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Eugene "Gene" Moore Fee: \$66.00
Cook County Recorder of Deeds
Date: 10/07/2003 01:39 PM Pg: 1 of 22

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Property of Cook County Clerk's Office

Drawn By and Return To:
Moore & Van Allen, PLLC (MBG)
NationsBank Corporate Center
100 North Tryon Street, Floor 47
Charlotte, North Carolina 28202-4003

[Illinois]

STATE OF ILLINOIS

**AMENDED AND RESTATED
MORTGAGE
AND
SECURITY AGREEMENT**

COUNTY OF COOK

COLLATERAL IS OR INCLUDES FIXTURES

THIS AMENDED AND RESTATED MORTGAGE AND SECURITY AGREEMENT (this "Mortgage") is made and entered into as of the 29th day of September, 2003, by BAGCRAFT PACKAGING, L.L.C. (f/k/a Bagcraft Acquisition, L.L.C.), a Delaware limited liability company, whose address is c/o Packaging Dynamics Corporation, 3900 West 43rd Street, Chicago, Illinois 60632 (the "Grantor") in favor of BANK OF AMERICA, N.A. (f/k/a NationsBank, N.A.), in its capacity as administrative agent (in such capacity, the "Agent") for the lenders from time to time party to the Credit Agreement described herein (the "Lenders") with a mailing address of 100 North Tryon Street, 17th Floor, Charlotte, NC 28255, Attn: Rick Hardison.

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THIS AMENDED AND RESTATED MORTGAGE amends and restates in its entirety that certain Mortgage and Security Agreement (the "Original Mortgage") dated November 20, 1998

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BOX 333-CT1

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and recorded on December 8, 1998 in Book 3797, Page 2 of Cook County Recorder's Office, by the Grantor in favor of the Agent. It is not the intent of the parties hereto that the lien of the Original Mortgage be released, reconveyed or interrupted but, rather, that the lien of the Original Mortgage be continued uninterrupted and in full force and effect on the terms as amended and restated herein and with the same priority as the Original Mortgage had prior to the date hereof. This Mortgage is an amendment and restatement only and not a novation.

RECITALS:

WHEREAS, the Grantor is the owner of the fee simple interest in the real property described on Exhibit A attached hereto and incorporated herein by reference;

WHEREAS, Packaging Dynamics, L.L.C. and International Converter, Inc., as borrowers (the "Existing Borrowers"), Packaging Holdings, L.L.C. and the Domestic Subsidiaries of the Borrowers, including the Grantor, as guarantors (the "Existing Guarantors"), certain financial institutions and the Agent are parties to a Credit Agreement dated as of November 20, 1998 (as amended, modified or supplemented, the "Existing Credit Agreement");

WHEREAS, in connection with the Existing Credit Agreement, the Grantor and the Agent entered into the Original Mortgage;

WHEREAS, in connection with the refinancing of the Existing Credit Agreement in accordance with the terms hereof, Packaging Dynamics, L.L.C. and Packaging Holdings, L.L.C. will be merged, and the surviving limited liability company will be converted to a corporation and renamed Packaging Dynamics Operating Company;

WHEREAS, Packaging Dynamics Operating Company, a Delaware corporation (the "Borrower"), Packaging Dynamics Corporation, a Delaware corporation (the "Parent"), each of the Subsidiaries of the Borrower from time to time party thereto, including the Grantor (together with the Parent, individually a "Guarantor", and collectively the "Guarantors"), the Lenders and the Agent have entered into that certain Amended and Restated Credit Agreement dated as of the date hereof (the "Credit Agreement"; terms used but not otherwise defined herein shall have the meanings provided in the Credit Agreement), pursuant to which the Existing Credit Agreement has been amended and restated and the obligations under the Existing Credit Agreement have been refinanced and continued;

WHEREAS, in connection with the Credit Agreement, the Agent and the Grantor have agreed to amend and restate the Original Mortgage in accordance with the terms of this Mortgage; and

WHEREAS, the Lenders have agreed to make loans and other financial accommodations available to the Borrower pursuant to the terms of the Credit Agreement, provided that, among other things, the Grantor executes and delivers this Mortgage.

UNOFFICIAL COPYWITNESSETH:

Grantor, in consideration of the indebtedness herein recited and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, irrevocably grants, releases, sells, remises, bargains, assigns, pledges, warrants, mortgages, transfers and conveys to the Agent and the Agent's successors and assigns, subject to the further terms of this Mortgage, all of Grantor's right, title and interest in and to the following described land, real property interests, buildings, improvements, fixtures, furniture and appliances and other personal property:

(a) All that tract or parcel of land and other real property interests in Cook County, Illinois more particularly described in Exhibit A attached hereto and made a part hereof (the "Land"); and

(b) All buildings and improvements of every kind and description now or hereafter erected or placed on the aforesaid Land (the "Improvements") and all materials intended for construction, reconstruction, alteration and repair of such Improvements now or hereafter erected thereon, all of which materials shall be deemed to be included within the premises hereby conveyed immediately upon the delivery thereof to the aforesaid Land, and all fixtures and articles of personal property now or hereafter owned by Grantor and attached to or contained in and used in connection with the aforesaid Land and Improvements including, but not limited to, all furniture, furnishings, apparatus, machinery, equipment, motors, elevators, fittings, radiators, ranges, refrigerators, awnings, shades, screens, blinds, carpeting, office equipment and other furnishings and all plumbing, heating, lighting, cooking, laundry, ventilating, refrigerating, incinerating, air conditioning and sprinkler equipment and fixtures and appurtenances thereto and all renewals or replacements thereof or articles in substitution thereof, whether or not the same are or shall be attached to the Land and Improvements in any manner (the "Tangible Personalty") and all proceeds of the Tangible Personalty (hereinafter, the Land, Improvements and Tangible Personalty may be collectively referred to as the "Premises").

TO HAVE AND HOLD the same, together with all privileges, hereditaments, easements and appurtenances thereunto belonging, to the Agent and the Agent's successors and assigns to secure the indebtedness herein recited;

And, as additional security for said indebtedness, Grantor hereby conditionally assigns to the Agent all right, title and interest of Grantor in and to the security deposits, rents, issues, profits and revenues of the Premises from time to time accruing (the "Rents and Profits"), reserving only the right to Grantor to collect and enjoy the same as long as there shall exist no Event of Default (as defined in Article III).

As additional collateral and further security for the indebtedness, Grantor does hereby assign to the Agent and grants to the Agent a security interest in all of the right, title and interest of Grantor in and to any and all insurance policies and proceeds thereof and any and all leases (including equipment leases), rental agreements, sales contracts, management contracts, franchise agreements, construction contracts, architects' contracts, technical services agreements, or other contracts, licenses and permits now or hereafter affecting the Premises (the "Intangible Personalty") or any part thereof, and Grantor agrees to execute and deliver to the Agent such

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additional instruments, in form and substance reasonably satisfactory to the Agent, as may hereafter be reasonably requested by the Agent to evidence and confirm said assignment; provided, however, that acceptance of any such assignment shall not be construed as a consent by the Agent to any lease, rental agreement, management contract, franchise agreement, construction contract, technical services agreement or other contract, license or permit, or to impose upon the Agent any obligation with respect thereto.

All the Tangible Personalty which comprise a part of the Premises shall, as far as permitted by law, be deemed to be affixed to the aforesaid Land and conveyed therewith. As to the balance of the Tangible Personalty and the Intangible Personalty, this Mortgage shall be considered to be a security agreement which creates a security interest in such items for the benefit of the Agent. In that regard, Grantor grants to the Agent all of the rights and remedies of a secured party under the Illinois Uniform Commercial Code.

Grantor and the Agent covenant, represent and agree as follows:

ARTICLE I

Secured Obligations

1.1 Credit Facility. The Agent and the Lenders have agreed to establish a \$110,000,000 credit facility (hereinafter the loans and extensions of credit thereunder may be called the "Loans") in favor of the Borrower pursuant to the terms of the Credit Agreement and as evidenced by (i) those revolving credit promissory notes and term loan promissory notes of the Borrower (as referenced and defined in the Credit Agreement, as amended, modified, supplemented, extended, renewed or replaced from time to time, the "Notes"), and (ii) those letters of credit for the account of the Borrower or any other Credit Party (as referenced in the Credit Agreement, the "Letters of Credit").

1.2 Amount Secured. This Mortgage secures the unconditional guarantee of Grantor to the Agent and each Lender of the prompt payment of the Credit Party Obligations and the timely performance of all other obligations under the Credit Documents, whether contingent or matured. This Mortgage shall secure not only presently existing obligations but also future advances, whether such advances are obligatory or to be made at the option of the Agent, or otherwise, as are made within 20 years from the date hereof to the same extent as if such future advances were made on the date of the execution of this Mortgage, although there may be no advance made at the time of execution of this Mortgage and although there may be no obligations secured hereby outstanding at the time any advance is made. The lien of this Mortgage shall be valid as to all obligations secured hereby, including future advances, from the time of its filing for record in the recorder's or registrar's office of the county in which the real estate is located. The total amount of obligations secured hereby may increase or decrease from time to time, but the total unpaid balance secured hereby plus interest thereon and any disbursements which the Agent or Lenders may make under this Mortgage, the Credit Agreement or any other document with respect hereto (e.g., for payment of taxes, special assessments or insurance on the real

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estate) and interest on such disbursements shall not, at any one time outstanding, exceed the total sum of \$135,000,000.

1.3 Maturity Date. (i) Payment by the Borrower of the principal and interest on the Loans and (ii) reimbursement by the Borrower of any drawings on Letters of Credit, will be in accordance with the Credit Agreement, which Credit Agreement provides for the payment on the Credit Party Obligations on or before the date six years following the date hereof which is the final maturity date.

1.4 Interest Rate. The obligations and liabilities of the Borrower under the Credit Documents bear interest at variable rates based upon the terms and provisions set forth in the Credit Agreement, which provisions are incorporated herein by reference as if fully set forth herein.

ARTICLE II

Covenants, Representations and Agreements

2.1 Title to Property. Grantor represents and warrants that it is seized of the Land, the Improvements (and any fixtures) and the Tangible Personalty (to the extent such Tangible Personalty constitutes fixtures) in fee (and has title to any appurtenant easements) and has the right to mortgage the same pursuant to this Mortgage, that title to such property is free and clear of all encumbrances except for the Permitted Encumbrances and any Permitted Liens, and that it will warrant and defend the title to such property except for the Permitted Encumbrances and the Permitted Liens against the claims of all persons or parties. As to the balance of the Premises, the Rents and Profits and the Intangible Personalty, Grantor represents and warrants that it has title to such property, that it has the right to mortgage such property pursuant to this Mortgage except for the Permitted Encumbrances and Permitted Liens and that it will warrant and defend such property against the claims of all persons or parties.

2.2 Taxes and Fees. Grantor will pay on or before the date that the same become delinquent all taxes, general and special assessments, special service area charges or taxes, taxes, general and special assessments, insurance premiums, permit fees, inspection fees, license fees, water and sewer charges, franchise fees and equipment rents and any other charges or fees against it or the Premises (and Grantor, upon request of the Agent, will submit to the Agent receipts evidencing said payments) in accordance with Section 7.6 of the Credit Agreement.

2.3 Reimbursement. Grantor agrees that if it shall fail to pay on or before the date that the same are required to be paid pursuant to Section 7.6 or 7.7 of the Credit Agreement any tax, assessment or charge levied or assessed against the Premises or any utility charge, whether public or private, or any insurance premium or if it shall fail to procure the insurance coverage and the delivery of the insurance certificates required hereunder, or if it shall fail to pay any other charge or fee described in Sections 2.2, 2.3, 2.6 or 2.9 hereof, then the Agent, at its option, may pay or procure the same. Grantor will reimburse the Agent upon demand for any sums of money paid by the Agent pursuant to this Section, together with interest on each such payment at the default

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rate of interest set forth in the Credit Agreement, and all such sums and interest thereon shall be secured hereby.

2.4 Additional Documents. Grantor agrees to execute and deliver to the Agent, concurrently with the execution of this Mortgage and upon the request of the Agent from time to time hereafter, all financing statements and other documents reasonably required to perfect and maintain the security interest created hereby. Grantor hereby irrevocably (as long as the Credit Party Obligations remain unpaid and the Commitments remain outstanding) makes, constitutes and appoints the Agent as the true and lawful attorney of Grantor to sign the name of Grantor (provided Grantor has failed or refused to timely execute such documents upon request of the Agent) on any financing statement, continuation of financing statement or similar document required to perfect or continue such security interests.

2.5 Sale or Encumbrance. Except as permitted by the Credit Agreement, Grantor will not sell, encumber or otherwise dispose of any of the Tangible Personalty except to incorporate such into the Improvements or replace such with goods of quality and value at least equal to that replaced. In the event Grantor sells or otherwise disposes of any of the Tangible Personalty in contravention of the foregoing sentence, the Agent's security interest in the proceeds of the Tangible Personalty shall continue pursuant to this Mortgage.

2.6 Fees and Expenses. Grantor will pay or reimburse, or cause the Borrower to pay or reimburse, the Agent for all reasonable attorneys' fees, costs and expenses incurred by the Agent (a) as required under Section 11.4 of the Credit Agreement and (b) in any action, legal proceeding or dispute of any kind which affects the Credit Party Obligations, the interest created herein, the Premises, the Rents and Profits or the Intangible Personalty, including but not limited to, any foreclosure of this Mortgage, enforcement of payment of the Notes or any other amount due under the Credit Documents, any condemnation action involving the Premises or any action to protect the security hereof. Any such amounts paid by the Agent shall be due and payable upon demand and shall be secured hereby.

2.7 Leases and Other Agreements. Without first obtaining on each occasion the written approval of the Agent, Grantor shall not, except as permitted by the Credit Agreement, enter into, cancel, surrender or modify or permit the cancellation of any lease (including any equipment lease), rental agreement, management contract, franchise agreement, construction contract, technical services agreement or other contract, license or permit now or hereafter affecting the Premises, or modify any of said instruments, or accept or permit to be made, any prepayment (more than one month) of any installment of rent or fees thereunder; provided, however, Grantor may take any of the foregoing actions without the consent of the Agent if the same will not cause a Material Adverse Effect. Certified copies of each such approved lease or other agreement shall be submitted to the Agent as soon as possible. Grantor shall faithfully keep and perform, or cause to be kept and performed, in all material respects, all of the covenants, conditions, and agreements contained in each of said instruments, now or hereafter existing, on the part of Grantor to be kept and performed (including performance of all covenants to be performed under any and all leases of the Premises or any part thereof), unless the failure to keep and perform such covenants, conditions and agreements would not cause an Event of Default, and shall at all times use commercially reasonable efforts to enforce, with respect to each other party to said

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instruments, all material obligations, covenants and agreements by such other party to be performed thereunder.

2.8 Maintenance of Premises. Except as provided otherwise in the Credit Agreement, Grantor will abstain from and will not permit the commission of waste in or about the Premises and will maintain, or cause to be maintained, the Premises in good condition and repair, reasonable wear and tear excepted.

2.9 Insurance.

(a) Liability: Grantor covenants to maintain or cause to be maintained, general accident and public liability insurance against all claims for bodily injury, death or property damage occurring upon, in or about any part of the Premises. The policies must be from companies and in amounts in accordance with Section 7.7 of the Credit Agreement.

(b) Hazard: Grantor covenants to maintain or cause to be maintained at all times hazard insurance on the Premises. The policy must be from a company and in an amount in accordance with Section 7.7 of the Credit Agreement, can only include co-insurance provisions satisfactory to the Agent, must include provisions for a minimum 30 day advance written notice to the Agent of any intended policy cancellation or non-renewal, and must designate the Agent as mortgagee and loss payee in a standard mortgagee endorsement, as its interests may appear.

(c) Flood: If any part of the Improvements is located in an area having "special flood hazards" as defined in the Federal Flood Disaster Protection Act of 1973, a flood insurance policy naming the Agent as mortgagee must be submitted to the Agent. The policy must be from a company and in an amount in accordance with Section 7.7 of the Credit Agreement and must include provisions for a minimum 30-day advance written notice to the Agent of any intended policy cancellation or non-renewal.

(d) Delivery of Policies and Renewals: Grantor agrees to deliver to the Agent upon its written request, as additional security hereto, the original policies of such insurance as is required by the Agent pursuant to subsections (a), (b) and (c) hereof and of any additional insurance which shall be taken out upon the Premises while any part of the Credit Party Obligations shall remain unpaid. Renewals of such policies shall be so delivered to the Agent upon the written request of the Agent. In the event Grantor fails to maintain insurance as required hereunder the Agent has the right to procure such insurance whether or not Grantor's failure to maintain such insurance constitutes an Event of Default (as defined in Article III) or an event or condition which, upon the giving of notice or the passage of time, or both, would constitute an Event of Default. Any amounts paid by the Agent for insurance shall be due and payable to the Agent upon demand and shall be secured by this Mortgage.

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(e) Proof of Loss; Claims Settlement: In the event of loss, Grantor shall give prompt notice thereof to the insurance carrier and the Agent, and the Agent may make proof of loss if not made promptly by Grantor. The Agent is hereby authorized, in its sole discretion, to adjust, compromise and collect the proceeds of any insurance claims for application in accordance with subsection (f) below.

(f) Use of Proceeds: In case of any material loss, damage to or destruction of the Premises or any part thereof, Grantor shall promptly give written notice thereof to the Agent generally describing the nature and extent of such damage or destruction. In case of any loss, damage to or destruction of the Premises or any part thereof, Grantor, whether or not the insurance proceeds, if any, received on account of such damage or destruction shall be sufficient for that purpose, at Grantor's cost and expense, will promptly repair or replace the Premises so lost, damaged or destroyed; provided, however, that Grantor need not repair or replace the Premises so lost, damaged or destroyed to the extent the failure to make such repair or replacement (i) is desirable to the proper conduct of the business of Grantor at the Premises in the ordinary course and otherwise in the best interest of Grantor and (ii) would not materially impair the rights and benefits of the Agent or the Lenders under this Mortgage or any other Credit Document. In the event Grantor shall receive any proceeds of such insurance in a net amount in excess of \$1,000,000, the disposition of such excess proceeds shall be governed by Section 7.7 of the Credit Agreement. All insurance proceeds shall be subject to the security interest of the Agent and Lenders under this Mortgage. Wherever provision is made herein for insurance policies to bear mortgagee clauses or other loss payable clauses or endorsements in favor of the Agent, or to confer authority upon the Agent to settle or participate in the settlement of losses under policies of insurance or to hold and disburse or otherwise control use of insurance proceeds, from and after the entry of judgment of foreclosure all such rights and powers of the Agent shall continue in the Agent as judgment creditor or mortgagee until confirmation of sale.

2.10 Eminent Domain. In case of any condemnation or taking by eminent domain of the Grantor's interest in the Premises, the Grantor shall have the right to retain and/or apply the proceeds or awards of any such condemnation to the restoration of the Premises. Notwithstanding the foregoing, in the event the Grantor shall receive any condemnation proceeds or awards in a net amount in excess of \$1,000,000, the disposition of such excess proceeds shall be treated the same as insurance proceeds and shall be governed by Section 7.7 of the Credit Agreement. In the event any Governmental Authority shall require or commence any proceedings for the demolition of any buildings or structures comprising a part of the Premises, or shall commence any proceedings to condemn or otherwise take pursuant to the power of eminent domain a material portion of the Premises, Grantor shall promptly notify the Agent of such requirement or commencement of proceeding (for demolition, condemnation or other taking).

2.11 Transfer of Premises. Except as provided otherwise in the Credit Agreement, Grantor covenants and agrees with the Agent that Grantor shall not sell, transfer, convey, mortgage, encumber or otherwise dispose of the Premises, the Rents and Profits or the Intangible

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Personalty or any part thereof or any interest therein or engage in subordinate financing with respect thereto during the term of this Mortgage without the prior written consent of the Agent.

2.12 Compliance with Law. Except as provided otherwise in the Credit Agreement, Grantor will comply with all applicable statutes, regulations and orders of, and all applicable restrictions imposed by, all Governmental Authorities in respect of the ownership of the Premises (including applicable statutes, regulations, orders and restrictions relating to environmental standards and controls).

2.13 Inspection. Grantor will permit the Agent, or its agents, to enter and pass through or over the Premises for the purpose of inspecting the same in accordance with the terms of Section 7.11 of the Credit Agreement.

2.14 Release and Waivers. Grantor agrees that no release by the Agent of any portion of the Premises, the Rents and Profits or the Intangible Personalty, no subordination of any Lien, no forbearance on the part of the Lenders or the Agent to collect on the Credit Party Obligations, or any part thereof, no waiver of any right granted or remedy available to the Agent and no action taken or not taken by the Agent shall in any way have the effect of releasing Borrower or Grantor from full responsibility to the Lenders and the Agent for the complete discharge of each and every of Grantor's obligations hereunder.

ARTICLE III

Event of Default

An Event of Default shall exist under the terms of this Mortgage upon the existence of an Event of Default under the terms of the Credit Agreement.

ARTICLE IV

Foreclosure

4.1 Acceleration of Loan; Foreclosure. Upon the occurrence and during the continuance of an Event of Default and otherwise in compliance with Section 9.2 of the Credit Agreement, the entire balance of the Loans and any other Credit Party Obligations shall, at the option of the Agent, become immediately due and payable, and the Agent shall have the right to foreclose this Mortgage in any manner permitted by applicable law and in accordance with the terms of this Mortgage for the Credit Party Obligations secured hereby. If the foreclosure is for less than all of the indebtedness secured hereby, the lien of this Mortgage shall continue for the balance of the indebtedness and obligations secured hereby. Without limitation of any other provisions of this Mortgage and subject to Section 11.4 of the Credit Agreement, if the Agent shall incur or expend any sums, including without limitation attorneys' fees, whether or not in connection with any action or proceeding, to sustain the lien of this Mortgage or its priority, or to protect or enforce any of the Agent's rights hereunder, or to recover any indebtedness secured hereby, all

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such sums shall become immediately due and payable by Borrower, Grantor and any other Guarantor with interest thereon. All such sums shall be secured by this Mortgage and shall be a lien on the Premises prior to any right, title, interest, or claim, in, to or upon the Premises attaching or accruing subsequent to the lien of this Mortgage.

4.2 Fees and Expenses. Without limitation of Section 4.1 and subject to Section 11.4 of the Credit Agreement, in any suit to foreclose the lien hereof, the Agent shall be allowed to include as additional indebtedness secured hereby in the decree for sale all costs and expenses which may be paid or incurred by or on behalf of Borrower, Grantor or any other Guarantor or any holder or holders of the Notes or other indebtedness secured hereby (plus interest thereon) for attorneys' fees, appraiser's fees, receiver's costs and expenses, insurance, taxes, outlays for documentary and expert evidence, costs for preservation of the Premises, stenographer's charges, publication costs and costs of procuring all abstracts of title, title searches and examinations, guarantee policies and similar data and assurances with respect to title as the Agent may deem to be reasonably necessary either to prosecute such suit or to evidence to bidders at any sale which may be had pursuant to such decree the true condition of the title to or value of the Premises or for any other reasonable purpose. Subject to applicable law, the amount of any such costs and expenses which may be paid or incurred after the decree for sale is entered may be estimated and the amount of such estimate may be allowed and included as additional indebtedness secured hereby in the decree for sale.

4.3 Proceeds of Sale. Following a foreclosure sale, the proceeds of such sale shall, subject to applicable law, be applied in accordance with Section 9.3 of the Credit Agreement.

ARTICLE V

Additional Rights and Remedies of the Agent

5.1 Rights Upon Maturity or an Event of Default. Upon the occurrence and during the continuance of an Event of Default, the Agent, immediately and without additional notice and without liability therefor to Grantor or Borrower, except for gross negligence, and subject to and as permitted by applicable law, may do or cause to be done any or all of the following: (a) take physical possession of the Premises; (b) exercise its right to collect the Rents and Profits; (c) enter into contracts for the completion, repair and maintenance of the Improvements thereon; (d) expend Loan funds and any rents, income and profits derived from the Premises for payment of any taxes, insurance premiums, assessments and charges for completion, repair and maintenance of the Improvements, preservation of the lien of this Mortgage and satisfaction and fulfillment of any liabilities or obligations of Grantor arising out of or in any way connected with the construction of Improvements on the Premises whether or not such liabilities and obligations in any way affect, or may affect, the lien of this Mortgage; (e) enter into leases demising the Premises or any part thereof; (f) take such steps to protect and enforce the specific performance of any covenant, condition or agreement in the Notes, this Mortgage, the Credit Agreement, or the other Credit Documents, or to aid the execution of any power herein granted; and (g) generally, supervise, manage, and contract with reference to the Premises as if the Agent were equitable owner of the Premises. Notwithstanding the occurrence and continuance of an Event of

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Default or acceleration of the Loans or any other indebtedness secured hereby, the Agent shall continue to have the right to pay money, whether or not Loan funds, for the purposes described in Sections 2.2, 2.3, 2.6 and 2.9 hereof, and all such sums and interest thereon shall be secured hereby. Grantor also agrees that any of the foregoing rights and remedies of the Agent may be exercised at any time independently of the exercise of any other such rights and remedies, and the Agent may continue to exercise any or all such rights and remedies until the Event(s) of Default are cured or waived by the Agent or the Lenders (as required by the Credit Agreement) or until foreclosure and the conveyance of the Premises to the high bidder or until the Credit Agreement is no longer in effect or the Loans and other indebtedness secured hereby are otherwise satisfied or paid in full.

5.2 Appointment of Receiver. Upon the occurrence and continuance of an Event of Default the Agent shall be entitled, without additional notice and without regard to the adequacy of any security for the Loans or other Indebtedness secured hereby whether the same shall then be occupied as a homestead or not or the solvency or insolvency of any party bound for its payment, to make application for the appointment of a receiver or receivers to take possession of and to operate the Premises, and to collect the rents, issues, profits, and income thereof, all expenses of which shall be added to the Loans or other Indebtedness under the Credit Documents and secured hereby. The receiver shall have all the rights and powers described in Section 15-1704 of the Illinois Mortgage Foreclosure Law, 735 ILCS 5/15 1101, et seq., as amended from time to time (the "Act"), including without limitation, the power to execute leases, and the power to collect the rents, sales, proceeds, issues, profits and proceeds of the Premises during the pendency of such foreclosure suit, as well as during any further times when Grantor, its successors or assigns, except for the intervention of such receiver, would be entitled to collect such rents, sales proceeds, issues, proceeds 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. All costs and expenses (including receiver's fees, attorney's fees and costs incurred in connection with the appointment of a receiver) shall be secured by this Mortgage. Notwithstanding the appointment of any receiver, trustee or other custodian, the Agent shall be entitled, to retain possession and control of any cash or other instruments, at the time held by or payable or deliverable under the terms of the Mortgage to the Agent to the fullest extent permitted by law.

5.3 Waivers. No waiver of any Event of Default shall at any time thereafter be held to be a waiver of any rights of the Agent stated anywhere in the Notes, this Mortgage, the Credit Agreement or any of the other Credit Documents, nor shall any waiver of a prior Event of Default operate to waive any subsequent Event(s) of Default. All remedies provided in this Mortgage, in the Notes, in the Credit Agreement and in the other Credit Documents are cumulative and may, at the election of the Agent, be exercised alternatively, successively, or in any manner and are in addition to any other rights provided by law.

5.4 Agent in Possession. In addition to any provision herein authorizing the Agent to take or be placed in possession of the Premises, or for the appointment of a receiver, the Agent shall have the right, in accordance with Sections 5/15-1701 and 5/15-1702 of the Act, to be placed in possession of the Premises or at its request to have a receiver appointed, and such receiver, or the Agent, if and when placed in possession, shall have, in addition to any other

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powers provided in this Mortgage, all powers, immunities, and duties as provided for in Sections 5/15-1701 and 5/15-1703 of the Act.

5.5 Foreclosure as to Matured Debt. Upon the occurrence and during the continuance of an Event of Default, the Agent shall have the right to proceed with foreclosure (judicial or nonjudicial) in accordance with applicable law of the liens and security interests hereunder without declaring the entire secured indebtedness due, and in such event any such foreclosure sale may be made subject to the unmatured part of the secured indebtedness; and any such sale shall not in any manner affect the unmatured part of the secured indebtedness, but as to such unmatured part this Mortgage shall remain in full force and effect just as though no sale had been made. The proceeds of such sale shall be applied as provided in Section 9.3 hereof.

5.6 Delivery of Possession After Foreclosure. In the event there is a foreclosure sale hereunder and at the time of such sale, Grantor or Grantor's heirs, devisees, representatives, successors or assigns are occupying or using the Premises, or any part thereof, each and all immediately shall become the tenant of the purchaser at such sale, which tenancy shall be a tenancy from day to day, terminable at the will of either landlord or tenant, at a reasonable rental per day based upon the value of the property occupied, such rental to be due daily to the purchaser; and to the extent permitted by applicable law, the purchaser at such sale, notwithstanding any language herein apparently to the contrary, shall have the sole option to demand possession immediately following the sale or to permit the occupants to remain as tenants at will. In the event the tenant fails to surrender possession of said property upon demand, the purchaser shall be entitled to institute and maintain a summary action for possession of the property (such as an action for forcible detainer) in any court having jurisdiction.

5.7 Marshalling. Grantor hereby waives, in the event of foreclosure of this Mortgage or the enforcement by the Agent of any other rights and remedies hereunder, any right otherwise available in respect to marshalling of assets which secure the Loans and any other indebtedness secured hereby or to require the Agent to pursue its remedies against any other such assets whether now owned or hereafter acquired.

5.8 Authorization. Grantor hereby authorizes the filing of any financing statements or continuation statements, and amendments to financing statements, in any jurisdictions and with any filing offices as the Agent may determine, in its sole discretion, are necessary or advisable to perfect the security interest granted to the Agent in connection herewith. Such financing statements may describe the collateral in the same manner as described in this Mortgage or may contain an indication or description of collateral that describes such property in any other manner as the Agent may determine, in its sole discretion, is necessary, advisable or prudent to ensure the perfection of the security interest in the collateral granted to the Agent in connection herewith, including, without limitation, describing such property as "all assets" or "all personal property".

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ARTICLE VI

General Conditions

6.1 Terms. The singular used herein shall be deemed to include the plural; the masculine deemed to include the feminine and neuter; and the named parties deemed to include their heirs, successors and assigns. The term "Lender" shall include any payee of the indebtedness hereby secured or any transferee thereof whether by operation of law or otherwise.

6.2 Notices. All notices and other communications required to be given hereunder shall have been given and shall be effective if given in accordance with the terms of Section 11.2 of the Credit Agreement to the respective parties hereto at the address or telecopy numbers set forth below, or at such other address as such party may specify by written notice to the other parties hereto.

to Grantor:

Bagman Packaging, L.L.C.
c/o Packaging Dynamics Corporation
3900 West 43rd Street
Chicago, Illinois 60632
Attention: Henry Nowell
Fax: 773-254-8130

to the Agent:

Bank of America, N.A. (f/k/a NationsBank, N.A.)
101 North Tryon Street, 17th Floor
Charlotte, North Carolina 28255
Attention: Rick Hardison
Fax: 704-386-8268

6.3 Greater Estate. In the event that Grantor is the owner of a leasehold estate with respect to any portion of the Premises and, prior to the satisfaction of the indebtedness and the cancellation of this Mortgage of record, Grantor obtains a fee estate in such portion of the Premises, then, such fee estate shall automatically, and without further action of any kind on the part of Grantor, be and become subject to the security lien of this Mortgage.

6.4 Subrogation. If all or any part of the proceeds of the Loans or any other indebtedness secured hereby and made by the Agent to Grantor, or any amount paid out or advanced by the Agent, shall be used directly or indirectly to pay off, discharge or satisfy, in whole or in part, any prior or junior lien or encumbrance upon the Premises, or any part thereof, then all such amounts shall constitute part of the indebtedness secured hereby and the Agent shall be subrogated to such other lien or encumbrance and to any additional security held by the holder thereof and shall have the benefit of the priority of all of same.

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6.5 Imposition of Tax. If at any time after the date hereof there shall be assessed or imposed a license, fee, tax or assessment on the Grantor which is measured by or based in whole or in part upon the amount of the outstanding Credit Party Obligations (but not including any tax measured by or based upon net income), then the Grantor shall pay and discharge the same in accordance with Section 7.6 of the Credit Agreement, or if the Grantor shall not be permitted by law to pay and discharge such amounts, either directly or indirectly, the amount of such license, fee, tax or assessment shall be added to the Credit Party Obligations.

6.6 Invalidation of Provisions. Invalidation of any one or more of the provisions of this Mortgage shall in no way affect any of the other provisions hereof, which shall remain in full force and effect.

6.7 Headings. The captions and headings herein are inserted only as a matter of convenience and for reference and in no way define, limit, or describe the scope of this Mortgage nor the intent of any provision hereof.

6.8 Conflicting Terms. Except as otherwise provided herein, in the event the terms and conditions of this Mortgage conflict with the terms and conditions of the Credit Agreement, the terms and conditions of the Credit Agreement shall control and supersede the provisions of this Mortgage with respect to such conflicts, and with respect to any tangible personal property, the Security Agreement shall control.

6.9 Governing Law. This Mortgage shall be governed by and construed in accordance with the internal law of the State of New York as provided in Section 11.17 of the Credit Agreement; provided, however, that the provisions of this Mortgage relating to the creation, perfection and enforcement of the lien and security interest created by this Mortgage in respect of the Premises and the exercise of each remedy provided hereby, including the power of foreclosure or power of sale procedures set forth in this Mortgage, shall be governed by and construed in accordance with the internal law of the state where the Premises is located. In the event of a conflict between the laws of the State of New York and the internal law with respect to creation, perfection and enforcement of the lien and security interest created by this Mortgage, the laws of the state in which the Premises is located shall govern.

6.10 Application of the Foreclosure Law. If any provision in this Mortgage shall be inconsistent with any provision of the Act, the provisions of the Act shall take precedence over the provisions of this Mortgage, but shall not invalidate or render unenforceable any other provision of this Mortgage that can be construed in a manner consistent with the Act. If any provision of this Mortgage shall grant to the Agent any rights or remedies upon an Event of Default which are more limited than the right that otherwise would be vested in the Agent under the Act from time to time in the absence of said provision, the Agent shall be vested with the rights in the Act to the full extent permitted by law. If any provision of the Act which is specifically referred to herein may be repealed, the Agent shall have the benefit of such provision as most recently existing prior to such repeal, as though the same were incorporated herein by express reference.

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6.11 Protective Advances. All advances, disbursements and expenditures made by the Agent before and during a foreclosure, and before and after judgment of foreclosure, and at any time prior to sale, and, where applicable, after sale, and during the pendency of any related proceedings, for the following purposes, in addition to those otherwise authorized by this Mortgage or by the Act (collectively "Protective Advances"), shall have the benefit of all applicable provisions of the Act, including those provisions of the Act herein below referred to:

(i) all advances by the Agent in accordance with the terms of this Mortgage to: (1) preserve or maintain, repair, restore or rebuild the improvements upon the mortgaged real estate; (2) preserve the lien of this Mortgage or the priority thereof; or (3) enforce this Mortgage, as referred to in Subsection (b)(5) of Section 5/15-1302 of the Act;

(ii) payments by the Agent of: (1) when due installments of principal, interest or other obligations in accordance with the terms of any senior mortgage or other prior lien or encumbrance; (2) when due installments of real estate taxes and assessments, general and special and all other taxes and assessments of any kind or nature whatsoever which are assessed or imposed upon the Premises or any part thereof; (3) other obligations authorized by this Mortgage; or (4) with court approval, any other amounts in connection with other liens, encumbrances or interests reasonably necessary to preserve the status of title, as referred to in Section 5/15-1505 of the Act;

(iii) advances by the Agent in settlement or compromise of any claims asserted by claimants under any senior mortgages or any other prior liens;

(iv) attorneys' fees and other costs incurred: (1) in connection with the foreclosure of this Mortgage as referred to in Sections 1504 (d)(2) and 5/15-1510 of the Act; (2) in connection with any action, suit or proceeding brought by or against the Agent for the enforcement of the Mortgage or arising from the interest of the Agent hereunder; or (3) in the preparation for the commencement or defense of any such foreclosure or other action related to the Mortgage or the mortgaged real estate;

(v) the Agent's fees and costs, including attorneys' fees, arising between the entry of judgment of foreclosure and the confirmation hearing as referred to in Subsection (b)(1) of Section 5/15-1508 of the Act;

(vi) expenses deductible from proceeds of sale as referred to in subsections (a) and (b) of Section 5/15-1512 of the Act;

(vii) expenses incurred and expenditures made by the Agent for any one or more of the following: (1) premiums for casualty and liability insurance paid by the Agent whether or not the Agent or a receiver is in possession, if reasonably required, in reasonable amounts, and all renewals thereof, without regard to the limitation to maintaining of existing insurance in effect at the time any receiver or the Agent takes possession of the Premises imposed by Subsection (c)(1) of Section 5/15-1704 of the Act; (2) repair or restoration of damage or destruction in excess of available insurance

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proceeds or condemnation awards; (3) payments required or deemed by the Agent to be for the benefit of the Premises or required to be made by the owner of the mortgaged real estate under any grant or declaration of easement, easement agreement, agreement with any adjoining land owners or instruments creating covenants or restrictions for the benefit of or affecting the Premises.

All Protective Advances shall be so much additional amounts or obligations secured by the Mortgage, and shall become immediately due and payable without notice and with interest thereon from the date of the advance until paid at the rate due and payable after a default under the terms of the Loans.

This Mortgage shall be a lien for all Protective Advances as to subsequent purchasers and judgment creditors from the time this Mortgage is recorded pursuant to Subsection (b)(1) of Section 5/15-1302 of the Act.

All Protective Advances shall, except to the extent, if any, that any of the same is clearly contrary to or inconsistent with the provisions of the Act, apply to and be included in:

- (i) determination of the amount of obligations secured by this Mortgage at any time;
- (ii) the amount found due and owing to the Agent in the judgment of foreclosure and any subsequent supplemental judgments, orders, adjudications or findings by the court of any additional amount becoming due after such entry of judgment, it being agreed that in any foreclosure judgment, the court may reserve jurisdiction for such purpose;
- (iii) if right of redemption has not been waived by Grantor in this Mortgage, computation of amount required to redeem, pursuant to Subsections (d)(2) and (e) of Section 5/15-1603 of the Act;
- (iv) determination of amount deductible from sale proceeds pursuant to Section 5/15-1512 of the Act;
- (v) application of income in the hands of any receiver or mortgagee in possession; and
- (vi) computation of any deficiency judgment pursuant to Subsections (b)(2) and (e) of Sections 5/15-1508 and Section 5/15-1511 of the Act.

6.12 Future Advances. The Agent has bound itself and does hereby bind itself to make advances pursuant to and subject to the terms of the Credit Documents and the parties hereby acknowledge and intend that all such advances, including future advances whenever hereafter made, shall be a lien from the time this Mortgage is recorded as provided in Section 5/15-1302 (b)(1) of the Act.

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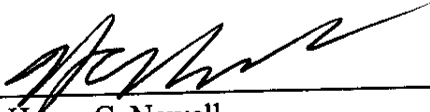
6.13 Waiver of Redemption. Grantor acknowledges that the Premises does not constitute agricultural real estate, as said term is defined in Section 5/15-1201 of the Act or residential real estate as defined in Section 5/15-1219 of the Act. Pursuant to Section 5/15-1601(b) of the Act, Grantor hereby waives any and all right to redemption.

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IN WITNESS WHEREOF, Grantor has executed this Mortgage under seal as of the above written date.

BAGCRAFT PACKAGING, L.L.C.
a Delaware limited liability company

By: 
Name: Henry C. Newell
Title: Chief Financial Officer and Secretary

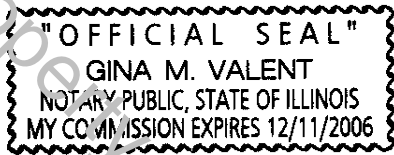
Property of Cook County Clerk's Office

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STATE OF ILLINOIS

COUNTY OF COOK

The foregoing instrument was acknowledged before me this 21st day of September, 2003 by Henry C. Newell, the Chief Financial Officer and Secretary of Bagcraft Packaging, L.L.C., a Delaware limited liability company, on behalf of the company.



Gina M. Valent
Notary Public

My Commission Expires:

12/11/2006

Property of Cook County Clerk's Office

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EXHIBIT A

Legal Description

Parcel 1:

An irregular shaped parcel of land in the west 1/2 of the northwest 1/4 of Section 2, township 38 north, range 13, east of the third principal meridian, described as follows:

Beginning at the intersection of the north line of private west 43rd Street (a private street) said north line of private west 43rd Street being 33.0 feet north of and parallel to the south line of the west 1/2 of the northwest 1/4 of said Section 2, and a line 299.07 feet (measured parallel to aforesaid south line of the west 1/2 of the northwest 1/4 of Section 2) west of and parallel to the east line of said west 1/2 of the northwest 1/4 of Section 2, said last described parallel line being the easterly boundary line of the premises conveyed by the First National Bank of Chicago, to the then trustees of the central manufacturing district by deed dated April 9, 1957 and recorded in the recorder's office of Cook County, Illinois on May 27, 1957 in book 54908, at page 226 as document 16915322; thence north along the last described parallel line, 308.29 feet to a point; said point being also the northeast corner of the said premises as conveyed by deed dated April 9, 1957 as aforementioned; thence northeasterly along a curve convex to the southeast, having a radius of 295.12 feet, an arc distance of 229.84 feet, more or less, to its intersection with a line 519.27 feet, by rectangular measurement, north of and parallel to said south line of the west 1/2 of the northwest 1/4 of Section 2, said point of intersection being 160.16 feet (measured parallel to aforesaid south line of the west 1/2 of the northwest 1/4 of Section 2), west of said east line of the west 1/2 of the northwest 1/4 of Section 2; thence east along the last described parallel line to a point 158.0 feet, by rectangular measurement, west of and parallel to said east line of the west 1/2 of the northwest 1/4 of Section 2; thence southeasterly along a curved line convex to the southwest, having a radius of 584.21 feet, an arc distance of 209.93 feet, more or less, to a point which is 314.32 feet, by rectangular measurement, north of said south line of the west 1/2 of the northwest 1/4 of Section 2 and 120.7 feet west of the east line of said west 1/2 of the northwest 1/4 of Section 2, measured along a line parallel to the south line thereof; thence southeasterly on a straight line to a point which is 212.9 feet, by rectangular measurement, north of the said south line of the west 1/2 of the northwest 1/4 of Section 2, and 82.41 feet west of the east line of said west 1/2 of the northwest 1/4 of Section 2, measured along a line parallel to the south line thereof; thence southeasterly on a curve convex to the northeast, having a radius of 562.19 feet, an arc distance of 19.0 feet, more or less to a point which is 195.08 feet, by rectangular measurement, north of the south line of the west 1/2 of the northwest 1/4 of Section 2 and 76.02 feet west of the east line of said west 1/2 of the northwest 1/4 of Section 2, measured along a line parallel with the south line thereof; thence southerly on a curve convex to the east, having a radius of 317.63 feet, an arc distance of 127.55 feet, more or less, to a point which is 69.58 feet, by rectangular measurement, north of said south line of the west 1/2 of the northwest 1/4 of Section 2, and 60.26 feet west of the east line of said west 1/2 of the northwest 1/4 of Section 2, measured along a line parallel with the south line thereof; thence southerly along a straight line to a point in the north line of west 43rd Street, aforementioned, said point being 63.05 feet west of the east line of said west 1/2 of the northwest 1/4 of Section 2, measured along a line parallel

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with the south line thereof; thence west along said north line of west 43rd Street, a distance of 236.01 feet to the point of beginning, in Cook County, Illinois.

Also

Parcel 2:

That part of the west 1/2 of the northwest 1/4 of Section 2, township 38 north, range 13, east of the third principal meridian, described as follows:

Beginning at the intersection of the north line of west 43rd Street (a private Street), said north line of west 43rd Street being 33.0 feet north of and parallel to the south line of west 1/2 of the northwest 1/4 of said Section 2, and a line 299.07 feet (measured parallel to aforesaid south line of the west 1/2 of the northwest 1/4 of Section 2) west of and parallel to the east line of said west 1/2 of the northwest 1/4 of Section 2, said last described parallel line being the easterly boundary line of the premises conveyed by the First National Bank of Chicago, to the then trustees of the central manufacturing district by deed dated April 9, 1957 and recorded in the recorder's office of Cook County, Illinois, on May 27, 1957 in book 54908, at page 226 as document 16915322; thence north along the last described parallel line, 182.0 feet; thence west along a line parallel to the north line of aforesaid west 43rd Street, 57.75 feet to an existing brick wall of a one story brick building; thence southerly along the said brick wall and its southerly extension, 182.0 feet to the north line of said west 43rd Street; thence east along said north line of west 43rd Street 60.05 feet to the point of beginning, in Cook County, Illinois.

Also

Parcel 3:

That part lying west of a straight line parallel to and 299.07 feet (measured parallel to the south line of the west 1/2 of the northwest 1/4 of Section 2, west of the east line of the west 1/2 of the northwest 1/4 of Section 2, of the following described premises:

An irregular shaped parcel of land in the west 1/2 of Section 2, township 38 north, range 13, east of the third principal meridian, described as follows:

Beginning at the intersection of the north line of private west 43rd Street (a private street), said north line of private west 43rd Street being 33 feet north of and parallel to the south line of the west 1/2 of the northwest 1/4 of said Section 2, and a line 784.07 feet, (measured parallel to aforesaid south line of the west 1/2 of the northwest 1/4 of Section 2, west of and parallel to the east line of said west 1/2 of the northwest 1/4 of Section 2; said last described parallel line being the easterly boundary line of the premises conveyed by the First National Bank of Chicago, to the then trustees of central manufacturing district by deed dated July 18, 1951 and recorded in the recorder's office of Cook County, Illinois on July 26, 1951 in book 47027, at page 156 as document 15132507; thence north along the last described parallel line 248.02 feet to a point; thence northeasterly on a straight line 131.28 feet, more or less, to its intersection with a line 301 feet, by rectangular measurement, north of and parallel to said south line of the west 1/2 of the

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northwest 1/4 of Section 2, said point of intersection being 654.07 feet (measured parallel to aforesaid south line of the west 1/2 of the northwest 1/4 of Section 2, west of said east line of the west 1/2 of the northwest 1/4 of Section 2; thence east along the last described line to a point of curve; said point of curve being 447.89 feet (measured parallel to aforesaid south line of the west 1/2 of the northwest 1/4 of Section 2) west of the south east line of the west 1/2 of the northwest 1/4 of Section 2; thence northeasterly along a curve, convex to the southeast, having a radius of 295.12 feet, an arc distance of 385.82 feet, more or less, to its intersection with a line 519.27 feet, by rectangular measurement, north of and parallel to said south line of the west 1/2 of the northwest 1/4 of Section 2, said point of intersection being 160.16 feet (measured parallel to aforesaid south line of the west 1/2 of the northwest 1/4 of Section 2 west of the said east line of the west 1/2 of the northwest 1/4 of Section 2; thence east along the last described parallel line to its intersection with a line 158 feet, by rectangular measurement, west of and parallel to the said east line of the west 1/2 of the northwest 1/4 of Section 2, said last described parallel line being the easterly boundary line of the premises conveyed by the Chicago River and Indiana Railroad Company, to the First National Bank of Chicago by deed dated May 23, 1951 and recorded in the recorder's office of Cook County, Illinois on June 7, 1951 in book 46794, at page 526 as document 15094225; thence north along the last described parallel line to the said north line of private west 43rd Street; thence west along said north line of private West 43rd Street to the point of beginning, in Cook County, Illinois; excepting therefrom that part thereof described above as parcel 2, all in Cook County, Illinois.

PIN Numbers:

19-02-100-013-0000

19-02-100-027-0000

19-02-100-028-0000

19-02-100-031-0000

3900 West 43rd Street, Chicago, Illinois
(fee)

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