

Bay 4300
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MORTGAGOR HEREBY GRANTS, REMISES, ALIENS, RELEASES, TRANSFERS, CONVEYS, MORTGAGES AND ASSIGNS TO MORTGAGEE, under and subject to the terms and conditions hereinafter set forth

THIS MORTGAGE, ASSIGNMENT OF RENTS, SECURITY AGREEMENT AND FIXTURES FILING ("Mortgage") is made as of the 7th day of March, 1988, by and among PUBLIC STORAGE INCOME FUND 4, A CALIFORNIA LIMITED PARTNERSHIP ("Mortgagor"), whose place of business is 1015 Grandview Avenue, P. O. Box 25050, Glendale, California 91201-5050 and LOMAS & NETTLETON FINANCIAL CORPORATION, a Delaware corporation ("Mortgagee") whose place of business is 2001 Bryan Tower, Suite 3700, Dallas, Texas 75201.

ASSIGNMENT OF RENTS, SECURITY AGREEMENT
AND FIXTURES FILING

MORTGAGE,

Space above this line
for registrar's use

88103038

Permanent Real Estate Index Number: 24-34-201-006 (Volume 249)

Property Address:
127th Street and Crawford Avenue
Alsip, Illinois

Sheryl Anne L. Self, Esquire
Gibson, Dunn & Crutcher
1700 Pacific Avenue, Suite 4400
Dallas, Texas 75201

This instrument was prepared by, and after registration should be returned to:

88103038

PS Income Fund 4
Crawford Avenue
L&N Loan No. 20728

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and to the "Permitted Exceptions" (hereinafter so called) described in Exhibit B attached hereto and by this reference incorporated herein:

GRANTING CLAUSE ONE [Land]

The real property, located on the west side of Crawford Avenue approximately 400 feet south of the intersection of 127th Street in the City of Alsip, County of Cook, State of Illinois, described in Exhibit A attached hereto and by this reference incorporated herein (the "Land").

GRANTING CLAUSE TWO [Improvements]

TOGETHER WITH, any and all buildings and improvements now or hereafter erected on the Land, including, but not limited to, the fixtures, attachments, appliances, equipment, machinery, and other articles attached to said buildings and improvements (the "Improvements"). The Land and Improvements are referred to collectively herein as the "Property".

For purposes of this Mortgage, fixtures shall be deemed to include, to the full extent allowed by law, all equipment and machinery now or at any time hereafter located or included in or on or appurtenant to the Property and used in connection therewith and which are or become so related to the real property encumbered hereby that an interest arises in them under real estate law including, but not limited to: all machinery, equipment (including without limitation pipes, furnaces, conveyors, drums, fire sprinklers and alarm systems, and air conditioning, heating, refrigerating, electronic monitoring, food storage, food processing, trash and garbage removal and maintenance equipment), office equipment, all built-in tables, chairs, planters, desks, sofas, shelves, lockers and cabinets, all safes, furnishings, appliances (including iceboxes, refrigerators, fans, heaters, water heaters and incinerators), rugs, carpets and other floor coverings, draperies and drapery rods and brackets, awnings, window shades, venetian blinds, curtains, lamps, chandeliers and other lighting fixtures.

GRANTING CLAUSE THREE [Rents, etc.]

TOGETHER WITH, all rents, issues, profits, royalties, income and other benefits derived from the Property (collectively the "rents"), subject to the right, power and authority hereinafter given to Mortgagor to collect and apply such rents.

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STATE OF ILLINOIS
COUNTY OF COOK

IN SENATE
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TOGETHER WITH, all right, title and interest of Mortgagor in and to all tangible personal property (the "Personal Property") owned by Mortgagor and now or at any time hereafter located on or at the Property or used in connection therewith, including, but not limited to: all goods, machinery, tools,

GRANTING CLAUSE NINE
[Personal Property]

TOGETHER WITH, all right, title and interest of Mortgagor, now owned or hereafter acquired, in and to any land lying within the right-of-way of any street, open or proposed, adjoining the Property, and any and all sidewalks, alleys and strips and gores of land adjacent to or used in connection with the Property.

GRANTING CLAUSE EIGHT
[Street Right-of-Way, etc.]

TOGETHER WITH, all easements, rights-of-way and rights used in connection therewith or as a means of access thereto or which are otherwise of benefit thereto to the users thereof, and all tenements, hereditaments and appurtenances thereof and thereto.

GRANTING CLAUSE SEVEN
[Easements, etc.]

TOGETHER WITH, all interests, estates or other claims, both in law and in equity, which Mortgagor now has or may hereafter acquire in the Property.

GRANTING CLAUSE SIX
[All Additional Interest]

TOGETHER WITH, all right, title and interest of Mortgagor in and to all options to purchase or lease the Property or any portion thereof or interest therein, and any greater estate in the Property owned or hereafter acquired by Mortgagor.

GRANTING CLAUSE FIVE
[Options to Purchase, etc.]

TOGETHER WITH, all leasehold estate, right, title and interest of Mortgagor in and to all leases or subleases covering the Property or any portion thereof now or hereafter existing or entered into, and all right, title and interest of Mortgagor thereunder, including, without limitation, all cash or security deposits, advance rentals, and deposits or payments of similar nature.

GRANTING CLAUSE FOUR
[Leases, Including Deposits and Advance Rentals]

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TOGETHER WITH, all the estate, interest, right, title and other claim or demand which Mortgagee now has or may hereafter acquire against anyone with respect to any damage to all or any part of the Mortgaged Property, including without limitation, damage arising from any defect in or with respect to the design, or construction of all or any part of the Improvements and damage resulting therefrom.

GRANTING CLAUSE TWELVE
[Claims for Damages, etc.]

TOGETHER WITH, all the estate, interest, right, title and other claim or demand which Mortgagee now has or may hereafter acquire with respect to the proceeds of insurance in effect with respect to all or any part of the Mortgaged Property.

GRANTING CLAUSE ELEVEN
[Insurance Proceeds]

TOGETHER WITH, all the estate, interest, right, title, other claim or demand, which Mortgagee now has or may hereafter acquire in any and all awards made for the taking by eminent domain, or by any proceeding or purchase in lieu thereof, of the whole or any part of the Mortgaged Property (as hereinafter defined), including without limitation any awards resulting from a change of grade of streets and awards for severance damages.

GRANTING CLAUSE TEN
[Condemnation Awards, etc.]

insurance proceeds, equipment (including fire sprinklers and alarm systems, air conditioning, heating, refrigerating, electronic monitoring, entertainment, recreational, window or structural cleaning rigs, maintenance, exclusion of vermin or insects, removal of dust, refuse or garbage and all other equipment of every kind), lobby and all other indoor and outdoor furniture (including tables, chairs, planters, desks, sofas, shelves, lockers and cabinets), wall beds, wall safes, furnishings, appliances (including ice boxes, refrigerators, fans, heaters, stores, water heaters and incinerators), rugs, carpets and other floor coverings, draperies and drapey rods, and brackets, awnings, window shades, venetian blinds, curtains, lamps, chandeliers and other lighting fixtures and office maintenance and other supplies, and any and all materials, equipment and other items of personal property which are stored or otherwise placed on the Land or at other locations and are intended to be incorporated into the Improvements located or to be located on the Land.

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c. Performance of Mortgagor's obligations and agreements contained in Mortgagor's loan application, if any, and Mortgagee's loan commitment, if any, and any such application and commitment between Mortgagor and any assignee of Mortgagee, which loan is secured hereby, and any modification or amendment thereof.

b. Performance of all obligations of Mortgagor under the Loan Agreement dated October 26, 1987, as amended by that certain First Amendment to Loan Agreement dated November 11, 1987, and that certain Second Amendment to Loan Agreement dated December 21, 1987 (collectively, the "Loan Agreement"), by and between Mortgagor and Mortgagee relating to the use of the loan proceeds evidenced by the Note, and each agreement of Mortgagor incorporated by reference therein or herein, or contained therein or herein.

a. Payment of indebtedness in the total principal amount of up to \$16,300,000.00, with interest thereon, evidenced by that certain promissory note dated October 26, 1987 (the "Note") with a maturity date of one hundred twenty (120) months from the date thereof, executed by Mortgagor, which has been delivered to and is payable to the order of Mortgagee, and which by this reference is hereby made a part hereof, and any and all modifications, extensions and renewals thereof.

FOR THE PURPOSE OF SECURING:

TO HAVE AND TO HOLD the same, with all improvements now or hereafter placed or constructed thereon, and all rights, easements, privileges and appurtenances thereto belonging, and the rents, issues and profits thereof, unto the Mortgagee and the successors, heirs and assigns of said Mortgagee forever. The entire estate, property and interest hereby conveyed to Mortgagee may be collectively referred to herein as the "Mortgaged Property".

TOGETHER WITH, all deposits or other security or advance payments including rental payments made by or on behalf of Mortgagor to others with respect to (i) insurance policies relating to all or any part of the Mortgaged Property, (ii) utility service for all or any part thereof, (iii) cleaning, maintenance, repair, or similar services for all or any part of the Mortgaged Property, (iv) refuse removal or sewer service for all or any part of the Mortgaged Property, (v) rental of equipment, if any, used in the operation by or on behalf of Mortgagor of all or any part of the Mortgaged Property, and (vi) parking or similar services or rights afforded to all or any part of the Mortgaged Property.

GRANTING CLAUSE THIRTEEN
[Deposits and Advance Payments of Insurance,
Utilities, etc.]

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1.02 Maintenance, Repair, Alterations. To keep the Mortgaged Property in good condition and repair; not to remove, demolish or substantially alter (except such alterations as may be required by laws, ordinances or regulations) any of the improvements without Mortgagee's consent, which consent shall not be unreasonably withheld; to complete promptly and in good and workmanlike manner any building or other improvement which may be constructed on the Property and promptly restore in like manner any Improvement which may be damaged or destroyed thereon; to comply with all laws, ordinances, regulations, covenants, conditions and restrictions now or hereafter affecting the Mortgaged Property or any part thereof or requiring any alterations or improvements; not to commit or permit any waste or deterioration of the Mortgaged Property; to keep and maintain abutting grounds, sidewalks, roads, parking and landscape areas in good and neat order and repair; not to commit, suffer or permit any act to be done in or upon the Mortgaged Property in violation of any law, ordinance or regulation.

1.01 Payment of Secured Obligations. To pay when due the principal of, and the interest on, the indebtedness evidenced by the Note, charges, fees and all other sums as provided in the Loan Instruments, and the principal of, and interest on, any future advances secured by this Mortgage.

Mortgagor hereby covenants and agrees:

COVENANTS AND AGREEMENTS OF MORTGAGOR

ARTICLE I

TO PROTECT THE SECURITY OF THIS MORTGAGE, MORTGAGOR HEREBY COVENANTS AND AGREES AS FOLLOWS:

This Mortgage, the Note, the Loan Agreement, any guaranty thereof and any other instrument given to evidence or further secure the payment and performance of any obligation secured hereby, including, without limitation, any other mortgage or deed of trust securing the Note, may hereafter be referred to as the "Loan Instruments."

e. Payment of all other sums, with interest thereon, which may hereafter be loaned to Mortgagor, or its successors or assigns, by Mortgagee, when evidenced by a promissory note or notes reciting that they are secured by this Mortgage; provided, however, that in no event shall this Mortgage secure indebtedness in excess of \$48,900,000.00.

d. Payment of all sums advanced by Mortgagee to protect the Mortgaged Property, with interest thereon at the lesser of (i) the Maximum Legal Rate or (ii) the Applicable Rate (both as defined in the Note) plus five percent (5%) per annum (hereinafter referred to as the "Default Rate").

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1.03 Required Insurance. To at all times provide, maintain or cause to be maintained, insurance upon and relating to the mortgaged property with such insurers, in such amounts and covering such risks as required by the loan agreement. All policies of insurance required by the terms of this mortgage shall contain an endorsement or agreement by the insurer that any loss shall be payable in accordance with the terms of such policy notwithstanding any act or negligence of mortgagor which might otherwise result in forfeiture of said insurance and the further agreement of the insurer waiving all rights of set off, counterclaim or deductions against mortgagor.

1.04 Delivery of Policies, Payment of Premiums. That all policies of insurance shall be issued by companies and in amounts in each company reasonably satisfactory to mortgagor. All policies of insurance shall have attached thereto a lender's loss payable endorsement for the benefit of mortgagor in form reasonably satisfactory to mortgagor. Mortgagor shall furnish mortgagor with an original of all policies of required insurance and original certificates of insurance. If mortgagor consents to mortgagor providing any of the required insurance through blanket policies carried by mortgagor and covering more than one location, (mortgagor by acceptance thereof acknowledging such consent), then mortgagor shall furnish mortgagor with a certificate of insurance for each such policy setting forth the coverage, the limits of liability, the name of the carrier, the policy number, and the expiration date. At least thirty (30) days prior to the expiration of each such policy, mortgagor shall furnish mortgagor with evidence satisfactory to mortgagor of the payment of premium and the reissuance of a policy continuing insurance in force as required by this mortgage. All such policies shall contain a provision that such policies will not be cancelled or materially amended, which term shall include any reduction in the scope or limits of coverage, without at least fifteen (15) days prior written notice to mortgagor. In the event mortgagor fails to provide, maintain, keep in force or deliver and furnish to mortgagor the policies of insurance required by this Section 1.04, after written notice to mortgagor, mortgagor may procure such insurance or single-interest insurance for such risks covering mortgagor's interest, and mortgagor will pay all premiums thereon promptly upon demand by mortgagor, and until such payment is made by mortgagor the amount of all such premiums together with interest thereon at the applicable rate plus five percent (5%) per annum shall be secured by this mortgage. At the request of mortgagor subsequent to an event of default hereunder, mortgagor shall deposit with mortgagor in monthly installments, an amount equal to one-twelfth of the estimated aggregate annual insurance premiums on all policies of insurance required by this mortgage. Mortgagor further agrees, upon mortgagor's request, to cause all bills, statements or other documents relating to the foregoing insurance premiums to be sent or mailed directly to mortgagor.

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(ii) In the event such damage or destruction is less than ten percent (10%) of the then remaining principal balance of the indebtedness secured hereby, then, after the conditions of subclause (i) of this

(i) Mortgagor shall furnish to mortgagee evidence satisfactory to mortgagee of the total cost of restoration, replacement or rebuilding of the property as nearly as possible to its value, condition, and character immediately prior to such damage or destruction (such restoration, replacement and rebuilding, together with any temporary repairs and property protection pending completion of the work, being herein called "Restoration").

(b) Insurance proceeds received by mortgagee on account of any damage to or destruction of the property or incurred by mortgagee in the collection thereof, including any part thereof (less the costs, fees and expenses without limitation adjuster's fees and expenses and reasonable attorneys' fees and expenses) shall be applied as follows:

(a) In the event of any damage or destruction of all or any part of the improvements, all proceeds of insurance ("proceeds") shall be payable to mortgagee, and mortgagee hereby authorizes and directs any affected insurance company to make payment of such proceeds directly to mortgagee. Mortgagee is hereby authorized and empowered by mortgagee to settle, adjust or compromise any claims for loss, damage or destruction under any policy or policies of insurance.

1.05 Insurance Proceeds. That after the happening of any casualty to the mortgaged property or any part thereof, mortgagee shall give prompt written notice thereof to mortgagee.

Upon receipt of such bills, statements or other documents, and mortgagee providing mortgagee has deposited sufficient funds with mortgagee pursuant to this Section 1.04, 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 mortgagee and mortgagee shall immediately deposit an amount equal to such deficiency with mortgagee. Notwithstanding the foregoing, nothing contained herein shall cause mortgagee to be deemed a mortgagee of said funds or to be obligated to pay any amounts in excess of the amount of funds deposited with mortgagee pursuant to this Section 1.04. Mortgagee may commingle said reserve with its own funds and mortgagee shall be entitled to no interest thereon.

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(A) Mortgagor fails to furnish Mortgagee with the evidence or any part thereof

(iv) Notwithstanding the foregoing, if, in the sole discretion of Mortgagee, one or more of the following events takes place:

(iii) In the event such damage or destruction equals or exceeds ten percent (10%) of the then remaining principal balance of the indebtedness secured hereby, Mortgagee shall hold all insurance proceeds until such time as Mortgagor shall have available and shall deposit with Mortgagee or with such other person as Mortgagee shall approve in writing, or shall provide Mortgagee with satisfactory evidence that Mortgagor has available the total amount of money which, when added to the insurance proceeds on hand, shall be sufficient to pay the cost of such Restoration. Then, after the conditions of clause (i) of this Section 1.05(b) have been complied with, such insurance proceeds shall, unless Mortgagor is in default hereunder, be paid by Mortgagee to Mortgagor or as Mortgagor may direct, from time to time as Restoration progresses, to pay (or reimburse Mortgagee for, if such costs have already been paid by Mortgagor) the cost of Restoration. Such payment shall be made only upon written request of Mortgagor, accompanied by a certificate of an independent architect reasonably satisfactory to Mortgagee to the effect that the amount requested has been paid or is then due and payable and is properly a part of such cost and upon evidence reasonably satisfactory to Mortgagee that there are no mechanics or similar liens for labor or materials supplied in connection with such Restoration to date or that such have been adequately provided for to Mortgagee's satisfaction and that the balance of said proceeds after making the payment requested will be sufficient to pay the balance of the cost of Restoration. Upon receipt by Mortgagee of evidence satisfactory to it that Restoration has been completed and the cost thereof paid in full, and that there are no mechanics or similar liens for labor or materials supplied in connection therewith, the balance, if any, of such proceeds shall, at Mortgagee's election, in its sole discretion either be (A) applied by Mortgagee to any indebtedness secured hereby and in such order as Mortgagee may determine or (B) paid over to Mortgagor for such use as Mortgagor may determine.

Section 1.05(b) have been complied with, such insurance proceeds shall be released to Mortgagor for Restoration.

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1.06 Assignment of Policies Upon Foreclosure. In the event of foreclosure of this Mortgage or other transfer of title or assignment of the Mortgaged Property in extinguishment, in whole or in part, of the debt secured hereby, all right, title and interest of Mortgagor in and to all policies of insurance required hereunder shall inure to the benefit of and pass to

(c) Except to the extent that insurance proceeds are received by Mortgagee and applied to the indebtedness secured hereby, nothing herein contained shall be deemed to excuse Mortgagor from repairing or maintaining the Mortgaged Property as provided in Section 1.05 hereof or restoring all damage or destruction to the Mortgaged property, regardless of whether or not there are insurance proceeds available or whether any such proceeds are sufficient in amount, and the application or release by Mortgagee of any insurance proceeds shall not cure or waive any default or notice of default under this Mortgage or invalidate any act done pursuant to such notice.

(d) Mortgagor fails to furnish additional funds to Mortgagee within thirty (30) days following Mortgagee's demand therefor in order to pay for increased costs of completing the Restoration as estimated by Mortgagee, in its sole discretion, then Mortgagee without notice in its sole discretion to apply all or any part of the insurance proceeds and other sums held by it (i) to the indebtedness secured hereby and in such order as Mortgagee may determine, or (ii) to the Restoration, including without limitation payment in Mortgagee's discretion of unpaid bills incurred by Mortgagor or claimed to be incurred by Mortgagor or on its behalf in connection therewith, or (iii) to Mortgagee.

(c) Mortgagor fails to proceed diligently to complete such Restoration in a diligent and efficient manner and Mortgagee determines in its sole discretion that such failure has continued for more than ten (10) days following notice of such failure to Mortgagor, or

(b) Mortgagor fails to cause Restoration to be commenced within thirty (30) days following Mortgagee's approval of the evidence provided pursuant to subclause (i), or

(i) of this Section 1.05(b) within thirty (30) days following demand therefor by Mortgagee to Mortgagor, or

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(c) All sums payable by Mortgagor hereunder shall be paid without notice (except as otherwise set forth herein or in the other loan instruments), demand, counterclaim, setoff, deduction or defense and without abatement, suspension, deferment, diminution or reduction, and the obligations and liabilities of Mortgagor hereunder shall in no way be released, discharged or otherwise affected (except as expressly provided herein) by reason of: (i) any damage to or destruction of or any condemnation or similar taking of the Mortgaged Property or any part thereof; (ii) any restriction or prevention of or interference with any use of the Mortgaged Property or any part thereof; (iii) any title defect or encumbrance or any eviction from the Property or the improvements or any part thereof by title paramount or otherwise; (iv) any bankruptcy, insolvency, reorganization, composition, adjustment, dissolution, liquidation or other like proceeding relating to Mortgagor, or

(b) Mortgagor waives any and all right to claim or recover against Mortgagor, its officers, employees, agents and representatives, for loss or damage to Mortgagor, the Mortgaged Property, Mortgagor's property or the property of others under Mortgagor's control from any cause insured against or required to be insured against by the provisions of this Mortgage.

(a) If Mortgagor 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 Mortgagor harmless from all liability by reason of said litigation (except such as is caused by Mortgagor's gross negligence or willful misconduct), including reasonable attorneys' fees and expenses incurred by Mortgagor in any such litigation, whether or not any such litigation is prosecuted to judgment. If Mortgagor commences an action against Mortgagor to enforce any of the 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 Mortgagor reasonable attorneys' fees and expenses, and the right to such attorneys' fees and expenses shall be deemed to have accrued on the commencement of such action and shall be enforceable whether or not such action is prosecuted to judgment. If Mortgagor breaches any term of this Mortgage, Mortgagor may employ an attorney or attorneys to protect its rights hereunder, and in the event of such employment following any breach by Mortgagor, Mortgagor shall pay Mortgagor reasonable attorneys' fees and expenses incurred by Mortgagor, whether or not an action is actually commenced against Mortgagor by reason of breach.

1.07 Indemnification; Subrogation; Waiver of Offset.

the successor in interest to Mortgagor or the purchaser or grantee of the Mortgaged Property.

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any action taken with respect to this Mortgage by any mortgagee or receiver of Mortgage, or by any court, in any such proceeding; (v) any claim which Mortgagee has or might have against Mortgagee; or (vi) any default or failure on the part of Mortgagee to perform or comply with any of the terms hereof or of any other agreement with Mortgagee; whether or not Mortgagee shall have notice or knowledge of any of the foregoing. Except as expressly provided herein, Mortgagee waives all rights now or hereafter conferred by statute or otherwise to any abatement, suspension, deferment, diminution or reduction of any sum secured hereby and payable by Mortgagee.

1.08 Taxes and Impositions.

(a) Mortgagee agrees to pay before delinquency thereof, all real property taxes and assessments, general and special, and all other taxes and assessments of any kind or nature whatsoever including without limitation non-governmental levies or assessments such as maintenance charges, owner association dues or charges or fees, levies or charges resulting from covenants, conditions and restrictions affecting the Mortgaged Property, which are assessed or imposed upon the Mortgaged Property, or become due and payable, and which create, may create or appear to create a lien upon the Mortgaged Property, or any part thereof, or upon any Personal Property, (all of which taxes, assessments and other governmental charges of like nature are hereinafter referred to as "Impositions"); provided, however, that if, by law, any such Imposition is payable, or may at the option of the taxpayer be paid, in installments, Mortgagee may pay the same together with any accrued interest on the unpaid balance of such Imposition in installments as the same become due and before any fine, penalty, interest or cost may be added thereto for the nonpayment of any such installment and interest.

(b) If at any time after the date hereof there shall be assessed or imposed (i) a tax or assessment on the Mortgaged Property in lieu of or in addition to the Impositions payable by Mortgagee pursuant to subparagraph (a) hereof, or (ii) a license fee, tax or assessment imposed on Mortgagee and measured by or based in whole or in part upon the amount of the outstanding obligations secured hereby, then all such taxes, assessments or fees shall be deemed to be included within the term "Impositions" as defined in subparagraph (a) hereof, and Mortgagee shall pay and discharge the same as herein provided with respect to the payment of Impositions or, at the option of Mortgagee, all obligations secured hereby together with all accrued interest thereon, shall immediately become due and payable. Anything to the contrary herein notwithstanding, Mortgagee shall have no obligation to pay any franchise, estate, inheritance, income, excess profits or similar tax levied on Mortgagee or on the obligations secured hereby.

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(e) At the request of Mortgagee, Mortgagor shall make monthly payments to Mortgagee in an amount equal to one-twelfth of the annual impositions reasonably estimated by Mortgagee to pay the installment of taxes next due on the mortgaged property. In such event Mortgagor further agrees to cause all bills, statements or other documents relating to impositions to be sent or mailed directly to Mortgagee or such person as Mortgagee shall designate. Upon receipt of such bills, statements or other documents, and providing Mortgagor has deposited sufficient funds with Mortgagee pursuant to this Section 1.08, 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 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 mortgagor of said funds or to be obligated to pay any amounts in excess of the amount of funds deposited with Mortgagee pursuant to this Section 1.08. Mortgagee shall not be obliged to pay or allow any interest on any sums held by Mortgagee pending disbursement or application hereunder. Any excess funds hereunder shall, at the discretion of Mortgagee, be credited by Mortgagee on subsequent payments hereunder or subsequent payments on the Note. Should Mortgagor fail to deposit with Mortgagee (exclusive of that portion of said payments which has been applied by Mortgagee to the principal of or interest on the indebtedness secured by the loan

(d) Mortgagor shall have the right before any delinquency occurs to contest or object to the amount or validity of any such imposition by appropriate legal proceedings, but this 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 Section 1.08, unless Mortgagor has given prior written notice to Mortgagee of Mortgagor's intent to so contest or object to an imposition, and unless, at Mortgagee's sole option, Mortgagor shall demonstrate to Mortgagee's satisfaction that the legal proceedings shall conclusively operate to prevent the sale of the mortgaged property, or any part thereof, to satisfy such imposition prior to final determination of such proceedings; or (ii) Mortgagor shall furnish a good and sufficient bond or surety as requested by and satisfactory to Mortgagee; or (iii) Mortgagor shall have provided a good and sufficient undertaking as may be required or permitted by law to accomplish a stay of such proceedings.

(c) At Mortgagee's request, Mortgagor shall furnish Mortgagee with official receipts of the appropriate taxing authority, or other proof satisfactory to Mortgagee, evidencing the payment of any impositions.

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1.10 Actions Affecting Mortgaged Property. To appear in and contest any action or proceeding purporting to affect the security hereof or the rights or powers of Mortgagee; and to pay all costs and expenses, including cost of evidence of title and reasonable attorneys' fees, in any such action or proceeding in which Mortgagee may appear.

1.09 Utilities. To pay when due all utility charges which are incurred by Mortgagee for the benefit of the mortgaged property or which may become a charge or lien against the mortgaged property for gas, electricity, water or sewer services furnished to the mortgaged property and all other assessments or charges of a similar nature, whether public or private, affecting the mortgaged property or any portion thereof, whether or not such taxes, assessments or charges are liens thereon.

(g) If Mortgagee so elects at any time, Mortgagee shall provide, at Mortgagee's expense a tax service contract for the term of the indebtedness secured hereby issued by a tax reporting agency acceptable to Mortgagee. If Mortgagee does not so elect, Mortgagee shall reimburse Mortgagee for the cost of making annual tax searches throughout the term of the indebtedness secured hereby.

(f) Mortgagee covenants and agrees not to initiate and will take all reasonable steps to avoid the joint assessment of the real and personal property, or any other procedure whereby the lien of the real property taxes and the lien of the personal property taxes shall be assessed, levied or charged to the mortgaged property as a single lien.

Instrument(s) sums sufficient to fully pay such impositions 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, shall be secured hereby and shall be repayable to Mortgagee as herein elsewhere provided, or at the option of Mortgagee the latter may, without making any advance whatever, apply any sums held by it upon any obligation of the Mortgagee secured hereby. Subsequent to an event of default hereunder, Mortgagee may, at any time at Mortgagee's option, apply any sums or amounts in its hands received pursuant hereto, or as rents or income of the mortgaged property or otherwise, upon any indebtedness or obligation of the Mortgagee secured hereby in such manner and order as Mortgagee may elect. The receipt, use or application of any such sums paid by Mortgagee to Mortgagee hereunder shall not be construed to affect the maturity of any indebtedness secured by this Mortgagee or any of the rights or powers of Mortgagee under the terms of the loan instruments or any of the obligations of Mortgagee and/or any guarantor under the loan instruments.

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(a) Mortgagee shall be entitled to all compensation, awards and other payments or relief therefor, and shall be entitled at its option to commence, appear in and prosecute in its own name any action or proceedings. Mortgagee shall also be entitled to make any compromise or settlement in

1.13 Eminent Domain. That should the Mortgaged Property, or any part thereof or interest therein, be taken or damaged by reason of any public improvement or condemnation proceeding, or in any other manner ("Condemnation"), or should Mortgagee receive any notice or other information regarding such proceeding, Mortgagee shall give prompt written notice thereof to Mortgagee.

1.12 Survival of Warranties. All representations, warranties and covenants of Mortgagee contained in Mortgagee's loan application and Mortgagee's loan commitment are incorporated herein by reference, shall survive the close of escrow and funding of the loan evidenced by the Note and shall remain continuing obligations, warranties and representations of Mortgagee during any time when any portion of the obligations secured by this Mortgage remain outstanding.

1.11 Actions by Mortgagee to Preserve Mortgaged Property. That should Mortgagee fail to make any payment or to do any act as and in the manner and subject to any notice or grace periods provided in any of the Loan Instruments, Mortgagee, without obligation so to do and without releasing Mortgagee from any obligation, upon five (5) days written notice to Mortgagee (which notice shall not be required in the event of an emergency), may make or do the same in such manner and to such extent as it may deem necessary to protect the security hereof. In connection therewith (without limiting its general powers), Mortgagee shall have and is hereby given the right, but not the obligation, (i) to enter upon and take possession of the Mortgaged Property; (ii) to make additions, alterations, repairs and improvements to the Mortgaged Property which it may consider necessary or proper to keep the Mortgaged Property in good condition and repair; (iii) to appear and participate in any action or proceeding affecting or which may affect the security hereof or the rights or powers of Mortgagee; (iv) to pay, purchase, contest or compromise any encumbrance, claim, charge, lien or debt which in its judgment may affect or appear to affect the security of this Mortgage or be prior or superior hereto; and (v) in exercising such powers, to pay necessary expenses, including employment of counsel or other necessary or desirable consultants. Mortgagee shall, immediately upon demand therefor by Mortgagee, pay all costs and expenses incurred by Mortgagee in connection with the exercise by Mortgagee of the foregoing rights, including without limitation costs of evidence of title, court costs, appraisals, surveys and attorneys' fees.

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1.14 Additional Security. That in the event Mortgagee at any time holds additional security for any of the obligations secured hereby, it may enforce the sale thereof or otherwise realize upon the same, at its option, either before or concurrently herewith or after a sale is made hereunder.

(d) Neither the application nor the release of any of the proceeds pursuant to this Section 1.13 shall cure or waive any default or notice of default hereunder or invalidate any act done pursuant to such notice; nor shall Mortgagee be held responsible for any failure to collect any award, nor shall anything in this Section 1.13 affect the liability of Mortgagor for payment of the entire balance of the debt secured hereby or Mortgagee's lien evidenced hereby.

(c) In the event of a total taking of the Mortgaged Property, Mortgagee shall have the right, in its sole and absolute discretion, to apply all such proceeds, after deducting therefrom all costs and expenses (regardless of the particular nature thereof and whether incurred with or without suit), including reasonable attorneys' fees, incurred by it in connection with such proceeds, upon any indebtedness secured hereby and in such order as Mortgagee may determine.

(b) In the event any portion of the Mortgaged Property is so taken or damaged, Mortgagee shall, after deducting therefrom all costs and expenses (regardless of the particular nature thereof and whether incurred with or without suit), including reasonable attorneys' fees, incurred by it in connection with such proceeds, apply or release the proceeds to repair any damage to any improvements remaining on the portion of the Mortgaged Property not subject to the taking in the same manner as provided in Section 1.05 above with respect to disposition of insurance proceeds; provided, however, that if such taking or damage results in a loss of the Mortgaged Property to an extent which, in Mortgagee's opinion, renders or will render the Mortgaged Property not economically viable or otherwise impairs the security of Mortgagee hereunder, Mortgagee may apply the proceeds upon any indebtedness secured hereby and in such order as Mortgagee may determine.

connection with such taking or damage. All such compensation, awards, damages, rights of action and proceeds awarded to Mortgagor (the "proceeds") are hereby assigned to Mortgagee and Mortgagor agrees to execute such further assignments of the proceeds as Mortgagee may require.

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INVESTIGATION REPORT

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SEARCHED INDEXED

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1.18 Mortgagee's Powers. Without affecting the liability of any other person liable for the payment of any obligation herein mentioned, and without affecting the lien or charge of this Mortgage upon any portion of the Property not then or therefore released as security for the full amount of all unpaid obligations, Mortgagee may, from time to time and without notice (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

1.17 Liens. To pay and promptly discharge, at Mortgagee's cost and expense, all liens, claims, encumbrances and charges upon the mortgaged property, or any part thereof or interest therein; provided that the existence of any mechanic's, laborer's, materialman's, supplier's or vendor's lien or right thereto shall not constitute a violation of this Section if payment is not yet due under the contract which is the foundation thereof and if such contract does not postpone payment for more than fifty-five (55) days after the performance thereof. Notwithstanding the foregoing, Mortgagee shall have the right to contest in good faith the validity of any such lien, encumbrance or charge, provided Mortgagee shall first deposit with Mortgagee a bond or other security satisfactory to Mortgagee in such amounts as Mortgagee shall reasonably require, but not more than one hundred fifty percent (150%) of the amount of the claim, and provided further that Mortgagee shall thereafter diligently proceed to cause such lien, encumbrance or charge to be removed and discharged. If Mortgagee shall fail to discharge any such lien, encumbrance or charge, then, in addition to any other right or remedy of Mortgagee, Mortgagee may, but shall not be obligated to, discharge the same, either by paying the amount claimed to be due, or by procuring the discharge of such lien by depositing in court a bond for the amount claimed or otherwise giving security for such claim, or in such manner as it may be prescribed by law.

1.16 Inspections. That Mortgagee, or its agents, representatives or workmen, are authorized to enter at any reasonable time upon reasonable notice (which notice need not be given in the event of an emergency), upon or in any part of the mortgaged property for the purpose of inspecting the same and for the purpose of performing any of the acts it is authorized to perform under the terms of any of the loan instruments.

1.15 Successors and Assigns. That this Mortgage applies to, inures to the benefit of and binds all parties hereto, their heirs, legatees, devisees, administrators, executors, successors and assigns. The term "Mortgagee" shall mean the owner and holder of the Note, whether or not named as Mortgagee herein.

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2.01 Assignment of Rents. Mortgagor hereby assigns and transfers to Mortgagee all the rents, issues and profits of the mortgaged Property, and hereby gives to and confers upon Mortgagee the right, power and authority to collect such rents, issues and profits. Mortgagor irrevocably appoints Mortgagee its true and lawful attorney-in-fact, at the option of Mortgagee at any time and from time to time, to demand, receive and enforce payment, to give receipts, releases and

ASSIGNMENT OF RENTS, ISSUES AND PROFITS

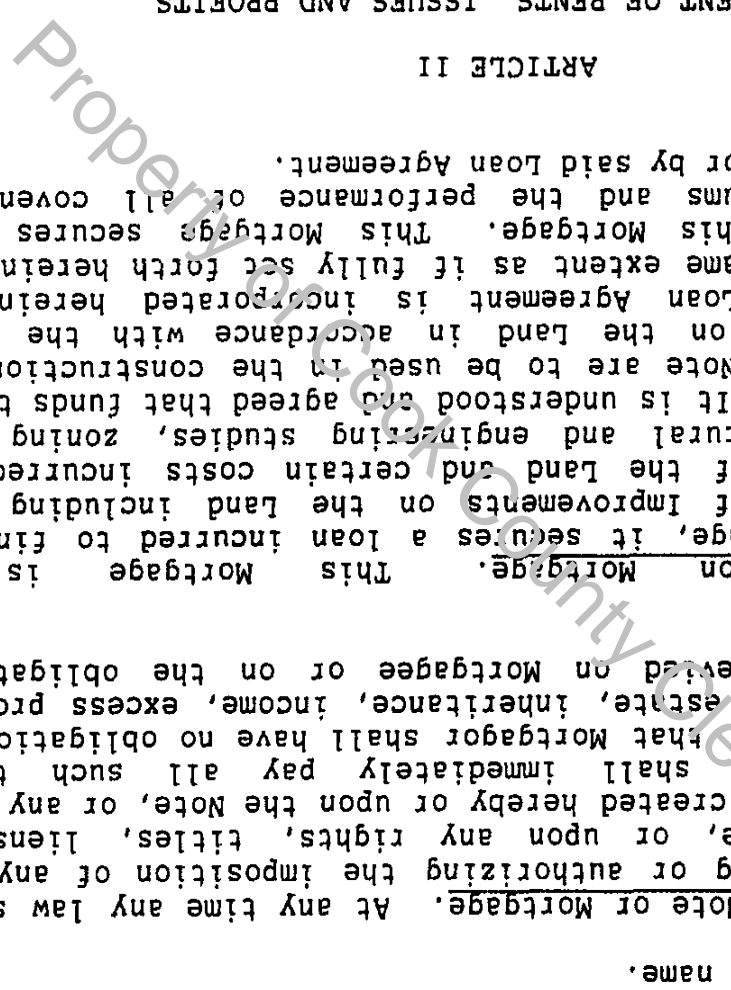
ARTICLE II

1.21 Construction Mortgage. This Mortgage is a construction mortgage, it secures a loan incurred to finance the construction of improvements on the Land including the acquisition cost of the Land and certain costs incurred in planning, architectural and engineering studies, zoning and similar expenses. It is understood and agreed that funds to be advanced upon the Note are to be used in the construction of such improvements on the Land in accordance with the Loan Agreement, which Loan Agreement is incorporated herein by reference to the same extent as it fully set forth herein and made a part of this Mortgage. This Mortgage secures the payment of all sums and the performance of all covenants required by Mortgagor by said Loan Agreement.

1.20 Taxes on Note or Mortgage. At any time any law shall be enacted imposing or authorizing the imposition of any tax upon this Mortgage, or upon any rights, titles, liens or security interests created hereby or upon the Note, or any part thereof, Mortgagor shall immediately pay all such taxes (provided, however, that Mortgagor shall have no obligation to pay any franchise, estate, inheritance, income, excess profits or similar tax levied on Mortgagee or on the obligations secured hereby).

1.19 Trade Names. At the request of Mortgagee, Mortgagor shall execute a certificate in form satisfactory to Mortgagee listing the trade names under which Mortgagor intends to operate the mortgaged Property, and representing and warranting that Mortgagor does business under no other trade names with respect to the mortgaged Property. Mortgagor shall immediately notify Mortgagee in writing of any change in said trade names, and will, upon request of Mortgagee, execute any additional financing statements and other certificates revised to reflect the change in trade name.

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.



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3.01 Creation of a Security Interest. This Mortgage shall be a security agreement between Mortgagor, as the debtor, and Mortgagee, as the secured party, covering the Mortgaged Property constituting personal property or fixtures governed by the Uniform Commercial Code of Illinois and Mortgagor grants to Mortgagee a security interest in such portion of the Mortgaged Property for the purpose of securing all obligations of Mortgagor contained in any of the Loan Instruments. In addition to Mortgagee's other rights hereunder, Mortgagee shall have all rights of a secured party under the Uniform Commercial Code of Illinois. Mortgagor shall execute and deliver to

SECURITY AGREEMENT

ARTICLE III

2.02 Collection Upon Default. Upon any event of default under any of the Loan Instruments and after the expiration of any applicable notice or grace periods, Mortgagee may, at any time without notice, either in person, by agent or by a receiver appointed by a court, and without regard to the adequacy of any security for the indebtedness hereby secured, enter upon and take possession of the Mortgaged Property, or any part thereof, in its own name sue for or otherwise collect such rents, issues and profits, including those past due and unpaid, and apply the same, less costs and expenses of operation and collection, including reasonable attorneys' fees, upon any indebtedness secured hereby, and in such order as Mortgagee may determine. The collection of such rents, issues and profits, or the entering upon and taking possession of the Mortgaged Property, or 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.

satisfactions, and to sue, in the name of Mortgagor or Mortgagee, for all such rents, issues and profits and apply the same to the indebtedness secured hereby; provided, however, that Mortgagor shall have the right to collect such rents, issues and profits (provided that in no event shall Mortgagor collect more than fifteen percent [15%] of such rents, issues and profits more than one [1] month in advance, such percentage to be determined on an annual basis) prior to or at any time there is not an event of default under any of the Loan Instruments. The assignment of the rents, issues and profits of the Mortgaged Property in this Article II is intended to be an absolute assignment from Mortgagor to Mortgagee and not merely the passing of a security interest. The rents, issues and profits are hereby assigned absolutely by Mortgagor to Mortgagee contingent only upon the occurrence of an event of default under any of the Loan Instruments and the expiration of any applicable notice and grace periods.

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Mortgage, in form satisfactory to Mortgagee, all financing statements and renewals and amendments thereof that may be required by Mortgagee to establish and maintain the validity and priority of Mortgagee's security interest and Mortgagee shall bear all costs thereof, including all Uniform Commercial Code Searches reasonably required by Mortgagee.

3.02 Warranties, Representations and Covenants of Mortgagee. Mortgagee hereby warrants, represents and covenants as follows:

(a) Except for the security interest granted hereby, Mortgagee is, and as to portions of the Personal Property to be acquired after the date hereof will be, the sole owner of the Personal Property, free from any adverse lien, security interest, encumbrance or adverse claims thereon of any kind whatsoever except as otherwise permitted under the Loan Agreement. Mortgagee will notify Mortgagee of, and will defend the Personal Property against, all claims and demands of all persons at any time claiming the same or any interest therein.

(b) Mortgagee will not lease, sell, convey or in any manner transfer the Personal Property without the prior written consent of Mortgagee (other than obsolete or worn Personal Property replaced by adequate substitutes of equal or greater value than the replaced items when new).

(c) The Personal Property is not used or bought for personal, family or household purposes.

(d) The Personal Property will be kept on or at the Property and Mortgagee will not remove the Personal Property from the Property without the prior written consent of Mortgagee, except such portions or items of Personal Property which are consumed or worn out in ordinary usage, all of which shall be promptly replaced by Mortgagee.

(e) Mortgagee maintains places of business in the States of Illinois and California and Mortgagee will immediately notify Mortgagee in writing of any change in its place of business in California as set forth in the beginning of this Mortgage.

(f) All covenants and obligations of Mortgagee contained herein relating to the Mortgaged Property shall be deemed to apply to the Personal Property, if reasonable, whether or not expressly referred to herein.

(g) This Mortgage constitutes a Security Agreement as that term is used in the Uniform Commercial Code of Illinois.

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(c) There shall occur an "Event of Default" (as defined in the Loan Agreement):

(b) There has occurred a breach of or default under any term, covenant, agreement, condition or provision, contained herein or in any of the Loan Instruments or any part thereof, not referred to in this Section 4.01, which has not been cured within thirty (30) days of the date of Mortgagee's written notice of such default to Mortgagee, provided that if such default is not susceptible to cure within said thirty (30) day period, Mortgagee shall be given a reasonable additional time to cure such default, so long as Mortgagee shall have commenced to cure such default within said thirty (30) day period and is, in Mortgagee's reasonable sole opinion, diligently pursuing the cure thereof; or

(a) Default shall be made in the payment of any installment of principal or interest or any other sum secured hereby, within eight (8) days of the date upon which the same is due and payable, whether with or without notice to Mortgagee of such default; or

4.01 Events of Default. Any of the following events shall be deemed an event of default hereunder:

REMEDIES UPON DEFAULT

ARTICLE IV

3.03 Fixtures. Some of the items of the Mortgaged Property described herein are goods that are or are to become fixtures related to the Land, and it is intended that, as to those goods, this Mortgage shall be effective as a financing statement filed as a fixture filing from the date of its recording or registration in the appropriate records of Cook County, Illinois. Information concerning the security interest created by this instrument may be obtained from Mortgagee, as secured party, at the address of Mortgagee stated above. The mailing address of the Mortgagee, as debtor, is as stated above.

(h) Mortgagee shall give advance notice in writing to Mortgagee of any proposed change in Mortgagee's name or identity and will execute and deliver to Mortgagee, prior to or concurrently with the occurrence of any such change, all additional financing statements that Mortgagee may require to establish and maintain the validity and priority of Mortgagee's security interest with respect to any of the Mortgaged Property described or referred to herein.

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(b) Proceed by a suit or suits in equity or at law, whether for the specific performance of any covenant or agreement herein contained or in aid of the execution of any power herein granted, or for appointment of a receiver, or for any foreclosure hereunder or for the sale of the

(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, in its own name, and do any acts which it deems necessary or desirable to preserve the value, marketability or rentability of the mortgaged property, or part thereof or interest therein, increase the income therefrom or protect the security hereof and, with or without taking possession of the mortgaged property, sue for or otherwise collect the rents, issues and profits thereof, including those past due and unpaid, and apply the same, less costs and expenses of operation and collection including reasonable attorneys' fees, upon any indebtedness secured hereby, all in such order as mortgagee may determine. The entering upon and taking possession of the mortgaged property and the application 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 any of the loan instruments or by law upon occurrence of any event of default;

4.02 Acceleration Upon Default, Additional Remedies. In the event of any event of default mortgagee may declare all indebtedness secured hereby to be due and payable and the same shall thereupon become due and payable without any presentment, demand, protest or notice of any kind. Thereafter mortgagee may:

provided, however, that in the event that the holder of the note shall be another party rather than mortgagee, the term "event of default", with respect to any default set forth in subparagraph 4.01(a) above, shall include a grace period of five (5) rather than eight (8) days within which mortgagor may cure such default, which grace period shall begin on the date of written notice to mortgagor of such default.

(d) Any representation or warranty made by mortgagor in this mortgage or any of the other loan instruments shall prove to have been incorrect in any material respect when made;

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Mortgaged Property under the judgment or decree of any court or courts of competent jurisdiction;

(c) Exercise any or all of the remedies available to a secured party under the Uniform Commercial Code of the State of Illinois, including, but not limited to:

(1) Either personally or by means of a court appointed receiver, take possession of all or any of the Personal Property and exclude therefrom Mortgagor and all others claiming under Mortgagor, and thereafter hold, store, use, operate, manage, maintain and control, make repairs, replacements, alterations, additions and improvements to and exercise all rights and powers of Mortgagor in respect to the Personal Property or any part thereof. In the event Mortgagor demands or attempts to take possession of the Personal Property in the exercise of any rights under any of the Loan Instruments, Mortgagor promises and agrees to promptly turn over and deliver complete possession thereof to Mortgagor;

(2) Without notice to or demand upon Mortgagor, make such payments and do such acts as Mortgagor may deem necessary to protect its security interest in the Personal Property, including without limitation, paying, purchasing, contesting or compromising any encumbrance, charge or lien which is prior to or superior to the security interest granted hereunder, and in exercising any such powers or authority to pay all expenses incurred in connection therewith;

(3) Require Mortgagor to assemble the Personal Property or any portion thereof, at a place designated by Mortgagor and reasonably convenient to both parties, and promptly to deliver such Personal Property to Mortgagor, or an agent or representative designated by it, Mortgagor, and its agents and representatives shall have the right to enter upon any or all of Mortgagor's premises and property to exercise Mortgagor's rights hereunder;

(4) Sell, lease or otherwise dispose of the Personal Property at public sale, with or without having the Personal Property at the place of sale, and upon such terms and in such manner as Mortgagor may determine. Mortgagor may be a purchaser at any such sale;

(5) Unless the Personal Property is perishable or threatens to decline speedily in value or is of a type customarily sold on a recognized market, Mortgagor shall give Mortgagor at least ten (10) days

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prior written notice of the time and place of any public sale of the Personal Property or other intended disposition thereof. Such notice may be mailed to Mortgagor at the address set forth at the beginning of this Mortgage.

(d) Exercise any other remedy permitted to be exercised by the mortgagee of a mortgage or a secured party or both under the laws of the State of Illinois.

4.03 Foreclosure. When the indebtedness secured hereby, or any part thereof, shall become due, whether by acceleration or otherwise, Mortgagee shall have the right to foreclose the lien hereon in accordance with the laws of the State in which the mortgaged property is located and to exercise any other remedies of Mortgagee provided in the Note, this Mortgage, the Loan Agreement or which Mortgagee may have at law, at equity or otherwise. In any suit to foreclose the lien hereon, there shall be allowed and included as additional indebtedness secured by this Mortgage in the decree of sale, all expenditures and expenses which may be paid or incurred by or on behalf of Mortgagee for attorneys' fees, appraiser's fees, outlays for documentary and expert evidence, stenographer's charges, publication costs, and costs (which may be estimated as to items to be expended after entry of the decree) of procuring all such abstracts of title, title searches and examinations, title insurance policies, and similar data and assurance with respect to title as Mortgagee may deem reasonably necessary either to prosecute such suit or to evidence to bidders at sales which may be had pursuant to such decree the true conditions of the title to or the value of the mortgaged property. All expenditures and expenses of the nature mentioned in this Paragraph 4.03, and such other expenses and fees as may be incurred in the protection of the mortgaged property and rents and income therefrom and the maintenance of the lien of this Mortgage, including the fees of any attorney employed by Mortgagee in any litigation or proceedings affecting this Mortgage, the Note or the mortgaged property, including probate and bankruptcy proceedings, or in preparation of the commencement or defense of any proceedings or threatened suit or proceeding, or otherwise in dealing specifically therewith, shall be so much additional indebtedness secured by this Mortgage and shall be immediately due and payable by Mortgagor, with interest thereon at the Default Rate until paid.

4.04 Appointment of Receiver. Upon the filing of a complaint to foreclose this Mortgage or at any time thereafter, the court in which such complaint is filed may appoint a receiver of the Mortgaged Property. Such appointment may be made either before or after sale, without notice, without regard to solvency or insolvency of Mortgagor at the time of application for such receiver, and without regard to the then

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value of the mortgaged property or whether the same shall be then occupied as a homestead or not; and mortgagee hereunder or any employee or agent thereof may be appointed as such receiver. Such receiver shall have the power to collect the rents, issues and profits of the mortgaged property during the pendency of such foreclosure suit and, in case of a sale and deficiency, during the full statutory period of redemption, if any, whether there be a redemption or not, as well as during any further times when mortgagee, except for the intervention of such receiver, would be entitled to collection of such rents, issues and profits, and such receiver shall have all other powers which may be necessary or are usual in such cases for the protection, possession, control, management and operation of the mortgaged property during the whole of said period. The court may, from time to time, authorize the receiver to apply the net income from the mortgaged property in payment in whole or in part of: (a) the indebtedness secured hereby or the indebtedness secured by a decree foreclosing this mortgage, or any tax, special assessment, or other lien which may be or become superior to the lien hereof or of such decree, provided such application is made prior to the foreclosure sale; or (b) the deficiency in case of a sale and deficiency.

4.05 Insurance During Foreclosure. In case of an insured loss after foreclosure proceedings have been instituted, the proceeds of any insurance policy, if not applied in rebuilding or restoring the improvements, as aforesaid, shall be used to pay the amount due in accordance with any decree of foreclosure that may be entered in any such proceedings, and the balance, if any, shall be paid as the court may direct. In the case of foreclosure of this mortgage, the court, in its decree, may provide that the mortgagee's clause attached to each of the casualty insurance policies may be cancelled and that the decree creditor may cause a new loss clause to be attached to each of said casualty insurance policies making the loss thereunder payable to said decree creditors; and any such foreclosure decree may further provide that in case of one or more redemptions under said decree, pursuant to the statutes in such case made and provided, then in every such case, each and every successive redeemer may cause the preceding loss clause attached to each casualty insurance policy to be cancelled and a new loss payable clause to be attached thereto, making the loss thereunder payable to such redeemer. In the event of foreclosure sale, mortgagee is hereby authorized, without the consent of mortgagee, to assign any and all insurance policies to the purchaser at the sale, or to take such other steps as mortgagee may deem advisable to cause the interest of such purchaser to be protected by any of the insurance policies without credit or allowance to mortgagee for prepaid premiums thereon.

4.06 Waiver of Right of Redemption and Other Rights. To the full extent permitted by law, mortgagee hereby covenants

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4.07 Remedies Not Exclusive. Mortgagee shall be entitled to enforce payment and performance of any indebtedness or obligations secured hereby and to exercise all rights and powers under this mortgage or under any loan instrument or other agreement or any laws now or hereafter in force, notwithstanding some or all of the said indebtedness and obligations secured hereby 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 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

and agrees that it will not at any time insist upon or plead, or in any manner whatsoever claim or take any advantage of, any stay, exemption or extension law or any so-called "Moratorium Law" now or at any time hereafter in force, nor claim, take or insist upon any benefit or advantage of or from any law now or hereafter in force providing for the valuation or appraisalment of the mortgaged property, or any part thereof, prior to any sale or sales thereof to be made pursuant to any provisions herein contained, or to any decree, judgment or order of any court of competent jurisdiction; or after such sale or sales claim or exercise any rights under any statute now or hereafter in force to redeem the property so sold, or any part thereof, or relating to the marshaling thereof, upon foreclosure sale or other enforcement hereof. To the full extent permitted by law, Mortgagee hereby expressly waives any and all rights of redemption from sale under any order or decree of foreclosure of this mortgage, on its own behalf, on behalf of all persons claiming to have an interest (direct or indirect) by, through or under Mortgagee and on behalf of each and every person acquiring any interest in or title to the mortgaged property subsequent to the date hereof, it being the intent hereof that any and all such rights of redemption of Mortgagee and of all other persons, are and shall be deemed to be hereby waived to the full extent permitted by applicable law. To the full extent permitted by law, Mortgagee agrees that it will not, by invoking or utilizing any applicable law or laws or otherwise hinder, delay or impede the exercise of any right, power or remedy herein or otherwise granted or delegated to Mortgagee, but will suffer and permit the exercise of every such right, power and remedy as though no such law or laws have been or will have been made or enacted. To the full extent permitted by law, Mortgagee hereby agrees that no action for the enforcement of the lien or any provision hereof shall be subject to any defense which would not be good and valid in an action at law upon the Note.

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5.03 No Waiver. This instrument cannot be waived, changed, discharged or terminated orally, but only by an instrument in writing signed by the party against whom enforcement of any waiver, change, discharge or termination is sought, but no such waiver shall ever affect or impair Mortgagee's or Mortgagor's rights, remedies, powers, privileges, liens, titles and security interests hereunder except to the extent specifically

5.02 Severability. If any provision of this Mortgage is held to be illegal, invalid or unenforceable under present or future laws effective while this Mortgage is in effect, the legality, validity and enforceability of the remaining provisions of this Mortgage shall not be affected thereby, and this Mortgage shall be construed as if such invalid, illegal or unenforceable provision had never been contained herein. In the event that any provision or clause of any of the other Loan Instruments conflicts with applicable laws, such conflicts shall not affect other provisions of such Loan Instruments which can be given effect without the conflicting provision, and to this end the provisions of the Loan Instruments are declared to be severable.

5.01 Governing Law. THIS MORTGAGE AND THE OTHER LOAN INSTRUMENTS SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF CALIFORNIA EXCEPT TO THE EXTENT ((1) OF PROCEDURAL AND SUBSTANTIVE MATTERS RELATING ONLY TO THE CREATION, PERFECTION, FOLICLOSURE OF LIENS AND ENFORCEMENT OF RIGHTS AND REMEDIES AGAINST THE MORTGAGED PROPERTY, WHICH MATTERS SHALL BE GOVERNED BY THE LAWS OF THE STATE OF ILLINOIS, AND ((2) THAT THE LAWS OF THE UNITED STATES OF AMERICA AND ANY RULES, REGULATIONS, OR ORDERS ISSUED OR PROMULGATED THEREUNDER, APPLICABLE TO THE AFFAIRS OF TRANSACTIONS ENTERED INTO BY MORTGAGEE, OTHERWISE PRE-EMPT CALIFORNIA OR ILLINOIS LAW; IN WHICH EVENT SUCH FEDERAL LAWS SHALL CONTROL.

MISCELLANEOUS

ARTICLE V

4.08 Request for Notice. Mortgagor hereby requests that a copy of any notice of default hereunder be mailed to it at the address set forth in the first paragraph of this Mortgage.

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 by any of the Loan Instruments to Mortgagee or to which it may be otherwise entitled, may be exercised, concurrently or independently, from time to time and as often as may be deemed expedient by Mortgagee and Mortgagee may pursue inconsistent remedies.

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stated in such written agreement. No waiver of any default on the part of Mortgagor or breach of any of the provisions of this Mortgage or of any other instrument executed in connection with the indebtedness secured hereby shall be considered a waiver of any other or subsequent default or breach, and no delay or omission in exercising or enforcing the rights and powers herein granted shall be construed as a waiver of any such rights and powers, and likewise no exercise or enforcement of any rights or powers hereunder shall be held to exhaust such rights and powers, and every such right and power may be exercised from time to time. Acceptance by Mortgagee of partial payments shall not constitute a waiver of the default by failure to make full payments.

5.04 No Partnership. Nothing contained in the Loan Instruments is intended to create any partnership, joint venture or association between Mortgagor and Mortgagee, or in any way make Mortgagee a co-principal with Mortgagor with reference to the Mortgaged Property, and any inferences to the contrary are hereby expressly negated.

5.05 Mortgagor Waiver of Rights. Mortgagor waives the benefit of all laws now existing or that hereafter may be enacted providing for (i) any appraisal before sale of any portion of the Mortgaged Property, and (ii) the benefit of all laws that may be hereafter enacted in any way extending the time for the enforcement of the collection of the Note or the debt evidenced thereby or creating or extending a period of redemption from any sale made in collecting said debt. To the full extent Mortgagor may do so, Mortgagor agrees that Mortgagor will not at any time insist upon, plead, claim or take the benefit or advantage of any law now or hereafter in force providing for any appraisal, valuation, stay, extension or redemption, and Mortgagor, for Mortgagor, Mortgagor's heirs, devisees, representatives, successors and assigns, and for any and all persons ever claiming any interest in the Mortgaged Property, to the extent permitted by law, hereby waives and releases all rights of redemption, valuation, appraisal, stay of execution, notice of election to mature or declare due the whole of the secured indebtedness and marshalling in the event of foreclosure of the liens hereby created. If any law referred to in this Section and now in force, of which Mortgagor, Mortgagor's heirs, devisees, representatives, successors and assigns or other person might take advantage despite this Section, shall hereafter be repealed or cease to be in force, such law shall not thereafter be deemed to preclude the application of this Section. Mortgagor expressly waives and relinquishes any and all rights and remedies which Mortgagor may have or be able to assert by reason of the laws of the State of Illinois pertaining to the rights and remedies of sureties.

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5.06 Limitation of Interest. It is the intent of Mortgagor and Mortgagee in the execution of this Mortgage and the Note and all other instruments securing the Note to contract in strict compliance with applicable law governing the loan evidenced by the Note. In furtherance thereof, Mortgagor and Mortgagor stipulate and agree that none of the terms and provisions contained in the Loan Instruments shall ever be construed to create a contract for the use, forbearance or detention of money requiring payment of interest at a rate in excess of the maximum interest rate permitted to be charged by applicable law governing the loan evidenced by the Note. Mortgagor or any guarantor, endorser or other party now or hereafter becoming liable for the payment of the Note shall never be liable for unearned interest on the Note and shall never be required to pay interest on the Note at a rate in excess of the maximum interest that may be lawfully charged under applicable law, and the provisions of this Section shall control over all other provisions of the Note and any other instrument executed in connection herewith which may be in apparent conflict herewith. In the event any holder of the Note shall collect monies which are deemed to constitute interest which would otherwise increase the effective interest rate on the Note to a rate in excess of that permitted to be charged by applicable law, all such sums deemed to constitute interest in excess of the legal rate shall be immediately returned to Mortgagor upon such determination.

5.07 Statements by Mortgagor. Mortgagor, within ten (10) days after being given notice by mail, will furnish to Mortgagor a written statement stating the unpaid principal of and interest on the Note and any other amounts secured by this Mortgage and stating whether any offset or defense exists against such principal and interest. If all sums secured hereby are paid in full in accordance with the terms of this Mortgage and the other Loan Instruments, then this conveyance shall become null and void and be released at Mortgagor's request and expense; otherwise it shall remain in full force and effect.

5.08 Release of Lien. If all sums secured hereby are paid to give or serve any notice, demand, request or other communication with respect to this Mortgage, each such notice, demand, request or other communication shall, unless otherwise stated herein, be in writing or by telex, or facsimile and mailed, sent or delivered, as to each party hereto, at its address or number as set forth below or at such other address or number as shall be designated by such party in a written

5.09 Notices. Whenever Mortgagor or Mortgagor shall desire to give or serve any notice, demand, request or other communication with respect to this Mortgage, each such notice, demand, request or other communication shall, unless otherwise stated herein, be in writing or by telex, or facsimile and mailed, sent or delivered, as to each party hereto, at its address or number as set forth below or at such other address or number as shall be designated by such party in a written

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notice to the other party hereto. All such notices, demands, requests and communications shall be deemed to have been properly given or served and shall be effective upon being personally delivered or five (5) days after having been deposited in the United States mail, postage prepaid, certified with return receipt requested, or upon consignment to an overnight delivery service which operates on a nationwide basis, to the other party at the address of such other party as set forth below or at such other address as such other party may designate by notice specifically designated as a notice of change of address and given in accordance herewith; provided, however, that the time period in which a response to any such notice, election, demand or request must be given shall commence on the date of receipt thereof; and provided further that no notice of change of address shall be effective until the date of receipt thereof. Transmission by facsimile shall constitute provision of notice hereunder only if receipt thereof is acknowledged by the recipient in like manner. Personal delivery to a party or to an officer, partner, agent or employee of such party at said address shall constitute receipt. Rejection or other refusal to accept or inability to deliver because of changed address of which no notice has been received shall also constitute receipt.

If to Mortgagee:

TOMAS & NETTLETON FINANCIAL CORPORATION
2001 Bryan Tower, Suite 3700
Dallas, Texas 75201
Attention: Mr. Brett L. Landes
Teletype: 214-746-7119

with a copy to:

GIBSON, DUNN & CRUTCHER
1700 Pacific Avenue, Suite 4400
Dallas, Texas 75201
Attention: Dwight L. Nye, Esq.
Telex: 674930 GIBTXSN LSA
Teletype: 214-979-0897

If to Mortgageor:

PUBLIC STORAGE INCOME FUND
A CALIFORNIA LIMITED PARTNERSHIP
1015 Grandview Avenue
P.O. Box 25050
Glendale, California 91201-5050
Attention: Robert K. Cole
Telex: 910 588 3763
Teletype: 818-244-9530

with a copy to:

SACHS & PHELPS
Fox Plaza, Suite 500
2121 Avenue of the Stars
Los Angeles, California 90067-5010
Attention: Mary Ellen Fernhoff, Esq.
Telex: 508848
Teletype: 213-551-8240

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5.11 Due on Sale, Encumbrances, etc. That (a) if at any time Mortgagee should, without the prior consent in writing of Mortgagee, hypothecate or encumber (except as expressly provided herein or in the Loan Agreement) its interest in the Property or any part thereof, or if by operation of law the Mortgagee's interest in the Property or any part thereof be hypothecated or encumbered, or (b) if Mortgagee should, without the prior consent in writing of Mortgagee (except as expressly provided in the Loan Agreement), assign, sell, convey or otherwise transfer its interest in the Property or any part thereof, including without limitation an assignment in liquidation or dissolution of Mortgagee, or (c) if by operation of law, including without limitation, merger, consolidation, reorganization or the like the Mortgagee's interest in the Property or any part thereof be assigned, sold or otherwise transferred without the prior consent in writing of Mortgagee, or (d) if any portion of any general partnership interest in Mortgagee is transferred, sold, assigned or hypothecated to any person or entity (except as expressly provided in the Loan Agreement), then Mortgagee may, at its option, declare all sums secured hereby immediately due and payable. The purpose of this Section 5.11 is to protect Mortgagee's security, keep the Mortgagee free from subordinate financing liens, and/or allow Mortgagee to raise the interest rate and collect assumption fees. Any consent by Mortgagee permitting a transaction otherwise prohibited under this Section 5.11 shall not constitute a consent to or waiver of any right remedy or power of Mortgagee to withhold its consent on a subsequent occasion to a transaction not otherwise permitted by the provisions of this Section 5.11, and notwithstanding the giving of such consent Mortgagee shall not engage in any "prohibited transaction" with any "party-in-interest" as such terms are defined in the Employee Retirement Income Security Act of 1974, as amended from time to time. No such consent shall be considered by Mortgagee unless the appropriate service fees and legal fees are paid in advance and no such consent shall be given unless Mortgagee agrees, inter alia, that immediately upon closing of the subject sale or transfer, Mortgagee will provide Mortgagee with a copy of the deed or other instrument conveying title to the Mortgaged Property to transferee and with an Affidavit and Agreement of Indemnification in the form

5.10 Invalidity of Certain Provisions. If the lien of this Mortgage is invalid or unenforceable as to any part of the debt, or if the lien is invalid or unenforceable as to any part of the Mortgaged Property, the unsecured or partially secured portion of the debt shall be completely paid prior to the payment of the remaining and secured or partially secured portion of the debt, and all payments made on the debt, whether voluntary or under foreclosure or other enforcement action or procedure, shall be considered to have been first paid on and applied to the full payment of that portion of the debt which is not secured or fully secured by the lien of this Mortgage.

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of Exhibit C to this Mortgage executed by the transferee under a waiver of Mortgagee's right to require such consent to further or successive transactions.

5.12 Subrogation. To the extent that proceeds of the Note are owed to pay any outstanding lien, charge or prior encumbrance against the Mortgaged Property, such proceeds have been or will be advanced by Mortgagee at Mortgagee's request and Mortgagee shall be subrogated to any and all rights and liens owed by any owner or holder of such outstanding liens, charges and prior encumbrances, irrespective of whether said liens, charges or encumbrances are released.

5.13 No Merger. If both the lessor's and lessee's estates under any lease or any portion thereof which constitutes a part of the Mortgaged Property shall at any time become vested in one owner, this Mortgage and the lien created hereby shall not be destroyed or terminated by application of the doctrine of merger and, in such event, Mortgagee shall continue to have and enjoy all of the rights and privileges of Mortgagee as to the separate estates. In addition, to the extent permitted by applicable law, upon the foreclosure of the lien created by this Mortgage on the Mortgaged Property pursuant to the provisions hereof, any leases or subleases then existing and created by Mortgagee shall not be destroyed or terminated by application of the law of merger or as a matter of law or as a result of such foreclosure unless Mortgagee shall so elect. No act by or on behalf of Mortgagee or any such purchaser shall constitute a termination of any lease or sublease unless Mortgagee or such purchaser shall give written notice thereof to such tenant or subtenant.

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

5.15 Leases. Any and all leases between Mortgagee and others with respect to any portion of the Property shall be and remain subject and subordinate to the lien of this Mortgage, unless Mortgagee has requested that any of them be made superior to such lien, in which event Mortgagee at its expense shall make its best efforts to meet such request.

5.16 Effect of Partial Release. If there is a partial release by the Mortgagee of any portion of the Mortgaged Property, the Mortgagee may look to the remainder of the Mortgaged Property as security for the full payment of the Note and all other obligations secured by this Mortgage.

5.17 Applicable to Prior Liens. If this Mortgage is or becomes subordinate to any other liens, security interests, assignments of leases or rents or any other encumbrances

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6.01 Definitions. For the purposes of this Mortgage, Mortgagee and Mortgagor agree that, unless the context otherwise specifies or requires, the following terms shall have the meaning herein specified:

HAZARDOUS MATERIALS

ARTICLE VI

5.19 Entire Agreement. The Loan Instruments constitute the entire understanding and agreement between Mortgagor and Mortgagee with respect to the transactions arising in connection with the indebtedness secured hereby and supersede all prior written or oral understandings and agreements between Mortgagor and Mortgagee in connection therewith.

5.18 Exculpatory Provision. Reference is hereby made to the Note for provisions limiting the personal liability of Mortgagor hereunder, which provisions shall control in the event of any conflict between the terms thereof and the terms of any other instrument securing the indebtedness evidenced by the Note.

5.17 Section 5.17 shall apply. Mortgagor shall not enter into any renewal, extension, modification, increase or refinancing of any of the Prior Lien Documents or the indebtedness secured thereby without the prior written consent of Mortgagee. Mortgagor shall pay when due all indebtedness evidenced and secured by the Prior Lien Documents and shall timely perform all other obligations of the Mortgagor under the Prior Lien Documents. Mortgagor may, but shall not be obligated to, pay any such indebtedness or perform any such obligations for the account of Mortgagor and any sum so expended shall be secured hereby. Mortgagor shall pay to Mortgagee all amounts so expended by Mortgagee with interest on such amounts from the date paid at the rate set forth in the Note, but not in excess of the highest rate permitted by applicable law. Any default under any of the Prior Lien Documents shall constitute an event of default hereunder. If Mortgagee should cure any such default under any of the Prior Lien Documents, the curing thereof by Mortgagee shall not constitute a cure of the default under this Mortgage. Mortgagor shall send to Mortgagee a copy of each notice of default or notice of acceleration or other notice received by Mortgagor from the holder of any of the Prior Lien Documents within one (1) business day after receipt thereof by Mortgagor. Notwithstanding the foregoing, Mortgagee does not consent to any Prior Lien unless otherwise expressly permitted in this Mortgage.

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6.03 Mortgagor's Covenants. Mortgagor agrees to (a) give notice to Mortgagee immediately upon its acquiring knowledge of the presence of any Hazardous Materials on the Mortgaged Property or of any Hazardous Materials Contamination with a full description thereof; (b) promptly comply with any Governmental Requirement requiring the removal, treatment or

6.02 Mortgagor's Warranties. Mortgagor hereby represents and warrants that, to the best of Mortgagor's knowledge, after diligent and prudent investigation, no Hazardous Materials are now located on the Mortgaged Property and that neither Mortgagor or, to the best of Mortgagor's knowledge, after diligent and prudent investigation, any other person has ever caused or permitted any Hazardous Materials to be placed, held, located or disposed of on, under or at the Mortgaged Property or any part thereof. To the best of Mortgagor's knowledge, after diligent and prudent investigation, no part of the Mortgaged Property has ever been used as a manufacturing, storage or dump site for Hazardous Materials, nor is any part of the Mortgaged Property affected by any Hazardous Materials Contamination. To the best of Mortgagor's knowledge and belief, except as disclosed by that certain Environmental Liability Assessment dated December 2, 1987, prepared by ERT, a Resource Engineering Company, no property adjoining the Mortgaged Property has ever been used as a manufacturing, storage or dump site for Hazardous Materials nor is any other property adjoining the Mortgaged Property affected by Hazardous Materials Contamination.

(a) "Hazardous Materials Contamination" shall mean the continuation (whether presently existing or hereafter occurring) of the Improvements, facilities, soil, ground water, air or other elements on, or of, the Mortgaged Property by Hazardous Materials, or the contamination of the buildings, facilities, soil, ground water, air or other elements on, or of, any other property as a result of Hazardous Materials at any time (whether before or after the date of this Mortgage) emanating from the Mortgaged Property.

(a) "Hazardous Materials" shall mean any "hazardous waste" as defined by the Resource Conservation and Recovery Act of 1976 (42 U.S.C. Section 6901 et. seq.), as amended from time to time, and regulations promulgated thereunder; (b) any "hazardous substance" as defined by the Comprehensive Environmental Response, Compensation and Liability Act of 1980 (42 U.S.C. Section 9601 et. seq.) ("CERCLA"), as amended from time to time, and regulations promulgated thereunder; (c) asbestos; (d) polychlorinated biphenyls; (e) any substance the presence of which on the Mortgaged Property is prohibited by any Governmental Requirement (as defined in the Loan Agreement); and (f) any other substance which by any Governmental Requirement requires special handling in its collection, storage, treatment, or disposal.

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disposal of such Hazardous Materials or Hazardous Materials Contamination and provide Mortgagee with satisfactory evidence of such compliance; and (c) provide Mortgagee, within thirty (30) days after demand by Mortgagee, with a bond, letter of credit or similar financial assurance evidencing to Mortgagee's satisfaction that the necessary funds are available to pay the cost of removing, treating and disposing of such Hazardous Materials or Hazardous Materials Contamination and discharging any assessments which may be established on the Mortgaged Property as a result thereof.

6.04 Site Assessments. Mortgagee (by its officers, employees and agents) at any time and from time to time with

reasonable cause to believe that Hazardous Materials exist on the Mortgaged Property, either prior to or after the occurrence of an event of default hereunder, may contract for the services of persons (the "Site Reviewers") to perform environmental site assessments ("Site Assessments") on the Mortgaged Property for the purpose of determining whether there exists on the Mortgaged Property any environmental condition which could result in any liability, cost or expense to the owner or occupier of such Mortgaged Property arising under any state, federal or local law, rule or regulation relating to Hazardous Materials. The Site Assessment may be performed at any time or times, upon reasonable notice, and under reasonable conditions established by Mortgagee which do not impede the performance of the Site Assessment. The Site Reviewers are hereby authorized to enter upon the Mortgaged Property for such purposes. The Site Reviewers are further authorized to perform both above and below the ground testing for environmental damage or the presence of Hazardous Materials on the Mortgaged Property and such other tests on the Mortgaged Property as may be necessary to conduct the Site Assessment in the reasonable opinion of the Site Reviewers. Mortgagee will supply to the Site Reviewers such historical and operational information regarding the Mortgaged Property as may be reasonably requested by the Site Reviewers to facilitate the Site Assessment and will make available for meetings with the Site Reviewers appropriate personnel having knowledge of such matters. On request, Mortgagee shall make the results of such Site Assessment fully available to Mortgagee, which (prior to an event of default hereunder) may at its election participate under reasonable procedures in the direction of such Site Assessment and the description of tasks of the Site Reviewers. The cost of performing such Site Assessment shall be paid by Mortgagee upon demand of Mortgagee and any such obligations shall be indebtedness secured by this Mortgage.

6.05 Indemnification. Regardless of whether any Site Assessments are conducted hereunder, any event of default hereunder shall have occurred and be continuing or any remedies in respect of the Mortgaged Property are exercised by Mortgagee, Mortgagee shall defend, indemnify and hold harmless

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Mortgagee from any and all liabilities (including strict liability), actions, demands, penalties, losses, costs or expenses (including, without limitation, reasonable attorneys' fees and remedial costs), suits, costs of any settlement or judgment and claims of any and every kind whatsoever which may now or in the future (whether before or after the release of this Mortgage) be paid, incurred or suffered by or asserted against, Mortgagee by any person or entity or governmental agency for, with respect to, or as a direct or indirect result of, the presence on or under, or the escape, seepage, leakage, spillage, discharge, emission, discharging or release from the Mortgaged Property of any Hazardous Materials or any Hazardous Materials Contamination or arise out of or result from the environmental condition of the Mortgaged Property or the applicability of any Governmental Requirement relating to Hazardous Materials (including, without limitation, CERCLA or any so-called federal, state or local "Superfund" or "Superfund" laws, statute, law, ordinance, code, rule, regulation, order or decree), regardless of whether or not caused by Mortgagee, unless caused by Mortgagee. The representations, covenants and warranties contained in this Article VI shall survive the release of this Mortgage.

IN WITNESS WHEREOF, Mortgagee has executed this Mortgage as of the day and year first above written.

MORTGAGOR:

PUBLIC STORAGE INCOME FUND 4,
 A CALIFORNIA LIMITED PARTNERSHIP

[CORPORATE SEAL]

BY: PUBLIC STORAGE INVESTORS, INC.,
 a California corporation,
 Its General Partner

By:

[Signature]
 Betty R. Hurn,
 Vice President

Property of County of Santa Clara

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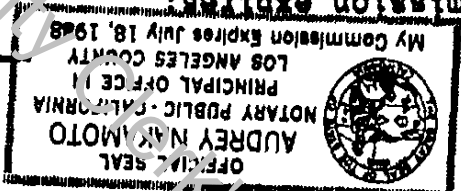
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Property of Cook County

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7-18-88

My commission expires:



(SEAL)

Audrey Nakamoto
Notary Public

WITNESS my hand and official seal.

On March 2, 1988, before me, the undersigned a Notary Public in and for said State, personally appeared BETTY R. HURN, personally known to me or proved to me on the basis of satisfactory evidence to be the person who executed the within instrument as the Vice President of PUBLIC STORAGE INVESTORS, INC., a California corporation, the general partner of PUBLIC STORAGE INCOME FUND 4, A CALIFORNIA LIMITED PARTNERSHIP, the partnership that executed the within instrument and acknowledged to me that such corporation executed the within instrument on behalf of such partnership pursuant to its by-laws or a resolution of its board of directors.

THE STATE OF CALIFORNIA
COUNTY OF LOS ANGELES

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6-7-80

[Faint, mostly illegible text, possibly a list or report]

CHECKED BY THE CLERK

DATE OF RECEIPT

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EXHIBIT "A" Page 1 of 1

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Lot 2 in Aisip Public Storage Subdivision, being a subdivision of part of the North 730 feet of the East 460 feet of the East half of the Northeast quarter of Section 34, Township 37 North, Range 13, East of the Third Principal Meridian, according to Plat thereof registered in the office of the Registrar of Titles of Cook County on March 1, 1988 as document number 3690830.

LEGAL DESCRIPTION

EXHIBIT "A"

88103038

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04251

1. Ten foot public utility and drainage easement along the western and southern boundaries of the subject property as established by the plat of the Aisip Public Storage Subdivision recorded March 1, 1988 as Document No. 3690830.

PERMITTED EXCEPTIONS

EXHIBIT "B"

88103038

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COOK COUNTY RECORDER
#2728 # B * B-103038
1#2222 TRAN 5793 03/10/98 16:13:00

DEPT-01 RECORDING \$50.00

By: _____
Name: _____
Title: _____

The undersigned does hereby indemnify and hold Mortgagee, Mortgagee's agents and the undersigned's agents harmless of, from and against any and all loss, liability, costs, damages, claims or causes of action which may arise or be incurred by Mortgagee, Mortgagee's agents or the undersigned's agents by reason of any representation or warranty made herein not being true and correct in all respects when made, including, but not limited to, any liability for Mortgagee's failure to withhold any amount required under Code Section 1445 in the event of foreclosure or other transfer of the mortgaged property (as defined in that certain Mortgage, Assignment of Rents, Security Agreement and Fixtures Filing executed by Public Storage Income Fund 4, A California Limited Partnership, in favor of Mortgagee).

(iii) The undersigned is not a "foreign person" within the meaning of Internal Revenue Code ("Code") Sections 1445 and 7701 (i.e., the undersigned is not a nonresident alien, foreign corporation, foreign partnership, foreign trust or foreign estate as those terms are defined in the Code and Regulation promulgated thereunder).

(i) The undersigned's U.S. Taxpayer Identification Number is _____
(ii) The business address of the undersigned is _____

The undersigned hereby represents and warrants to Lomas & Nettleton Financial Corporation, a Delaware corporation ("Mortgagee"), the following:

AFFIDAVIT AND AGREEMENT OF INDEMNIFICATION

PS Income Fund 4
Crawford Avenue
L&N Loan No. 20728

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