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\$212,000

Re: Cook County

87003359

45.00

MORTGAGE AND SECURITY AGREEMENT

from

PET-AG, INC.,

Mortgagor

to

CITICORP INDUSTRIAL CREDIT, INC.,

Mortgagee

Dated as of December 29, 1986

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FILED FOR RECORD

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Drafted by and when recorded return to:

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200 Park Avenue
New York, New York 10166
Att'n: Joy V. Jones, Esq.

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Box 15

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MORTGAGE AND SECURITY AGREEMENT

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Exhibits

- Exhibit A Legal Description
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MORTGAGE AND SECURITY AGREEMENT

THIS MORTGAGE AND SECURITY AGREEMENT (this "Mortgage") dated as of the 29th day of December, 1986, from PET-AG, INC., a Delaware corporation ("Mortgagor") having an address of R.R. 1, Box 127, 30 West 432 Route 20, Elgin, Illinois 60120, to CITICORP INDUSTRIAL CREDIT, INC., a Delaware corporation ("Mortgagee") having an office at 450 Mamaroneck Avenue, Harrison, New York 10528.

W I T N E S S E T H:

WHEREAS Mortgagee and Mortgagor have executed that certain Loan and Security Agreement of even date herewith (the "Loan Agreement") pursuant to which Mortgagee has provided certain financial accommodations to Mortgagor, including a term loan in the original principal amount of \$212,000 (the "Loan"), as evidenced by a promissory note of even date herewith from Mortgagor to Mortgagee in such original principal amount providing for interest at the rate set forth in the Loan Agreement, and a maturity date of December 29, 1989 (the "Note"); and

WHEREAS, pursuant to the Loan Agreement Mortgagor has agreed to execute and deliver this Mortgage to Mortgagee to secure, inter alia, performance of its present and future obligations to Mortgagee under the Note and this Mortgage, and Mortgagee has agreed to accept, inter alia, as security for the payment thereof a first lien upon certain real property owned by Mortgagor:

NOW, THEREFORE, in consideration of the premises and of the indebtedness herein recited and for the purpose of securing all of Mortgagor's obligations under the Note and this Mortgage, Mortgagor hereby agrees as follows:

TO SECURE:

(a) the repayment of all of Mortgagor's obligations under the Note and this Mortgage, including without limitation the repayment of all principal and payment of all interest, prepayment premiums, if any, other amounts evidenced by the Note, the terms of which are hereby made a part of this Mortgage, and all other sums due or to become due under the Note, and any renewals or extensions thereof,

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and the payment of all sums payable under this Mortgage (the foregoing together with all other amounts secured hereby as otherwise set forth herein being hereinafter collectively referred to as the "Indebtedness")

(b) the performance and observance of all covenants, agreements, conditions, obligations or liabilities of Mortgagor under or pursuant to this Mortgage,

Mortgagor hereby bargains, sells, warrants, conveys, grants, assigns, mortgages, transfers and sets over unto Mortgagee, its successors and assigns, with mortgage covenants and with power of sale, and grants to Mortgagee, its successors and assigns a security interest in the following described property (collectively the "Mortgaged Property"):

(a) that certain real property situate in the State of Illinois, City of Elgin, County of Cook and more particularly described in Exhibit A attached hereto and made a part hereof (the "Land") and all buildings, structures and other improvements now or hereafter erected on the Land (the "Improvements") (the Land and the Improvements are hereinafter collectively referred to as the "Real Estate"), together with the right, title and interest of Mortgagor, now owned or hereinafter acquired, in and to the streets, the land lying in the bed of any streets, roads or avenues, opened or proposed, in front of, adjoining or abutting the Real Estate to the center line thereof and strips and gores within or adjoining the Real Estate, the air space and the right to use such air space above the Real Estate, all rights of way, privileges, liberties, now or hereafter affecting the Real Estate, all royalties and all rights appertaining to the use and enjoyment of the Real Estate, including, without limitation, all alley, vault, drainage, mineral, water, oil and gas rights;

(b) all machinery, apparatus, furniture, furnishings, fittings, fixtures (whether actually or constructively attached and including all trade fixtures), consumable supplies, inventory and other articles of personal property of every kind and nature whatsoever, and all appurtenances and additions thereto and substitutions or replacements thereof, now or hereafter attached to, or intended to be attached to (though not attached thereto) the Real Estate, or used in connection with any present or future operation of the Real Estate or placed on any part thereof (collectively the "Fixtures and Equipment"); it being understood and agreed that all Fixtures and Equipment are

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appropriated to the use of the Real Estate and, whether affixed or annexed or not, for the purposes of this Mortgage shall be deemed conclusively to be Real Estate and mortgaged hereby; and Mortgagor hereby agrees to execute and deliver, from time to time, such further instruments (including security agreements), as may be requested by Mortgagee to confirm the lien of this Mortgage on the Fixtures and Equipment;

(c) all the tenements, hereditaments, appurtenances, easements, repairman rights, permits, rights of way, licenses, agreements and privileges belonging or in anywise pertaining to the Real Estate, and the reversions, remainders, rents, issues, profits and revenue thereof; and also all the estate, right, title, interest, claim and demand whatsoever, both in law and at equity, of Mortgagor in and to the Real Estate and of, in and to every part thereof, with the appurtenances, at any time belonging or in anywise appertaining thereto;

(d) all rents, income, receipts, revenue, fees, issues and profits of and from all present and future leases or subleases of and licence, use and occupancy agreements for all or part of the Real Estate by Mortgagor;

(e) all unearned premiums, accrued, accruing or to accrue, under insurance policies now or hereafter obtained by Mortgagor and Mortgagor's interest in and to all proceeds of the conversion and the interest payable thereon, voluntary or involuntary, of the Mortgaged Property, or any part thereof, into cash or liquidated claims, including, without limiting the generality of the foregoing, proceeds of casualty insurance, title insurance or any other insurance maintained on or with respect to the Real Estate and the Fixtures and Equipment, and the right to collect and receive the same in accordance with the provisions of this Mortgage, and all awards and/or other compensation including the interest payable thereon and the right to collect and receive the same in accordance with the provisions of this Mortgage, (in the alternative and collectively, "Awards"), heretofore and hereafter made by the United States, the State of Illinois or any political subdivision thereof or any agency, department, bureau, board, commission, or instrumentality of any of them, now existing or hereafter created ("Governmental Authority") for the taking by eminent domain, condemnation or otherwise, of all or any part of the Real Estate and the Fixtures and Equipment or any easement or other right therein, including, without limiting the generality of the foregoing, Awards for any change or changes of grade or the widening of streets, roads or

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avenues affecting the Real Estate, to the extent of all amounts which may be secured by this Mortgage as of the date of receipt, notwithstanding the fact that the amount thereof may not then be due and payable, and to the extent of reasonable attorneys' fees, costs and disbursements, incurred by Mortgagee in connection with the collection of such Award. Mortgagor hereby assigns to Mortgagee, and Mortgagee is hereby authorized to collect and receive such Awards (subject to Mortgagor's right to be paid directly and apply certain Awards as expressly provided by this Mortgage), and to give proper receipts and acquittances therefor and, subject to the other provisions hereof, to apply the same toward the Indebtedness, notwithstanding the fact that the full amount thereof may not then be due and payable; Mortgagor hereby agrees, within ten (10) days of Mortgagee's demand therefor, to make, execute and deliver, from time to time, such further instruments as may be reasonably requested by Mortgagee to confirm such assignment of said Awards to Mortgagee, free and clear and discharged of any encumbrances of any kind or nature whatsoever;

(f) all right, title and interest of Mortgagor in and to all extensions, improvements, betterments, renewals, substitutes and replacements of, and all additions and appurtenances to, the Real Estate and the Fixtures and Equipment, hereafter acquired by or released to Mortgagor or constructed, assembled or placed by Mortgagor on the Real Estate, and all conversions of the security constituted thereby, immediately upon such acquisition, release, construction, assembling, placement or conversion, as the case may be, and in each such case, without any further mortgage, conveyance, assignment or other act by Mortgagor, shall become subject to the lien of this Mortgage as fully and completely, and with the same effect, as though now owned by Mortgagor and specifically described herein;

(g) all proceeds, both cash and noncash, of the foregoing which may be sold or otherwise be disposed of; and

(h) any and all monies now or hereafter on deposit with Mortgagee for the payment of real estate taxes or special assessments against the Real Estate or for the payment of premiums on policies of fire and other hazard insurance covering the Mortgaged Property.

TO HAVE AND TO HOLD the Mortgaged Property and the estate, rights, privileges and appurtenances hereby granted, bargained, sold, conveyed, warranted, pledged and assigned, and

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in which a security interest is granted or intended to be, unto Mortgagee, its successors and assigns, forever, for the uses and purposes herein set forth.

Mortgagor represents, warrants, covenants and agrees as follows:

1. Warranty of Title. Mortgagor represents and warrants to Mortgagee (i) that, it is lawfully seized and possessed of a valid, indefeasible and marketable fee simple estate in the Real Estate free and clear of all liens and encumbrances whatsoever other than any prior liens permitted under the Loan Agreement as set forth in Exhibit B attached hereto and made a part hereof (the "Permitted Encumbrances") and (ii) that it has the right, power and lawful authority in law and at equity to convey, encumber and mortgage such fee simple estate to Mortgagee for the uses and purposes set forth in this Mortgage. Mortgagor shall warrant and defend the title to such fee simple estate against the claims of all persons whomsoever, subject only to Permitted Encumbrances. Mortgagor represents and warrants that Mortgagor has no knowledge of any liens on the Mortgaged Property that are of equal or superior priority with the lien of this Mortgage, subject only to Permitted Encumbrances. Mortgagor covenants (i) to preserve, at its sole expense, such title to its fee simple estate in the Real Estate and the validity and priority of the lien of this Mortgage and shall forever warrant and defend the same to Mortgagee against the claims of all and every person or persons, corporation or corporations and parties whomsoever claiming the same or any part thereof, and (ii) to make, execute, acknowledge and deliver all such further or other deeds, documents, instruments or assurances, and cause to be done all such further acts and things as may at any time hereafter be reasonably desired or required by Mortgagee to fully protect the lien of this Mortgage.

2. Payment of Indebtedness. Mortgagor shall duly and punctually pay the indebtedness in accordance with the provisions of the Note, this Mortgage and the Loan Agreement and shall perform and observe all the conditions, covenants and obligations on the part of Mortgagor to be performed or observed hereunder or thereunder.

3. Care and Use of the Mortgaged Property.

(a) Mortgagor shall:

(1) not abandon the Real Estate or the Fixtures and Equipment;

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(ii) maintain, or cause to be maintained, the Real Estate and the abutting grounds, sidewalks, roads, parking and landscape areas in good repair, order and condition;

(iii) promptly make all necessary or appropriate repairs, renewals, replacements and additions to the Real Estate and the Fixtures and Equipment;

(iv) not commit or suffer any waste, impairment or deterioration of the Mortgaged Property or any part thereof, ordinary wear and tear excepted;

(v) promptly complete and in a good and worklike manner, free and clear of all liens other than Permitted Encumbrances, any new improvements constructed on the Land;

(vi) refrain from materially impairing or diminishing the value or integrity of the Mortgaged Property or the security value of this Mortgage;

(vii) not remove, demolish or in any material respect alter any of the Improvements, Fixtures or Equipment (except that Mortgagor may remove or demolish Fixtures or Equipment in the ordinary course of business provided that such Fixtures or Equipment are promptly replaced with similar Fixtures or Equipment of at least equal quality as that removed or demolished, unless Fixtures or Equipment of the type removed or demolished are no longer required for the conduct of Mortgagor's business);

(viii) not make, install or permit to be made or installed, any material alterations or additions thereto if doing so will materially impair the value of the Mortgaged Property;

(ix) not make, suffer or permit any nuisance to exist on any of the Mortgaged Property; and

(x) not commit, suffer or permit any act to be done in or upon the Mortgaged Property in violation of any law, ordinance or regulation.

(b) Mortgagee (by any of its officers, employees and/or agents) shall have the right, at all reasonable times and upon reasonable notice, to enter upon and inspect the Mortgaged Property (including all books and records of Mortgagor located thereat). If an Event of Default shall have occurred or in the event of an emergency, Mortgagee,

its officers, employees or agents may (without being obligated to do so) enter or cause entry to be made upon the Real Estate and repair and/or maintain the same as Mortgagee may reasonably deem necessary or advisable, and may (without being obligated to do so) make such expenditures and outlays of money as Mortgagee may deem reasonably appropriate for the preservation of the Mortgaged Property. All expenditures and outlays of money made by Mortgagee pursuant hereto shall be secured hereby and shall be payable on demand together with interest at the rate then applicable with respect to the Loan (the "Applicable Rate") from the date of demand for payment thereof until paid.

4. Compliance. Mortgagor, at Mortgagor's sole cost and expense, shall promptly and faithfully comply with, or cause to be complied with, and conform to, in all material respects, all present and future laws, statutes, codes, ordinances, orders, judgments, decrees, injunctions, rules, regulations and requirements pertaining to the Mortgaged Property, including, without limitation, any applicable environmental protection, zoning, building, architectural barriers to the handicapped, fire safety and parking laws, ordinances, rules or regulations, together with all applicable regulations of every Board of Fire Underwriters having jurisdiction over the Real Estate, and all covenants, restrictions and conditions now or hereafter of record, which may be applicable to any part of the Mortgaged Property, or to the use, occupancy, possession, operation, maintenance, alteration, repair or reconstruction of any part of the Mortgaged Property (collectively the "Mortgagor's Requirements"). Mortgagor shall have the right, at Mortgagor's sole cost and expense, to contest or object to the validity of any Requirement by appropriate legal proceedings, but such right shall not be deemed or construed in any way as relieving, modifying or extending Mortgagor's covenant to comply therewith as provided in this Article 4 unless Mortgagor has given prior written notice to Mortgagee of Mortgagor's intent to so contest or object to any Requirement and unless (i) the legal proceedings shall operate conclusively to prevent the sale or forfeiture of the Mortgaged Property, or any part thereof, for failure to comply with any such Requirement prior to final determination of such proceedings, and (ii) if during such contest a lien or cloud of title shall exist with respect to any of the Mortgaged Property, or any part thereof, for failure to comply with Mortgagor's Requirements prior to final determination of such proceedings, Mortgagor shall provide Mortgagee with good and sufficient bond or other security reasonably satisfactory to Mortgagee in an amount equal to the aforesaid lien or cloud on title, or if the amount thereof is

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uncertain, in an amount reasonably satisfactory to Mortgagee, and (iii) Mortgagee shall not be subject either to civil or criminal liability for any failure by Mortgagor to comply with such Requirements during the pendency of such contest.

5. Payment of Impositions.

(a) Mortgagor shall pay and discharge, or cause to be paid and discharged, when and as the same shall become due, all taxes of every kind and nature, including without limitation all real estate and personal property, income, franchise, withholding, profits and gross receipts taxes, and other fees, assessments, charges, liens or encumbrances, including, without limitation, water and sewer rents and charges and all other governmental or non-governmental charges, general and special, ordinary and extraordinary, foreseen and unforeseen, of any kind or nature whatsoever, which at any time prior to or after the execution of this Mortgage may be assessed, levied or imposed upon all or part of the Mortgaged Property, or any use or occupancy thereof, and other taxes, assessments, fees and governmental or non-governmental charges levied, imposed or assessed upon or against Mortgagor or any of the Mortgaged Property, together with any interest or penalties on any of the foregoing (collectively, the "Impositions"). Mortgagor shall have the right, at Mortgagor's sole cost and expense, to contest or object to the amount or validity of any such Imposition by appropriate legal proceedings, but such right shall not be deemed or construed in any way as relieving, modifying or extending Mortgagor's covenant to pay any such Imposition at the time and in the manner provided in this Article 5, unless Mortgagor has given prior written notice to Mortgagee of Mortgagor's intent to so contest or object to an Imposition, and unless (i) the legal proceedings shall operate conclusively to prevent the sale or forfeiture of the Mortgaged Property, or any part thereof, for failure to satisfy such Impositions prior to final determination of such proceedings; and (ii) Mortgagor shall furnish a good and sufficient bond or surety or other security reasonably satisfactory to Mortgagee in the amount of the Impositions which are being contested plus any interest and penalty which may be imposed thereon and which could become a lien against the Real Estate or any part of the Mortgaged Property. Subject to the foregoing, Mortgagor shall deliver to Mortgagee, not later than ten (10) days after the due date thereof, evidence of the timely payment of all such Impositions.

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(b) Mortgagee shall have the right after demand to Mortgageor, to pay any Imposition on or after the last date payment of such Imposition may be made without imposition of interest or a penalty (subject to Mortgageor's right to contest such Imposition as hereinbefore provided), and to add to the Indebtedness the amount so paid, together with all reasonable attorneys' fees, court costs and expenses relating thereto, and together with interest thereon from the date of such payment at the Applicable Rate and nothing herein contained shall affect such right and such remedy. Any sums paid by Mortgagee in discharge of any Impositions shall be secured by this Mortgage and shall be payable on demand.

(c) Mortgageor shall not claim, demand or be entitled to receive any credit or credits towards the satisfaction of this Mortgage or on any interest payable thereon for any taxes assessed against the Mortgaged Property or any part thereof, and shall not claim any deduction from the taxable value of the Mortgaged Property by reason of this Mortgage.

(d) If an Event of Default shall have occurred and be continuing, Mortgageor upon Mortgagee's request shall pay to Mortgagee an amount equal to one-twelfth of the annual Impositions reasonably estimated by Mortgagee so that Mortgagee shall have sufficient funds to pay the Impositions on the first day of the month preceding the month in which they become due. In such event Mortgageor further agrees to cause all bills, statements or other documents relating to Impositions to be sent or mailed directly to Mortgagee. Upon receipt of such bills, statements or other documents, and provided Mortgageor has deposited sufficient funds with Mortgagee pursuant to this Article 5, Mortgagee shall pay such amounts as may be due thereunder out of the funds so deposited with Mortgagee. If at any time and for any reason the funds deposited with Mortgagee are or will be insufficient to pay such amounts as may then or subsequently be due, Mortgagee shall notify Mortgageor and Mortgageor shall immediately deposit an amount equal to such deficiency with Mortgagee. Notwithstanding the foregoing, nothing contained herein shall cause Mortgagee to be obligated to pay any amounts in excess of the amount of funds deposited with Mortgagee pursuant to this Article 5. Mortgagee may commingle such funds with its own funds, and Mortgageor shall be entitled to no interest thereon. Should Mortgageor fail to deposit with Mortgagee sums sufficient to pay such Impositions in full at least thirty (30) days before the due date thereof, Mortgagee may, at Mortgagee's election, but

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without any obligation so to do, advance any amounts required to make up the deficiency, which advances, if any, with interest at the Applicable Rate shall be secured hereby and shall be repayable to Mortgagee as herein elsewhere provided.

6. Insurance.

(a) Mortgagor shall, (i) keep the Improvements and inventory upon the Real Estate (A) insured, to their full replacement value, against loss or damage by fire, lightning, windstorm, tornado, vandalism, malicious mischief, explosion, smoke and by such other and further and additional risks and hazards as now are or hereafter may be covered by extended coverage and "all risk" endorsements, (B) insured against loss or damage by risks commonly insured against by persons occupying or using like properties in the locality in which the Real Estate is situate, and (C) insured by a policy of boiler and machinery insurance covering pressure vessels, air tanks, boilers, machinery, pressure piping, heating, air conditioning and elevator equipment, provided that the Improvements contain equipment of such nature, and insurance against loss of occupancy or use arising from the breakdown of such machinery, (ii) keep the Fixtures and Equipment insured against loss or damage by fire, lightning, vandalism, windstorm, tornado, malicious mischief and by such other further and additional risks as now or hereafter may be covered by extended coverage and "all risk" endorsements, (iii) obtain and maintain (A) comprehensive public liability insurance on an occurrence basis (to the extent available) against claims for personal injury including without limitation bodily injury, death or property damage occurring on, in or about the Mortgaged Property and the adjoining streets, sidewalks and passageways, such insurance to afford immediate minimum protection to a limit of not less than five hundred thousand dollars (\$500,000) combined single limit for personal injury or death to one or more persons or damage to property, and (B) worker's compensation insurance (including employer's liability insurance) for all employees of Mortgagor engaged on or with respect to the Mortgaged Property in such amounts as are required to be maintained by law or if no amounts are established by law, then in such amounts as are reasonably satisfactory to Mortgagee, (iv) to the extent the Land lies within an area identified by the Secretary of Housing and Urban Development as an area having special flood hazards, keep the Real Estate insured under a policy of flood insurance in an amount at least equal to the maximum limit of coverage available under the National Flood Insurance Act

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of 1968, as amended, unless such coverage becomes no longer available either with respect to properties of this type or at commercially reasonable premium rates, and (v) obtain and maintain such other insurance as is required under the Loan Agreement, or is customarily obtained and maintained by prudent owners or operators of similar properties and businesses in the locality in which the Real Estate is situate.

Each insurance policy (other than any flood insurance written under the National Flood Insurance Act of 1968, as amended, in which case to the extent available) shall (i) be noncancellable (which term shall include any material alteration or a reduction in the scope or limits of coverage) without at least thirty (30) days' prior written notice to Mortgagee, (ii) except in the case of worker's compensation and comprehensive general liability insurance, be endorsed to name Mortgagee with loss payable to Mortgagee, without contribution, under a standard mortgagee clause and in the case of comprehensive public liability insurance be endorsed to name Mortgagee as an additional named insured, (iii) be in form and amount satisfactory to Mortgagee, unless otherwise specified herein, and (iv) be written by insurance companies or associations which have a Best's insurance rating of A or better and are qualified to do business in New York and Illinois. If said insurance or any part thereof shall expire, be withdrawn, become void by breach of any condition thereof by Mortgagor or otherwise, or become void or unsafe by reason of the failure or impairment of the capital of any insurer, or if for any other reason whatsoever said insurance shall become unsatisfactory to Mortgagee in its reasonable judgment, Mortgagor shall immediately obtain new or additional insurance complying with the requirements of this Mortgage. Mortgagor shall not take out any separate or additional insurance which is contributing in the event of loss unless it is properly compatible with all other insurance carried by Mortgagor.

(b) Mortgagor shall (i) pay as they become due all premiums for such insurance, and (ii) not later than thirty (30) days prior to the expiration of each policy to be furnished pursuant to the provisions of this Article 6, deliver a valid replacement policy or a certificate of insurance evidencing a renewed policy marked "premium paid", or accompanied by such other evidence of payment satisfactory to Mortgagee with standard noncontributory mortgage clauses in favor of and acceptable to Mortgagee. Such replacement policy or certificate of insurance shall be

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accompanied by a written statement of Mortgagor certifying that the insurance coverage evidenced thereby complies with the requirements of this Article 6.

(c) If Mortgagor shall be in default of its obligations to so insure or deliver any such prepaid replacement policy or certificate of insurance then Mortgagee, at Mortgagee's option and without prior notice, may effect such insurance from year to year, and pay the premium or premiums therefor, and, following notice from Mortgagee that such insurance has been effected and paid for, Mortgagor shall pay to Mortgagee such premium or premiums so paid by Mortgagee, together with reasonable attorneys' fees, court costs, expenses and other charges relating thereto, and together with interest from the time of payment at the Applicable Rate, on demand, and the same shall be deemed to be secured by this Mortgage.

(d) Mortgagor promptly shall comply with and conform to (i) all provisions of each such insurance policy, and (ii) all requirements of the insurers thereunder applicable to Mortgagor or to any of the Mortgaged Property or to the use, manner of use, occupancy, possession, operation, maintenance, alteration or repair of any of the Mortgaged Property. If Mortgagor shall use any of the Mortgaged Property in any manner which would cause the insurer to cancel any insurance policy, Mortgagor immediately shall obtain a substitute policy satisfactory to Mortgagee to be effective at or prior to the time of any such cancellation.

(e) If the Mortgaged Property or any portion thereof, shall be destroyed or damaged by fire or any other casualty, whether insured or uninsured, and regardless of any amount of proceeds of insurance which are available to Mortgagor, Mortgagor shall promptly thereafter commence and diligently pursue to completion the restoration, repair and replacement of the Mortgaged Property or any such portion. Notwithstanding anything contained in the preceding sentence to the contrary, Mortgagor's obligation to restore the Mortgaged Property shall be reduced to the extent that proceeds of insurance are received by Mortgagee and applied by Mortgagee toward payment or reduction of the Indebtedness. Mortgagor shall give immediate notice of any such destruction or damage to Mortgagee who may make proof of loss if not promptly made by Mortgagor, and each insurance company concerned is hereby authorized and directed to make payment for any loss in excess of \$50,000, directly to Mortgagee. In the case of any loss of \$50,000 or less, and provided no Event of Default has occurred,

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Mortgagor shall have the right to adjust such loss independently of Mortgagee and available insurance proceeds, less all costs and expenses of Mortgagee in collecting such proceeds, shall be paid directly to and applied by Mortgagor to the repair, restoration and replacement of the Mortgaged Property, which shall be performed in a good and workerlike manner, and shall be timely completed, free of all mechanics' and other liens which would be or might become superior to or of equal priority with the lien of this Mortgage. Mortgagee shall have the right, at its option, to participate in the adjustment of any loss in excess of \$50,000. The insurance proceeds received by Mortgagee may be applied by Mortgagee, in Mortgagee's sole discretion, either toward payment or reduction of the Indebtedness, together with any interest accrued thereon, or, may be made available to Mortgagor (after deducting therefrom amounts sufficient to reimburse Mortgagee for its costs and expenses in collecting such proceeds, and to pay any portion of the Indebtedness which has become due and remains unpaid) for the restoration and repair of the Mortgaged Property in the manner set forth in Article 7.

(f) Any transfer of the Mortgaged Property, by foreclosure or deed in lieu of foreclosure, shall transfer therewith all of Mortgagor's interest, including any unearned premiums, in all insurance policies then in force covering the Mortgaged Property.

(g) If an Event of Default shall have occurred and be continuing, Mortgagor, upon Mortgagee's request shall pay to Mortgagee an amount equal to one-twelfth of the estimated aggregate annual insurance premiums on all policies of insurance required by this Mortgage on a specified date each month. Upon Mortgagee's request, Mortgagor shall cause all bills, statements or other documents relating to the foregoing insurance premiums to be sent or mailed directly to Mortgagee. Upon receipt of such bills, statements or other documents, and provided Mortgagor has deposited sufficient funds with Mortgagee pursuant to this Article 6, Mortgagee shall pay such amounts as may be due thereunder out of the funds so deposited with Mortgagee. If at any time and for any reason the funds deposited with Mortgagee are or will be insufficient to pay such amounts as may then or subsequently become due, Mortgagee shall notify Mortgagor and Mortgagor shall immediately deposit an amount equal to such deficiency with Mortgagee. Notwithstanding the foregoing, nothing contained herein shall cause Mortgagee to be deemed a trustee of said funds or to be obligated to pay any amounts in excess of the amount of funds deposited with

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Mortgagee pursuant to this Article 6. Mortgagee may commingle such funds with its own funds and Mortgagor shall be entitled to no interest thereon. Mortgagee may impound or reserve for future payment of insurance premiums such portion of such payments as Mortgagee in its absolute discretion may deem proper. Should Mortgagor fail to deposit with Mortgagee sums sufficient to pay in full such insurance premiums at least thirty (30) days before delinquency thereof, Mortgagee may, at Mortgagee's election, but without any obligation so to do, advance any amounts required to make up the deficiency, which advances, if any, together with interest thereon at the Applicable Rate applicable from the date of advance thereof shall be secured hereby and shall be repayable to Mortgagee on demand. The failure of Mortgagor to pay any taxes or assessments assessed against the Mortgaged Property, shall constitute waste. Mortgagor further hereby consents to the appointment of a receiver should the Mortgagee seek such relief thereunder.

(h) Mortgagor shall not carry any additional insurance which shall have the effect of reducing the insurance coverage for the benefit of Mortgagee pursuant to the provisions of this Article 6 or of causing Mortgagee to become a co-insurer under insurance policies required of Mortgagor under this Article 6.

7. Restoration.

(a) Restoration of any of the Mortgaged Property pursuant to the provisions of Article 6 hereof, the cost of which exceeds \$50,000, shall be performed only in accordance with the following conditions:

(i) prior to the commencement of restoration, the contracts, contractors, architects, plans and specifications for the restoration shall have been approved by Mortgagee, and Mortgagee shall have the right to require, in its judgment reasonably exercised, an acceptable surety bond insuring satisfactory completion of the restoration;

(ii) at the time of any disbursement of the restoration funds, (A) no Event of Default shall then exist, (B) no mechanics' or materialperson's liens shall have been filed and remain undischarged, except those bonded while being contested and those discharged by the disbursement of the requested restoration funds

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and (C) a satisfactory continuation of title insurance on the Real Estate shall be delivered to Mortgagee;

(iii) disbursements shall be made monthly in an amount not exceeding the cost of the work completed since the last disbursement less the greater of (A) ten percent (10%) of such cost or (B) 100% of such cost less that portion of such cost which comprises the same percentage of such total cost as Mortgagee has determined the insurance proceeds represent with respect to the total cost of restoration, upon receipt of reasonably satisfactory evidence of full payment by Mortgagor for all work previously requisitioned, and the stage of completion and of performance of the work in a good and workerlike manner and in accordance with the contracts, plans and specifications;

(iv) Mortgagee shall, at all times, be satisfied that there remain adequate funds to complete the restoration;

(v) Mortgagee may impose such other reasonable conditions as are customarily imposed by construction lenders for borrowers having a similar financial position as then existing for Mortgagor, including the maintenance of any insurance coverage which Mortgagee shall deem appropriate; and

(vi) any restoration funds remaining after the application thereof in accordance with the provisions hereof shall be paid to Mortgagor.

(b) Mortgagor shall pay the cost of the restoration to the extent that it exceeds the amount of insurance proceeds or condemnation proceeds awarded. Mortgagor (i) shall evidence to Mortgagee an unencumbered source of funds to pay for such restoration, and (ii) agrees to use said funds to complete restoration of the Improvements. Any sum so added by Mortgagor which remains in the restoration fund upon completion of restoration shall be refunded to Mortgagor.

(c) The administration of the restoration procedures set forth in subsection (a) of this Article 7 shall be delegated by Mortgagee to and performed by an independent bonded consulting professional experienced in the administration of such procedures who shall be designated by Mortgagor and approved by Mortgagee. All reasonable fees, costs and expenses of such consulting professional shall be borne and timely paid by Mortgagor.

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8. Condemnation/Eminent Domain. Immediately upon obtaining knowledge of the institution of any proceedings for the condemnation of the Mortgaged Property, or any portion thereof, Mortgagor will notify Mortgagee of the pendency of such proceedings. Mortgagee may participate in any such proceedings, and Mortgagor shall from time to time deliver to Mortgagee all instruments requested by it to permit such participation. Mortgagor shall, at its expense, diligently prosecute any such proceeding and shall consult with Mortgagee, its attorneys and experts and cooperate with it in any defense of any such proceedings. All awards and proceeds of condemnation shall be assigned to Mortgagee, and may be applied, in Mortgagee's sole discretion, either toward payment or reduction of the Indebtedness, together with any interest accrued thereon, or may be made available to Mortgagor (after deducting therefrom amounts sufficient to reimburse Mortgagee for its costs and expenses in collecting such awards and proceeds, and to pay any portion of the Indebtedness which has become due and remains unpaid) for the restoration and repair of the Mortgaged Property in the manner set forth in Article 7 (except that any restoration funds remaining after the application thereof shall be retained by Mortgagee and applied to the reduction of the Indebtedness), and Mortgagor agrees to execute any such assignments of all such awards as Mortgagee may request. Notwithstanding anything contained herein to the contrary, and provided that no Event of Default has occurred, in the case of any partial taking of the Mortgaged Property resulting in a loss of \$50,000 or less, awards and proceeds of condemnation (less all costs and expenses of Mortgagee in collecting such proceeds) shall be paid over by Mortgagee to Mortgagor and applied by Mortgagor to the restoration and repair of the Mortgaged Property, which shall be performed in a good and workerlike manner, and shall be timely completed, free of all mechanics' and other liens which would be or might become superior to or of equal priority with the lien of this Mortgage.

9. Discharge of Liens, Utilities.

(a) Except for Permitted Encumbrances, Mortgagor shall not, without the prior written consent of Mortgagee, create, consent to or suffer the creation of any liens, charges or encumbrances (each, a "Prohibited Encumbrance") on any of the Mortgaged Property, whether or not such Prohibited Encumbrance is subordinate to this Mortgage, or fail to have any Prohibited Encumbrance which may be imposed without Mortgagor's consent discharged and satisfied of record within ten (10) days after it is imposed, except those liens bonded while being contested. Mortgagor shall pay when due all lawful claims and demands of mechanics, materialpersons,

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laborers and others which, if unpaid, might result in, or permit the creation of a Prohibited Encumbrance, except that Mortgagor shall have the right to contest such claims or demands, provided that Mortgagor shall furnish a good and sufficient bond, surety or other security as requested by and found satisfactory to Mortgagee.

(b) Mortgagor shall pay when due all utility charges which are incurred by it for gas, electricity, water or sewer services and all other assessments or charges of a similar nature, whether public or private and whether or not such taxes, assessments or charges are liens on the Mortgaged Property.

10. Books and Records. Mortgagor shall at all times keep and maintain records and books of account with respect to the Mortgaged Property in accordance with Generally Accepted Accounting Principles (as defined in the Loan Agreement). Mortgagor shall provide Mortgagee with copies of its annual financial statements and other financial information, in accordance with the provisions of Article 8 of the Loan Agreement.

11. Estoppel Certificates. From time to time, within ten (10) days after receipt of a written request by Mortgagee, Mortgagor shall furnish a written statement, signed and, if requested, acknowledged, certifying the amount then owing on the Indebtedness and whether or not any offsets or defenses are claimed to exist against the Indebtedness or any obligations (including the Obligations), and, at the request of Mortgagee, the then state of facts relevant to the condition of the Mortgaged Property.

12. Expenses. Mortgagor shall pay, together with any interest or penalties imposed in connection therewith, all expenses incident to the preparation, execution, acknowledgment, delivery and/or recording of this Mortgage, including all filing, registration or recording fees and all federal, state, county and municipal, internal revenue or other stamp taxes and other taxes, duties, imposts, assessments and charges now or hereafter required by the federal, state, county or municipal government.

13. Mortgagee's Costs and Expenses. Upon the occurrence of any Event of Default or the exercise by Mortgagee of any of Mortgagee's rights hereunder, or if any action or proceeding be commenced, to which action or proceeding Mortgagee is or becomes party or in which it becomes necessary to defend or uphold the lien of this Mortgage, or if the taking, holding

or servicing of this Mortgage by Mortgagee is alleged to subject Mortgagee to any civil fine, or if Mortgagee's review and approval of any document is requested by Mortgagor or required by Mortgagee, all reasonable costs, expenses and fees incurred by Mortgagee in connection therewith (including any civil fines and reasonable attorneys' fees and disbursements) shall, on notice and demand, be paid by Mortgagor, together with interest thereon at the Applicable Rate and shall be a lien on the Mortgaged Property and shall be secured by this Mortgage; and, in any action to foreclose this Mortgage, or to recover or collect the Indebtedness, the provisions of this Article 13 with respect to the recovery of costs, disbursements and allowances shall prevail unaffected by the provisions of any law with respect to the same to the extent that the provisions of this Article 13 are not inconsistent therewith or violative thereof.

14. Mortgagee's Right To Perform. If any Event of Default shall have occurred hereunder and be continuing, Mortgagee may (but shall be under no obligation to), at any time (without prior notice to Mortgagor), and without waiving or releasing any such default by Mortgagor, make such payment or perform such act for the account of and at the expense of Mortgagor, and shall have the right to enter upon the Mortgaged Property for such purpose to take all such action thereon as Mortgagee may deem necessary or appropriate for such purpose. All sums so paid by Mortgagee and all costs and expenses, including, without limitation, reasonable attorneys' fees, so incurred, together with interest thereon at the Applicable Rate, shall immediately be due from Mortgagor upon demand by Mortgagee and the same shall be secured by this Mortgage.

15. Further Assurances. At any time, and from time to time, upon request by Mortgagee, Mortgagor will make, execute and deliver or cause to be made, executed and delivered to Mortgagee, any and all other further instruments, certificates and other documents as may, in the reasonable opinion of Mortgagee, be necessary or desirable in order to effectuate, complete, reaffirm or perfect or to continue and preserve the obligation of Mortgagor under the Note and the lien of this Mortgage. Upon any failure by Mortgagor to comply with its obligations hereunder, Mortgagee may make, execute and record any and all such instruments, certificates and documents for and in the name of Mortgagor and Mortgagor irrevocably makes, constitutes and appoints Mortgagee (and all officers, employees or agents designated by Mortgagee) as Mortgagor's true and lawful attorney (and agent-in-fact) for such purpose.

16. Assignment of Leases and Rents. As of the date of this Mortgage, as security in addition to the property described

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in this Mortgage, Mortgagor hereby absolutely and unconditionally assigns to Mortgagee all of its right, title and interest in and to all written and oral leases and subleases, whether now in existence or which may hereafter come into existence during the term of this Mortgage, or any extension hereof, covering the Mortgaged Property, or any part thereof (but without an assumption by Mortgagee of liabilities of Mortgagor under any such leases by virtue of this assignment), and Mortgagor hereby absolutely and unconditionally assigns to Mortgagee the rents, royalties, issues, profits, revenues, income and other benefits of the Mortgaged Property arising from the use and enjoyment of all or any portion thereof or from any lease or agreement pertaining thereto (the "Rents and Profits") to be applied by Mortgagee in payment of the Indebtedness, and of all other sums payable under this Mortgage. If an Event of Default shall have occurred hereunder, Mortgagee may receive and collect the Rents and Profits personally or through a receiver so long as any such Event of Default shall exist and during pendency of any foreclosure proceedings and during any redemption period, and Mortgagor agrees to consent to a receiver if this is believed necessary or desirable by Mortgagee to enforce its rights under this Article 16. The collection of rent under any oral or written lease or sublease by Mortgagee shall in no way waive the right of Mortgagee to foreclose this Mortgage in the event of any Event of Default.

17. Events of Default. The occurrence of any one or more of the following events shall constitute an Event of Default by Mortgagor hereunder:

(i) if the Mortgaged Property or any part thereof is damaged or destroyed by any casualty, whether insured or uninsured, and Mortgagor does not diligently restore the damage caused by such casualty in accordance with the provisions of Articles 6 and 7 hereof; or

(ii) if Mortgagor sells, conveys, grants, assigns, transfers or sets over; or further mortgages, pledges or otherwise encumbers the Mortgaged Property or any part thereof or any interest therein whether superior or inferior to the lien of this Mortgage, whether recourse or nonrecourse; or

(iii) the occurrence of any "Event of Default" under the Loan Agreement.

18. Remedies. Upon the occurrence of any Event of Default hereunder, Mortgagee may declare the Indebtedness and

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all amounts owing under this Mortgage to be immediately due and payable without presentment, demand, protest or notice of any kind (except as may be required by law), and Mortgagee may take such action, without notice or demand, as it deems advisable to protect and enforce Mortgagee's rights against Mortgagor in and to the Mortgaged Property, including, but not limited to, the following actions:

(a) Either in person or by agent, with or without bringing any action or proceeding, or by a receiver appointed by a court and without regard to the adequacy of its security, enter upon and take possession of the Mortgaged Property, or any part thereof, and exclude Mortgagor, its agents, servants and employees wholly therefrom, and Mortgagee may do any acts which it deems necessary or desirable to preserve the value, marketability, condition or rentability of the Mortgaged Property, or part thereof or interest therein, increase the income therefrom or protect the security thereof and, with or without taking possession of the Mortgaged Property, sue for or otherwise collect the rents, issues, profits and other income thereof and therefrom, including those past due and unpaid, and apply the same, less costs and expenses of operations and collection including reasonable attorneys' fees and expenses, upon the Indebtedness secured hereby, all in such order as Mortgagee may determine. Without limiting the generality of the foregoing Mortgagee shall have the right to operate and manage the Real Estate and to carry on the business and exercise all rights and powers of Mortgagor, either in the name of Mortgagor, or otherwise, as Mortgagee shall deem advisable. The entering upon and taking possession of the Mortgaged Property, the collection of such rents, issues and profits and the application thereof as aforesaid, shall not cure or waive any default or notice of default hereunder or invalidate any act done in response to such default or pursuant to such notice of default and, notwithstanding the continuance in possession of the Mortgaged Property or the collection, receipt and application of rents, issues or profits, Mortgagee shall be entitled to exercise every right provided for in the Note, the Loan Agreement, this Mortgage or by law upon occurrence of any Event of Default, including the right to exercise the power of sale.

(b) Commence an action to foreclose this Mortgage as a lien, appoint a receiver or specifically enforce any of the covenants hereof.

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(c) Elect to foreclose by exercise of the Power of Sale contained herein.

19. Foreclosure by Power of Sale. Mortgagee may elect to cause the Mortgaged Property or any part thereof to be sold as follows:

(a) Mortgagee may proceed as if all of the Mortgaged Property were real property in accordance with subparagraph (d) below, or Mortgagee may elect to treat any of the Mortgaged Property which consists of a right in action or which is property that can be severed from the Land or the Improvements without causing structural damage thereto as if the same were personal property, and dispose of the same in accordance with subparagraph (c) below, separate and apart from the sale of real property.

(b) Mortgagee may cause any such sale or other disposition to be conducted immediately following the expiration of the grace period, if any, herein provided or Mortgagee may delay any such sale or other disposition for such period of time as Mortgagee deems to be in its best interest. Should Mortgagee desire that more than one (1) such sale or other disposition be conducted, Mortgagee may, at its option, cause the same to be conducted simultaneously, or successively, on the same day, or at such different days or times and in such order as Mortgagee may deem to be in its best interests.

(c) Should Mortgagee elect to cause any of the Mortgaged Property to be disposed of as personal property as permitted by subparagraph (a) above, it may dispose of any part thereof in any manner now or hereafter permitted by the the Uniform Commercial Code of Illinois, or in accordance with any other remedy provided by law. Any such disposition may be conducted by an employee or agent of Mortgagee. Mortgagee and Mortgagor shall be eligible to purchase any part or all of such property at any such disposition. Any such disposition may be either public or private as Mortgagee may so elect, subject to the provisions of the Uniform Commercial Code of Illinois. Expenses of retaking, holding, preparing for sale, selling or the like shall include Mortgagee's reasonable attorneys' fees and legal expenses, and upon such default, Mortgagor, upon demand of Mortgagee, shall assemble such personal property and make it available to Mortgagee. Mortgagee shall give Mortgagor at least ten (10) days' prior written notice of the time and place of any public sale or other disposition of such property or of the time at or after which any private sale

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or any other intended disposition is to be made, and if such notice is sent to Mortgagor in the manner provided herein for the mailing of notices, it shall constitute reasonable notice to Mortgagor.

(d) Should Mortgagee elect to foreclose under power of sale, it may expose to sale and sell the Mortgaged Property at public auction for cash (or cash equivalent), giving such notice and advertising the time and place of such sale in such manner as may then be provided by law, and upon such and any resales and upon compliance of the law then relating to foreclosure proceedings under power of sale to convey title to the purchaser in as full and ample manner as Mortgagee is empowered. Mortgagee shall be authorized to retain an attorney to represent it in such proceedings. Mortgagee may be and become the purchaser at any sale under this Mortgage.

The proceeds of the sale shall be disbursed as follows: First, to the payment of all expenses incident to said sale, including reasonable attorneys' fees for services performed and all the cost of sale, including but not limited to, cost of collection, taxes and assessment (unless the sale is made subject to taxes and assessments), costs of recording, service fees and incidental expenditures; Second, the payment of the Indebtedness and advancements and other sums expended by the Mortgagee according to the provisions hereof and otherwise as required by the then existing law relating to foreclosures; and Third, the balance, if any, to those so entitled, according to the applicable Illinois laws.

(e) In the event of a sale or other disposition of the Mortgaged Property, or any part thereof, and the execution of a deed or other conveyance pursuant thereto, the recitals therein of facts, such as default, the giving of notice of default and notice of sale, demand that such sale should be made, postponement of sale, terms of sale, sale, purchase, payment of purchase money and other facts affecting the regularity or validity of such sale or disposition, shall be conclusive proof of the truth of such facts; any such deed or conveyance shall be conclusive against all persons as to such facts recited therein.

(f) The acknowledgement of the receipt of the purchase money, contained in any deed or conveyance executed as aforesaid, shall be sufficient to discharge the grantee from all obligations to see to the proper application of the consideration therefor as hereinafter provided. The purchaser at any foreclosure sale hereunder may disaffirm

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any easement granted or rental or lease contract made in violation of any provision of this Mortgage, and may take immediate possession of the Mortgaged Property free from and despite the terms of, such grant of easement and rental or lease contract.

(g) Mortgagor hereby expressly waives any right which it may have to direct the order in which any of the Mortgaged Property shall be sold in the event of any sale or sales pursuant hereto.

20. Proceeds of Sale. The purchase money, proceeds or avails of any sale made pursuant to any security agreement contained in this Mortgage shall be distributed according to the applicable provisions of the Illinois Uniform Commercial Code.

21. Satisfaction and Cancellation. If Mortgagor shall pay the Indebtedness in full in accordance with its terms, then this conveyance shall be null and void, the Mortgage and the Note shall be marked "satisfied" by Mortgagee, and this Mortgage may be cancelled of record at the request and at the expense of Mortgagor.

22. Right of Mortgagee to Credit Sale. Upon any sale or sales made hereunder, whether made under the power of sale herein granted or under or by virtue of judicial proceedings or of a judgment or decree of foreclosure and sale, Mortgagee may bid for and acquire the Mortgaged Property or any part thereof and, in lieu of paying cash therefor, may make settlement for the purchase price by crediting upon the Indebtedness or other sums secured by this Mortgage the net sales price after deducting therefrom the expenses of sale and the cost of the action and any other sums which Mortgagee is authorized to deduct under this Mortgage, and, in such event, this Mortgage, the Note and documents evidencing expenditures secured hereby shall be presented to the person or persons conducting the sale in order that the amount so used or applied may be credited upon the Indebtedness as having been paid.

23. Appointment of Receiver. If an Event of Default shall have occurred and be continuing, Mortgagee as a matter of right and without notice to Mortgagor, and without regard to the then value of the Mortgaged Property or the interest of Mortgagor therein, shall have the right to apply to any court having jurisdiction to appoint a receiver or receivers of the Mortgaged Property, and Mortgagor hereby irrevocably consents to such appointment and waives notice of any application therefor (except as may be required by law). Any such receiver or receivers shall have all the usual powers and duties of

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receivers in like or similar cases and all the powers and duties of Mortgagee in case of entry as provided in Article 18(a) and shall continue as such and exercise all such powers until the date of confirmation of sale of the Mortgaged Property unless such receivership is sooner terminated.

24. Extension, Release, etc. Without affecting the lien or charge of this Mortgage upon any portion of the Mortgaged Property not then or theretofore released as security for the full amount of all unpaid obligations, Mortgagee may, from time to time and without notice, agree to (i) release any person so liable, (ii) extend the maturity or alter any of the terms of any such obligation, (iii) grant other indulgences, (iv) release or reconvey, or cause to be released or reconveyed at any time at Mortgagee's option any parcel, portion or all of the Mortgaged Property, (v) take or release any other or additional security for any obligation herein mentioned, or (vi) make compositions or other arrangements with debtors in relation thereto.

25. Remedies Not Exclusive. Mortgagee shall be entitled to enforce payment and performance of the Indebtedness or any obligations secured hereby and to exercise all rights and powers under this Mortgage or other agreement or any laws now or hereafter in force, notwithstanding some or all of the Indebtedness and obligations may now or hereafter be otherwise secured, whether by mortgage, deed of trust, pledge, lien, assignment or otherwise. Neither the acceptance of this Mortgage nor its enforcement, whether by court action or pursuant to the power of sale or other powers herein contained, shall prejudice or in any manner affect Mortgagee's right to realize upon or enforce any other security now or hereafter held by Mortgagee, it being agreed that Mortgagee shall be entitled to enforce this Mortgage and any other security now or hereafter held by Mortgagee in such order and manner as it may in its absolute discretion determine. No remedy herein conferred upon or reserved to Mortgagee is intended to be exclusive of any other remedy herein or by law provided or permitted, but each shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity or by statute. Every power or remedy given to Mortgagee or to which Mortgagee may be otherwise entitled, may be exercised, concurrently or independently, from time to time and as often as may be deemed expedient by Mortgagee.

26. Successor Mortgagor. If ownership of the Mortgaged Property or any portion thereof becomes vested in a person other than Mortgagor herein named, Mortgagee may, without notice to Mortgagor herein named, whether or not Mortgagee has

given written consent to such change in ownership, deal with such successor or successors in interest with reference to this Mortgage and the Indebtedness and in the same manner as with Mortgagor herein named, without in any way vitiating or discharging Mortgagor's liability hereunder or under the Indebtedness.

27. Security Agreement Under Uniform Commercial Code.

It is the intention of the parties hereto that this Mortgage shall constitute a Security Agreement within the meaning of Article 9 of the Uniform Commercial Code of Illinois. Notwithstanding the filing of a financing statement covering any of the Mortgaged Property in the records normally pertaining to personal property, all of the Mortgaged Property, for all purposes and in all proceedings, legal or equitable, shall be regarded, at Mortgagee's option (to the extent permitted by law), as part of the Real Estate whether or not any such item is physically attached to the Real Estate or serial numbers are used for the better identification of certain items. The mention in any such financing statement of any of the Mortgaged Property shall never be construed as in any way derogating from or impairing this declaration and it is hereby stated intention of the parties that such mention in the financing statement is hereby declared to be for the protection of Mortgagee in the event any court shall at any time hold that notice of Mortgagee's priority of interest, to be effective against any third party, including the federal government and any authority or agency thereof, must be filed in the Uniform Commercial Code records. Mortgagor hereby agrees that it shall execute and hereby authorizes Mortgagee to file any financing and continuation statements which Mortgagee shall determine in its sole discretion are necessary or advisable in order to perfect its security interest in the Fixtures and Equipment covered by this Mortgage, and Mortgagor shall pay to Mortgagee, on demand, any expenses incurred by Mortgagee in connection with the preparation, execution, and filing of such statements that may be filed by Mortgagee.

28. Indemnification; Waiver of Claim. If Mortgagee is made a party defendant to any litigation concerning this Mortgage or the Mortgaged Property or any part thereof or interest therein, or the occupancy thereof by Mortgagor, then Mortgagor shall indemnify, defend and hold Mortgagee harmless from all liability by reason of such litigation (other than that arising solely from Mortgagee's own willful misconduct or gross negligence), including reasonable attorneys' fees and expenses incurred by Mortgagee in any such litigation, whether or not any such litigation is prosecuted to judgment. If Mortgagee commences an action against Mortgagor to enforce any of the

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terms hereof or because of the breach by Mortgagor of any of the terms hereof, or for the recovery of any sum secured hereby, Mortgagor shall pay to Mortgagee reasonable attorneys' fees and expenses, together with interest thereon at the Applicable Rate from the date the same are paid by Mortgagee to the date of reimbursement by Mortgagor, and the right to such attorneys' fees and expenses shall be deemed to have accrued on the commencement of such action, shall be enforceable whether or not such action is prosecuted to judgment, and shall be secured by this Mortgage. If an Event of Default shall have occurred, Mortgagee may engage an attorney or attorneys to protect its rights hereunder, and in the event of such engagement, Mortgagor shall pay Mortgagee reasonable attorneys' fees and expenses incurred by Mortgagee, whether or not an action is actually commenced against Mortgagor by reason of breach.

29. No Waivers, etc. Any failure by Mortgagee to insist upon the strict performance by Mortgagor of any of the terms and provisions of this Mortgage shall not be deemed to be a waiver of any of the terms and provisions hereof, and Mortgagee, notwithstanding any such failure, shall have the right thereafter to insist upon the strict performance by Mortgagor of any and all of the terms and provisions of this Mortgage to be performed by Mortgagor. Mortgagee may release, regardless of consideration and without the necessity for any notice to or consent by the holder of any subordinate lien on the Mortgaged Property, any part of the security held for the obligations secured by this Mortgage without, as to the remainder of the security, in anywise impairing or affecting the lien of this Mortgage or the priority of such lien over any subordinate lien. Mortgagee may resort for the payment of the Indebtedness secured by this Mortgage to any other security therefor held by Mortgagee in such order and manner as Mortgagee may elect.

30. Waivers by Mortgagor. Upon the happening and continuation of an Event of Default hereunder, Mortgagor hereby waives, to the extent permitted by applicable law, all errors and imperfections in any proceedings instituted by Mortgagee under this Mortgage and all notices of any Event of Default (except as may be provided for under the terms hereof) or of Mortgagee's election to exercise or its actual exercise of any right, remedy or recourse provided for under this Mortgage and all benefit of any present or future statute of limitations or moratorium law or any other present or future law, regulation or judicial decision, nor shall Mortgagor at any time insist upon or plead, or in any manner whatever claim or take any benefit or advantage of such statute, law, regulation or judicial decision which (a) exempts any of the Mortgaged Property or any other

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property, real or personal, or any part of the proceeds arising from any sale thereof from attachment, levy or sale under execution, (b) provides for any stay of execution, moratorium, marshalling of assets, exemption from civil process, redemption, extension of time for payment or valuation or appraisal of any of the Mortgaged Property, (c) requires Mortgagee to institute proceedings in mortgage foreclosure against the Mortgaged Property before exercising any other remedy afforded Mortgagee hereunder upon the occurrence of an Event of Default, or (d) conflicts with or may affect, adverse to Mortgagee, any provision, covenant or term of this Mortgage.

31. Notices. Whenever it is provided herein that notice, demand, request, consent, approval or other communication shall or may be given to or served upon either of the parties by the other, or whenever either of the parties desires to give or serve upon the other any notice, demand, request, consent, approval or other communication with respect to this Mortgage or to the Mortgaged Property, each such notice, demand, request, consent, approval or other communication shall be in writing and shall be mailed by registered mail, return receipt requested, hand delivered or sent by overnight courier, directed to the party to receive the same at the address stated below or at such other address as may be substituted by notice given as herein provided. All such notices, demands, requests, consents, approvals and other communications shall be effective (i) when hand delivered, upon delivery, and (ii) when mailed or sent by overnight courier, when deposited in the mail or delivered to the overnight courier, addressed as aforesaid.

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If to Mortgagor:

Pet-Ag, Inc.
R.R.1, Box 127
30 West 432 Route 20
Elgin, Illinois 60120
Attention: Walter C. Quedhau
President

with a copy to:

Richards, O'Neil & Allegaert
660 Madison Avenue
New York, New York 10021-8405
Attention: Owen C.B. Hughes, Esquire

and a copy to:

~~Philip~~
Philip E. Bieler
444 Central Park West
Apt. 10F
New York, New York 10025

If to Mortgagee:

Citicorp Industrial Credit, Inc.
450 Mamaroneck Avenue
Harrison, New York 10528
Attention: Steven Fisher
Vice President

with a copy to:

Rogers & Wells
200 Park Avenue
53rd Floor
New York, New York 10166
Attention: Joseph H. Levie, Esquire

32. Taxes on Mortgage. In the event of the passage after the date of this Mortgage of any law of the jurisdiction in which the Real Estate is located deducting from the value of the Real Estate for the purposes of taxation any lien thereon or changing in any way the laws for the taxation of mortgages or debts secured by mortgages for state or local purposes or the manner of the collection of any such taxes and imposing a tax, either directly or indirectly, on this Mortgage, the Note or the Loan Agreement, Mortgagee shall have the right to declare all sums outstanding secured by this Mortgage immediately due and

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payable, provided, however, that such election shall be ineffective if Mortgagee is exempt from such tax or if Mortgagor is permitted by law to pay the whole of such tax (or to provide funds to Mortgagee to pay such tax) in addition to all other payments required hereunder and if Mortgagor pays such tax (or provides funds to Mortgagee to pay such tax) when the same is due and payable and agrees in writing to pay such tax when thereafter levied or assessed against the Real Estate.

33. No Modification. This Mortgage may not be modified, amended, discharged or waived in whole or in part except by an agreement in writing signed by the party against whom enforcement of any such modification, amendment, discharge or waiver is sought.

34. Miscellaneous. As used in this Mortgage, the singular shall include the plural as the context requires and the following words and phrases shall have the following meanings: (a) "including" shall mean "including but not limited to" (b) "provisions" shall mean "provisions, terms, covenants and/or conditions"; (c) "lien" shall mean "lien, charge, encumbrance, security interest, mortgage and/or deed of trust"; (d) "obligation" shall mean "obligation, duty, covenant and/or condition"; and (e) "any of the Mortgaged Property" shall mean "the Mortgaged Property or any part thereof or interest therein." Any act which Mortgagee is permitted to perform hereunder may be performed at any time and from time to time by Mortgagee or any person or entity designated by Mortgagee. Any act which is prohibited to Mortgagor hereunder is also prohibited to all lessees, sublessees, licensees, users and occupants of any of the Mortgaged Property. Each appointment of Mortgagee as attorney-in-fact for Mortgagor under this Mortgage is irrevocable and coupled with an interest. Mortgagee has the right to refuse to grant its consent, approval or acceptance or to indicate its satisfaction, whenever such consent, approval, acceptance or satisfaction is required hereunder.

35. Captions. The captions or headings at the beginning of each Article hereof are for the convenience of the parties and are not a part of this Mortgage.

36. Successors and Assigns. The covenants contained herein shall run with the land and bind the Mortgagor, its successors and assigns, and all subsequent owners, encumbrancers and tenants, subtenants, licensees, users and occupants of the Mortgaged Property, and shall inure to the benefit of Mortgagee and its successors, assigns and endorsees.

UNOFFICIAL COPY

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37. Enforceability; Severability. The creation of this Mortgage, the perfection of the lien or security interest in the Mortgaged Property, and the rights and remedies of Mortgagee with respect to the Mortgaged Property, as provided herein and by the laws of the State of Illinois, shall be governed by and construed in accordance with the internal laws of the State of Illinois, without regard to principles of conflict of law. Otherwise, to the extent permitted by applicable law, this Mortgage, the Note and the Loan Agreement (including the liability of Mortgagor for any deficiency following a foreclosure of all or any part of the Mortgaged Property) shall be governed by and construed in accordance with the internal laws of the State of New York without regard to principles of conflicts of laws, such state being the state where such documents were executed and delivered. Whenever possible, each provision of this Mortgage shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Mortgage shall be prohibited by or invalid under applicable law, such provision shall be ineffective to the extent of such prohibition or invalidity, without invalidating the remaining provisions of this Mortgage. Nothing in this Mortgage shall require Mortgagor to pay, or Mortgagee to accept, interest or other payments in an amount which would subject Mortgagee to penalty under applicable law. In the event that the payment of any interest or other amounts due hereunder would be in excess of the maximum amount allowed by applicable law, then ipso facto the obligation of Mortgagor to make such payment shall be reduced to the highest rate authorized under such law.

38. Receipt of Copy. Mortgagor acknowledges that it has received a true copy of this Mortgage.

39. Conflicts. In the event of any conflict between the provisions of this Mortgage and the provisions of the Loan Agreement, the provisions of the Loan Agreement shall prevail.

IN WITNESS WHEREOF, Mortgagor has caused this Mortgage to be duly executed under seal as of the day and year first above written.

PET-AG, INC.

By

Name: *Philipp E. Bielez*
Title: *Chairman*

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Property of Cook County Clerk's Office

2011-02-28

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STATE OF NEW YORK)
) ss.:
COUNTY OF NEW YORK)

I, Philip Zehngesot, a Notary Public in and for said County, in the State aforesaid, do hereby certify that MANJEE E. DILLER, the CHAIRMAN of PET-AG, INC., a Delaware corporation, personally known to me to be the same person whose name is subscribed to the foregoing instrument, appeared before me this day in person and acknowledged that he signed and delivered the said instrument as his free and voluntary act and as the free and voluntary act of said corporation for the uses and purposes therein set forth.

GIVEN under my hand and Notarial Seal this 24th day of December, 1986.

Philip Zehngesot
Notary Public

My Commission Expires:

8/31/88

PHILIP ZEHNGESOT
Notary Public, State of New York
No. 31-2753023
Qualified in New York County
Commission Expires August 31, 1988

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2011/01/27

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EXHIBIT "A"

Legal Description

All that certain plot, piece or parcel of land lying and being in the County of Cook, State of Illinois, known as and by the street address 30 West 432 Route 20, Elgin, IL 60120, and more particularly described as follows:

That part of the North West Quarter of Section 28, Township 41 North, Range 9 East of the Third Principal Meridian, lying North of Lake Street, described as follows:

Beginning at an iron stake on the east line of the northwest quarter of said section 28 that is 1171.50 feet south of the northeast corner of the northwest quarter of said section 28; thence westerly at right angles to said east line of the northwest quarter of section 28, a distance of 571.30 feet to an iron stake; thence southwesterly 71 degrees 07 minutes 00 seconds to the left from the prolongation of the last described line, a distance of 310.32 feet (record being 309.50 feet) to the center line of the public highway known as Lake Street (U.S. Route No. 20); thence southeasterly 89 degrees 57 minutes 10 seconds (record being 90 degrees 00 minutes 00 seconds) to the left from the prolongation of the last described line, along said center line, a distance of 365.77 feet (record being 404.00 feet) to a point of curve in said center line; thence southeasterly, along said center line, being along a curve to the left having a radius of 2864.95 feet (record being 2864.93) and being tangent to the last described line, an arc distance of 327.50 feet (record being 313.10 feet) to the aforesaid east line of the northwest quarter of section 28, thence northerly, along said east line, a distance of 543.77 feet (record being 542.60 more or less) to the point of beginning. Being situated in Hanover Township, Cook County, Illinois and containing 6.011 acres more or less.

Permanent Tax Number: 06-28-100-004 Volume: 61

EL NW 1/4
RURAL ROUTE #1
Box 127
ELGIN, IL.

87003359

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EXHIBIT "B"

Permitted Encumbrances

Those items listed as exceptions on Schedule B of the Policy of Title Insurance issued by Ticor Title Insurance Company (Title No. 213089), insuring Citicorp Industrial Credit, Inc.'s interest, as mortgagee under this Mortgage, in and to the Mortgaged Property.

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COOK COUNTY