors and Agent and the Lenders as so ratified, extended, adopted and amended;

d. modification of the automatic stay;

e. to grant super-priority administrative claim status upon Agent and Lenders pursuant to Section 364(c)(1) of the Bankruptcy Code as well as senior and junior liens pursuant to Sections 364(c)(2) and 364(c)(3) of the Bankruptcy Code;

f. permission to refinance the Pre-Petition Lenders (as that term is defined herein) subject to a full reservation of rights;

g. authority to enter into an unlimited guaranty and pledge and security agreement (collectively, the "Parent Financing Documents") by FNC, pursuant to which FNC will guarantee all of Frank's obligations and liabilities under the Financing Agreements and grant a Lien in all of its assets to Agent (on behalf of Lenders) to secure such guarantee;

h. to provide for the filing of the Business Plan under seal pursuant to Section 107 of the Bankruptcy Code; and

i. the setting of the Final Hearing.

IT APPEARING THAT, at or prior to the Interim Hearing on the Motion, pursuant to Bankruptcy Rules 4001(b), (c) and (d), the Debtors used their best efforts to provide each of the

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parties set forth below such notice of the time, place, and nature of the interim hearing as practicable under the circumstances, whether by telephone, facsimile, overnight courier or by hand delivery: (1) the Office of the United States Trustee, (2) the Agent and attorneys for Agent, (3) all known secured creditors of the Debtors, including the Pre-Petition Lenders and mortgagees on real property owned by the Debtors, (4) all attorneys who have filed a request for service of all pleadings and notices prior to service of such notice, (5) such taxing authorities known by the Debtors to have asserted a lien against the Debtors, (6) Debtors' consolidated thirty (30) largest unsecured creditors, (7) all lessors of any real property upon which the Debtors conduct their businesses ("Landlords"), (8) all financial institutions at which the Debtors or their affiliates maintain an account, (9) Hilco Merchant Resources, Inc. ("Hilco"), and (10) Bankers Trust Company, as Trustee; and it further

APPEARING, that the Debtors provided each of the parties referenced in the preceding paragraph with notice by overnight delivery of this Court's Entry of the Interim Order, together with a copy of the Interim Order and notice of the Final Hearing and the deadline to object to the relief requested in the Motion; and it further

APPEARING, that each of the Debtors filed a voluntary petition for relief under Chapter 11 of the Bankruptcy Code on the Petition Date and is continuing in the management and possession of its businesses and properties as a debtor and debtor-in-possession pursuant to Sections 1107 and 1108 of the Bankruptcy Code; and it further

APPEARING, that the Interim Hearing having been held on February 20, 2001; and upon all of the pleadings filed with the Court; and upon the record of the Interim Hearing; and the Court having noted the appearances of all parties-in-interest in the record of this Court, including, without limitation, counsel to the provisional committee of unsecured creditors; and all objections to the relief requested in the Motion having been resolved or overruled by the Court, and the Court having entered the Interim Order Pursuant to Sections 105, 107, 362 and 364 of the Bankruptcy Code and Rule 4001 of the Federal Rules of Bankruptcy Procedure Authorizing Debtors (1) To Obtain Interim Financing, (2) Granting Senior Liens and

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Superpriority Administrative Expense Status, (3) Modifying the Automatic Stay and (4) Authorizing Debtors to Enter into Agreements with Wells Fargo Retail Finance, LLC (the "Interim Order") at the conclusion of the Interim Hearing; and it further

APPEARING, that the Final Hearing having been held on March 8, 2001, and upon notice of such Final Hearing provided by the Debtors in accordance with the Bankruptcy Rules and this Court's directive in the Interim Order, and upon all of the pleadings filed with the Court and all of the proceedings held before the Court; and upon the record of the Final Hearing; and the Court having noted the appearances of all parties-in interest before the Court, and the three objections to the final relief requested in the Motion having been resolved or overruled by the Court; and it appearing to this Court that the relief requested in the Motion with respect to final relief is in the best interests of the Debtors, their creditors and is essential for the continued operations of the Debtors' businesses; and it further

APPEARING, that, as of the Petition Date, the Debtors each were indebted to The Chase Manhattan Bank ("Chase") and other lenders (collectively with Chase, the "Pre-Petition Lenders") on account of advances under a revolving credit facility (the "Pre-Petition Revolving Credit Facility") established by a certain Credit Agreement dated as of December 24, 1997 as supplemented and amended (the "Pre-Petition Credit Agreement") and related documents (the "Chase Agreements") in the approximate amount of \$63 million (the "Chase Claim"), secured by first priority security interests and liens in substantially all of the Debtors' pre-petition personal property and first priority security interests in and mortgages on certain real estate owned by the Debtors (collectively, the "Chase Pre-Petition Collateral") pursuant to the Chase Agreements; and it further

APPEARING, that without the financing proposed by the Motion, the Debtors will not have the funds necessary to pay their payroll, payroll taxes, inventory suppliers and other critical vendors, overhead and other expenses necessary for the continued operation of the Debtors' businesses and the management and preservation of the Debtors' assets and properties; and it further

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APPEARING, that the Debtors have requested that Agent and Lenders make loans and advances and provide other financial and credit accommodations to the Debtors in order to provide funds to be used by Frank's for its general operating, working capital and other business purposes in the ordinary course of Frank's business and for payment of the Chase Claim; and it further

APPEARING, that all such additional loans, advances and other financial accommodations by Agent and Lenders will benefit the Debtors and their estates and creditors; and it further

APPEARING, that the ability of the Debtors to continue their businesses and remain viable entities and thereafter reorganize under Chapter 11 of the Bankruptcy Code depends upon the Debtors obtaining such financing from Agent and Lenders; and it further

APPEARING, that Frank's has prepared a Business Plan covering the period through January 31, 2002 (the "Business Plan"), which has been reviewed by Frank's and its management and sets forth, among other things, the working capital and other cash requirements of Frank's for the periods covered thereby, and has been relied upon by Agent and Lenders in determining to enter into post-petition financing arrangements with the Debtors; and it further

APPEARING, that Agent and Lenders are willing to make loans and advances and issue letters of credit and extend other financial and credit accommodations to the Debtors on a secured and administrative priority basis as described herein and subject to the terms and conditions contained herein; and it further

APPEARING, that the relief requested in the Motion is necessary, essential, and appropriate for the continued operation of the Debtors' businesses and the management and preservation of the Debtors' assets and properties and is in the best interests of the Debtors and their estates and creditors;

NOW, THEREFORE, upon the record set forth by the Debtors, including the Motion, the other pleadings in these cases, the record of the proceedings heretofore held before this Court

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with respect to the Motion and upon completion of the Interim Hearing and Final Hearing and sufficient cause appearing therefor, the Court hereby finds as follows:

A. The Debtors are unable to obtain unsecured credit allowable under Section 503(b)(1) of the Bankruptcy Code, or pursuant to Sections 364(a) and (b) of the Bankruptcy Code.

B. Despite diligent efforts, the Debtors are unable to procure other financing in exchange for the grant of an administrative expense priority pursuant to Bankruptcy Code Section 364(c)(1). As of the date of the Motion, Debtors have been unable to procure the financing necessary to continue as viable businesses on terms more favorable than those contained in the Financing Agreements. Based on the foregoing, it is improbable that the Debtors would be able to obtain any other financing in an amount sufficient to provide for Debtors' current and anticipated needs without granting the liens and security interest hereunder on all or substantially all of the Debtors' assets. Under the circumstances, no other source of financing exists on terms more favorable than those offered by Agent and Lenders.

C. The notice of the Interim Hearing, the Final Hearing and the Motion constitutes sufficient and adequate notice in accordance with Bankruptcy Rules 4001(b), (c) and (d), and Bankruptcy Code Sections 102(1) and 364(c). No further notice of the relief sought in the Motion is required.

D. Consideration of this Motion constitutes a "core proceeding" as defined in 28 U.S.C. §§ 157(b)(2)(A), (D), (G), (K), (M) and (O). This Court has jurisdiction over this proceeding and the parties and property affected hereby pursuant to 28 U.S.C. §§ 157 and 1334. Venue is proper in this District under 28 U.S.C. Sections 1408 and 1409.

E. On February 19, 2001, the United States Trustee formed a provisional committee of unsecured creditors, which was represented by counsel at both the Interim Hearing and the Final Hearing. In response to objections raised by the creditors' committee to the Motion, the Agent (on behalf of the Lenders) agreed to amend certain provisions of the Loan and Security Agreement. The Debtors and the Agent (on behalf of the Lenders) also agreed to certain

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technical modifications to the Loan and Security Agreement resulting from Agent's agreement to delete seven (7) parcels of real estate from the list of Core Properties and to clarify the Debtors' right to borrow under the so-called Special Real Estate Line provided for in the Financing Agreements. The Loan and Security Agreement marked to reflect changes made since the Petition Date is attached hereto as Exhibit A.

F. On February 20, 2001, the Court entered the Interim Order approving the Motion and the Financing on an interim basis.

G. Good, adequate and sufficient cause has been shown to justify the granting of the relief requested herein, and the immediate entry of this Final Order.

H. The relief granted by this Court pursuant to this Final Order is necessary to avoid immediate and irreparable harm and injury to Debtors and their estates.

I. The terms and conditions of the Financing Agreements are fair, just and reasonable under the circumstances and reflect Debtors' prudent business judgment consistent with their fiduciary duties, and are supported by reasonably equivalent value and fair consideration. Based on the record before this Court, the Financing has been negotiated in good faith and at arms' length by and between the parties, with all parties represented by counsel. Accordingly, any credit extended or financing provided pursuant to the Interim Order and this Final Order shall be deemed to have been extended or provided in good faith under Section 364(e) of the Bankruptcy Code.

ACCORDINGLY, IT IS HEREBY ORDERED, ADJUDGED AND DECREED, that:

1. The Motion is granted on a final basis, effective as of the Entry of the Interim Order. Any objections to the Motion which have not been withdrawn are hereby overruled. This Order shall be referred to as the "Final Order."

2. Sufficient and appropriate notice of the Motion, the Interim Hearing and of the Final Hearing requesting the entry of this Final Order has been provided.

3. The Debtors are hereby authorized and empowered to immediately borrow and obtain other financial accommodations from Agent and Lenders pursuant to the terms of this

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Final Order and the terms and conditions set forth in the Financing Agreements, in such amount or amounts as may be made available to the Debtors by Agent and Lenders up to the aggregate amount of \$100,000,000 in Advances (including any letters of credit) and including, without limitation, an amount sufficient to pay the Chase Claim in full and cash-collateralize any outstanding letters of credit issued under the Chase Agreements including any interest, fees, costs and expenses accruing under the Chase Agreements through the date of payment in accordance with the terms and conditions set forth in this Final Order.

4. Debtors shall use the proceeds of the loans and advances made by Agent and Lenders to Debtors pursuant to this Final Order and the Financing Agreements, only for the payment of employee salaries, payroll, taxes, the purchase of inventory and other general operating and working capital purposes in the ordinary course of Debtors' businesses in accordance with the Business Plan and for payment of the Chase Claim.

5. The Debtors are authorized and directed to enter into, execute, deliver, perform and comply and continue to perform and comply with all of the terms, conditions and covenants of the Financing Agreements including, without limitation, the Fee Letter, as may be amended from time to time by agreement of the Debtors and Agent (on behalf of Lenders) and such terms, conditions and covenants shall be sufficient and conclusive evidence of the borrowing arrangements between Debtors and Agent (on behalf of Lenders) and of the Debtors' agreement to and adoption of the terms, conditions and covenants of the Financing Agreements for all purposes, including, without limitation, the payment of all principal, interest, and fees and expenses, all as more fully set forth in the Financing Agreements. The executed Financing Agreements (as amended) shall constitute valid and binding obligations of the Debtors enforceable in accordance with their respective terms.

6. As security for the Obligations, the Agent and the Lenders shall have and are hereby granted (effective upon Entry of the Interim Order and without the necessity of the recordation of mortgages, security agreements, pledge agreements, financing statements or otherwise) valid and perfected security interests in, and liens and mortgages (the "Liens"), upon

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all present and after-acquired property of the Debtors of any nature whatsoever, whether real or personal, including, without limitation, all cash contained in any account maintained by Debtors, accounts, accounts receivable, inventory, equipment, vehicles, furniture, fixtures, intellectual property, investment property, intercompany claims, contract rights, general intangibles, any and all amounts due from Hilco, including the so-called "Guaranteed Amount" and any amounts payable under letters of credit, and the proceeds of all causes of action (subject to the following clause (b)) (collectively with all proceeds and products of any or all of the foregoing, including proceeds of sale of real property, the "Collateral"):

(a) pursuant to Section 364(c)(2) of the Bankruptcy Code, a first priority, perfected Lien upon all of the Debtors' right, title and interest in, to and under all Collateral that is not otherwise encumbered by a valid security interest or lien on the Petition Date including, without limitation, upon the Core Properties appearing on the attached Exhibit B, Leasehold Interests, and property in which the Pre-Petition Lenders held or asserted a first priority security interest as of the Petition Date; and

(b) pursuant to Section 364(c)(3) of the Bankruptcy Code, a second priority, junior, perfected Lien upon all of the Debtors' right, title and interest in, to and under all Collateral that is subject to a valid security interest or lien in existence as of the Petition Date including, without limitation, upon the real property owned by the Debtors appearing on the attached Exhibit C (the "Second Priority Real Estate").

Notwithstanding anything to the contrary contained herein, the Agent and the Lenders shall not have or be granted a lien upon actions commenced pursuant to Bankruptcy Code Sections 544, 547, 548 and 550, all of which such actions ("Avoidance Actions") and recoveries shall be preserved for the benefit of the Debtors' Estates.

7. Agent and Lenders shall have all rights and remedies with respect to the Debtors, the Obligations and the Collateral as are set forth in the Financing Agreements, the Interim Order and this Final Order. All obligations of the Debtors to the Agent under the Financing Agreements, the Interim Order and this Final Order shall constitute "Senior Debt" within the

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meaning of and as defined by that certain Indenture dated as of February 26, 1998 among the Debtors and Bankers Trust Company, as Trustee.

8. At Agent's discretion, the Financing Agreements shall be subject to termination as to any future loans, advances and other credit accommodations to be made or provided by Agent and Lenders to Debtors upon the occurrence of any Event of Default (as defined in the Financing Agreements) or the termination of Debtors' rights to borrow or obtain other credit accommodations from Agent and Lenders pursuant to the Financing Agreements or if sooner provided by an order of this Court.

9. The Debtors have provided the Court and the Agent and Lenders with the Business Plan upon which the Agent and Lenders are relying in agreeing to enter into the Financing Agreements. The Debtors shall provide Agent and Lenders with additional and/or updated Business Plans in such form and such detail as may be reasonably requested by Agent. The Business Plan shall be filed with the Court under seal pursuant to Section 107 of the Bankruptcy Code; provided, however, that any committee of unsecured creditors or pre-petition creditor that is not a competitor of the Debtors shall be entitled to obtain a copy of the Business Plan upon (i) the execution and delivery of a confidentiality agreement in form and substance acceptable to the Debtors, or (ii) as may be ordered by the Court.

10. Agent may, in its discretion, apply the proceeds of the Collateral or any other amounts received by Agent in respect of the Obligations, in such order or manner as Agent may deem appropriate.

11. This Final Order shall be sufficient and conclusive evidence of the priority, perfection and validity of all of the security interests and mortgages in and liens upon the property of the Debtors' estates granted to Agent (on behalf of Lenders) as set forth herein and in the Financing Agreements, without the necessity of filing, recording or serving any financing statements, leasehold mortgages, mortgages, deeds of trust, or other documents which may otherwise be required under federal or state law in any jurisdiction or the taking of any other action to validate or perfect the security interests and liens granted to Agent (on behalf of

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Lenders) in this Interim Order and the Financing Agreements. If the Agent shall, in its discretion, elect for any reason to file any such financing statements, leasehold mortgages, mortgages, deeds of trust, or other documents with respect to such security interests and liens, the Debtors are authorized and directed to execute, or cause to be executed, all such financing statements, mortgages or other documents upon Agent's request and the filing, recording or service thereof (as the case may be) of such financing statements, mortgages or similar documents shall be deemed to have been made at the time of and on the Petition Date. The Agent may, in its discretion, file a certified copy of this Final Order in any filing or recording office in any county or other jurisdiction in which the Debtors have an interest in real or personal property and, in such event, the subject filing or recording officer is authorized and directed to file or record such certified copy of this Final Order. The liens, security interests and mortgages granted Agent hereby shall be deemed valid and perfected notwithstanding the requirements of non-bankruptcy law with respect to perfection.

12. Pursuant to Sections 363(b)(1) and 364(c)(2) of the Bankruptcy Code, any provisions in any of the Leasehold Interests or Permitted Mortgages that require the consent or approval of one or more of the Landlords or mortgagees in order for the Debtors to pledge or mortgage such Leasehold Interests or mortgage interests in accordance with the Financing Agreements are and shall be deemed to be inconsistent with the provisions of the Bankruptcy Code and are and shall have no force and effect with respect to the transactions granting the Agent an interest in Leasehold Interests and in the Second Priority Real Estate in accordance with the terms of the Financing Agreements.

13. The Debtors are hereby authorized and directed to perform all acts, and execute and comply with the terms of such other documents, including, without limitation the Leasehold Mortgages as the Agent may reasonably require as evidence of and for the protection of the Obligations and the Collateral or which may be otherwise deemed necessary by Agent to effectuate the terms and conditions of this Interim Order and the Financing Agreements. The Debtors are authorized to pay reasonable costs and expenses related to the foregoing.

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14. The Debtors are authorized and directed to: (a) in accordance with the DDA Notification, deposit or cause to be deposited into the Concentration Account established for the benefit of the Agent and Lenders in accordance with the Financing Agreements, all collections and all other proceeds of the Collateral, including any sums payable to Debtors under the Hilco Agreement and any sums payable by credit card processors and any other payments received from their account debtors and other parties, now or hereafter obligated to pay Debtors for services provided by Debtors or for inventory or other property of the Debtors' estates, including without limitation, any amounts received on account of any sale or liquidation of any of the Debtors' inventory; and Agent is authorized to apply such payments and proceeds received by Agent (on behalf of Lenders) to the Obligations as set forth in this Final Order, the Interim Order and the Financing Agreements; (b) enter into similar arrangements with such other banks as are designated for such purposes pursuant to the Financing Agreements; (c) instruct, to the extent required by the Financing Agreements, all account debtors and other parties now or hereafter obligated to pay the Debtors for goods and services provided by Debtors to them or for inventory or other property of Debtors' estates in which Agent has a security interest or lien to remit such payments to the Concentration Account or, at Agent's election, directly to Agent; and (d) enter into such agreements as may be necessary to effectuate the foregoing. All financial institutions at which the Debtors maintain depository accounts shall remit funds to the Concentration Account each business day in accordance with the DDA Notification delivered by Agent.

15. The Debtors are authorized and directed, without further order of this Court, to pay or reimburse Agent and Lenders for all present and future reasonable costs and expenses, including attorneys' fees and legal expenses, paid or incurred by Agent or Lenders to effectuate the financing transactions as provided in this Final Order, the Interim Order and the Financing Agreements, all of which unpaid fees, commissions, costs and expenses shall be and are included as part of the Obligations, and shall be secured by the Collateral.

16. The automatic stay provisions of Section 362 of the Bankruptcy Code are vacated and modified to the extent necessary to permit Agent and Lenders to implement the terms and

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conditions of the Financing Agreements and the provisions of this Final Order and the Interim Order.

17. The Debtors are authorized and directed to deliver to Agent and simultaneously to counsel to the creditors' committee all of the documentation and other information which Debtors are required to provide to Agent under the Financing Agreements, this Final Order and the Interim Order, including, without limitation, such reports, forecasts and other documentation required by Section 6.2 of the Loan and Security Agreement.

18. For all of the Obligations, and in addition to the foregoing and subject only to the Carve-Out and Avoidance Actions, Agent is granted an allowed super-priority administrative claim in accordance with Section 364(c)(1) of the Bankruptcy Code having priority in right of payment over any and all other obligations, liabilities and indebtedness of the Debtors, now in existence or hereafter incurred by Debtors and over any and all administrative expenses or priority claims of the kinds specified in, or ordered pursuant to any provision of the Bankruptcy Code, including Sections 105, 326, 328, 330, 331, 365, 503(b), 506(c), 507(a), 507(b), 546(c) or 726.

19. Notwithstanding anything to the contrary contained in this Final Order, Agent's and Lenders' liens, security interests and super-priority administrative expense claim shall be subject and subordinate only to (i) amounts payable pursuant to 28 U.S.C. § 1930(a)(6) and any fees payable to the clerk of the Court (collectively, the "UST/Clerk Fees"); and (ii) allowed, unpaid fees and expenses incurred during the time these Debtors are in Chapter 11 to attorneys, accountants, and other professionals retained in the Bankruptcy Cases pursuant to Sections 327 and 1103 of the Bankruptcy Code ("Priority Professional Expenses"), but the amount entitled to priority under this sub-clause (ii) shall not exceed \$2,000,000 outstanding in the aggregate at any time (the "Professional Expense Cap," and together with the UST/Clerk Fees, the "Carve Out"); provided, however, that: (A) after Agent has provided fax or hand-delivered notice to the Debtors of the occurrence of an Event of Default under the Financing Agreements or a default by Debtors under the Interim Order or this Final Order, any payments actually made to such

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professionals after the occurrence and during such continuance of such Event of Default or default hereunder pursuant to Sections 330 and 331 of the Bankruptcy Code or otherwise, shall reduce the Professional Expense Cap on a dollar-for-dollar basis; and (B) for the avoidance of doubt, any payment actually made to such professionals prior to the notice described in clause (A) above may be retained by such professionals and shall not reduce the Professional Expense Cap. The Carve Out shall be free and clear of all liens, claims and encumbrances granted hereunder and shall be subject only to the allowed claims of counsel to Debtors, counsel to any committee of creditors appointed pursuant to Section 1102 and other court appointed professionals ("Professionals") for such fees and expenses as may be awarded by this Court under Sections 330 and 331 of the Code, provided, however, the Carve Out cannot be used for the payment or reimbursement of any fees or disbursements of Debtors or any committee of creditors incurred in connection with the assertion or joinder in any claim, counter-claim, action, proceeding, application, motion, objection, defense or other contested matter, the purpose of which is to seek any order, judgment, determination or similar relief: (A) invalidating, setting aside, avoiding, subordinating, in whole or in part, the Obligations or Agent's and Lenders' liens and security interests in any of the Collateral; or (B) preventing, hindering or delaying, whether directly or indirectly, Agent's or Lenders' assertion or enforcement of its liens or realization upon any Collateral. Except as provided for in this paragraph, no other claim or right of set-off, including, without limitation any post-petition super-priority administrative claims granted by order of the Bankruptcy Court, shall be granted or allowed priority superior to or pari passu with the priority of the claims of Agent granted by this Final Order and the Interim Order while any of the Obligations remain outstanding.

20. The Debtors shall not sell, transfer, lease, encumber or otherwise dispose of any portion of the Collateral without the prior written consent of Agent (and no such consent shall be implied, from any other action, inaction or acquiescence by Agent), except for sales of the Debtors' Inventory in the ordinary course of their businesses, or any storage or any distribution

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warehouse transfers or inter-store transfers of inventory, or as may be permitted by the Financing Agreements or otherwise consented to by Agent.

21. The Debtors' having waived and relinquished all rights under and pursuant to Bankruptcy Code Section 506(c), no costs or expenses of administration which have or may be incurred (by the Debtors or any other party) in the Debtors' Chapter 11 cases, or in any conversion of the Chapter 11 cases, pursuant to Section 506(c) of the Bankruptcy Code, shall be charged against Agent or the Lenders, their claims, or the Collateral, without the prior written consent of Agent and no such consent shall be implied from any other action, inaction or acquiescence by Agent and no obligations incurred or payments or other transfers made by or on behalf of the Debtors, including, without limitation, funding of the payment of the Chase Claim, shall be avoidable or recoverable from Agent and Lenders under Sections 542, 544, 547, 548, 549, 550, 553 or any other provision of the Bankruptcy Code; provided, however, that nothing contained in this Final Order, the Interim Order or in the Financing Agreements shall constitute a release or waiver of any claims or causes of action that the Debtors or their estates have or may have against the Pre-Petition Lenders or the liens and claims relating to the Chase Agreements.

22. An event of default under this Final Order ("Event of Default") shall include an Event of Default under any of the Financing Agreements, including without limitation, those Events of Default set forth in Section 8 of the Loan Agreement. Unless such Event of Default is specifically waived in writing by Agent, which waiver shall not be implied from any other action, inaction or acquiescence by Agent, upon or after the occurrence of an Event of Default and at all times thereafter, in accordance with the terms of the Financing Agreements, Agent shall have no obligation to lend or advance any additional funds to Debtors, or provide other financial accommodations to Debtors, and after giving five (5) business days notice in writing, served by overnight delivery service or fax upon Debtors, Debtors' counsel, counsel to any committee of creditors, a trustee if appointed and the United States Trustee: without need for further order or action of the Bankruptcy Court, (1) all of the Obligations shall become immediately due and payable, and (2) so long as no proceeding raising a good faith bona fide

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Insert at end of paragraph 22

Once the Agent has provided Notice of an Event of Default and unless and until such Notice has been withdrawn or stayed, solely as to Prudential Securities Secured Financing Corporation, Commercial Pass through certificates, Series 1998 Trust and LaSalle Bank, N.A. (Collectively "Mortgagees"), (a) the Debtors shall acknowledge that the pendency of such Notice is a material factor for the Court to consider in favor of granting the Mortgagees relief from the automatic stay as to any mortgages in which the Mortgagees hold a lien senior to the Agent's, provided, however, that the Debtors' acknowledgment in this subparagraph (a), or at the hearing on this Order, is not and shall not be binding upon the Committee; and (b) the Agent may not exercise any remedies as to such Mortgagees' real property collateral until 25 days after such Notice of an Event of Default has been provided to the Mortgagees at the addresses to be provided by the Mortgagees to counsel for Agent; provided, however, that nothing in this sentence shall impair Agent's rights and remedies respecting nonreal estate collateral. Nothing contained herein shall operate as a finding of fact or conclusion of law as to the priority nature, extent or validity of LaSalle's or Prudential's liens.

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dispute as to whether an Event of Default has occurred which is filed within such five day period, is pending as to whether or not an Event of Default has occurred, Agent (on behalf of Lenders) shall be relieved from the automatic stay provided for pursuant to Section 362 of the Bankruptcy Code and any other restrictions on the enforcement of its Liens and security interests or any other rights under the Financing Agreements granted to or for the benefit of Agent and Lenders or pursuant to this Final Order or the Interim Order and Agent, in its discretion, may take any and all actions or remedies which Agent may deem appropriate to proceed against and realize upon the Collateral and any other property of the Debtors' estates upon which it has been or may hereafter be granted Liens and security interests to obtain repayment of the Obligations; in any proceeding regarding whether or not an Event of Default has occurred, the burden of proof shall be on the Agent (on behalf of the Lenders). Notwithstanding the terms of Section 8.2, 8.6, 8.10 or 8.21 of the Loan Agreement, the Agent (on behalf of the Lenders) shall not be entitled to the relief referred to in clause (2) of the preceding sentence unless the Event of Default of any such Section is material. Once the Agent has provided notice of an Event of Default, a party seeking to challenge such notice shall file such challenge with the Court as soon as practicable, but in no event later than five (5) business days after such notice. After such challenge has been filed a hearing thereon shall be scheduled to occur within (2) business days.

23. Until all of the Obligations shall have been indefeasibly paid and satisfied in full and without further order of the Court: (a) no other party shall foreclose or otherwise seek to enforce any lien or other right such other party may have in and to any property of the Debtors' estates upon which Agent holds or asserts a lien or security interest, provided, however, that any other party may bring any motion or pleading before the Court to seek any such relief; (b) upon and after the occurrence of an Event of Default, Agent, in its discretion, in connection with a liquidation of any of the Collateral may use any real property, equipment, leases, trademarks, trade names, copyrights, licenses, patents or any other assets of Debtors which are owned by or subject to a lien of any third party and which are used by Debtors in their businesses; and (c) Agent, in its discretion, shall be authorized to enter, occupy and use any premises subject to

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any Leasehold Interest or Permitted Mortgage ("Leasehold"), and the furniture, fixtures and equipment located therein, for the purpose of conducting inventory liquidation sales, provided, that, (i) Agent shall pay rent at the rate provided in any applicable lease which may include charges for taxes, insurance, common area charges and utilities, but shall not include the amount of any unpaid rent or other charges due the Landlord as of the date thereof of the monthly rent and other charges including real estate taxes, insurance, common area charges and utilities, in an amount to be calculated on a pro-rated, per diem basis for each day that Agent actually occupies and uses any Leasehold and (ii) on or before thirty (30) days after the Closing Date (as defined in the Financing Agreements), the Debtors shall use their best efforts to obtain from landlords or mortgagees executed copies of access agreements in form and scope acceptable to Agent and relating to locations identified by Agent. Agent is hereby authorized to have the same access that the Debtors have and enjoy with respect to the Leaseholds.

24. Upon the payment in full of all Obligations and termination of the rights and obligations arising under the Financing Agreements, this Final Order and the Interim Order, Agent and Lenders on the one hand and Debtors on the other shall each be released from any and all obligations, liabilities, actions, duties, responsibilities and causes of action with respect to one another pursuant to the terms of this Final Order, the Interim Order and/or the Financing Agreements.

25. All advances and other financial accommodations under the Financing Agreements after the Petition Date are made in reliance on this Final Order and the Interim Order and there shall not at any time be entered in Debtors' Chapter 11 cases any order which (a) authorizes the use of cash collateral of Debtors in which Agent and Lenders have an interest, or the sale, lease, or other disposition of property of Debtors' estates in which the Agent and Lenders have a lien or security interest or (b) under Section 364 of the Bankruptcy Code authorizing the obtaining of credit or the incurring of indebtedness secured by any lien equal or senior to any lien of Agent and Lenders, or (c) which has administrative claim status which is equal to or senior to that granted to Agent and Lenders herein; unless, Agent, prior to entry of

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such an order, shall have given its express prior written consent (and no such consent shall be implied, from any other action, inaction or acquiescence by Agent), or unless the Obligations, without limitation, shall first be indefeasibly paid in full, including all debts and obligations of Debtors to Agent and Lenders which arise or result from the obligations, loans, security interests and liens acknowledged and authorized herein; provided, however, that nothing contained in this paragraph 25 shall alter or effect the priority of the Priority Professional Expenses or the ability of the holder of a Permitted Lien to seek relief from the stay and to exercise remedies if such relief is granted.

26. The security interests and Liens granted to or for the benefit of Agent and Lenders hereunder and the rights of Agent and Lenders pursuant to this Final Order and the Interim Order shall not be altered, modified, extended, impaired or affected by any plan of reorganization of the Debtors and shall continue after confirmation and consummation of any plan until Agent and Lenders are indefeasibly paid in full.

27. In making decisions to make advances to the Debtors under the Financing Agreements or to collect any of the Obligations of Debtors, Agent and Lenders shall not be deemed to be in control of the operations of Debtors or to be acting as a "responsible person" or "owner" or "operator" with respect to the operation or management of the Debtors including, without limitation, with respect to the Collateral and the real property subject to the Agent's liens or Leasehold Interests (as such terms, or any similar terms, are used in the United States Comprehensive Environmental Response, Compensation and Liability Act, as amended or any similar or other federal or state statute).

28. The provisions of this Final Order and the Interim Order shall inure to the benefit of the Debtors, the Agent and the Lenders and shall be binding upon, among other parties, the Debtors, Agent, the Lenders, the Pre-Petition Lenders, Bankers Trust Company, Hilco and their respective successors and assigns including any Chapter 11 Trustee, Chapter 7 Trustee, any committee, or other fiduciary hereafter appointed as a legal representative of the Debtors or with respect to property of the estates of Debtors and shall also be binding upon all creditors of

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Debtors and other parties in interest, including, without limitation, all Landlords and holders of Permitted Mortgages.

29. If any or all of the provisions of this Final Order or the Interim Order are hereafter modified, vacated or stayed, such modification, vacation or stay shall not affect (a) the validity of any obligation, indebtedness or liability incurred by Debtors to Agent and Lenders prior to the effective date of such modification, vacation or stay, and any security interests, liens or priorities granted to or rights conferred upon the Agent and Lenders hereunder or (b) the validity or enforceability of any security interest, Lien, or priority authorized or created hereunder or pursuant to the Financing Agreements. Notwithstanding any such modification, vacation or stay, any indebtedness, obligations or liabilities incurred by Debtors to Agent and Lenders prior to the effective date of such modification, vacation or stay shall be governed in all respects by the original provisions of this Final Order and the Interim Order, and Agent and Lenders shall be entitled to all the rights, remedies, privileges and benefits granted herein and pursuant to the Financing Agreements with respect to all such indebtedness, obligations or liabilities. For purposes of Section 364(e) of the Bankruptcy Code, "appeal" shall include any proceeding for reconsideration, rehearing or reevaluation of this Final Order or the Interim Order by this court or any other tribunal. The obligations and indebtedness of Debtors to Agent and Lenders under this Final Order and the Interim Order and the Financing Agreements shall not be discharged by the entry of an order confirming any plan of reorganization in Debtors' bankruptcy cases or under the Bankruptcy Code, unless and until the Obligations are paid in full prior to or concurrently with the "effective date" of any such plan.

30. The Debtors irrevocably waive any right to seek any modifications or extensions of this Final Order without the prior written consent of Agent, and no such consent shall be implied by any other action, inaction or acquiescence by Agent.

31. To the extent the terms and conditions of the Financing Agreements are in conflict with the terms and conditions of this Final Order, the terms and conditions of this Final Order shall control.

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32. The terms of the Financing Agreements and the terms of this Final Order have been negotiated in good faith and at arm's length between Debtors, Agent and the Lenders, and any loans, advances or other financial and credit accommodations which are made or caused to be made to Debtors by Agent or the Lenders pursuant to the Financing Agreements are deemed to have been extended in good faith, as the term "good faith" is used in Section 364(e) of the Bankruptcy Code, and shall be entitled to the full protection of Section 364(e) of the Bankruptcy Code.

33. The Debtors having utilized the proceeds of the initial borrowing under the Financing Agreements to provisionally pay-off (or cash-collateralize) the Debtors' obligations to the Pre-Petition Lenders (the "Pay-Off"):

a. Any lien or security interest of the Pre-Petition Lenders on any asset of the Debtors is terminated and extinguished and of no force or effect whatsoever;

b. To the extent it has not already done so, Chase as Collateral Agent (as defined in the Chase Agreements) shall, at the request and expense of the Debtors, deliver to Agent the stock certificates and promissory notes issued or pledged under the Chase Agreements, execute and deliver any Uniform Commercial Code termination statements, lien, releases, mortgage releases, re-assignments of trademarks, discharges of security interests, and other similar discharge or release documents (and if applicable, in recordable form) as are reasonably necessary to release, as of record, the security interests, financing statements, and all other notices of security interests and liens previously filed by Chase, as the Collateral Agent, with respect to the obligations under the Chase Agreements.

c. To the extent it has not already done so, Chase, as Administrative Agent (as defined in the Chase Agreements), shall use its commercially reasonable efforts to return to the Debtors the originals of any and all promissory notes and stock certificates, if any, previously delivered to Chase, as Administrative Agent, in connection with the Chase Agreements, duly marked "paid in full" or "cancelled" (or with written authorizations to so mark such documents after the Pay-Off actually occurs) as may be appropriate.

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34. Nothing contained herein shall be deemed to terminate or otherwise impair (i) those expense reimbursement, indemnification or other provisions of the Chase Agreements which by their terms survive the repayment of the obligations due thereunder, and the obligations of the Debtors with respect to any such provision shall constitute a super-priority administrative claim, subject only to the super-priority claims granted to Agent and Lenders and to the Carve-Out, or (ii) any other claim or cause of action of Chase or the Pre-Petition Lenders against the Debtors.

35. The payment to the Pre-Petition Lenders, as provided in paragraph 33, shall be without prejudice to the right of Debtors or any Official Creditors' Committee appointed in these proceedings (the "Creditors' Committee") or any other appropriate party with standing to seek to (i) disallow or challenge the amount of the Pre-Petition Lenders' claims, (ii) avoid any security or collateral interest in the assets of the Debtors claimed by the Pre-Petition Lenders, (iii) otherwise challenge the validity, priority or extent of the Pre-Petition Lenders' liens and/or claims, (iv) disgorge all or any part of any payment or transfer made by the Debtors to the Pre-Petition Lenders, or (v) obtain any other relief, legal or equitable, against the Pre-Petition Lenders or otherwise recover from the Pre-Petition Lenders on account of their relationship with the Debtors prior to the commencement of these proceedings; provided, however, any such rights shall be as against Pre-Petition Lenders only and not against Agent or the Lenders and the Obligations under the Financing Agreements shall not be subject to any such disallowance, avoidance, disgorgement or other relief on account of Debtors' payment of the Pre-Petition Lenders' claims; provided, further, however, that in the event that any or all payments to the Pre-Petition Lenders are disgorged, such disgorgement shall be without prejudice to any rights, claim and obligations of the Pre-Petition Lenders and any other party in interest under that certain Indenture dated as of February 26, 1998 among the Debtors and Bankers Trust Company, as Trustee, including, without limitation, the consequences of any subordination provisions. Any such proceeding shall set forth with reasonable particularity the basis and the reason why the Pre-Petition Lenders'

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claim should not have been paid in full in accordance with this Final Order and the Interim Order.

36. Notwithstanding any provision of the Agency Agreement, dated as of December 1, 2000 (the "Agency Agreement"), between Hilco, as Agent, and Frank's, as Merchant: (a) Hilco shall not be free to pursue foreclosure and other remedies with respect to the Merchandise and the Proceeds (each as defined in the Agency Agreement) absent relief from the automatic stay under Section 362 of the Bankruptcy Code; and (b) the Debtors, as debtors in possession, shall be entitled (under Sections 105 and 362 of the Bankruptcy Code or otherwise) to object to any request for such relief or to seek to stay, enjoin or otherwise delay or impede Hilco's remedies against the Merchandise and the Proceeds, including, without limitation, Hilco's right to foreclose.

37. FNC is authorized to execute and deliver the Parent Financing Documents and thereby guarantee all of the Frank's Obligations under the Financing Agreements. FNC's guarantee shall be secured by a lien on and security interest in all of FNC's assets and properties (including, without limitation, the capital stock of Frank's owned by FNC) in favor of the Agent on behalf of the Lenders.

38. Each of the Debtors is authorized to perform all acts, to make, execute and deliver all instruments and documents, to retain all professionals, and to pay fees, expenses and all other amounts including, without limitation, payment of all title insurance premiums, title search costs and filing and recording fees required in connection with the Financing Agreements and the sale of real estate assets, and disbursements incurred prior to the Petition Date which may be required or necessary for their performance under the Financing Agreements, FNC Financing Documents and the related documents. Notwithstanding anything to the contrary contained in this Final Order or the Interim Order, legal descriptions may be attached to this Final Order or the Interim Order in the event the Debtors or Agent or Lenders desire to record this Final Order or the Interim Order in connection with any transactions contemplated by the Financing Agreements. Any such recordation shall be exempt from any filing and recording fees, mortgage recording

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taxes, documentary stamp taxes, intangible taxes and similar taxes imposed upon such financing or recordation under any federal, state or local law.

39. Paragraph 17 of the Bridge Stipulation and Order (I) Authorizing and Restricting Use of Cash Collateral Pursuant to 11 U.S.C. § 363 and Bankruptcy Rule 4001(b); and (II) Granting Adequate Protection Pursuant to 11 U.S.C. §§ 361 and 363 is hereby incorporated by reference herein in its entirety.

40. Copies of any notice, report or other information given or required to be given by the Debtors to Agent or Agent to the Debtors pursuant to the Financing Agreements, this Final Order, the Interim Order or any related document shall also be given simultaneously to counsel for the Committee.

March 8, 2001

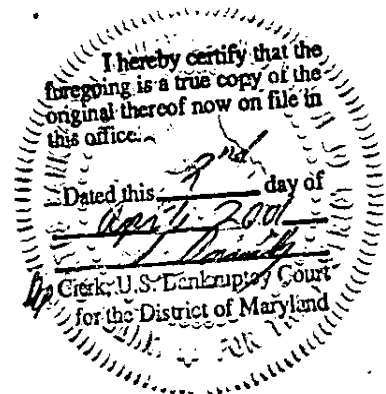
James J. Schneider
UNITED STATES BANKRUPTCY JUDGE

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EXHIBIT A

(AMENDED AND RESTATED DEBTOR IN POSSESSION
LOAN AND SECURITY AGREEMENT)

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EXHIBIT B

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CORE PROPERTIES***

Store	Location
5	DEARBORN HTS., MI
26	COLUMBUS, OH
27	COLUMBUS, OH
28	FT. WAYNE, IN
29	FT. WAYNE, IN
30	UTICA, MI
45	BLOOMINGTON, MN
58	COLUMBUS, OH
81	GRANDVILLE, MI
84	CANTON, TWYP., MI
85	PORTAGE, MI
86	FLORENCE, KY
87	EVERGREEN PARK, IL
88	WAUKEGAN, IL
90	MERRILLVILLE, IN
92/401	CLINTON TWP. MI
93	LANSING, MI

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* Street Addresses are shown on Schedule E-1

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94	TOLEDO, OH
98	ST CHARLES, IL
102	PHILADELPHIA, PA
103	COON RAPIDS, MN
104	OWINGS MILLS, MD
105	EXTON, PA
107	NAPERVILLE, IL
110	CLEARWATER, FL
112	BLAINE, MN
113	NEW PORT RICHEY, FL
117	TAMPA, FL
118	FLINT, MI
119	LARGO, FL
134	BALDWIN, MO
141	BEDFORD PARK, IL
151	WARREN, MI
156	MICHIGAN CITY, IN
179	NORTHWOOD, OH
181	NORTON SHORES, MI
188	ST. PAUL, MN
199	SPRINGFIELD, OH
202	CINCINNATI, OH
213	BRADENTON, FL
214	FRANKLIN, OH

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219	COLUMBUS, IN
240	HUBER HEIGHTS, OH
259	MISHAWAKA, IN
266	CINCINNATI, OH
267	SOUTH BEND, IN
286	SEA GIRT, NJ
297	ROUND LAKE BEACH, IL
605	W. LONG BRANCH, NJ
622	MILFORD, CT
624	KENVIL, NJ
625	HAZLET, NJ
638	HOWELL, NJ
645	TAUTON, MA
648	BROCKTON, MA

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EXHIBIT C

(Schedule A-2 Second Priority Real Estate)

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Store 141
Legal Description

PARCEL 1:

THAT PART OF THE NORTHEAST 1/4 OF SECTION 28, TOWNSHIP 38 NORTH, RANGE 13 EAST OF THE THIRD PRINCIPAL MERIDIAN, LYING SOUTHEAST OF THE CENTER OF STATE ROAD, WEST OF THE WEST LINE OF THE EAST 57 FEET OF THE AFORESAID NORTHEAST 1/4 OF SECTION 28 AND SOUTH OF A LINE DRAWN AT RIGHT ANGLES THROUGH A POINT ON THE WEST LINE OF SAID EAST 57 FEET WHICH IS 300 FEET NORTH OF THE SOUTH LINE OF THE NORTHEAST 1/4 OF SAID SECTION 28 (EXCEPT THE WESTERLY 50 FEET OF THE TRACT DESCRIBED BEING A PART OF STATE ROAD AND ALSO EXCEPTING THEREFROM THE EASTERLY 475 FEET AS MEASURED ALONG THE NORTH AND SOUTH LINES THEREOF) IN COOK COUNTY, ILLINOIS

PARCEL 2:

EASEMENT FOR THE BENEFIT OF PARCEL 1 AS CREATED BY TRUSTEE'S DEED FROM LA SALLE NATIONAL BANK, A NATIONAL BANKING ASSOCIATION AS TRUSTEE UNDER TRUST AGREEMENT DATED AUGUST 1, 1972 AND KNOWN AS TRUST NUMBER 44261 TO PLYWOOD MINNESOTA MIDWESTERN, INC. DATED NOVEMBER 14, 1979 AND RECORDED DECEMBER 6, 1979 AS DOCUMENT 25270445 AND AS AMENDED BY DOCUMENT 88368844 AND RE-RECORDED AS DOCUMENT 88455718 AND AMENDED BY DOCUMENT 95120506 FOR ALL LAWFUL PURPOSES OF INGRESS AND EGRESS OVER AND UPON THE FOLLOWING DESCRIBED LAND, TO WIT:

THE NORTH 50 FEET AS MEASURED AT RIGHT ANGLES OF THE EASTERLY 475 FEET, AS MEASURED ALONG THE NORTH AND SOUTH LINES THEREOF, OF THE FOLLOWING DESCRIBED TRACT OF LAND: THAT PART OF THE NORTHEAST 1/4 OF SECTION 28, TOWNSHIP 38 NORTH, RANGE 13 EAST OF THE THIRD PRINCIPAL MERIDIAN, LYING SOUTHEAST OF THE CENTER OF STATE ROAD, WEST OF THE WEST LINE OF THE EAST 57 FEET OF THE AFORESAID NORTHEAST 1/4 OF SECTION 28 AND SOUTH OF A LINE DRAWN AT RIGHT ANGLES THROUGH A POINT ON THE WEST LINE OF SAID EAST 57 FEET WHICH IS 300 FEET NORTH OF THE SOUTH LINE OF THE NORTHEAST 1/4 OF SAID SECTION 28 (EXCEPT THE WESTERLY 50 FEET OF THE TRACT DESCRIBED, BEING A PART OF STATE ROAD) IN COOK COUNTY, ILLINOIS

19-28-202-014

WHEN RECORDED RETURN TO:
Fidelity National Title
Insurance Company
100 West Big Beaver Road
Suite 140
Troy MI 48084

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