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MORTGAGE AND SECURITY AGREEMENT (IL)

MORTGAGE AND SECURITY AGREEMENT ("Mortgage") made this 15 day of July, 1987, between Forest-Atwood Paper Company, a Delaware corporation having an address at Two Bala Plaza, Bala Cynwyd, PA 19004 (hereinafter called the "Borrower") and Irving Trust Company having an address at 1290 Avenue of the Americas, New York, New York 10104 (hereinafter called the "Noteholder").

WITNESSETH:

WHEREAS, Borrower, WWF Paper Corporation, WWF Paper Corporation-New England, WWF Paper National, Inc., Royal Paper Corporation, Regal Envelope Company, Inc., Impressions Paper & Supply Corp., WWF Paper Corporation-West, Wilcox-Walter-Furlong Paper Company of Washington, WWF Paper Company-Florida, The Paper House, Inc., Beaver Paper/WWF Southwest Corporation, Bala Trading Ltd. and WWF-California, Inc. are justly indebted to Noteholder pursuant to a Loan and Security Agreement dated of even date herewith (hereinafter called the "Loan Agreement"), as provided in that certain promissory note in the sum of THIRTY-TWO MILLION (\$32,000,000) DOLLARS of even date herewith (hereinafter called the "Note") payable in the manner therein set forth with the maturity of the Note being on the earlier of (x) July 15, 1989 or (y) the termination of the Loan Agreement pursuant to Section 14 thereof; provided, however, that if the Loan Agreement is renewed or extended pursuant to Section 4 thereof in which event the Note shall not become due and payable until the earlier of a) the end of any Renewal Term (as such term is defined in the Loan Agreement) or b) (y) above, all as more particularly set forth in the Note, the Note being identified by the signature of Edward V. Furlong, Jr.; and

WHEREAS, as a condition to the incurring of said indebtedness, Borrower agreed to execute and deliver this Mortgage to secure the payment of the Note and the performance of the covenants and conditions in this Mortgage and the Loan Agreement and any other extension, renewal or modification thereof.

NOW THEREFORE, to secure (1) the full payment of and to assure performance of the terms, agreements, covenants and provisions contained in the Note, the Loan Agreement, this Mortgage and any renewal, extension, modification or replacement thereof and (2) all other debts, obligations and liabilities of every kind and character of Borrower now or hereafter existing in favor of Noteholder including all indebtedness incurred or arising pursuant to the provisions of the Note, the Loan Agreement, this Mortgage and all other instruments now or hereafter securing the above described indebtedness or any part thereof whether such debts, obligations or liabilities be direct or indirect, primary or secondary, joint or several, fixed or contingent, and whether

The permanent index number of the property covered by this mortgage is 08-27-303-027.

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originally payable to Noteholder or to a third party and subsequently acquired by Noteholder, Borrower enters into the covenants and agreements and makes the representations and warranties contained in this Mortgage and grants, bargains, sells, conveys and mortgages to Noteholder:

(A) THE LAND. The following described premises situated in Cook County, Illinois, to wit: The land described in detail in Schedule "A" (the "Land") which is attached hereto and incorporated herein and made a part of this document for all purposes.

(B) THE IMPROVEMENTS: TOGETHER WITH (1) all the buildings, structures and improvements of every nature whatsoever now or hereafter situated on the Land, and (2) all fixtures, machinery, appliances, equipment, furniture and personal property of every nature whatsoever now or hereafter owned by the Borrower and located in or on, or attached to, and used or intended to be used in connection with or with the operation of, the Land, buildings, structures or other improvements, or in connection with any construction being conducted or which may be conducted thereon, and owned by Borrower, and all extensions, additions, improvements, betterments, renewals, substitutions and replacements to any of the foregoing, and all of the right, title and interest of the Borrower in and to any such personal property or fixtures subject to any lien, security interest or claim, which, to the fullest extent permitted by law, shall be conclusively deemed fixtures and a part of the real property encumbered hereby (hereinafter called the "Improvements").

(C) EASEMENTS: TOGETHER WITH all easements, rights-of-way, gores of land, streets, ways, alleys, passages, sewer rights, water courses, water rights and powers, and all appurtenances whatsoever, in any way belonging, relating or appertaining to any of the property described in paragraphs (A) and (B) hereof, or which hereafter shall in any way belong, relate or be appurtenant thereto, whether now owned or hereafter acquired by the Borrower.

(D) TOGETHER WITH (i) all the estate, right, title and interest of the Borrower of, in and to all judgments, insurance proceeds, awards of damages and settlements hereafter made resulting from condemnation proceedings or the taking of the property described in paragraphs (A), (B) and (C) hereof or any part thereof under the power of eminent domain, or for any damage (whether caused by such taking or otherwise) to the property described in paragraphs (A), (B) and (C) hereof or any part thereof, or to any rights, appurtenant thereto, and all proceeds of any sales or other dispositions of the property described in paragraphs (A), (B) and (C) hereof or any part thereof; and the Noteholder is hereby authorized to collect and receive said awards and proceeds and to give proper receipts and acquittances therefor, and (if it so elects) to apply the same toward the payment of the indebtedness and other sums secured hereby, notwithstanding the fact that the amount owing thereon may not then be due and payable, except that Noteholder shall deliver to Borrower, provided that no Event of

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Default shall have occurred hereunder or under the Loan Agreement, all insurance proceeds from casualty losses of less than \$100,000; and (ii) all contract rights, general intangibles, actions and rights in action, including without limitation all rights to insurance proceeds and unearned premiums arising from or relating to the property described in paragraphs (A), (B), and (C) above; and (iii) all proceeds, products, replacements, additions, substitutions, renewals and accessions of and to the property described in paragraphs (A), (B) and (C).

(E) TOGETHER WITH all rents, income and other benefits to which the Borrower may now or hereafter be entitled from the property described in paragraphs (A), (B) and (C) hereof to be applied against the indebtedness and other sums secured hereby; provided, however, that permission is hereby given to the Borrower, so long as no Event of Default has occurred hereunder, to collect and use such rents, income and other benefits as they become due and payable, but not in advance thereof. The foregoing assignment shall be fully operative without any further action on the part of either party and specifically the Noteholder shall be entitled, at its option upon the occurrence of an Event of Default, as herein-after defined, to all rents, royalties, issues, profits, revenue, income and other benefits from the property described in paragraphs (A), (B) and (C) hereof whether or not the Noteholder takes possession of the property described in paragraphs (A), (B) and (C) hereof. Upon the occurrence of an Event of Default, the permission hereby given to the Borrower to collect such rents, royalties, issues, profits, revenues, income and other benefits from the property described in paragraphs (A), (B) and (C) hereof shall terminate and such permission shall not be reinstated upon a cure of the default without the Noteholder's specific consent. Neither the exercise of any rights under this paragraph by the Borrower nor the application of any such rents, royalties, issues, profits, revenues, income or other benefits to the indebtedness and other sums secured hereby, shall cure or waive any Event of Default or notice of any Event of Default hereunder or invalidate any act done pursuant hereto or to any such notice, but shall be cumulative of all other rights and remedies.

The foregoing provisions hereof shall constitute an absolute and present assignment of the rents, income and other benefits from the property described in (A), (B) and (C) above, subject, however, to the conditional permission given to the Borrower to collect and use such rents, income and other benefits as hereinabove provided; and the existence or exercise of such right of the Borrower shall not operate to subordinate this assignment to any subsequent assignment, in whole or in part, by the Borrower, and any such subsequent assignment by the Borrower shall be subject to the rights of the Noteholder hereunder.

(F) TOGETHER WITH all right, title and interest of the Borrower in and to any and all leases now or hereafter on or affecting the property described in paragraphs (A), (B) and (C) hereof, together with all security therefor and all monies payable

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thereunder, and all books and records which contain payments made under the leases and all security therefor, subject, however, to the conditional permission hereinabove given to the Borrower to collect the rents, income and other benefits arising under any such lease. The Noteholder shall have the right, at any time and from time to time, to notify any lessee of the rights of the Noteholder as provided by this paragraph.

(G) TOGETHER WITH (i) the Borrower's rights further to encumber the property described in paragraphs (A), (B) and (C) above for debt and (ii) all of the Borrower's rights to enter into any lease or lease agreement.

All of the property described in paragraphs (A), (B), (C), (D), (E), (F) and (G) above, and each item of property therein described, is herein referred to as "THE PROPERTY".

TO HAVE AND TO HOLD THE PROPERTY and all parts hereof unto Noteholder, its successors and assigns, to its own proper use and benefit forever, subject, however, to the terms and conditions herein:

PROVIDED HOWEVER that if Borrower shall promptly pay or cause to be paid to Noteholder the principal and interest payable under the Note, at the times and in the manner stipulated therein, herein, and in all other instruments securing the Note, all without any deduction or credit for taxes or other similar charges paid by Borrower, and shall keep, perform and observe all the covenants and promises in the Note, the Loan Agreement, and this Mortgage, any renewal, extension or modification thereof, and in all other instruments securing the Note, to be kept, performed or observed by Borrower, then, upon complete satisfaction and payment thereof, the Noteholder shall release and reconvey THE PROPERTY unto the parties legally entitled thereto at the cost of Borrower.

ARTICLE ONE

COVENANTS OF BORROWER

The Borrower covenants and agrees with the Noteholder, or any successor in title as holder of the Note above described as follows:

1.01 Performance of Note, Mortgage, Etc. The Borrower shall cause to be performed, observed and complied with all provisions hereof, of the Note and of every other instrument securing the Note, and will promptly pay to the Noteholder the principal with interest thereon and all other sums required to be paid by the borrower under the Note and pursuant to the provisions of this Mortgage and every other instrument securing the Note when payment shall become due.

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1.02 General Representations, Covenants and Warranties. The Borrower represents and covenants that (a) subject only to the rights of others provided in the instruments described in Schedule "B" attached hereto and incorporated herein and made a part hereof, the Borrower is seized of an indefeasible estate in fee simple in, and has good and absolute title to, THE PROPERTY, and has good right, full power and lawful authority to mortgage and pledge the same as provided herein and the Noteholder may at all times peaceably and quietly enter upon, hold, occupy and enjoy THE PROPERTY in accordance with the terms hereof; THE PROPERTY is free and clear of all liens, security interests; charges and encumbrances whatsoever except those described in Schedule "B"; (b) the Borrower will maintain and preserve the lien of this Mortgage until the indebtedness and other sums secured hereby have been paid in full; (c) the Borrower and each guarantor (if any) of the indebtedness evidenced by the Note (said guarantor(s) herein referred to jointly and severally as the "Guarantor") are now able to meet their respective debts as they mature, the fair market value of their respective assets exceeds their respective liabilities and no bankruptcy or insolvency proceedings are pending or contemplated by or against the Borrower or the Guarantor; (d) all reports, statements and other data furnished by the Borrower and the Guarantor to the Noteholder in connection with the loan evidenced by the Note are true, correct and complete in all material respects and do not omit to state any fact or circumstance necessary to make the statements contained therein not misleading; (e) this Mortgage and the Note and other instruments securing the Note or otherwise executed in connection therewith are valid and binding obligations enforceable in accordance with their respective terms and the execution and delivery thereof do not contravene any contract or agreement to which the Borrower or the Guarantor is a party or by which the Borrower or the Guarantor or any of its or his respective properties may be bound and do not contravene any law, order, decree, rule or regulation to which the Borrower or the Guarantor is subject; (f) there are no actions, suits or proceedings pending, or to the knowledge of the Borrower threatened, against or affecting the Borrower or the Guarantor or THE PROPERTY; (g) all costs arising from construction of any improvements and the purchase of all equipment located on THE PROPERTY have been paid; (h) THE PROPERTY has frontage on, and direct access for ingress and egress to, the street(s); and (i) electric, gas, sewer, water facilities and any other necessary utilities are at all times hereafter shall be, available in sufficient capacity to service THE PROPERTY satisfactorily, and any easements necessary to the furnishing of such utility service by the Borrower have been obtained and duly recorded, and (j) the Borrower and the Guarantor are not in default under the terms of any instrument evidencing or securing any indebtedness of the Borrower or the Guarantor, respectively, and there has occurred no event which would, if uncured or uncorrected, constitute a default under any such instrument with the giving of notice, passage of time or both. The Borrower fully warrants and will forever defend the title to THE PROPERTY against the claims of all persons whatsoever claiming or to claim the same or any part thereof.

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1.03 Compliance with Laws. The Borrower covenants and warrants that to the best of the Borrower's knowledge THE PROPERTY presently complies with and will continue to comply with all applicable restrictive covenants, applicable zoning and subdivision ordinances and building codes, all applicable health and environmental laws and regulations and all other applicable laws, rules and regulations. If the Borrower receives notice from any federal, state or other governmental body that it is not in compliance with any such covenant, ordinance, code, law or regulation the Borrower will provide the Noteholder with a copy of such notice promptly.

1.04 Taxes and Other Charges.

1.04.1 Taxes and Assessments. Subject to the provisions of this paragraph 1.04, the Borrower shall pay promptly when due all taxes, assessments, rates, dues, charges, fees, levies, fines, impositions, liabilities, obligations and encumbrances of every kind whatsoever now or hereafter imposed, levied or assessed upon or against THE PROPERTY or any part thereof, or upon or against this Mortgage or the indebtedness or other sums secured hereby, or upon or against the interest of the Noteholder in THE PROPERTY, as well as all income taxes, assessments and other governmental charges levied and imposed by the United States of America or any state, county, municipality or other taxing authority upon or against the Borrower or in respect of THE PROPERTY or any part thereof; provided, however, that the Borrower may in good faith, by appropriate proceedings (including without limitation payment of the asserted tax or assessment under protest if such payment must be made in order to contest such tax or assessment), contest the validity, applicability or amount of any asserted tax or assessment and pending such contest the Borrower shall not be deemed in default hereunder if on or before the due date of the asserted tax or assessment the Borrower established an escrow acceptable to the Noteholder in an amount estimated by Noteholder to be adequate to cover the payment of such tax or assessment with interest, costs and penalties and a reasonable additional sum to cover possible interest, costs and penalties; and, if the amount of such escrow is insufficient to pay any amount adjudged by a court of competent jurisdiction to be due, with all interest, costs and penalties thereon, Borrower shall pay such deficiency no later than the date such judgment becomes final.

1.04.2 Mechanic's and Other Liens. The Borrower shall not permit or suffer any mechanic's, laborer's, materialman's, statutory or other lien (other than any lien for taxes not yet due) to be created upon THE PROPERTY.

1.04.3 Taxes Affecting Noteholder's Interest. If any state, federal, municipal, or other governmental law, order, rule or regulation, passed subsequent to the date hereof, in any manner changes or modifies existing laws governing the taxation of mortgages or debts secured by mortgages, or the manner of collecting taxes so as adversely to affect the Noteholder's security in THE

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PROPERTY, the entire balance of the indebtedness and other sums secured by this Mortgage and all interest accrued thereon shall without notice become due and payable forthwith at the option of the Noteholder.

1.04.4 Tax Escrow. In order to secure the performance and discharge of the Borrower's obligations under this paragraph 1.04, but not in lieu of such obligations, the Borrower, at the Noteholder's request, will pay over to the Noteholder an amount equal to one-twelfth (1/12th) of the next maturing annual ad valorem taxes, assessments and charges (which charges for purposes of this paragraph shall include without limitation water and sewer rents) of the nature described in paragraph 1.04.1 for each month that has elapsed since the last date to which such taxes, assessments and charges were paid; and the Borrower will, in addition, pay over to the Noteholder together with each installment on the Note sufficient funds (as estimated from time to time by the Noteholder in its sole discretion) to permit the Noteholder to pay when due said taxes, assessments and charges. Upon demand by the Noteholder, the Borrower shall deliver to the Noteholder such additional monies as are required to make up any deficiencies in the amounts necessary to enable the Noteholder to pay such taxes, assessments and similar charges. Such deposits shall not be, nor be deemed to be, trust funds but may be commingled with the general funds of the Noteholder, and no interest shall be payable in respect thereof. In event of a default under any of the terms, covenants and conditions in the Note, this Mortgage or any other instrument securing the Note to be kept, performed or observed by Borrower, Noteholder may apply to the reduction of the sums secured hereby, in such manner as Noteholder shall determine, any amount under this paragraph 1.04.4 of Article One remaining to Borrower's credit.

1.04.5 No Credit Against the Indebtedness Secured Hereby. The Borrower shall not claim, demand or be entitled to receive any credit, against the principal or interest payable under the terms of the Note or on any other sums secured by this Mortgage for so much of the taxes, assessments or similar impositions assessed against THE PROPERTY or any part thereof or that are applicable to the indebtedness secured hereby or to the Noteholder's interest in THE PROPERTY. No deduction shall be claimed from the taxable value of THE PROPERTY or any part thereof by reason of the Note, this Mortgage or any other instrument securing the Note.

1.04.6 Insurance.

(a) Subject to paragraph 1.04.6(d), the Borrower shall at its sole expense obtain for, deliver to, assign and maintain for the benefit of the Noteholder, during the life of this Mortgage, insurance policies in such amounts as the Noteholder may require, insuring THE PROPERTY against all insurable hazards, casualties and contingencies (including without limitation loss of rentals or business interruption and liability insurance naming

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Borrower and Noteholder as named insureds), as the Noteholder may require, and shall pay promptly when due any premiums on such insurance policies and on any renewals thereof. The form of such policies and the companies issuing them shall be acceptable to the Noteholder. All such policies and renewals thereof shall be held by the Noteholder and shall contain an endorsement making losses payable to the Noteholder as its interests may appear. At least fifteen (15) days prior to the expiration date of all such policies, renewals thereof satisfactory to the Noteholder shall be delivered to the Noteholder. Within fifteen (15) days after the anniversary or effective date of each policy, the Borrower shall deliver to the Noteholder receipts evidencing the payment of all premiums on such insurance policies and renewals. In the event of loss, the Borrower will give immediate written notice to the Noteholder and the Noteholder may make proof of loss if not made promptly by the Borrower. In the event of the foreclosure of this Mortgage or any other transfer of title to THE PROPERTY in extinguishment of the indebtedness and other sums secured hereby, all right, title and interest of the Borrower in and to all insurance policies and renewals thereof then in force shall pass to the purchaser or grantee. All such policies shall provide that they shall not be cancelled or terminated without at least thirty (30) days' prior written notice to the Noteholder.

(b) Pursuant to its rights granted hereunder in all proceeds from any insurance policies, the Noteholder is hereby authorized and empowered at its option to adjust or compromise any loss under any insurance policies on THE PROPERTY and to collect and receive the proceeds from any such policy or policies. Each insurance company is hereby authorized and directed to make payment for all such losses directly to the Noteholder alone and not to the Borrower and the Noteholder jointly. After deducting from such insurance proceeds any expenses incurred by the Noteholder in the collection or handling of such funds, the Noteholder may apply the net proceeds, at its option, either toward restoring THE PROPERTY or as a credit on any portion of the indebtedness and other sums secured hereby, whether then matured or to mature in the future, or at the option of the Noteholder such sums either wholly or in part may be paid over to the Borrower to be used to repair such improvements or to build new improvements in their place or for any other purpose or object satisfactory to the Noteholder, without affecting the lien of this Mortgage for the full amount secured hereby before such payment took place. Although the Noteholder intends to use its best efforts to collect such payments in a timely fashion, the Noteholder shall not be responsible for any failure to collect any insurance proceeds due under the terms of any policy regardless of the cause of such failure.

(c) The Borrower shall at its sole expense obtain for, deliver to and maintain for the benefit of, the Noteholder during the life of this Mortgage liability insurance policies relating to THE PROPERTY, in such amounts, with such companies and in such form as may be required by the Noteholder. The Noteholder may require such policies to contain an endorsement,

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in form satisfactory to the Noteholder, naming the Noteholder as an additional insured thereunder. The Borrower shall pay promptly when due any premiums on such insurance policies and renewals thereof.

(d) In order to secure the performance and discharge of the Borrower's obligations under this paragraph 1.04.6, but not in lieu of such obligations, the Borrower, at the Noteholder's request will pay over to the Noteholder an amount equal to one-twelfth (1/12th) of the next maturing annual insurance premiums for each month that has elapsed since the last date to which such premiums were paid; and the Borrower will, in addition, pay over to the Noteholder together with each installment on the Note sufficient funds (as estimated from time to time by the Noteholder in its sole discretion) to permit the Noteholder to pay said premiums when due. Such deposits shall not be, nor deemed to be, trust funds but may be commingled with the general funds of the Noteholder, and no interest shall be payable in respect thereof. Upon demand by the Noteholder, the Borrower shall deliver to the Noteholder such additional monies as are necessary to make up any deficiencies in the amounts necessary to enable the Noteholder to pay such premiums when due.

(e) The provisions of this paragraph 1.04.6 with respect to delivery of policies to the Noteholder and assignments thereof and the proceeds thereof to the Noteholder and the provisions of subparagraph (d) shall be subject to the terms of any instrument referred to in Schedule "B" securing any prior lien on THE PROPERTY.

1.04.7 Non-Impairment of Noteholder's Rights. The provisions of paragraphs 1.04.4 and 1.04.6(d) shall not be effective so long as the holder of any prior lien is receiving in escrow from the Borrower amounts sufficient to pay the taxes and insurance required to be paid by paragraphs 1.04.1 and 1.04.6 respectively. Nothing contained in either of said paragraphs shall be deemed to affect any right or remedy of the Noteholder under any provision of this Mortgage or of any statute or rule of law to pay any amount required to be paid by paragraphs 1.04.1 and 1.04.6 and to add the amount so paid together with interest at the Default Rate to the indebtedness hereby secured. Although Noteholder intends to use its best efforts to make such payments in a timely fashion, the arrangements provided for in paragraphs 1.04.4 and 1.04.6 are solely for the added protection of the Noteholder and entail no responsibility on the Noteholder's part beyond the allowing of due credit, without interest, for sums actually received by it. Upon assignment of this Mortgage, any funds on hand shall be turned over to the assignee and any responsibility of the Noteholder with respect thereto shall terminate.

1.05 Condemnation. The Noteholder shall be entitled to all compensation awards, damages, claims, rights of action and proceeds of, or on account of, any damage or taking through condemnation and is hereby authorized, at its option, to commence,

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appear in and prosecute in its own or the Borrower's name any action or proceeding relating to any condemnation and to settle or compromise any claim in connection therewith. All such compensation awards, damages, claims, rights of action and proceeds, and any other payments or relief, and the right thereto, are included in THE PROPERTY and the Noteholder, after deducting therefrom all its expenses including attorneys' fees, may release any monies so received by it to the Borrower without affecting the lien of this Mortgage or may apply the same, in such manner as the Noteholder shall determine, to the reduction of the sums secured hereby. Any balance of such monies then remaining shall be paid to Borrower. The Borrower agrees to execute such further assignments of any compensation awards, damages, claims, rights of action and proceeds as the Noteholder may require. Notwithstanding any such condemnation, the Borrower shall continue to pay interest, computed at the rate provided in the Note, on the entire unpaid principal amount thereof. The provisions of this paragraph 1.05 with respect to receipt and application of condemnation awards shall be subject to the terms of any instrument referred to in Schedule "B" securing any prior lien on THE PROPERTY.

1.06 Care of Property.

(a) The Borrower shall preserve and maintain THE PROPERTY in good condition and repair, reasonable wear and tear excepted. The Borrower shall not permit, commit or suffer any waste, impairment or deterioration of THE PROPERTY or of any part thereof, and will not take any action which will increase the risk of fire or other hazard to THE PROPERTY or to any part thereof.

(b) Except as otherwise provided in this Mortgage, no part of THE PROPERTY shall be removed, demolished or altered, without the prior written consent of the Noteholder. The Borrower shall have the right, without such consent, to remove and dispose of free from the lien of this Mortgage any part of THE PROPERTY as from time to time may become worn out or obsolete, provided that either simultaneously with or prior to such removal, any such property shall be replaced with other property of equal utility and of a value at least equal to that of the replaced equipment when first acquired and free from any security interest of any other person and by such removal and replacement the Borrower shall be deemed to have subjected such replacement property to the lien of the Mortgage.

(c) The Noteholder may enter upon and inspect THE PROPERTY at any reasonable time during the life of this Mortgage.

(d) If any part of THE PROPERTY shall be lost, damaged or destroyed by fire or any other cause, the Borrower will give immediate written notice thereof to the Noteholder and shall, at the Noteholder's election, promptly restore THE PROPERTY to the equivalent of its original condition regardless of whether or not there shall be any insurance proceeds therefor. If a part of THE

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PROPERTY shall be lost, physically damaged, or destroyed through condemnation, the Borrower, at the Noteholder's election, will promptly restore, repair or alter the remaining property in a manner satisfactory to the Noteholder.

(e) No work required to be performed under this paragraph shall be undertaken until plans and specifications therefor, prepared by an architect or engineer satisfactory to the Noteholder, have been submitted to and approved in writing by the Noteholder.

1.07 Transfer of the Property. There shall be no sale, conveyance, transfer, lease, pledge or further encumbrance of any interest in or any part of THE PROPERTY, or of any interest in Borrower without the prior written consent of Noteholder. Noteholder's consent shall be within its sole and absolute discretion, and Noteholder specifically reserves the right to condition its consent upon (by way of illustration but not of limitation) its approval of the financial or management ability of the purchaser, transferee, lessee or pledgee, upon an agreement to escalate the interest rate of the Note to Noteholder's then current interest rate for similarly situated properties, upon the assumption of the obligations and liabilities of the Note and this Mortgage by the purchaser, transferee, lessee or pledgee, upon the receipt of guaranties of the indebtedness satisfactory to Noteholder or upon payment to Noteholder of a reasonable assumption fee. Any purchaser, transferee, lessee or pledgee shall be deemed to have assumed and agreed to pay the indebtedness evidenced by the Note or secured by this Mortgage and to have assumed and agreed to be bound by the terms and conditions of this Mortgage, including the terms of this paragraph, unless Noteholder specifically agrees in writing to the contrary. Any violation of this paragraph shall be an Event of Default and shall entitle Noteholder to exercise any and all remedies provided in this Mortgage, including but not limited to an acceleration of the indebtedness secured hereby. Further, there shall not be any further assignment of rents from THE PROPERTY without the prior written consent of Noteholder and any such assignment without the prior written consent of Noteholder shall be null and void. Borrower agrees that in the event the ownership of THE PROPERTY or any part thereof becomes vested in a person other than Borrower, Noteholder may, without notice to Borrower, deal in any way with such successor or successors in interest with reference to this Mortgage and the Note and all obligations hereby secured without in any way vitiating or discharging Borrower's liability hereunder or under the Note and other obligations hereby secured. No transfer or encumbrance of THE PROPERTY or any interest therein and no forbearance or assumption by any person with respect to this Mortgage and no extension to any person of the time for payment of the Note and other sums hereby secured given by Noteholder shall operate to release, discharge, modify, change or affect the liability of Borrower either in whole or in part, unless Noteholder specifically agrees in writing to the contrary.

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1.08 Further Assurances. At any time and from time to time, upon the Noteholder's request, the Borrower shall make, execute and deliver, or cause to be made, executed and delivered, to the Noteholder and where appropriate shall cause to be recorded or filed, and from time to time thereafter to be re-recorded and refiled at such time and in such offices and places as shall be deemed desirable by the Noteholder, any and all such further deeds of trust, instruments of further assurance, certificates and other documents as the Noteholder may consider necessary or desirable in order to effectuate, complete, or perfect, or to continue and preserve the obligations of the Borrower under the Note and this Mortgage, and the lien of this Mortgage as a lien upon all of THE PROPERTY, whether now owned or hereafter acquired by the Borrower, subject only to the prior liens described in Schedule "B", and unto all and every person or persons deriving any estate, right, title or interest under this Mortgage. Upon any failure by the Borrower to do so, the Noteholder may make, execute, record, file, re-record or refile any and all such deeds of trust, instruments, certificates and documents for and in the name of the Borrower, and the Borrower hereby irrevocably appoints the Noteholder, the agent and attorney-in-fact of the Borrower to do so.

1.09 Security Agreement and Financing Statements. The Borrower (as Debtor) hereby grants to the Noteholder (as Creditor and Secured Party) a security interest in all fixtures, machinery, appliances, equipment, furniture and personal property of every nature whatsoever constituting part of THE PROPERTY, subject only to any prior security interest described in Schedule "B".

The Borrower shall execute any and all such documents, including without limitation Financing Statements pursuant to the Uniform Commercial Code of the state in which THE PROPERTY is located, as the Noteholder may request, to preserve and maintain the priority of the lien created hereby on property which may be deemed personal property or fixtures, and shall pay to the Noteholder on demand any expenses incurred by the Noteholder in connection with the preparation, execution and filing of any such documents. The Borrower hereby authorizes and empowers the Noteholder to execute and file, on the Borrower's behalf, all Financing Statements and refilings and continuations thereof as the Noteholder deems necessary or advisable to create, preserve and protect said lien. When and if the Borrower and the Noteholder shall respectively become the Debtor and Secured Party in any Uniform Commercial Code Financing Statement affecting THE PROPERTY, this Mortgage shall be deemed a security agreement as defined in said Uniform Commercial Code and the remedies for any violation of the covenants, terms and conditions of the agreements herein contained shall be (i) as prescribed herein, (ii) by general law, or (iii) as to such part of the security which is also reflected in said Financing Statement by the specific statutory consequences now or hereafter enacted and specified in the Uniform Commercial Code, at the Noteholder's sole election.

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The Borrower and the Noteholder agree that the filing of a Financing Statement in the records normally having to do with personal property shall never be construed as in anyway derogating from or impairing the express declaration and intention of the parties hereto, hereinabove stated, that everything used in connection with the production of income from THE PROPERTY and/or adapted for use therein and/or which is described or reflected in this Mortgage is, and at all times and for all purposes and in all proceedings both legal or equitable, shall be regarded as part of the real estate encumbered by this Mortgage irrespective of whether (i) any such item is physically attached to the Improvements, (ii) serial numbers are used for the better identification of certain equipment items capable of being thus identified in a recital contained herein or in any list filed with the Noteholder, or (iii) any such item is referred to or reflected in any such Financing Statement so filed at any time. Similarly, the mention in any such Financing Statement of (1) rights in or to the proceeds of any fire and/or hazard insurance policy, or (2) any award in eminent domain proceedings for a taking or for loss of value, or (3) the Borrower's interest as lessor in any present or future lease or rights to income growing out of the use and/or occupancy of the property mortgaged hereby, whether pursuant to lease or otherwise, shall never be construed as in anywise altering any of the rights of the Noteholder as determined by this instrument or impugning the priority of the Noteholder's lien granted hereby or by any other recorded document, but such mention in the Financing Statement is declared to be for the protection of the Noteholder in the event any court or judge shall at any time hold with respect to (1), (2) and (3) that notice of the Noteholder's priority of interest to be effective against a particular class of persons, including but not limited to the federal government and any subdivisions or entity of the federal government, must be filed in the Uniform Commercial Code records.

1.10 Assignment of Rents. The assignment contained under the section of this Mortgage entitled "THE PROPERTY", in paragraph (E) shall be fully operative without any further action on the part of either party and specifically the Noteholder shall be entitled, at its option, upon the occurrence of an Event of Default hereunder, to all rents, income and other benefits from the property described in paragraphs (A), (B), (C) and (D) hereof whether or not the Noteholder takes possession of such property. The Borrower hereby further grants to the Noteholder the right (i) to enter upon and take possession of THE PROPERTY for the purpose of collecting the said rents, income and other benefits, (ii) to dispossess by the usual summary proceedings any tenant defaulting in the payment thereof to the Noteholder, (iii) to let THE PROPERTY or any part thereof, and (iv) to apply said rents, income and other benefits, after payment of all necessary charges and expenses, on account of the indebtedness and other sums secured hereby. Such assignment and grant shall continue in effect until the indebtedness and other sums secured hereby are paid, the execution of this Mortgage constituting and evidencing the irrevocable consent of the Borrower to the entry upon and taking possession of THE PROPERTY by

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the Noteholder pursuant to such grant, whether or not foreclosure has been instituted. Neither the exercise of any rights under this paragraph by the Noteholder nor the application of any such rents, income or other benefits to the indebtedness and other sums secured hereby, shall cure or waive any default or notice of default hereunder or invalidate any act done pursuant hereto or to any such notice, but shall be cumulative of all other rights and remedies.

1.11 After Acquired Property. To the extent permitted by and subject to applicable law, the lien of this Mortgage will automatically attach, without further act, to all after acquired property located in or on, or attached to, or used or intended to be used in connection with, or with the operation of, THE PROPERTY or any part thereof.

1.12 Leases Affecting Encumbered Property. The Borrower represents that the schedule of leases set forth in Schedule "C" is true and correct; that all such leases are presently in effect and that no default exists in such leases. As any such lease shall expire or terminate or as any new lease shall be made, the Borrower shall so notify the Noteholder in order that at all times the Noteholder shall have a current list of all leases affecting the property described in paragraphs (A), (B) and (C) hereof. The assignment contained in paragraph (F) hereof shall not be deemed to impose upon the Noteholder any of the obligations or duties of the Borrower provided in any such lease (including, without limitation, any liability under the covenant of quiet enjoyment contained in any lease in the event that any tenant shall have been joined as a party defendant in any action to foreclose this Mortgage and shall have been barred and foreclosed thereby of all right, title and interest and equity of redemption in THE PROPERTY or any part thereof), and the Borrower shall comply with and observe its obligations as landlord under all leases affecting THE PROPERTY or any part thereof. The Borrower, if required by the Noteholder, shall furnish promptly to the Noteholder original or certified copies of all such leases now existing or hereafter created. The Borrower shall not, without the express prior written consent of the Noteholder, amend, modify, extend, terminate or cancel, accept the surrender of, subordinate, accelerate the payment of rent as to, or change the terms of any renewal option of any such lease now existing or hereafter created, or permit or suffer an assignment or sublease. The Borrower shall not accept payment of rent more than one (1) month in advance without the prior written consent of the Noteholder.

With respect to the assignment contained in paragraph (F) hereof, the Borrower shall, from time to time upon request of the Noteholder, specifically assign to the Noteholder as additional security hereunder, by an instrument in writing in such form as may be approved by the Noteholder, all right, title and interest of the Borrower in and to any and all leases now or hereafter on or affecting THE PROPERTY, together with all security therefor and all monies payable thereunder, subject to the conditional permission hereinabove to the Borrower to collect the rentals under any such

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lease. The Borrower shall also execute and deliver to the Noteholder any notification, Financing Statement or other document reasonably required by the Noteholder to perfect the foregoing assignment as to any such lease. The provisions of this paragraph 1.12 shall be subject to the provisions of said paragraph (F).

Any other provision of this Mortgage to the contrary notwithstanding, if any part of THE PROPERTY consists of individual apartment units the Borrower shall, upon the expiration of a lease with respect to such unit in accordance with its terms, have the right to lease any such unit on a form of lease which has been approved by the Noteholder, without obtaining the prior written consent of the Noteholder, provided the rent payable with respect to the new lease is equal to or greater than the rent payable with respect to the expired lease, and further provided the other terms of the lease are at least as favorable to the Borrower as the terms of the expired lease.

1.13 Expenses. The Borrower will pay when due and payable all appraisal fees, recording fees, taxes, brokerage fees and commissions, abstract fees, title policy fees, escrow fees, attorney's fees, court costs, fees of inspecting architect(s) and engineer(s) and all other costs and expenses of every character which have been incurred or which may hereafter be incurred by the Noteholder or any takeout lender in connection with: (i) the issuance of its commitment; (ii) the preparation and execution of loan documents; (iii) the funding of its loan; (iv) in the event an Event of Default occurs, preparation for enforcement of its loan documents, whether or not suit or other action is actually commenced or undertaken; (v) enforcement of its loan documents; (vi) court or administrative proceedings of any kind to which Noteholder may be a party, either as plaintiff or defendant, by reason of the Note, the Mortgage or any other instrument securing the Note; (vii) preparation for and actions taken in connection with Noteholder's taking possession of THE PROPERTY; (viii) negotiations with Borrower, its beneficiary, Guarantor or any of their respective agents in connection with the existence or cure of any Event of Default; (ix) any proposed refinancing by Noteholder or any other person or entity of the debt secured hereby; (x) the transfer of THE PROPERTY in lieu of foreclosure; and (xi) the approval by Noteholder of actions taken or proposed to be taken by Borrower, its beneficiary, Guarantor or other person or entity which approval is required by the terms of this Mortgage or any other instrument securing the Note. The Borrower will, upon demand by the Noteholder, reimburse the Noteholder or any takeout lender for all such expenses which have been incurred or which shall be incurred by it; and will indemnify and hold harmless the Noteholder from and against, and reimburse it for, all claims, demands, liabilities, losses, damages, judgments, penalties, costs and expenses (including, without limitation, attorney's fees) which may be imposed upon, asserted against, or incurred or paid by them by reason of, on account of or in connection with any bodily injury or death or property damage occurring in or upon or in the vicinity of THE PROPERTY through any cause whatsoever or asserted against them

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on account of any act performed or omitted to be performed hereunder or on account of any transaction arising out of or in any way connected with THE PROPERTY, or with this Mortgage or any of the indebtedness evidenced by the Note, except Lender's willful misconduct.

1.14 Noteholder's Performance of Defaults. If the Borrower defaults in the payment of any tax, assessment, encumbrance or other imposition, in its obligation to furnish insurance hereunder, or in the performance or observance of any other covenant, condition or term in this Mortgage, the Note or in any other instrument securing the Note, the Noteholder may, to preserve its interest in THE PROPERTY, perform or observe the same, and all payments made (whether such payments are regular or accelerated payments) and costs and expenses incurred or paid by the Noteholder in connection therewith shall become due and payable immediately. The amounts so incurred or paid by the Noteholder, together with interest thereon at the Default Rate from the date incurred until paid by the Borrower, shall be added to the indebtedness and secured by the lien of this Mortgage. The Noteholder is hereby empowered to enter and to authorize others to enter upon THE PROPERTY or any part thereof for the purpose of performing or observing any such defaulted covenant, condition or term, without thereby becoming liable to the Borrower or any person in possession holding under the Borrower.

1.15 Books and Records. The Borrower shall keep and maintain at all times complete, true and accurate books of account and records reflecting the results of the operation of THE PROPERTY. Borrower shall furnish to Noteholder: (a) within 90 days after the end of Borrower's fiscal year and within 30 days after the end of each fiscal quarter, a statement of income and expenses with respect to THE PROPERTY, in form required by Noteholder, (b) within 90 days after the end of Borrower's fiscal year, statements of financial condition of Borrower and Guarantor, in form as required by Noteholder, (c) within 30 days after the end of such fiscal year, a rent schedule of THE PROPERTY, as of the end of such fiscal year certified by the Borrower, showing the name of each tenant and the space occupied, the lease expiration date, the rent and additional rent due and payable, the last date to which rent was paid and whether or not such tenant was then in default under any of the terms of his lease and showing all tenant space which is not occupied.

The Borrower shall also furnish such interim unaudited financial statements and other information as the Noteholder may require. Noteholder and its designated agents shall have the right to inspect Borrower's books and records with respect to THE PROPERTY at all reasonable times upon reasonable prior notice to the Borrower.

Should Borrower fail to comply with the requirements set forth in (a), (b) and (c) above, it shall constitute an Event of Default and Noteholder may (i) pursue those remedies set forth in

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Article Three hereof, and (ii) direct an independent certified public accountant to audit Borrower's books and records, and the cost of such audit shall be paid by Borrower.

1.16 Estoppel Affidavits. The Borrower, within ten (10) days after written request from the Noteholder, shall furnish a written statement, duly acknowledged, setting forth the unpaid principal of and interest on the Note, and any other unpaid sums secured hereby, and whether or not any offsets or defenses exist against such principal and interest or other sums.

1.17 Prior Liens. In the event that THE PROPERTY or any part thereof is now subject to an approved prior deed of trust, mortgage, lien or other permitted encumbrance described in Schedule "B" which has priority over the lien of this Mortgage ("Approved Prior Encumbrance"), the Borrower shall: (i) pay the principal, interest and all other sums secured thereby on their due date or within any applicable grace period either directly to the holder of the Approved Prior Encumbrance or, at the election of the Noteholder, to the Noteholder for remittance to the holder of the Approved Prior Encumbrance, and will comply with all of the other terms, covenants and conditions thereof; (ii) if requested hereafter by the Noteholder, produce to the Noteholder from time to time no less than three (3) days after the due date of the installments of principal, interest and other sums payable thereon, receipts or other evidence of payment thereof satisfactory to the Noteholder, unless the Noteholder shall have required that such payments be made to the Noteholder in accordance with subparagraph (i) hereof; (iii) not enter into any modification, amendment, agreement or arrangement with respect thereto and will not obtain any additional advances thereunder, without the prior written consent of the Noteholder, expressly including, but not in limitation of the foregoing, any such modification, amendment, agreement or arrangement pursuant to which the Borrower is granted any forbearance or indulgence (as to time or amount) in the payment of any principal, interest or other sums due in accordance with the terms and provisions of the Approved Prior Encumbrance; (iv) use its best efforts to obtain the agreement of the holder from time to time of any such Approved Prior Encumbrance to send the Noteholder copies of all notices; and (v) notify the Noteholder promptly of the receipt of any notice given by the holder of any Approved Prior Encumbrance.

1.18 Use of Noteholder's Name. Borrower shall not use the Noteholder's name or the name of any person, firm or corporation controlling, controlled by or under common control with the Noteholder in connection with any of the Borrower's activities, except as such use may be required by applicable law or regulation of any governmental body, or by any financing institution with which the Borrower may be doing business.

1.19 Business Loan. To induce Noteholder to disburse the principal amount of the Note, Borrower warrants, represents and covenants that the loan represented thereby is a business loan (as

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such term is used in Ill. Rev. State. ch. 74, §4(1)(c), as amended) to Borrower, that its beneficiary owns and operates a commercial or industrial enterprise which is carried on for the purpose of investment or profit in connection with THE PROPERTY and that the funds represented by the Note will be used solely to further such commercial or industrial enterprise.

1.20 Future Indebtedness of Borrower. The lien of this Mortgage secures, as of the date hereof, without further act, any and all future indebtedness of Borrower to Noteholder, whether representing the future advance of sums under the Note, or otherwise.

ARTICLE TWO

DEFAULTS

2.01 Event of Default. The term Event of Default, wherever used in this Mortgage, shall mean any one or more of the following events:

(a) Failure by the Borrower to pay (i) any periodic installment of interest or principal which shall become due and payable under the Note; or (ii) the outstanding principal balance on the Note, together with interest accrued thereon, at maturity or upon prepayment of the Note; or (iii) any deposits for taxes and assessments or insurance premiums when due hereunder; or (iv) any other sums to be paid by the Borrower hereunder or under any other instrument securing the Note, when due hereunder or thereunder.

(b) Failure by the Borrower to duly keep, perform and observe any other covenant, condition or agreement in the Note, the Loan Agreement, this Mortgage, or any other instrument securing the Note or executed in connection therewith.

(c) If any material inaccuracy shall exist in any of the financial statements, certificates or in any other information furnished by or to be furnished by the Borrower to the Noteholder pursuant to the provisions of this Mortgage or furnished or to be furnished to the Noteholder to induce the Noteholder to make the loan evidenced by the Note.

(d) The occurrence of an Event of Default under the Loan Agreement.

(e) Breach of any warranty or untruth of any representation of the Borrower or Guarantor contained in the Note, the Loan Agreement, this Mortgage or any other instrument securing the Note.

(f) If (i) a petition is filed by or against the Borrower, or any guarantor, co-maker or endorser of the Note seeking or acquiescing in any reorganization, arrangement, composi-

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tion, readjustment, liquidation, dissolution or similar relief under any law relating to bankruptcy or insolvency, or (ii) the Borrower, or any guarantor, co-maker or endorser of the Note seeks or consents to or acquiesces in the appointment of any trustee, receiver, master or liquidator of itself or of all the rent, revenues, issues, earnings, profits or income thereof, or (iii) the Borrower, or any guarantor, co-maker or endorser of the Note makes any general assignment for the benefit of creditors, or (iv) the Borrower, or any guarantor, co-maker or endorser of the Note is "insolvent", as hereafter defined; or (v) any trustee, receiver or liquidator of the Borrower or if all or any part of THE PROPERTY or of any or all of the rents or income thereof is appointed For purposes of this paragraph, a person or entity shall be deemed to be insolvent if he or it is unable to pay its debts as they become due and/or if the fair market value of his or its assets do not exceed his or its aggregate liabilities.

(g) If all or any part of THE PROPERTY shall be taken through condemnation or if the value of THE PROPERTY shall be impaired by condemnation (which term when used herein shall include any damage or taking by any governmental authority or any other authority authorized by the laws of the state where the Land is located or the United States of America to so damage or take, and any transfer by private sale in lieu thereof), either temporarily for a period in excess of thirty (30) days, or permanently.

(h) The entry by any court of last resort of a decision that an undertaking by the Borrower as herein provided to pay taxes, assessments, levies, liabilities, obligations and encumbrances is legally inoperative or cannot be enforced, or in the event of the passage of any law changing in any way or respect the laws now in force for the taxation of deeds of trust or mortgages or debts secured thereby for any purpose, or the manner of collection of any such taxes, so as to affect adversely this Mortgage or the indebtedness or other sums secured hereby.

(i) The occurrence of a default under any Approved Prior Encumbrance or under any other approved encumbrance affecting all of any portion of THE PROPERTY, or any other event permitting acceleration of the maturity of any indebtedness secured thereby or any other such default or event with respect to any other indebtedness of the Borrower to the Noteholder. The Borrower shall promptly notify the Noteholder in writing of the occurrence of any such default or event.

(j) Termination or revocation of the Guaranty executed by Guarantor.

(k) In the event THE PROPERTY is operated pursuant to a franchise or license agreement, the occurrence of a default thereunder, or the modification, amendment, suspension, or termination thereof without the prior written consent of the Noteholder.

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ARTICLE THREE

REMEDIES

3.01 Acceleration of Maturity. If an Event of Default shall have occurred, Noteholder may declare without demand or notice the outstanding principal amount of the Note and the interest accrued thereon, and all other sums secured hereby, to be due and payable immediately, and upon such declaration such principal and interest and other sums shall immediately become and be due and payable without demand or notice.

3.02 The Noteholder's Power of Enforcement. If an Event of Default shall have occurred, the Noteholder may, either with or without entry or taking possession as hereinabove provided or otherwise, proceed by suit or suits at law or in equity or by any other appropriate proceeding or remedy: (a) to enforce payment of the Note or the performance of any term hereof or any other right; (b) to foreclose this Mortgage and to sell, as an entirety or in separate lots or parcels, THE PROPERTY, under the judgment or decree of a court or courts of competent jurisdiction; and (c) to pursue any other remedy available to it. The Noteholder shall take action either by such proceedings or by the exercise of its powers with respect to entry or taking possession, or both, as the Noteholder may determine.

3.03 Noteholder's Right to Enter and Take Possession, Operate and Apply Income.

(a) If an Event of Default shall have occurred the Borrower upon demand of the Noteholder, shall forthwith surrender to the Noteholder the actual possession and if and to the extent permitted by law, the Noteholder itself, or by such officers or agents as it may appoint, may enter upon and take possession of THE PROPERTY and may exclude the Borrower and its agents and employees wholly therefrom, and may have joint access with the Borrower to the books, papers and accounts of the Borrower.

(b) If an Event of Default shall have occurred and the Borrower shall for any reason fail to surrender or deliver THE PROPERTY or any part thereof after the Noteholder's demand, the Noteholder may obtain a judgment or decree conferring on the Noteholder the right to immediate possession or requiring the Borrower to deliver immediate possession of all or part of THE PROPERTY to the Noteholder, to the entry of which judgment or decree the Borrower hereby specifically consents. The Borrower shall pay to the Noteholder, upon demand, all costs and expenses of obtaining such judgment or decree and reasonable compensation to the Noteholder, its attorneys and agents, and all such costs, expenses and compensation shall, until paid, be secured by the lien of this Mortgage.

(c) Upon every such entering upon or taking of possession, the Noteholder may hold, store, use, operate, manage

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and control THE PROPERTY and conduct the business thereof, and, from time to time:

(i) make all necessary and proper maintenance, repairs, renewals, replacements, additions, betterments and improvements thereto and thereon and purchase or otherwise acquire additional fixtures, personalty and other property;

(ii) insure or keep THE PROPERTY insured;

(iii) manage and operate THE PROPERTY and exercise all the rights and powers of the Borrower in its name or otherwise with respect to the same;

(iv) enter into agreements with others to exercise the powers herein granted the Noteholder, all as the Noteholder from time to time may determine; and the Noteholder may collect and receive all the rents, income and other benefits thereof, including those past due as well as those accruing thereafter; and shall apply the monies so received by the Noteholder in such priority as the Noteholder may determine to (1) amounts advanced pursuant to sub-sub-paragraph (i) of this subparagraph (c), (2) the payment of interest and principal due and payable on the Note, (2) the deposits for taxes and assessments and insurance premiums due, (3) the cost of insurance, taxes, assessments and other expenses of operating, maintaining, repairing and improving THE PROPERTY, including without limitation renting commissions and rental collection commissions paid to an agent of the Noteholder or of the receiver; and (4) the compensation, expenses and disbursements of the agents, attorneys and other representatives of the Noteholder. All costs, expenses and liabilities of every character incurred by the Noteholder in managing, operating and maintaining THE PROPERTY, not paid out of rent as hereinabove provided, shall constitute advances and be demand obligations owing by Borrower and shall draw interest from the date of expenditure until paid at the Default Rate, all of which shall constitute a portion of the secured indebtedness. While in possession of THE PROPERTY, the Noteholder or the receiver shall be liable to account only for the rents, issues and profits actually received.

The Noteholder, at its election, and without notice to the Borrower, may, to preserve its interest in THE PROPERTY, make any payments which the Borrower has failed to make under any Approved Prior Encumbrance, but such payment by the Noteholder shall not release the Borrower from the Borrower's obligations or constitute a waiver of the Borrower's default hereunder.

The Noteholder shall surrender possession of THE PROPERTY to the Borrowers only in the event the indebtedness outstanding under the Note and the Mortgage shall have been paid in full, and all other terms, conditions and covenants of the Note and this Mortgage shall have been performed, in accordance with the tenor thereof.

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3.04 Leases. Noteholder, at its option, is authorized to foreclose this Mortgage subject to the rights of any tenants of THE PROPERTY, and the failure to make any such tenants parties defendant to any such foreclosure proceedings and to foreclose their rights will not be, nor be asserted by the Borrower to be, a defense to any proceedings instituted by the Noteholder to collect the sums secured hereby or to collect any deficiency remaining unpaid after the foreclosure sale of THE PROPERTY. Unless otherwise agreed by Noteholder in writing, all leases and tenancies of the Property executed subsequent to the date hereof, or any part thereof, shall be subordinate and inferior to the lien of this Mortgage, except that from time to time the Noteholder may execute and record among the Land Records of the jurisdiction where this Mortgage is recorded, subordination statements with respect to such of said leases as Noteholder may designate, whereby the leases so designated by Noteholder will be made superior to the lien of this Mortgage. From and after the recordation of such subordination statements, the leases therein referred to shall be superior to the lien of this Mortgage and shall not be affected by any foreclosure hereof. All such leases and tenancies shall contain a provision to the effect that the tenant recognizes the right of the Noteholder to effect such subordination of this Mortgage and consents thereto.

3.05 Purchase by Noteholder. Upon any sale held by the Noteholder or by any receiver or public officer, the Noteholder may bid for and purchase THE PROPERTY and, upon compliance with the terms of sale, may hold, retain and possess and dispose of such property in its own absolute right without further accountability.

3.06 Application of Indebtedness Toward Purchase Price. Upon any such sale, the Noteholder may, if permitted by law, and after allowing for costs and expenses of the sale, compensation and other charges, in paying the purchase price, apply any portion of or all of the indebtedness and other sums due to the Noteholder under the Note, this Mortgage or any other instrument securing the Note, in lieu of cash, to the amount which shall, upon distribution of the net proceeds of such sale, be payable thereon to the extent of the purchase price.

3.07 Waiver of Appraisement, Valuation, Stay, Extension and Redemption Laws. The Borrower agrees to the full extent permitted by law that in case of a default on its part hereunder, neither the Borrower nor anyone claiming through or under it shall or will set up, claim or seek to take advantage of any appraisement, valuation, stay of execution, notice of election to mature or declare due the whole of the secured indebtedness, extension or redemption laws now or hereafter in force, in order to prevent or hinder the enforcement or foreclosure of this Mortgage or the absolute sale of THE PROPERTY or the final and absolute putting into possession thereof, immediately after such sale, of the purchasers threat, and the Borrower, for itself and all who may at any time claim through or under it, hereby waives, to the full extent that it may lawfully so do, the benefit of all such laws, and any and all right to have the assets comprising THE PROPERTY

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marshalled upon any foreclosure of the lien hereof and agrees that the Noteholder or any court having jurisdiction to foreclose such lien may sell THE PROPERTY in part or as an entirety. If any law referred to in this paragraph and now in force, of which Borrower, its successors and assigns, might take advantage despite this paragraph, shall hereafter be repealed or cease to be in force, such law shall not thereafter be deemed to preclude the application of this paragraph. Without limiting the foregoing, Borrower hereby waives all rights of redemption from sale under any order or decree of foreclosure of this Mortgage on its own behalf and on behalf of each and every person except decree and judgment creditors of Borrower (in its representative capacity), who may acquire any interest in or title to THE PROPERTY subsequent to the date thereof.

3.08 Receiver. If an Event of Default shall have occurred, the Noteholder, to the extent permitted by law and without regard to the value of THE PROPERTY or the security or occupancy of THE PROPERTY, shall be entitled as a matter of right if it so elects to the appointment of a receiver to enter upon and take possession of THE PROPERTY and to collect all rents, revenues, issues, income, product and profits thereof and apply the same as the court may direct. The receiver shall have all rights and powers permitted under the laws of the State of Illinois and such other powers as the court making such appointment shall confer. The expenses, including receiver's fees, attorney's fees, costs and agent's compensation, incurred pursuant to the powers herein contained shall be secured by this Mortgage. The right to enter and take possession of and to manage and operate THE PROPERTY, and to collect the rents, issues and profits thereof, whether by a receiver or otherwise, shall be cumulative to any other right or remedy hereunder or afforded by law, and may be exercised concurrently therewith or independently thereof. The Noteholder shall be liable to account only for such rents, issues and profits actually received by the Noteholder, whether received pursuant to this paragraph or paragraph 2.04. Notwithstanding the appointment of any receiver or other custodian, the Noteholder shall be entitled as pledgee to the possession and control of any cash, deposits, or instruments at the time held by, or payable or deliverable under the terms of this Mortgage to, the Noteholder.

3.09 Suits to Protect the Property. The Noteholder shall have the power and authority to institute and maintain any suits and proceedings as the Noteholder may deem advisable (a) to prevent any impairment of THE PROPERTY by any acts which may be unlawful or any violation of this Mortgage, (b) to preserve or protect its interest in THE PROPERTY, and (c) to restrain the enforcement of or compliance with any legislation or other governmental enactment, rule or order that may be unconstitutional or otherwise invalid, if the enforcement of or compliance with such enactment, rule or order might impair the security hereunder or be prejudicial to the Noteholder's interest.

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3.10 Proofs of Claim. In the case of any receivership, insolvency, bankruptcy, reorganization, arrangement, adjustment, composition or other judicial proceedings affecting the Borrower or any guarantor, co-maker or endorser of any of the Borrower's obligations, its creditors or its property, the Noteholder, to the extent permitted by law, shall be entitled to file such proofs of claim and other documents as may be necessary or advisable in order to have its claims allowed in such proceedings for the entire amount due and payable by the Borrower under the Note, this Mortgage and any other instrument securing the Note, at the date of the institution of such proceedings, and for any additional amounts which may become due and payable by the Borrower after such date.

3.11 Borrower to Pay the Note on Any Default in Payment; Application of Monies by Noteholder.

(a) If default shall be made in the payment of any amount due under the Note, this Mortgage or any other instrument securing the Note, then, upon the Noteholder's demand, the Borrower will pay to the Noteholder the whole amount due and payable under the Note and all other sums secured hereby; and if the Borrower shall fail to pay the same forthwith upon such demand, the Noteholder shall be entitled, unless precluded under the Note from seeking a deficiency judgment against the Borrower, to sue for and to recover judgment against the Borrower for the whole amount so due and unpaid together with costs and expenses, including without limitation the reasonable compensation, expenses and disbursements of the Noteholder's agents, attorneys and other representatives, either before, after or during the pendency of any proceedings for the enforcement of this Mortgage, and the right of the Noteholder to recover such judgment shall not be affected by any taking possession or foreclosure sale hereunder, or by the exercise of any other right, power or remedy for the enforcement of the terms of this Mortgage, or the foreclosure of the lien hereof.

(b) In case of a foreclosure sale of all or any part of THE PROPERTY and of the application of the proceeds of sale to the payment of the sums secured hereby, the Noteholder shall, unless precluded under the Note from seeking a deficiency judgment against the Borrower, be entitled to enforce payment from the Borrower of all amounts then remaining due and unpaid and to recover judgment against the Borrower for any portion thereof remaining unpaid, with interest.

(c) The Borrower hereby agrees, to the extent permitted by law, that no recovery of any such judgment by the Noteholder and no attachment or levy of any execution upon any of THE PROPERTY or any other property shall in a way affect the lien of this Mortgage upon THE PROPERTY or any part thereof of any lien, rights, powers or remedies of the Noteholder hereunder, but such lien, rights, powers and remedies shall continue unimpaired as before.

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(d) Any monies collected or received by the Noteholder under this paragraph 3.11 shall be applied to the payment of compensation, expenses and disbursements of the agents, attorneys and other representatives of the Noteholder, and the balance remaining shall be applied to the payment of amounts due and unpaid under the Note, this Mortgage and all other instruments securing the Note.

(e) The provisions of this paragraph shall not be deemed to limit or otherwise modify the provisions of any guaranty of the indebtedness evidenced by the Note.

3.12 Delay or Omission No Waiver. No delay or omission of Noteholder or of any holder of the Note to exercise any right, power or remedy accruing upon any Event of Default shall exhaust or impair any such right, power or remedy or shall be construed to waive any such Event of Default or to constitute acquiescence therein. Every right, power and remedy given to the Noteholder may be exercised from time to time and as often as may be deemed expedient by the Noteholder.

3.13 No Waiver of One Default to Affect Another. No waiver of any Event of Default hereunder shall extend to or affect any subsequent or any other Event of Default then existing, or impair any rights, powers or remedies consequent thereon. If the Noteholder (a) grants forbearance or an extension of time for the payment of any sums secured hereby; (b) takes other or additional security for the payment thereof; (c) waives or does not exercise any right granted in the Note, this Mortgage or any other instrument securing the Note; (d) releases any part of THE PROPERTY from the lien of this Mortgage or any other instrument securing the Note; (e) consents to the filing of any map, plat or replat of the Land; (f) consents to the granting of any easement on the Land; or (g) makes or consents to any agreement changing the terms of this Mortgage or subordinating the lien or any charge hereof, no such act or omission shall release, discharge, modify, change or affect the original liability under the Note, this Mortgage or otherwise of the Borrower, or any subsequent purchaser of THE PROPERTY or any part thereof or any maker, co-signer, endorser, surety or guarantor. No such act or omission shall preclude the Noteholder from exercising any right, power or privilege herein granted or intended to be granted in case of any Event of Default then existing or of any subsequent Event of Default nor, except as otherwise expressly provided in an instrument or instruments executed by the Noteholder, shall the lien of this Mortgage be altered thereby, except to the extent of releases as described in subparagraph (d) above of this paragraph 3.13. In the event of the sale or transfer by operation of law or otherwise of all or any part of THE PROPERTY, the Noteholder, without notice to any person, firm or corporation, is hereby authorized and empowered to deal with any such vendee or transferee with reference to THE PROPERTY or the indebtedness secured hereby, or with reference to any of the terms or conditions hereof, as fully and to the same extent as it might deal with the original parties hereto and without in any way

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releasing or discharging any of the liabilities or undertakings hereunder.

3.14 Discontinuance of Proceedings; Position of Parties Restored. If the Noteholder shall have proceeded to enforce any right or remedy under this Mortgage by foreclosure, entry or otherwise and such proceedings shall have been discontinued or abandoned for any reason, or such proceedings shall have resulted in a final determination adverse to the Noteholder, then and in every such case the Borrower and the Noteholder shall be restored to their former positions and rights hereunder, and all rights, powers and remedies of the Noteholder shall continue as if no such proceedings had occurred or had been taken.

3.15 Remedies Cumulative. No right, power or remedy conferred upon or reserved to the Noteholder by the Note, this Mortgage or any other instrument securing the Note is exclusive of any other right, power or remedy, but each and every such right, power and remedy shall be cumulative and concurrent and shall be in addition to any other right, power and remedy given hereunder or under the Note or any other instrument securing the Note, or now or hereafter existing at law, in equity or by statute.

3.16 Interest After Event of Default. If an Event of Default shall have occurred, all sums outstanding and unpaid under the Note and this Mortgage shall, at Noteholder's option, bear interest at the Default Rate set forth herein. In such event, any deferred interest provision, as contained in the Note, shall be inoperative, and interest at the Default Rate shall be currently payable.

ARTICLE FOUR

MISCELLANEOUS PROVISIONS

4.01 Heirs, Successors and Assigns Included in Parties. Whenever one of the parties hereto is named or referred to herein, the heirs, successors and assigns of such party shall be included and all covenants and agreements contained in this Mortgage, by or on behalf of the Borrower or the Noteholder shall bind and inure to the benefit of their respective heirs, successors and assigns, whether so expressed or not.

4.02 Addresses for Notices, Etc.

(a) Any notice, report, demand or other instrument authorized or required to be given or furnished under this Mortgage to the Borrower or the Noteholder shall be deemed given or furnished (i) when addressed to the party intended to receive the same, at the address of such party set forth below, and delivered at such address or (ii) three days after the same is deposited in the United States mail as first class certified mail, return receipt requested, postage paid, whether or not the same is actually received by such party:

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Noteholder: Irving Trust Company
1290 Avenue of the Americas
Third Floor
Attn: Mr. Robert M. Grosse
Vice President and General Manager

Borrower: WWF Paper Corporation
Two Bala Plaza
Bala Cynwyd, PA 19004
Attn: Edward V. Furlong, Jr.

Copy to : Duane, Morris & Heckscher
One Franklin Plaza
Philadelphia, Pennsylvania 19102
Attn: Vincent F. Garrity, Esq.

(b) Either party may change the address to which any such notice, report, demand or other instrument is to be delivered or mailed, by furnishing written notice of such change to the other party, but no such notice of change shall be effective unless and until received by such other party.

4.03 Headings. The headings of the articles, sections, paragraphs and subdivisions of this Mortgage are for convenience of reference only, are not to be considered a part hereof, and shall not limit or expand or otherwise affect any of the terms hereof.

4.04 Invalid Provisions to Affect No Others. In the event that any of the covenants, agreements, terms or provisions contained in the Note, or in this Mortgage or in any other instrument securing the Note shall be deemed invalid, illegal or unenforceable in any respect, the validity of the remaining covenants, agreements, terms or provisions contained herein or in the Note or in any other instrument securing the Note shall be in no way affected, prejudiced or disturbed thereby; and if any application of any term, restriction or covenant to any person or circumstances is deemed illegal or unenforceable, the application of such term, restriction or covenant to other persons and circumstances shall remain unaffected to the extent permitted by law.

4.05 Changes, Etc. Neither this Mortgage nor any term hereof may be changed, waived, discharged or terminated orally, or by any action or inaction, but only by an instrument in writing signed by the party against which enforcement of the change, waiver, discharge or termination is sought. The modification hereof or of the Note or any other instrument securing the Note or the release of any part of THE PROPERTY from the lien hereof shall not impair the priority of the lien of this Mortgage.

4.06 Governing Law. This Mortgage is made by the Borrower and accepted by the Noteholder in the State of Illinois, under the laws of such state and shall be construed, interpreted,

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enforced and governed by and in accordance with the laws of such state.

4.07 Required Notices. The Borrower shall notify the Noteholder promptly of the occurrence of any of the following: (i) receipt of notice from any governmental authority relating to THE PROPERTY; (ii) receipt of any notice from any tenant leasing all or any portion of THE PROPERTY; (iii) any change in the occupancy of THE PROPERTY; (iv) receipt of any notice from the holder of any other lien or security interest in THE PROPERTY; or (v) commencement of any judicial or administrative proceedings by or against or otherwise affecting the Borrower, the Guarantor (if any), THE PROPERTY or any entity controlled by or under common control with the Borrower or the Guarantor, or any other action by any creditor thereof as a result of any default under the terms of any loan.

4.08 Management. The Borrower covenants that at all times prior to the payment in full of the indebtedness evidenced by the Note and other sums secured hereby, THE PROPERTY shall be managed by the Borrower or by a management company which shall have been approved in writing by the Noteholder and pursuant to a management agreement which shall have been approved in writing by the Noteholder prior to the execution thereof.

4.09 Default Rate. The Default Rate shall be the highest maximum legal rate of two percent in excess of the rate specified in the Note, whichever shall be higher.

IN WITNESS WHEREOF, the Borrower has executed this Mortgage on this 13th day of July, 1987.

FOREST-A-THOOD PAPER COMPANY

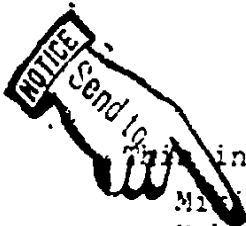
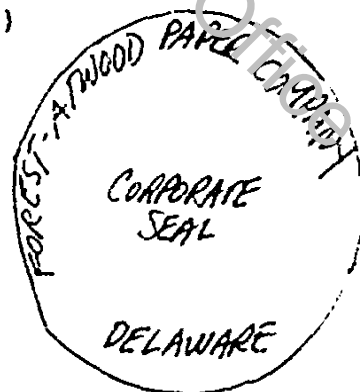
By: [Signature]

Title: Chairman

(Seal)

WITNESS:

[Signature]
Asst. Secretary



instrument was prepared by:

William L. Cohen, Esq.
Hahn & Hessen
350 Fifth Avenue
New York, New York 10118

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ACKNOWLEDGMENT

STATE OF NEW YORK)
) SS.
COUNTY OF NEW YORK)

On the 15th day of July, 1987 before me personally appeared Edward V. Furlong, Jr. to me known, who being by me duly sworn did depose and say that he resides at Two Kala Plaza, Kala Conwyd, PA 19104; that he is the Chairman of Forest-Atwood Paper Company, the corporation described in and which executed the foregoing instrument by order of the board of directors of said corporation.

IN WITNESS WHEREOF, I set my hand and official seal.

Joseph N. Friedman
Notary Public

JOSEPH N. FRIEDMAN
Notary Public, State of New York
No. 41-6413750
Qualified in Queens County
Commission Expires December 31, 1988

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SCHEDULE A

Description of Property

LEGAL DESCRIPTION:

LOT 233 IN CENTEX INDUSTRIAL PARK UNIT 123, BEING A SUBDIVISION IN SECTION 27, TOWNSHIP 41 NORTH, RANGE 11 EAST OF THE THIRD PRINCIPAL MERIDIAN, IN COOK COUNTY, ILLINOIS.

085-27-303-027

MM

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SECRETARY'S CERTIFICATE

I, Sheldon M. Bonovitz, Secretary of FOREST-ATWOOD PAPER COMPANY (the "Corporation"), a Delaware corporation, do hereby certify that the following resolutions were duly adopted by valid action of the Board of Directors of the Corporation, and do further certify that said resolutions have not been rescinded or modified in any way and remain in full force and effect as of the date hereof:

WHEREAS, the Corporation desires to refinance its existing bank debt, and

WHEREAS, the Corporation has negotiated with Irving Trust Company ("Bank") for a financing arrangement which will provide a total credit facility of up to \$70 million to the Corporation and certain of its affiliates, and

WHEREAS, the Corporation desires to obtain and the Bank has agreed to provide such financing;

IT IS THEREFORE,

RESOLVED, that the Loan and Security Agreement ("Agreement") with an original term of two years and optional one year renewal terms thereafter, substantially in the form of Exhibit "A" attached hereto, between this Corporation and the Bank which provides, among other things, a Term loan in the amount of \$32 million and a revolving credit facility under which the Bank may make discretionary advances of up to \$38 million, at a rate of interest which equals prime plus 1 1/2% on 90% of the outstanding principal and 10% on the remaining outstanding principal together with a "Minimum Loan Fee" and a "Compensating Balance Fee", both as defined in the Agreement, is hereby approved and the Chairman, President, any Vice President, Treasurer, Secretary and Assistant Secretary (the "Officers") are hereby severally authorized and empowered to execute and deliver on behalf of this Corporation, with or without its corporate seal, the Agreement with such changes as the Chairman, President or any Vice President may approve;

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SCHEDULE B

PRIOR LIENS AND ENCUMBRANCES

Trust Deed dated June 18, 1980 in the amount of \$1,100,000.00 made by Forest-Atwood Paper Company to Chicago Title and Trust Company.

Assignment of Rents made by Forest-Atwood Paper Company to Lutheran Mutual Life Insurance Company dated June 6, 1980.

SCHEDULE C

LEASES

NONE

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PLTS6510005
Recd + Return to

PREFERRED LAND TITLE SERVICES, INC.

575 Lexington Avenue
New York, New York 10022

(212) 308-1200

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and

FURTHER RESOLVED, that pursuant to the Agreement, the Corporation's grant to the Bank of (a) a security interest in, among other things, all of its existing and future Receivables, Inventory, Equipment, furniture and fixtures, instruments and all products and proceeds of the foregoing including insurance proceeds; (b) an assignment of life insurance policies each in the amount of \$2,500,000 on the lives of Edward V. Furlong, Jr. and Robert Jacobs; (c) a limited personal guarantee by Edward V. Furlong, Jr. in the amount of \$250,000; and (d) a second mortgage lien on the Corporation's property located at 1150 Lively Boulevard, Elk Grove Village, IL. is hereby approved and the Officers are hereby severally authorized and empowered to execute and deliver on behalf of this Corporation, with or without its corporate seal, all documents or certificates to be delivered to effect such grants; and

FURTHER RESOLVED, that the Officers of this Corporation, or any of them are hereby severally authorized to take such further action and execute and deliver on behalf of this Corporation such other documents or certificates and to enter into such other agreements in connection with the above transactions as they may deem necessary and proper.

IN WITNESS WHEREOF, the undersigned has executed this Certificate as of the 15th day of July, 1987.

Secretary,
Forest-Atwood Paper Company

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State of Delaware



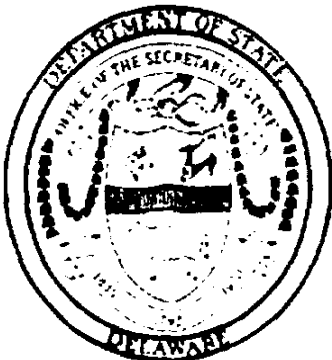
Office of Secretary of State

I, MICHAEL HARKINS, SECRETARY OF STATE OF THE STATE OF DELAWARE DO HEREBY CERTIFY FOREST-ATWOOD PAPER COMPANY IS DULY INCORPORATED UNDER THE LAWS OF THE STATE OF DELAWARE AND IS IN GOOD STANDING AND HAS A LEGAL CORPORATE EXISTENCE SO FAR AS THE RECORDS OF THIS OFFICE SHOW, AS OF THE DATE SHOWN BELOW.

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Michael Harkins
Michael Harkins, Secretary of State

AUTHENTICATION: 11276584
DATE: 06/15/1987

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File Number

5056-913-0

SEAL OF THE STATE OF ILLINOIS
DEPARTMENT OF
THE SECRETARY OF STATE



To all to whom these Presents Shall Come, Greeting:

I, Jim Edgar, Secretary of State of the State of Illinois,

do hereby certify that FOREST-TIMBER PAPER COMPANY, INCORPORATED IN THE STATE OF DELAWARE AND LICENSED TO TRANSACT BUSINESS IN THIS STATE ON DECEMBER 19, 1974, APPEARS TO HAVE COMPLIED WITH ALL THE PROVISIONS OF THE BUSINESS CORPORATION ACT OF THIS STATE RELATING TO THE FILING OF ANNUAL REPORTS AND PAYMENT OF FRANCHISE TAXES, AND IS AT THIS TIME A FOREIGN CORPORATION IN GOOD STANDING AND AUTHORIZED TO TRANSACT BUSINESS IN THE STATE OF ILLINOIS*****

In Testimony Whereof, I hereto set

my hand and cause to be affixed the Great Seal of

the State of Illinois this 25TH

day of JUNE A. D. 19 87



Jim Edgar
SECRETARY OF STATE

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DEPT-01 RECORDING \$46.00
1#1111 TRAM 9259 07/17/87 15:27:00
#0123 # 2 * 37-396533
COOK COUNTY RECORDER

46.00