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This instrument was prepared by

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2002-06-24 12:06:06

Cook County Recorder 93.50



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**MORTGAGE, SECURITY AGREEMENT AND FINANCING STATEMENT
BY AND BETWEEN
SPECIALLOY, INC.
AND LASALLE BANK NATIONAL ASSOCIATION**

37

Dated as of May 9th, 2002

Premises located at:

4025 South Keeler Avenue
Chicago, Illinois

PIN No.:

19-03-201-013-0000

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Property of Cook County Clerk's Office

20700702

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Juris: Recorder of Deeds, Cook County, IL
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MORTGAGE, SECURITY AGREEMENT AND FINANCING STATEMENT

THIS INDENTURE is made this ____ of May, 2002 by and between Specialloy, Inc., an Illinois corporation, having an office located at 4025 South Keeler Avenue, Chicago, Illinois (the "Mortgagor"), and LaSalle Bank National Association (the "Mortgagee").

W I T N E S S E T H:

WHEREAS, Mortgagor and Specialloy Metals Company (f/k/a Alloy Research, Inc.) are justly indebted to Mortgagee pursuant to a Revolving Credit Note (2001) in the principal amount of Two Million and no/100 Dollars (\$2,000,000.00) dated May 1, 2001 bearing interest prior to maturity or the occurrence of a Default at the per annum rate stated therein and, after maturity or the occurrence of a Default, at the Default Rate stated therein (such Note and any and all Notes issued in renewal thereof or in substitution or replacement are hereinafter collectively referred to as the "Notes"). Each payment due under the Note shall be paid at such place as the holder of the respective Note may, from time to time, in writing appoint, and in the absence of such appointment, then at LaSalle Bank National Association, 135 South LaSalle Street, Chicago, Illinois 60603.

NOW, THEREFORE, in consideration of the indebtednesses evidenced by the Note, and to secure the payment of all of said principal sums of money and interest due thereon in accordance with the terms, provisions and limitations of this Mortgage, and of the Note secured hereby (collectively, the Note, this Mortgage and all other documents executed in connection therewith are referred to herein as the "Loan Documents"), including any and all extensions, modifications and renewals of the foregoing indebtednesses, and the performance of the covenants and agreements herein contained, by Mortgagor to be performed, and any other indebtedness or liability of Mortgagor to Mortgagee, whether direct or indirect, joint or several, absolute or contingent, now or hereafter existing, however created or arising and however evidenced, and also in consideration of the sum of One Dollar (\$1.00) in hand paid, the receipt whereof is hereby acknowledged, Mortgagor does by these presents GRANT, MORTGAGE and CONVEY unto the Mortgagee, its successors and assigns, the following:

(A) All that certain described real estate and all of its estate, right, title and interest therein, situate, lying and being in the City of Chicago, County of Cook, State of Illinois, which is more specifically described on Exhibit A attached hereto, which, with the property hereinafter described, is referred to herein as the "Premises";

(B) All improvements, tenements, easements, fixtures, and appurtenances thereto belonging, and all rents, issues and profits thereof for so long and during all such times as Mortgagor may be entitled thereto (which are pledged primarily and on a parity with said real estate and not secondarily);

(C) If and to the extent owned by Mortgagor, all fixtures, fittings, furnishings, appliances, apparatus, equipment and machinery including, without limitation, all gas and electric fixtures, radiators, heaters, engines and machinery, boilers, ranges, ovens, elevators and motors, bathtubs, sinks, water closets, basins, pipes, faucets and other air-conditioning, plumbing and heating fixtures, mirrors, mantles, refrigerating plants, refrigerators, iceboxes, dishwashers, carpeting, furniture/laundry equipment, cooking apparatus and appurtenances, and all building material, supplies and equipment now or hereafter delivered to the Premises and intended to be installed therein; all other fixtures and personal property of whatever kind and nature at present contained in or hereafter placed in any building standing on said Premises; such other goods, equipment, chattels and personal property as are usually furnished by landlords in letting other premises of the character of the Premises; and all renewals or replacements thereof or articles in substitution thereof; and all proceeds and profits thereof and all of the estate, right, title and interest of the Mortgagor in and to all property of any nature whatsoever, now or hereafter situated on the Premises or intended to be used in connection with the operation thereof;

(D) All of the right, title and interest of Mortgagor in and to any fixtures or personal property subject to a lease agreement, conditional sale agreement, chattel mortgage, or security agreement, and all deposits made thereon or therefor, together with the benefit of any payments now or hereafter made thereon;

(E) All leases and use agreements of machinery, equipment and other personal property of Mortgagor in the categories hereinabove set forth, under which Mortgagor is the lessee of, or entitled to use, such items;

(F) All rents, income (including income and receipts from the use and occupancy of any hotel rooms), profits, revenues, receipts, royalties, bonuses, rights, accounts, contract rights, general intangibles and benefits and guarantees under any and all leases, tenancies, licenses or

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other use agreements or arrangements now existing or hereafter created of the Premises or any part thereof (including any business conducted thereon) with the right to receive and apply the same to indebtedness due Mortgagee and Mortgagee may demand, sue for and recover such payments but shall not be required to do so;

(G) All judgments, awards of damages and settlements hereafter made as a result of or in lieu of any taking of the Premises or any part thereof or interest therein under the power of eminent domain, or for any damage (whether caused by such taking or otherwise) to the Premises or the improvements thereon or any part thereof or interest therein, including any award for change of grade of streets;

(H) All proceeds of the conversion, voluntary or involuntary of any of the foregoing into cash or liquidated claims;

(I) Any monies on deposit with Mortgagee for the payment of real estate taxes or special assessments against the Premises or for the payment of premiums on policies of fire and other hazard insurance covering the collateral described hereunder or the Premises, and all proceeds paid for damage done to the collateral described hereunder or the Premises;

(J) All substitutions, replacements, additions and proceeds, including insurance and condemnation award proceeds, of any of the foregoing property; it being understood that the enumeration of any specific articles of property shall in no wise exclude or be held to exclude any items of property not specifically mentioned. All of the land, estate and property hereinabove described, real, personal and mixed, whether affixed or annexed or not (except where otherwise hereinabove specified) and all rights hereby conveyed and mortgaged are intended so to be as a unit and are hereby understood, agreed and declared to form a part and parcel of the real estate and to be appropriated to the use of the real estate, and shall be for the purposes of this Mortgage deemed to be real estate and conveyed and mortgaged hereby.

As to any of the property aforesaid which (notwithstanding the aforesaid declaration and agreement) does not so form a part and parcel of the real estate, this Mortgage is hereby deemed to be, as well, a Security Agreement under the Uniform Commercial Code in effect in the jurisdiction in which the Premises are located (hereinafter referred to as the "UCC") for the purpose of creating hereby a security interest in such property, which

Mortgagor hereby grants to Mortgagee as Secured Party (as said term is defined in the UCC), securing said indebtedness and obligations and Mortgagee shall have in addition to its rights and remedies hereunder all rights and remedies of a Secured Party under the UCC. As to above personal property which the UCC classifies as fixtures, this instrument shall constitute a fixture filing and financing statement under the UCC.

Mortgagor covenants (i) that it is lawfully seized of the Premises, (ii) that the same are subject only to the liens, encumbrances, conditions, restrictions, easements, and other matters, rights or interests disclosed in Exhibit B attached hereto and made a part hereof, and (iii) that it has good right, full power and lawful authority to convey and mortgage the same and that it will warrant and forever defend said Premises and the quiet and peaceful possession of the same against the lawful claims of all persons whomsoever.

As used in this Mortgage, the term "indebtedness" shall mean and include the principal sums evidenced by said Note, together with all interest and late charges thereon, any other payments due to the Mortgagee thereunder, and all other sums at any time secured by this Mortgage. Further, as used in this Mortgage, the term "Note" shall mean and include any renewals, modifications, extensions, amendments and replacements thereof.

TO HAVE AND TO HOLD the Premises unto Mortgagee, its successors and assigns, forever for the purposes and uses herein set forth, free from all rights and benefits under the Homestead Exemption Laws of the State of Illinois, which said rights and benefits Mortgagor does hereby expressly release and waive.

IT IS FURTHER UNDERSTOOD AND AGREED THAT:

1. Maintenance, Repair and Restoration of Improvements, Payment of Prior Liens, etc.

(A) Mortgagor shall (a) promptly repair, restore or rebuild any buildings or improvements now or hereafter on the Premises which may become damaged or be destroyed; (b) keep said Premises in good condition and repair, without waste, and free from mechanics' liens or other liens or claims for lien not expressly subordinated to the lien hereof, other than any such liens which are being contested in a diligent and good faith manner by appropriate proceedings; (c) pay when due any indebtedness which may be secured by a lien or charge on the Premises superior to the lien hereof, and upon request exhibit satisfactory evidence of the discharge of such prior lien to Mortgagee; (d) complete within a reasonable time any building or buildings now or at any time in process of erection upon said

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Premises; (e) comply with all requirements of law, municipal ordinances, or restrictions of record with respect to the Premises and the use thereof (except to the extent that Mortgagor's failure to so comply does not have a material adverse effect on the Premises or Mortgagee's lien granted hereunder); (f) make no material alterations in said Premises; (g) suffer or permit no change in the general nature of the occupancy of the Premises, without Mortgagee's prior written consent; (h) initiate or acquiesce in no zoning variation or reclassification, without Mortgagee's prior written consent; (i) pay each item of indebtedness secured by this Mortgage when due according to the terms hereof or of said Note.

2. Payment of Taxes.

Mortgagor shall pay, when due and before any penalty attaches, all general taxes, special taxes, special assessments, water charges, sewer service charges, and other charges against the Premises (collectively, the "Taxes").

3. Tax Deposits.

If requested to do so by Mortgagee, Mortgagor covenants and agrees to deposit with Mortgagee at the office of Mortgagee on a monthly basis until the indebtedness secured by this Mortgage is fully paid, a sum equal to one twelfth (1/12) of the last total annual taxes and general and/or installments of special assessments (collectively, the "Taxes") for the last ascertainable year on said Premises (unless such Taxes are based upon assessments which exclude the improvements or any part thereof now constructed or to be constructed, in which event the amount of such deposits shall be based upon Mortgagee's reasonable estimate as to the amount of Taxes to be levied and assessed). Such deposits shall be used for the payment of Taxes on said Premises next due and payable when they become due. If the funds so deposited are insufficient to pay any the Taxes for any year when the same shall become due and payable, Mortgagor shall, within ten (10) days after receipt of demand therefor, deposit such additional funds as may be necessary to pay the Taxes in full. If the funds so deposited exceed the amount required to pay the Taxes for the year, the excess shall be applied on the subsequent deposit or deposits for taxes. Said deposits need not be kept separate and apart from other funds of Mortgagee.

Anything in this Paragraph 3 to the contrary notwithstanding, if the funds so deposited are insufficient to pay the Taxes or any installment thereof, Mortgagor will, not later than thirty (30) days prior to the last day on which the same may be paid without penalty or interest, deposit with Mortgagee the full amount of any such deficiency.

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If any Taxes shall be levied, charged, assessed or imposed upon or for the Premises, or any portion thereof, and if such Taxes shall also be a levy, charge, assessment or imposition upon or for any other premises not covered by the lien of this Mortgage, then the computation of any amount to be deposited under this Paragraph 3 shall be based upon the entire amount of such Taxes, and Mortgagor shall not have the right to apportion the amount of any such taxes or assessments for the purpose of such computation.

4. Insurance.

Mortgagor shall keep all buildings and improvements now or hereafter situated on the Premises insured against loss or damage by policies of All Risk Replacement Cost Insurance with an Agreed Amount Endorsement and such other appropriate insurance as may be required by Mortgagee, all in form and substance satisfactory to Mortgagee, including, without limitation, business interruption insurance, flood insurance (if and when the Premises lie within an area designated by an agency of the federal government as a flood risk area) and war risk insurance whenever in the opinion of Mortgagee such protection is necessary and such war risk insurance is obtainable from an agency of the United States Government. Mortgagor shall also provide liability insurance with limits of liability for personal injury and death and property damage of not less than One Million and no/100 Dollars (\$1,000,000.00) per occurrence. All policies of insurance to be furnished hereunder shall be in forms, companies and amounts satisfactory to Mortgagee, each insurer to have a Best's rating of A+:XV, with mortgagee clauses attached to all policies in favor of and in form satisfactory to Mortgagee, including a provision requiring that the coverage evidenced thereby shall not be terminated or materially modified without 30 days' prior written notice to Mortgagee. Mortgagor shall deliver all policies including additional and renewal policies, to Mortgagee, and, in the case of insurance about to expire, shall deliver renewal policies not less than 30 days prior to their respective dates of expiration. Upon Mortgagor's failure to comply with the requirements of this Paragraph, Mortgagee may, in its sole discretion but without any obligations hereunder so to do, effect any insurance required hereunder and pay the premiums due therefor, and any amounts so paid by Mortgagee shall become immediately due and payable by Mortgagor with interest as described in Paragraph 11 hereof, and shall be secured by this Mortgage.

Unless Mortgagor provides Mortgagee with evidence of the insurance coverage required by this Paragraph 6, Mortgagee may purchase insurance at Mortgagor's expense to protect Mortgagor's

interests. The coverage that Mortgagee purchases may not pay any claim that Mortgagor makes or any claim that is made against Mortgagor in connection with the Collateral. The Mortgagor may later cancel any insurance purchased by Mortgagee, but only after providing Mortgagee with evidence that the Mortgagor has obtained insurance as required by this Paragraph 6. If Mortgagee purchases insurance for the Collateral, Mortgagor will be responsible for the costs of that insurance, including interest and any other charges Mortgagee may impose in connection with the placement of the insurance, until the effective date of the cancellation or expiration of the insurance. The costs of the insurance may be added to the Mortgagor's Liabilities. The costs of the insurance may be more than the cost of insurance Mortgagor may be able to obtain on Mortgagor's own.

Mortgagor shall not take out separate insurance concurrent in form or contributing in the event of loss with that required to be maintained hereunder unless Mortgagee is included thereon under a standard mortgagee clause acceptable to Mortgagee. Mortgagor shall immediately notify Mortgagee whenever any such separate insurance is taken out and shall promptly deliver to Mortgagee the policy or policies of such insurance.

5. Adjustment of Losses With Insurer and Application of Proceeds of Insurance

(A) In case of loss or damage by fire or other casualty, Mortgagee is authorized (a) to settle and adjust any claim under insurance policies which insure against such risks, or (b) to allow Mortgagor to agree with the insurance company or companies on the amount to be paid in regard to such loss. In either case, Mortgagee is authorized to collect and issue a receipt for any such insurance money. At the option of Mortgagee, such insurance proceeds shall be applied either to reduce the indebtedness secured hereby or to reimburse Mortgagor for the cost of rebuilding and restoration; provided, however, as long as Mortgagor is not in Default hereunder, if said casualty results in a loss of less than or equal to fifty percent (50%) of the total appraised value of the Premises (at the time immediately preceding the time of said casualty), then said proceeds shall be paid to Mortgagor For the purpose of repairing or rebuilding the Premises. Irrespective of whether such insurance proceeds are used to reimburse Mortgagor for the cost of said rebuilding or restoration or not, and irrespective of whether such insurance proceeds are or are not adequate for such purpose, the buildings and improvements shall be so restored or rebuilt so as to be of at least equal value and substantially the same character as prior to such damage or destruction. If the cost of rebuilding, repairing or restoring the building and improvements can reasonably exceed the sum of Twenty-Five Thousand and no/100 Dollars (\$25,000.00), then

7. Assignment of Leases and Rents.

Mortgagor hereby assigns to Mortgagee all of Mortgagor's interest in all rents, issues and profits of the Property, as further security for the payment of the Note and other sums secured hereby. Mortgagor grants to Mortgagee the right to enter the Premises and to let the Premises, or any part thereof, and to apply said rents, issues, profits and proceeds after payment of all charges and expenses, on account of the Note and other sums secured hereby. This assignment and grant shall continue in effect until the Note and other sums secured hereby are paid in full. Mortgagee hereby agrees not to exercise the right to enter the Premises for the purpose of collecting said rents, issues or profits and Mortgagor shall be entitled to collect and receive said rents, issues, profits and proceeds until the occurrence of a default by Mortgagor under the terms and provisions hereof; provided that any rents, issues and profits collected and received by Mortgagor after the occurrence of a default hereunder which is not cured within the applicable grace period provided hereby shall be deemed collected and received by Mortgagor in trust for Mortgagee and Mortgagor shall account to Mortgagee for the full amount of such receipts. Mortgagor agrees to apply said rents, issues and profits, whenever received, to payment of the Note and other sums secured hereby. The right of Mortgagor to collect and receive said rents, issues and profits in trust for Mortgagee during the continuance of any default by Mortgagor under the terms and provisions of this Mortgage may be revoked by Mortgagee's giving written notice of such revocation to Mortgagor.

Mortgagor will, from time to time after notice and demand, execute and deliver to Mortgagee, in form satisfactory to Mortgagee, further agreements evidencing its willingness to comply and its compliance with the provisions of this Section. Mortgagor shall pay Mortgagee the expenses incurred by Mortgagee in connection with the recording of any such agreement.

8. Effect of Extensions of Time.

If the payment of said indebtedness or any part thereof is extended or varied or if any part of any security for the payment of the indebtedness is released or additional security is taken, all persons now or at any time hereafter liable therefor, or interested in said Premises, shall be held to assent to such extension, variation, or taking of additional security or release, and their liability and the lien and all provisions hereof shall continue in full force, the right of recourse against all such persons being expressly reserved by the Mortgagee, notwithstanding such extension, variation, taking of additional security or release.

9. Effect of Changes in Laws Regarding Taxation.

In the event of the enactment after this date of any law of the state in which the Premises are located deducting from the value of the land for the purpose of taxation any lien thereon, or imposing upon the Mortgagee the payment of the whole or any part of the taxes or assessments or charges or liens herein required to be paid by Mortgagor, or changing in any way the laws relating to the taxation of mortgages or debts secured by mortgages or the Mortgagee's interest in the Premises, or the manner of collection of taxes, so as to affect this Mortgage or the debt secured hereby or the holders thereof, then, and in any event, the Mortgagor, upon demand by the Mortgagee, shall pay such taxes or assessments, or reimburse the Mortgagee therefor; provided, however, that if in the opinion of counsel for the Mortgagee (a) it might be unlawful to require Mortgagor to make such payment or (b) the making of such payment might result in the imposition of interest beyond the maximum amount permitted by law, then and in such event the Mortgagee may elect, by notice in writing given to the Mortgagor, to declare all of the indebtedness secured hereby to be and become due and payable ninety (90) days from the giving of such notice. Nothing contained herein shall affect the respective obligations of Mortgagor and Mortgagee for federal, state or local income taxes.

10. Mortgagee's Performance of Defaulted Acts.

In the event of a Default hereunder, Mortgagee may, but need not, make any payment or perform any act herein required of Mortgagor in any form and manner deemed expedient, and may, but need not, make full or partial payments of principal or interest on prior encumbrances, if any, and purchase, discharge, compromise or settle any tax lien or other prior lien or title or claim thereof, or redeem from any tax sale or forfeiture affecting said Premises or consent to any tax or assessment or cure any default of landlord in any lease of the Premises. All monies paid for any of the purposes herein authorized and all expenses paid or incurred in connection therewith, including attorneys fees, and any other monies advanced by Mortgagee in regard to any stamp tax or any leases of the Premises or to protect the Premises and the lien hereof, shall be so much additional indebtedness secured hereby, and shall become immediately due and payable without notice and with interest thereon at the Default Rate (as defined in the Note). Inaction of Mortgagee shall never be considered as a waiver of any right accruing to it on account of any Default hereunder.

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11. Mortgagee's Reliance on Tax Bills, etc.

Mortgagee in making any payment hereby authorized: (a) relating to taxes and assessments, may do so according to any bill, statement or estimate procured from the appropriate public office without inquiry into the accuracy of such bill, statement or estimate or into the validity of any tax, assessment, sale, forfeiture, tax lien or title or claim thereof; or (b) for the purchase, discharge, compromise or settlement of any other prior lien, may do so without inquiry as to the validity or amount of any claim for lien which may be asserted.

12. Financial Covenants.

So long as the indebtedness secured hereby remains unpaid, Mortgagor will comply (to the extent applicable) with the financial covenants set forth in the Loan and Security Agreement and Ancillary Agreements by and between Mortgagee, Mortgagor and Specialloy Metals Company (f/k/a Alloy Research, Inc.) dated August 25, 1994, as amended.

13. Acceleration of Indebtedness in Case of Default.

The occurrence of any one or more of the following shall constitute a default under this Mortgage (herein, a "Default"):

(A) Mortgagor fails to pay the Liabilities (as defined in the Loan and Security Agreement) when due and payable or declared due and payable, or is in default in the payment of any of the Indebtedness;

(B) Mortgagor or Specialloy Metals Company or any Affiliate or guarantor of the Mortgagor's Liabilities fails or neglects to perform, keep or observe any other material term, provision, condition or covenant contained in the Loan and Security Agreement or in the Ancillary Agreements, which is required to be performed, kept or observed by Mortgagor or Specialloy Metals Company or such Affiliate or guarantor and the same is not cured to Lender's satisfaction within ten (10) days after Lender gives Mortgagor notice identifying such Default;

(C) A default shall occur under any agreement, document or instrument, other than the Loan and Security Agreement or any of the Ancillary Agreements, now or hereafter existing, to which Mortgagor or Specialloy Metals Company is a party;

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(D) Any statement, warranty, representation, report, financial statement, or certificate made or delivered by Mortgagor, or Specialloy Metals Company or any of their respective officers, employees or agents, to Lender is not true and correct in any material respect;

(E) There shall occur any material uninsured damage to or loss, theft, or destruction of any of the Collateral;

(F) The Collateral or any of Mortgagor's or Specialloy Metals Company's other assets are attached, seized, levied upon or subjected to a writ or distress warrant, or come within the possession of any receiver, mortgagee in possession, trustee, custodian or assignee for the benefit of creditors and the same is not cured within thirty (30) days thereafter; an application is made by any Person other than Mortgagor or Specialloy Metals Company for the appointment of a receiver, mortgagee in possession, trustee, or custodian for the Collateral or any of Mortgagor's or Specialloy Metals Company's other assets and the same is not dismissed within thirty (30) days after the application therefor;

(G) An application is made by Mortgagor or Specialloy Metals Company for the appointment of a receiver, mortgagee in possession, trustee or custodian for the Collateral or any of Mortgagor's or Specialloy Metals Company's other assets; a petition under any section or chapter of the Bankruptcy Code or any similar law or regulation is filed by or against Mortgagor or Specialloy Metals Company or any guarantor of the Liabilities and is not dismissed within thirty (30) days after filing; Mortgagor or Specialloy Metals Company makes an assignment for the benefit of its creditors or any case or proceeding is filed by or against Mortgagor or Specialloy Metals Company for its dissolution, liquidation, or termination; Mortgagor or Specialloy Metals Company ceases to conduct its business as now conducted or is enjoined, restrained or in any way prevented by court order from conducting all or any material part of its business affairs;

(H) Except as permitted in Section 9.3 of the Loan and Security Agreement, a notice of lien, levy or assessment is filed of record with respect to all or any substantial portion of Mortgagor's or Specialloy Metals Company's assets by the United States, or any department, agency or instrumentality thereof, or by any state, county, municipal or other governmental agency, including, without limitation, the Pension Benefit Guaranty Corporation, or any taxes or debts owing to any of the foregoing becomes a lien or encumbrance upon the Collateral or any of Mortgagor's or Specially Metals Company's other assets and such lien or

encumbrance is not released within thirty (30) days after its creation;

(I) A judgment is rendered against Mortgagor or Specialloy Metals Company in excess of Twenty-Five Thousand and no/100 Dollars (\$25,000.00) and Mortgagor or Specialloy Metals Company fails either to commence appropriate proceedings to appeal such judgment within the applicable appeal period or, after such appeal is filed, Mortgagor or Specialloy Metals Company fails to diligently prosecute such appeal or such appeal is denied;

(J) Mortgagor or Specialloy Metals Company becomes insolvent or fails generally to pay its debts as they become due;

(K) Mortgagor or Specialloy Metals Company fails within thirty (30) days after the occurrence of the respective event, to furnish Lender with appropriate notice of the occurrence of any of the following events: (i) the happening of a Reportable Event with respect to any profit sharing or pension plan governed by Section 3(2)A of ERISA (such notice shall contain the statement of the chief financial officer of Mortgagor or Specialloy Metals Company setting forth details as to such Reportable Event and the action which Mortgagor or Specialloy Metals Company proposes to take with respect thereto and a copy of the notice of such Reportable Event to the Pension Benefit Guaranty Corporation), (ii) the termination of any such plan, (iii) the appointment of a trustee by an appropriate United States District Court to administer any such plan, or (iv) the institution of any proceedings by the Pension Benefit Guaranty Corporation to terminate any such plan or to appoint a trustee to administer any such plan. Mortgagor or Specialloy Metals Company fails to: (v) furnish to Lender a copy of each report which is filed by Mortgagor or Specialloy Metals Company with respect to each such profit sharing or pension plan promptly after the filing thereof with the Secretary of Labor or the Pension Benefit Guaranty Corporation; (vi) notify Lender promptly upon receipt by Mortgagor or Specialloy Metals Company of any notice of the institution of any proceeding or other actions which may result in the termination of such plans; or (vii) acquire and maintain, when available, the contingent employer liability coverage insurance provided for under Section 4023 of ERISA in an amount satisfactory to Lender;

(L) Any guaranty or other agreement executed by a guarantor of any of Mortgagor's or Specialloy Metals Company's Liabilities or by any owner of a material financial

interest in Mortgagor or Specialloy Metals Company shall be terminated, curtailed or restricted in scope without Lender's consent;

(M) Any guarantor of Mortgagor's or Specialloy Metals Company's Liabilities or any owner of a material financial interest in Mortgagor or Specialloy Metals Company who is a natural person shall die or be declared legally incompetent;

(N) Any sale, conveyance, assignment or other transfer, directly or indirectly, of any ownership interest in Mortgagor or Specialloy Metals Company which results in any change in the identity of the individuals or entities previously in control of Mortgagor or Specialloy Metals Company, or the grant of a security interest in any ownership interest of any individual or entity, directly or indirectly, controlling Mortgagor or Specialloy Metals Company which could result in a change in the identity of the individuals or entities previously in control of Mortgagor or Specialloy Metals Company. For the purpose hereof, the terms "control" or "controlling" shall mean the possession of the power to direct, or cause the direction of, the management and policies of Mortgagor or Specialloy Metals Company by contract or voting of securities.

(O) The entry of any judgment, decree, levy, attachment, garnishment or other process, or the filing of any lien against, any of the Collateral or any collateral under a separate security agreement securing any of the Liabilities, or the loss, theft, destruction, seizure or forfeiture or the occurrence of any deterioration or impairment of any of the Collateral or any of the collateral under any security agreement securing any of the Liabilities or any decline or depreciation in the value or market price thereof (whether actual or reasonably anticipated), which causes the Collateral, in the sole opinion of Lender acting in good faith, to become unsatisfactory as to value or character, or which causes Lender to reasonably believe that it is insecure and that the likelihood for repayment of the Liabilities is or will soon be impaired, time being of the essence. The cause of such deterioration, impairment, decline or depreciation shall include, but is not limited to, the failure by the Mortgagor or Specialloy Metals Company to do any act deemed necessary by Lender to preserve and maintain the value and collectability of the Collateral.

Upon the occurrence of a Default, the whole of the indebtedness hereby secured shall, at once, at the option of Mortgagee, become immediately due and payable without notice or presentment to Mortgagor. If, while any insurance proceeds or

condemnation awards are being held by Mortgagee to reimburse Mortgagor for the cost of rebuilding or restoration of buildings or improvements on the Premises, as set forth in Paragraph 6 or 22 hereof, Mortgagee shall be or become entitled to, and shall accelerate the indebtedness secured hereby, then and in such event, Mortgagee shall be entitled to apply all such insurance proceeds and condemnation awards then held by it in reduction of the indebtedness hereby secured and any excess held by it over the amount of indebtedness then due hereunder shall be returned to Mortgagor or any party entitled thereto without interest.

14. Foreclosure; Expense of Litigation.

When the indebtedness hereby secured, or any part thereof, shall become due, whether by acceleration or otherwise, Mortgagee shall have the right to foreclose the lien hereof, for such indebtedness or part thereof. In any civil action to foreclose the lien hereof, there shall be allowed and included as additional indebtedness in the order or judgment for sale all reasonable expenditures and expenses which may be paid or incurred by or on behalf of Mortgagee for attorneys' fees, appraiser's fees, outlays for documentary and expert evidence, stenographers' charges, publication costs, and costs (which may be estimated as to items to be expended after entry of the order or judgment) of procuring all such abstracts of title, title searches and examinations, title insurance policies, and similar data and assurances with respect to title as Mortgagee may deem reasonably necessary either to prosecute such civil actions or to evidence to bidders at any sale which may be had pursuant to such order or judgment the true condition of the title to or the value of the Premises. All expenditures and expenses of the nature in this paragraph mentioned, and such expenses and fees as may be incurred in the protection of said Premises and maintenance of the lien of this Mortgage including the reasonable fees of any attorney employed by Mortgagee in any litigation or proceeding affecting this Mortgage, said Note or said Premises, including probate, bankruptcy and appellate proceedings, or in preparation for the commencement or defense of any proceeding or threatened civil actions or proceeding shall be immediately due and payable by Mortgagor as so much additional indebtedness, with interest thereon at the Default Rate (as defined in the Note), and shall be secured by this Mortgage.

15. Application of Proceeds of Foreclosure Sale.

The proceeds of any foreclosure sale of the Premises shall be distributed and applied in the following order of priority: first, on account of all costs and expenses incident to the foreclosure proceedings, including all such items as are mentioned in the preceding paragraph hereof; second, all other

items which may under the terms hereof constitute secured indebtedness additional to that evidenced by the Note, with interest thereon as herein provided; third, all principal and interest remaining unpaid on the Note; and fourth, any overplus to Mortgagor, its successors or assigns, as their rights may appear.

16. Appointment of Receiver or Mortgagee in Possession.

Upon, or at any time after the filing of a complaint to foreclose this Mortgage, the court in which such complaint is filed may appoint a receiver or mortgagee in possession of said Premises. Such appointment may be made either before or after sale, without notice, without regard to the solvency or insolvency of Mortgagor at the time of application for such receiver or mortgagee in possession and without regard to the then value of the Premises or whether the same shall be then occupied as a homestead or not and the Mortgagee hereunder or any holder of the Note may be appointed as such receiver or mortgagee in possession. Such receiver or mortgagee in possession shall have power to collect the rents, issues and profits of said Premises during the pendency of such foreclosure suit and during the full statutory period of redemption, whether there be redemption or not, as well as during any further time when Mortgagor, except for the intervention of such receiver or mortgagee in possession, would be entitled to collect such rents, issues and profits, and all other powers which may be necessary or are usual in such cases for the protection, possession, control, management and operation of the Premises during the whole of said period. The court from time to time may authorize the receiver or mortgagee in possession to apply the net income in his hands in payment in whole or in part of: (a) the indebtedness secured hereby, or by any judgment or order foreclosing this Mortgage, or any tax, special assessment or other lien which may be or become superior to the lien hereof or of such decree, provided such application is made prior to foreclosure sale; (b) the deficiency in case of a sale and deficiency.

17. Mortgagee's Right of Possession in Case of Default.

(A) In the event of a Default, whether before or after the indebtedness secured hereby is declared to be immediately due, or whether before or after the institution of legal proceedings to foreclose the lien hereof or before or after sale thereunder forthwith, upon demand of Mortgagee, Mortgagor shall surrender to Mortgagee and Mortgagee shall be entitled to take actual possession of the Premises or any part thereof personally, or by its agent or attorneys, as for condition broken. In such event Mortgagee in its discretion may, in accordance with law, enter upon and take and maintain possession of all or any part of said Premises, together with all documents, books, records, papers and

accounts of Mortgagor or the then owner of the Premises relating thereto provided that Mortgagee will make such books and records available for copying by Mortgagor upon Mortgagor's reasonable request), and may exclude Mortgagor, its agents or servants, wholly therefrom and may as attorney in fact or agent of Mortgagor, or in its own name as Mortgagee and under the powers herein granted, hold, operate, manage and control the Premises and conduct the business, if any, thereof, either personally or by its agents, and with full power to use such measures, legal or equitable, as in its discretion or in the discretion of its successors or assigns may be deemed proper or necessary to enforce the payment or security of the avails, rents, issues, and profits of the Premises, including actions for the recovery of rent, actions in forcible detainer and actions in distress for rent, and with full power: (a) to cancel or terminate any lease or sublease for any cause or on any ground which would entitle Mortgagor to cancel the same; (b) to elect to disaffirm any lease or sublease which is then subordinate to the lien hereof; (c) to extend or modify any then existing leases and to make new leases, which extensions, modifications and new leases may provide for terms to expire, or for options to lessees to extend or renew terms to expire, beyond the maturity date of the indebtedness secured hereunder and beyond the date of the issuance of a deed or deeds to a purchaser or purchasers at a foreclosure sale, it being understood and agreed that any such leases, and the options or other such provisions to be contained therein, shall be binding upon Mortgagor and all persons whose interests in the Premises are subject to the lien hereof and upon the purchaser or purchasers at any foreclosure sale, notwithstanding any redemption from a foreclosure of this Mortgage, discharge of the mortgage indebtedness, satisfaction of any foreclosure decree, or issuance of any certificate of sale or deed to any purchaser; (d) to make all necessary or proper repairs, decorating, renewals, replacements, alterations, additions, betterments and improvements to the Premises as to it may seem judicious; (e) to insure and reinsure the same and all risks incidental to Mortgagee's possession, operation and management thereof; and (f) to receive all of such avails, rents, issues and profits; hereby granting full power and authority to exercise each and every of the rights, privileges and powers herein granted at any and all times hereafter, without notice to Mortgagor.

(B) Mortgagee shall not be obligated to perform or discharge, nor does it hereby undertake to perform or discharge, any obligation, duty or liability under any leases. Mortgagor shall and does hereby agree to indemnify and hold Mortgagee harmless of and from any and all liability, loss or damage which Mortgagee may or might incur under said leases or under or by reason of the assignment thereof and of and from any and all claims and demands whatsoever which may be asserted against it by

reason of any alleged obligations or undertakings on its part to perform or discharge any of the terms, covenants or agreements contained in said leases, excepting any of the foregoing which result from the gross negligence or willful misconduct of Mortgagee. Should Mortgagee incur any such liability, loss or damage, under said leases or under or by reason of the assignment thereof, or in the defense of any claims or demands, the amount thereof, including costs, expenses and reasonable attorneys' fees, shall be secured hereby, and Mortgagor shall reimburse Mortgagee therefor immediately upon demand.

18. Application of Income Received by Mortgagee.

Mortgagee, in the exercise of the rights and powers conferred herein and upon the occurrence of a Default, shall have full power to use and apply the avails, rents, guest room receipts and income, issues and profits of the Premises to the payment of or on account of the following, in such order as Mortgagee may determine:

(A) to the payment of the operating expenses of the Premises, including cost of management and leasing thereof (which shall include appropriate compensation to Mortgagee and its agent or agents, if management be delegated to an agent or agents, and shall also include lease commissions and other compensation and expenses of seeking and procuring tenants and entering into leases), established claims for damages, if any, and premiums on insurance hereinabove authorized;

(B) to the payment of taxes and special assessments now due or which may hereafter become due on the Premises; and, if this is a leasehold mortgage, of all rents due or which may become hereafter due under the underlying lease;

(C) to the payment of all repairs, decorating, renewals, replacements, alterations, additions, betterments, and improvements of the Premises and of placing the Premises in such condition as will, in the reasonable judgment of Mortgagee, make it readily rentable and otherwise in a condition which is comparable to the condition of the Premises preceding the occurrence of the Default;

(D) to the payment of any indebtedness secured hereby or any deficiency which may result from any foreclosure sale.

19. Rights Cumulative.

No right, power or remedy herein conferred upon or reserved to Mortgagee is intended to be exclusive of any other

right, power or remedy, and each right, power and remedy herein conferred upon the Mortgagee is cumulative and in addition to every other right, power or remedy, express or implied, given now or hereafter existing, at law or in equity, 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 the exercise or the beginning of the exercise of one right, power or remedy shall not be a waiver of the right to exercise at the same time or thereafter any other right, power or remedy, and no delay or omission of the Mortgagee in the exercise of any right, power or remedy accruing hereunder or arising otherwise shall impair any such right, power or remedy, or be construed to be a waiver of any default or acquiescence therein.

20. Mortgagee's Right of Inspection.

Upon reasonable prior notice, Mortgagee shall have the right to inspect the Premises at all reasonable times and access thereto shall be permitted for that purpose.

21. Condemnation.

Mortgagor hereby assigns, transfers and sets over unto the Mortgagee the entire proceeds of any award or any claim for damages for any of the Premises taken or damaged under the power of eminent domain or by condemnation. At the option of Mortgagee, such condemnation proceeds shall be applied either to reduce the indebtedness secured hereby or to reimburse Mortgagor for the cost of rebuilding and restoration; provided however, as long as Mortgagor is not in Default hereunder, if such eminent domain or condemnation is of a portion of the Premises that constitutes less than or equal to fifty percent (50%) of the Premises, then said proceeds shall be paid to Mortgagor for the purpose of restoration or reconstruction of the Premises. Irrespective of whether such proceeds are made available for restoration or rebuilding, and irrespective of whether such proceeds are adequate for such purpose, the buildings and improvements shall be restored or rebuilt in accordance with plans and specifications to be submitted to and approved by the Mortgagee. In the event said proceeds are used for rebuilding or restoration, the proceeds of the award shall be disbursed in the manner and under the conditions that the Mortgagee may reasonably require and paid out in the same manner as provided in Paragraph 5 hereof for the payment of insurance proceeds toward the cost of rebuilding or restoration. In such event, if the estimated cost to complete rebuilding or restoration exceeds the proceeds of the condemnations awards, Mortgagor immediately shall, on written demand of the Mortgagee, deposit with the Mortgagee in cash the amount of such excess cost. Any surplus which may remain out of

said award after payment of such cost of building or restoration shall, at the option of the Mortgagee, be applied on account of the indebtedness secured hereby or be paid to any party entitled thereto without interest.

22. Release upon Payment and Discharge of Mortgagor's Obligations

Mortgagee shall release this Mortgage and the lien thereof by proper instrument upon payment and discharge of all indebtedness secured hereby at the cost and expense of the Mortgagor which may include payment of a reasonable release fee to Mortgagee for the execution of release documents.

23. Notice. Except as otherwise provided herein, any notice required hereunder shall be in writing and shall be deemed to have been validly served, given or delivered upon (i) deposit in the United States mails, with proper postage prepaid, certified or registered mail, (ii) generally recognized courier service, or (iii) telecopy to the number set forth below with telephonic communication to a duly-authorized officer of the recipient confirming its receipt as subsequently confirmed by a generally recognized courier service or registered or certified mail; addressed to the party to be notified as follows:

(A) If to Lender, at
LaSalle Bank National Association
135 South LaSalle Street
Chicago, IL 60603
Attn: Richard Sitz
Telephone: (773) 244-7431
Fax: (773) 244-7583

with a copy to:
McBride Baker & Coles
500 West Madison Street, 40th Floor
Chicago, Illinois 60661
Attn: Michael L. Weissman
Telephone: (312) 715-5767
Fax: (312) 993-9350

(B) If to Mortgagor, at
Specialloy, Inc.
4025 S. Keeler Avenue
Chicago, IL 60632
Attn: Karl P. Lebert, Jr.
Telephone: (773) 376-0100
Fax: (773) 376-3050

or to such other address as each party may designate for itself by like notice.

24. Waiver of Notice.

No action for the enforcement of the lien or of any provision hereof shall be subject to any defense which would not be good and available to the party interposing same in an action at law upon the Note hereby secured.

25. Waiver of Statutory Rights.

Mortgagor shall not apply for or avail itself of any appraisal, valuation, stay, extension or exemption laws, or any so-called "Moratorium Laws," now existing or hereafter enacted, in order to prevent or hinder the enforcement or foreclosure of this Mortgage, but hereby waives the benefit of such laws. Mortgagor for itself and all who may claim through or under it waives any and all right to have the property and estates comprising the Premises marshalled upon any foreclosure of the lien hereof and agrees that any court having jurisdiction to foreclose such lien may order the Premises sold as an entirety. Mortgagor does hereby expressly waive any and all rights of redemption from any sale or from any order, judgment or decree of foreclosure of this Mortgage on behalf of Mortgagor, and each and every person acquiring any interest in or title to the Premises subsequent to the date of this Mortgage. Mortgagor hereby represents and warrants to Mortgagee that it has been directed in writing by the appropriate beneficiaries and holders of the power of direction of the trust estate to expressly waive all rights of redemption to the Premises and reinstatement of the loan secured hereby in the manner herein set forth. Mortgagor does hereby further expressly waive, to the extent now or hereafter permitted by law, all rights of reinstatement of this Mortgage pursuant to Section 15-1602 of the Illinois Mortgage Foreclosure Law.

26. Furnishing of Financial Statements to Mortgagee.

Mortgagor shall keep and maintain books and records of account in which full, true and correct entries shall be made of all dealings and transactions relative to the Premises, which books and records of account shall be open to the inspection of Mortgagee and its accountants and other duly authorized representatives during business hours. Such books of record and account shall be kept and maintained in accordance with generally accepted accounting principles and practices consistently applied.

27. Filing and Recording Fees.

Mortgagee shall pay all filing, registration or recording fees, and all expenses incident to the execution and acknowledgement of this Mortgage and all federal, state, county, and municipal taxes, and other taxes, duties, imposts, assessments and charges arising out of or in connection with the execution and delivery of said Note and this Mortgage.

28. Compliance with Laws; Environmental.

To the best knowledge of Mortgagor, except as disclosed on Exhibit C, the Premises and their present use materially complies, and at all times shall materially comply, with all applicable laws and governmental regulations including, without limitation, all federal, state and local laws pertaining to air and water quality, hazardous waste, waste disposal, air emissions and other environmental matters, all zoning and other land use matters, and utility availability.

Mortgagor shall take all actions necessary to cause the Premises to be kept free of any "Hazardous Substances" excepting only those Hazardous Substances which Mortgagor uses in the ordinary course of its business. For purposes of this Mortgage, the following terms shall have the following meanings:

(A) "Environmental Laws" shall mean any federal, state or local law, statute, ordinance, or regulation pertaining to health, industrial hygiene, or the environmental conditions on, under or about the Premises, including, without limitation, the Comprehensive Environmental Response, Compensation, and Liability Act of 1980 ("CERCLA") as amended, 42 U.S.C. Sections 9601 et seq., and the Resource Conservation and Recovery Act of 1976 ("RCRA") as amended, 42 U.S.C. Sections 6901 et seq.

(B) The term "Hazardous Substance" shall include without limitation:

(i) Those substances included within the definitions of any one or more of the terms "hazardous substances," "hazardous materials," "toxic substances," and "solid waste" in CERCLA, RCRA, and the Hazardous Materials Transportation Act as amended, 49 U.S.C. Sections 1891 et seq., and the regulations promulgated pursuant to said laws or under applicable state law;

(ii) Those substances listed in the United States Department of Transportation Table (49 CFR 172,010 and

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amendments thereto) or by the Environmental Protection Agency (or any successor agency) as hazardous substances (40 CFR Part 302 and amendments hereto);

(iii) Such other substances, materials and wastes which are or become regulated under applicable local, state or federal laws, or which are classified as hazardous or toxic under federal, state, or local laws or regulations; and

(iv) Any materials, waste or substance which is (A) petroleum, (B) asbestos, (C) polychlorinated biphenyls, (D) designated as a "hazardous substance" pursuant to Section 311 of the Clean Water Act, 33 U.S.C. §§1251 et seq. (33 U.S.C. §1321), or listed pursuant to Section 307 of the Clean Water Act (33 U.S.C. § 1317); (E) flammable explosives; or (F) radioactive materials.

Mortgagor represents, warrants, covenants and agrees unto Mortgagee as follows:

(A) Mortgagor will not use, generate, manufacture, produce, store, release, discharge, or dispose of on, under or about the Premises, or transport to or from the Premises any Hazardous Substance (as defined herein) or allow any other person or entity to do so.

(B) Mortgagor shall keep and maintain the Premises in substantial compliance with, and shall not cause or permit the Premises to be in material violation of any Environmental Law (as defined herein) or allow any other person or entity to do so;

(C) Mortgagor shall give prompt written notice to the Lender of:

(i) any proceeding or inquiry by a governmental authority whether federal, state or local, with respect to the presence of any Hazardous Substance on the Premises or the migration thereof from or to other property;

(ii) all claims made or threatened by any third party against the Mortgagor or the Premises relating to any loss or injury resulting from any Hazardous Substances; and

(iii) Mortgagor's discovery of any occurrence or condition on any real property adjoining or in the

vicinity of the Premises that could cause the Premises or any part thereof to be subject to any substantial restriction on the ownership, occupancy, transferability or use of the Premises under any Environmental Law;

(D) Lender shall have the right to join and participate in, as a party if it so elects, any legal proceedings or actions initiated in connection with any Environmental Law and Mortgagor hereby agrees to pay any reasonable attorneys' fees thereby incurred by Lender in connection therewith;

(E) Mortgagor shall indemnify, defend and hold harmless the Lender, its directors, officers, employees, agents, contractors, attorneys, other representatives, successors and assigns from and against any and all loss, damage, cost, expense or liability, including by way of illustration and not limitation, reasonable attorneys' fees and court costs, directly or indirectly arising out or attributed to the use, generation, manufacture, production, storage, release, threatened release, discharge, disposal, or presence of Hazardous Substance on, under or about the Premises including without limitation (i) all foreseeable consequential damages, and (ii) the costs of any required or necessary repair, cleanup or detoxification of the Premises, and the preparation and implementation of any closure, remedial or other required plans. This indemnity and covenant shall survive the reconveyance of the lien of this Mortgage, or the extinguishment of such lien by foreclosure or action in lieu thereof;

(F) In the event that any investigation, site monitoring, containment, cleanup, removal, restoration or other remedial work of any kind or nature whatsoever (the "Remedial Work") is reasonably necessary or desirable under any applicable local, state or federal law or regulation, any judicial order, or by any governmental or nongovernmental entity or person because of, or in connection with, the current or future presence, suspected presence, release or suspected release of a Hazardous Substance in or into the air, soil, ground water, surface water or soil vapor at, on, about, under or within the Premises, or any portion thereof, Mortgagor shall within thirty (30) days after written demand for performance thereof by the Lender or other party or governmental entity or agency (or such shorter period of time as may be required under any applicable law, regulation, order or agreement), commence to perform, or cause to be commenced, and thereafter diligently prosecuted to completion, all such Remedial Work. All Remedial Work shall

be performed by one or more contractors, approved in advance in writing by the Lender. All costs and expenses of such Remedial Work shall be paid by the Mortgagor, including, without limitation, the charges of such contractor and the consulting engineer, and the Lender's reasonable attorneys' fees and costs incurred in connection with the monitoring or review of such Remedial Work. In the event that the Mortgagor shall fail to timely commence, or cause to be commenced, or fail to diligently prosecute to completion, such Remedial Work, the Lender may, but shall not be required to, cause such Remedial Work to be performed and all costs and expenses thereof incurred in connection therewith shall become part of the indebtedness secured hereby;

(G) Without the Lender's prior written consent, which shall not be unreasonably withheld, Mortgagor shall not take any remedial action in response to the presence of any Hazardous Substances on, under or about the Premises, nor enter into any settlement agreement, consent decree, or other compromise in respect to any Hazardous Substances claims. Said consent may be withheld, without limitation, if the Lender, in its reasonable judgment, determines that said remedial action, settlement, consent, or compromise might impair the value of the Lender's Security hereunder; provided, however, that the Lender's prior consent shall not be necessary in the event that the presence of Hazardous Substances in, on, under or about the Premises either poses an immediate threat to the health, safety, or welfare of any individual or is of such a nature that an immediate remedial response is necessary, and it is not possible to obtain the Lender's consent before taking such action, provided that in such event the Mortgagor shall notify the Lender as soon as practicable of any action so taken. Lender agrees not to withhold its consent, when such consent is required hereunder, if either (v) a particular remedial action is ordered by a court of competent jurisdiction, or (vi) the Mortgagor establishes to the reasonable satisfaction of the Lender that there is no reasonable alternative to such remedial action that would result in materially less impairment of the Lender's security hereunder.

29. Security Agreement.

In the event of a Default hereunder, Mortgagee, pursuant to the appropriate provisions of the UCC, shall have the option of proceeding as to both real and personal property in accordance with its rights and remedies with respect to the real property, in which event the default provisions of the UCC shall not apply. The parties agree that, in the event the Mortgagee shall elect to proceed with respect to the personal property

collateral securing the indebtedness separately from the real property, ten (10) days notice of the sale of the personal property collateral shall be reasonable notice. The reasonable expenses of retaking, holding, preparing for sale, selling and the like incurred by the Mortgagee shall include, but not be limited to, reasonable attorneys' fees and legal expenses incurred by Mortgagee. Mortgagor agrees that, without the written consent of Mortgagee, the Mortgagor will not remove or permit to be removed from the Premises any of the personal property or fixtures securing the indebtedness except that so long as Mortgagor is not in Default hereunder, Mortgagor shall be permitted to sell or otherwise dispose of such property when obsolete, worn out, inadequate, unserviceable or unnecessary for use in the operation of the Premises, upon replacing the same or substituting for the same other property at least equal in value to the initial value to that disposed of and in such a manner so that said other property shall be subject to the security interest created hereby and so that the security interest of the Mortgagee shall always be perfected and first in priority, it being expressly understood and agreed that all replacements, substitutions and additions to the property securing the indebtedness shall be and become immediately subject to the security interest of this Mortgage and covered hereby. The Mortgagor shall, from time to time, on request of the Mortgagee, deliver to the Mortgagee in reasonable detail an inventory of the personal property securing the indebtedness. The Mortgagor covenants and represents that all personal property securing the indebtedness now is, and that all replacements thereof, substitutions therefor or additions thereto, unless the Mortgagee otherwise consents, will be free and clear of liens, encumbrances or security interest of others.

30. General Indemnity.

Mortgagor agrees to indemnify and hold harmless Mortgagee from and against any and all losses, liabilities, suits, obligations, fines, damages, judgments, penalties, claims, charges, costs and expenses (including reasonable attorneys' fees and disbursements) which may be imposed on, incurred or paid by or asserted against Mortgagee by reason or on account of, or in connection with, (a) any willful misconduct of Mortgagor or any event of Default hereunder or under the other Loan Documents given at any time to secure the payment of the Note secured hereby, (b) Mortgagee's good faith and commercially reasonable exercise of any of its rights and remedies, or the performance of any of its duties hereunder or under said other Loan Documents to which Mortgagor is a party, (c) the construction, reconstruction or alteration of the Premises, (d) any negligence of Mortgagor, or any negligence or willful misconduct of any lessee of the Premises, or any of their respective agents, contractors, subcontractors, servants, employees, licensees or invitees or (e)

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any accident, injury, death or damage to any person or property occurring in, on or about the Premises or any street, drive, sidewalk, curb or passageway adjacent thereto. Any amount payable to Mortgagee under this Paragraph shall be due and payable within ten (10) days after demand therefor and receipt by Mortgagor of a statement from Mortgagee setting forth in reasonable detail the amount claimed and the basis therefor, and such amounts shall bear interest at the Default Rate (as defined in the Note) from and after the date such amounts are paid by Mortgagee until paid in full by Mortgagor.

Mortgagor's obligations under this Paragraph shall not be affected by the absence or unavailability of insurance covering the same or by the failure or refusal by any insurance carrier to perform any obligation on its part under any such policy of covering insurance. If any claim, action or proceeding is made or brought against Mortgagor and/or Mortgagee which is subject to the indemnity set forth in this Paragraph, Mortgagor shall resist or defend against the same, if necessary in the name of Mortgagee, by attorneys for Mortgagor's insurance carrier (if the same is covered by insurance) or otherwise by attorneys approved by Mortgagee. Notwithstanding the foregoing, Mortgagee, in its reasonable discretion, may engage its own attorneys to resist or defend, or assist therein, and Mortgagor shall pay, or, on demand, shall reimburse Mortgagee for the payment of, the reasonable fees and disbursements of said attorneys.

31. Prohibition on Sale or Financing.

Any sale, conveyance, assignment, pledge, hypothecation, mortgage, encumbrance, lease (other than for actual occupancy as consented to by Mortgagee as provided herein) or other transfer of title to, or any interest, including, without limitation, the beneficial interest of Mortgagor's beneficiary in the Premises, or any portion thereof, or of any entity or any person owning, directly or indirectly, any interest therein (whether voluntary or by operation of law) without the Mortgagee's prior written consent shall be a Default hereunder.

For the purpose of, and without limiting the generality of, this Paragraph, the occurrence at any time of any of the following events shall be deemed to be an unpermitted transfer of title to the Premises and therefore an event of default hereunder:

(A) any sale, conveyance, assignment or other transfer, directly or indirectly, of any ownership interest of Mortgagor which results in any change in the identity of the individuals or entities previously in control of Mortgagor; or

(B) the grant of a security interest in any ownership interest of any individual or entity, directly or indirectly, controlling Mortgagor which, when exercised, results in a change in the identity of the individuals or entities previously in control of Mortgagor. For the purpose hereof, the terms "control" or "controlling" shall mean the possession of the power to direct, or cause the direction of, the management and policies of Mortgagor by contract or voting of securities.

It is understood and agreed that the indebtedness secured hereby was created solely due to the financial sophistication, creditworthiness, background and business sophistication of Mortgagor, and Mortgagee continues to rely upon same as the means of maintaining the value of the Premises. It is further understood and agreed that any junior financing placed upon the Premises or the improvements located thereon, or upon the interests of Mortgagor may divert funds which would otherwise be used to pay the indebtedness secured hereby, and could result in acceleration and/or foreclosure by any such junior lienor. Any such action would force the Mortgagee to take measures, and incur expenses, to protect its security, and would detract from the value of the Premises mortgaged hereby, and impair the rights of the Mortgagee granted hereunder. Without limitation by the foregoing, the Mortgagor shall not incur any additional indebtedness, whether secured or unsecured, without the prior written consent of Mortgagee.

Any consent by Mortgagee to, or any waiver of any event which is prohibited under this Paragraph shall not constitute a consent to, or waiver of, any right, remedy or power of Mortgagee upon a subsequent event of Default.

32. Future Advances.

Without limiting the generality of any other provision hereof, the indebtedness of Mortgagor hereunder shall include: (a) all existing indebtedness of Mortgagor to Mortgagee evidenced by the Note and all renewals, extensions, modifications and replacements thereof, and (b) all future advances that may be subsequently made by Mortgagee and all renewals, extensions, modifications and replacements thereof. Mortgagor hereby agrees to execute any and all supplemental Note, agreements or other documents as Mortgagee may reasonably request to evidence such future advances, which such supplemental Note, agreements or other documents shall be similar in form and substance to the existing Note, agreements and other documents from Mortgagor in favor of Mortgagee.

33. Enforceability.

This Mortgage and the indebtedness arising hereunder shall be governed by, and construed in accordance with, the internal laws of the State of Illinois applicable to contracts made and performed in such State and any applicable laws of the United States of America.

34. Miscellaneous.

This Mortgage and all provisions hereof, shall extend to and be binding upon Mortgagor and its successors, grantees and assigns, any subsequent owner or owners of the Premises, and all persons claiming under or through Mortgagor, and the word "Mortgagor" when used herein shall include all such persons and all persons liable for the payment of the indebtedness or any part thereof, whether or not such persons shall have executed said Note or this Mortgage. The word "Mortgagee" when used herein shall include the successors and assigns of the Mortgagee named herein, and the holder or holders, from time to time, of the Note secured hereby.

In the event one or more of the provisions contained in this Mortgage or the Note secured hereby or in any other security documents given to secure the payment of the Note secured hereby shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall, at the option of the Mortgagee, not affect any other provision of this Mortgage, and this Mortgage shall be construed as if such invalid, illegal or unenforceable provision had never been contained herein or therein.

No offset or claim that Mortgagor now has or may have in the future against Mortgagee shall relieve Mortgagor from paying any amounts due under the Note secured hereby or from performing any other obligations contained herein or secured hereby.

At all times, regardless of whether any loan proceeds have been disbursed, this Mortgage secures (in addition to any loan proceeds disbursed from time to time) the payment of any and all expenses and advances due to or incurred by Mortgagee in connection with the indebtedness secured hereby; provided, however, notwithstanding anything to the contrary herein, the total aggregate indebtedness secured by this Mortgage shall not exceed an amount equal to five hundred percent (500%) of the face amount of the Note.

Mortgagor shall not by act or omission permit any building or other improvement on the Premises not subject to the lien of this

Mortgagor to rely on the Premises or any part thereof or any interest therein to fulfill any municipal or governmental requirement, and Mortgagor hereby assigns to Mortgagee any and all rights to give consent for all or any portion of the Premises or any interest therein to be used. Similarly, no building or other improvement on the Premises shall rely on any premises not subject to the lien of this Mortgage or any interest therein to fulfill any governmental or municipal requirement. Mortgagor shall not by act or omission impair the integrity of the Premises as a single zoning lot separate and apart from all other premises. Any act or omission by Mortgagor which would result in a violation of any of the provisions of this paragraph shall be void.

Mortgagor on written request of the Mortgagee will furnish a signed statement of the amount of the indebtedness secured hereby and whether or not any Default then exists hereunder and specifying the nature of any such Default.

Mortgagee shall have the right at its option to foreclose this Mortgage subject to the rights of any tenant or tenants of the Premises and the failure to make any such tenant or tenants a party defendant to any such civil action or to foreclose their rights will not be asserted by the Mortgagor as a defense in any civil action instituted to collect the indebtedness secured hereby, or any part thereof or any deficiency remaining unpaid after foreclosure and sale of the Premises, any statute or rule of law at any time existing to the contrary notwithstanding.

At the option of the Mortgagee, this Mortgage shall become subject and subordinate, in whole or in part (but not with respect to priority of entitlement to insurance proceeds or any award in condemnation) to any and all leases of all or any part of the Premises upon the execution by Mortgagee and recording or registering thereof, at any time hereafter, in the Office wherein this Mortgage was recorded or registered, or a unilateral declaration to that effect.

Any property management agreement for the Premises, whether now in effect or entered into hereafter by Mortgagor with a property manager, shall contain a "no lien" provision whereby the property manager waives and releases, to the extent permitted by law, any and all mechanics' lien rights, if any, that it or anyone claiming through or under it may have pursuant to applicable law. Such property management agreement or a short form thereof shall, at Mortgagee's request, be recorded with the Office of the Recorder of Deeds for the county in which the Premises are located. In addition, Mortgagor shall cause the property manager to enter into a subordination agreement with Mortgagee, in recordable form, whereby the property manager subordinates, to the extent permitted by law, its present and future lien rights and

those of any party claiming by, through or under it, to the lien of this Mortgage. Mortgagor's failure to require the "no lien" provision or the subordination agreement described herein shall constitute a Default hereunder.

The proceeds of the Note secured by this Mortgage shall be used for the purposes specified in Section 6404(1)(c) of Chapter 17 of the Illinois Revised statutes, as amended from time to time; and the principal obligation secured hereby constitutes a business loan within the purview and operation of said section.

The Mortgagor hereby waives all right of homestead exemption in the Premises.

The terms "Mortgage," "Security Agreement" and "Mortgage and Security Agreement" wherever used herein or in the Note secured hereby or in any other instrument evidencing or securing the Note secured hereby shall mean this Mortgage and the Security Agreement herein contained or any other security agreement securing the Note, as the context may so require.

IN WITNESS WHEREOF, Mortgagor executed this Mortgage the day and year first above written.

SPECIALLOY, INC.

By: Paul P. DeBart
Its: President & CEO

Attest: _____
Its: _____

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20700697

STATE OF ~~ILLINOIS~~ ^{Tennessee})
COUNTY OF ~~COOK~~ ^{Knox})

SS:

I, Clayton F. Stokely, a Notary Public in and for said County and State aforesaid, DO HEREBY CERTIFY THAT Karl P. Lebert Jr and _____, personally known to me and known by me to be the _____ President and _____ Secretary respectively of Specialloy, Inc., in whose name the above and foregoing instrument is executed, appeared before me this day in person and acknowledged that they signed and delivered the said instrument as their free and voluntary act and as the free and voluntary act of said corporation.

GIVEN under my hand and Notarial Seal this 9th day of ~~July~~ ^{May} ~~2001. 2002~~

Clayton F. Stokely
Notary Public



My Commission Expires: Sept. 4, 2005

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EXHIBIT A

Legal Description

That part of Lot "B" in the Subdivision of the Circuit Court Commissioners in partition of that part of the Northeast quarter lying South of the Illinois and Michigan Canal Reserve of Section 3, Township 38 North, Range 13 East of the Third Principal Meridian, according to the plat of said Subdivision recorded in the Recorder's Office of Cook County, Illinois, on September 5, 1893 in Book 59 of plats, page 32 as document 1924571, bounded and described as follows:

Beginning at the intersection of the North line of West Fortieth Street (a private street) and the East line of South Keeler Avenue (a private street); thence North along said East line of South Keeler Avenue to its intersection with a line parallel to and 237 feet North of said North line of West Fortieth Street; thence East along last described parallel line to its intersection with a line parallel to and 210.84 feet East of said East line of South Keeler Avenue; thence South along last described parallel line to its intersection with said North line of West Fortieth Street; thence West along said North line of West Fortieth Street to the place of beginning, all in Cook County, Illinois.**

Permanent Tax No. 19-03-201-013

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EXHIBIT B

Permitted Exceptions

1. Real estate taxes not yet due and payable.

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