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SUBORDINATION AGREEMENT

Under This Agreement Payments To The Subordinating
Creditor Are Allowed Unless The Borrower Defaults

Dated: ~~January~~ ^{February} 3, 1989

NBD BUSINESS FINANCE, INC. ("Lender") and the undersigned creditor, Aetna Bearing Company (the "Junior Creditor") of Finson International, Inc. ("Borrower") agree, to the following:

1. (a) Borrower is now indebted to Junior Creditor in the amount set forth below next to the Junior Creditor's name pursuant to that certain Subordinated Promissory Note of Borrower dated December 30, 1988, in the principal amount of ~~\$1,054,390~~ (together with any permitted modification, amendment, replacement or substitution described in subparagraph 1(c) below, the "Subordinated Aetna Note") and may be indebted to Junior Creditor for other and further loans and advances in the future (all of the foregoing are collectively referred to as the "Indebtedness").

(b) The Subordinated Aetna Note is secured by that certain Junior Mortgage, Assignment of Rents and Security Agreement dated December 30, 1988 of Borrower, as mortgage given in favor of Junior Creditor, individually and as agent for Katy Industries, Inc. ("Katy") (the "Subordinated Mortgage"), relating to the real property described on Exhibit A attached hereto, and by that certain Security Agreement dated December 30, 1988 between Borrower, as debtor and Junior Creditor and Katy, as secured party (the "Subordinated Security Agreement", the Subordinated Mortgage and the Subordinated Security Agreement collectively the "Subordinated Security").

(c) Nothing in this Agreement is intended to permit nor does it permit or allow any further loans or advances by Junior Creditor to Borrower without the prior written consent of Lender; provided, however, that the Subordinated Aetna Note may be modified, amended, replaced or substituted, as the case may be on or before May 4, 1989 without Lender's consent, but only to reflect the Adjustment of Purchase Price more particularly described in paragraph 4.4(f)(ii) of that certain Asset Purchase Agreement dated as of December 30, 1988, between Borrower, as purchaser, Junior Creditor, as seller and Katy Industries, Inc. In addition, nothing in this Agreement is intended to permit nor does it permit or allow any further grant of security interest, lien or mortgage in any property of Borrower in favor of Junior Creditor without the prior written consent of Lender.

2. Junior Creditor represents that the Indebtedness has not been previously assigned to or subordinated in favor of any other person or entity.

3. Junior Creditor is entering into this Agreement:

Handwritten notes: 13, 75-70811

Handwritten notes: 97-904, 73, \$872,416.05

Handwritten initials: 97, 73

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(a) to induce Lender to enter into or to refrain at this time from terminating a Secured Credit Agreement (Accounts Receivable and Inventory) dated January 3, 1989 and any other related agreements (the "Credit Agreements") with Borrower;

(b) to induce Lender to continue its present lending arrangement with Borrower;

(c) in consideration of Lender continuing its lending relationship with Borrower;

(d) in consideration of loans, advances, payments, extensions of credit (including the extension or renewal, in whole or in part, of any debt), benefits or financial accommodations previously made to Borrower or which may be made to Borrower; and/or

(e) in consideration of any of Borrower's obligations to Lender, now existing or arising in the future.

4. The Indebtedness is hereby subordinated to any present or future indebtedness, obligations or liabilities of Borrower to Lender, including interest accrued or to be accrued, absolute or contingent obligations and obligations acquired by purchase or otherwise, up to the aggregate principal amount of \$7,500,000 from time to time outstanding, plus interest accrued or to be accrued, and plus all reasonable collection costs and attorneys fees incurred by Lender in enforcing its rights against Borrower (all of the foregoing, collectively the "Obligations").

5. Junior Creditor agrees that all liens, security interests and mortgages granted pursuant to the Subordinated Security or otherwise in favor of Junior Creditor in property of the Borrower are junior in right of priority to and subordinate to any and all liens, security interests and mortgages Lender, its successors or assigns have or may have in the same property. Junior Creditor also agrees to execute any other documents or financing statements reasonably required by Lender to effectuate the terms and provisions of this Agreement.

6. Unless (i) Borrower defaults under the Credit Agreements or any Term Note(s) given to Lender by Borrower or unless an event occurs which, with the passage of time or with notice, would become an event of default under the Credit Agreements or any Term Note(s), and (ii) Lender gives written notice of the same to Junior Creditor, Junior Creditor may receive payments from Borrower on account of the Indebtedness, but only as follows:

(a) No payment of interest or principal may be made on the Indebtedness at any time, except as provided below in subparagraphs (b), (c), (d), (e) and (f);

(b) No payment of interest may be made on the Indebtedness prior to December 1, 1989;

(c) No payment of principal may be made on the Indebtedness prior to December 1, 1989;

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(d) Commencing on December 1, 1989, payments, but not prepayments of accrued interest may be made, on the Subordinated Aetna Note, on a quarterly basis, in accordance with the terms thereof;

(e) Commencing on December 1, 1989, payments, but not prepayments of principal may be made on the Subordinated Aetna Note, on an annual basis, in accordance with the terms thereof; and

(f) No payments of any nature or kind may be made on any other Indebtedness.

However, upon receipt of written notice of default from Lender, Junior Creditor agrees not to ask for, demand, sue for, take or receive payment on account of the Indebtedness or take or receive security for any part of the Indebtedness, until all Obligations to Lender have been fully paid to Lender. Any payments received by Junior Creditor on account of the Indebtedness after receiving such notice from Lender will be held by Junior Creditor in trust for Lender and will be immediately turned over to Lender to be credited against the Obligations.

7. At all times Obligations are owing to Lender, Junior Creditor agrees that it will not accept prepayments of the Indebtedness or any payments on the Indebtedness other than payments in accordance with the original terms of the Indebtedness, without acceleration.

8. If Borrower defaults on the Indebtedness, the Junior Creditor shall give Lender written notice of the default. However, regardless of Borrower's default on the Indebtedness, Junior Creditor will not seek to foreclose or otherwise realize upon any security for the Indebtedness. Junior Creditor shall have no right to foreclose or otherwise realize on any security, until and unless all Obligations have been fully paid and discharged.

9. Upon any distribution of any of Borrower's assets, whether by reason of sale, reorganization, liquidation, dissolution, arrangement, bankruptcy, receivership, assignment for the benefit of creditors, foreclosure or otherwise, Lender shall be entitled to receive payment in full of the Obligations. To enable Lender to assert and enforce its rights under this Agreement or upon any default under the Credit Agreements or default under any Term Note(s) given to Lender by Borrower, Lender or any person Lender may designate is appointed agent and attorney-in-fact for Junior Creditor. This appointment is coupled with an interest and is irrevocable so long as any Obligations remain unpaid. Lender or any person it may designate will have full power to act in the place of Junior Creditor, including the right to make, present, file and vote proofs of claim(s) against Borrower on account of any part of the Indebtedness as Lender may deem advisable and to receive and collect any and all dividends or other payments made on the Indebtedness, and to apply such funds to the balance due on the Obligations.

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10. While this Agreement remains in effect, Junior Creditor will not, without Lender's prior written consent, (a) assign or subordinate in favor of any other person or entity, any part of the Indebtedness or any right, claim or interest in the Indebtedness, or (b) commence or join with any other creditor in commencing any bankruptcy, reorganization or insolvency proceeding against Borrower.

11. Lender may at any time, in its sole discretion, renew or extend the time of payment of any part of the Obligations, waive or release any collateral that may be held as security, and enter into any agreements with Borrower which Lender may deem desirable, without notice to or further assent from Junior Creditor and without in any way affecting Lender's rights under this Agreement, except that Junior Creditor shall be entitled to receive written notice of any default that Lender has declared against Borrower.

12. Junior Creditor will type, write or otherwise conspicuously imprint on each note, document or other instrument evidencing or related to the Indebtedness and on each document or instrument evidencing the Subordinated Security, the following legend:

RIGHTS OF THE HOLDER TO RECEIVE PAYMENT ARE SUBJECT
AND SUBORDINATE TO THE PRIOR PAYMENT OF ALL
OBLIGATIONS OF THE MAKER TO NBD BUSINESS FINANCE, INC.
PURSUANT TO THE TERMS OF A SUBORDINATION AGREEMENT
DATED AS OF JANUARY ³ 1989
~~February~~ 70 W 11

13. This Agreement shall remain in effect and shall be a continuing subordination until all Obligations to Lender from Borrower are paid in full.

14. This Agreement shall inure to the benefit of Lender, its parent, subsidiary or affiliated corporation(s), and any of Lender's successors and assigns, and shall be binding on Junior Creditor, and Junior Creditor's successors and assigns.

15. In the event that there is an express conflict between the terms and provisions of the Credit Agreements and of this Agreement, the terms and conditions of this Agreement shall govern and control.

16. This Agreement constitutes the entire understanding of Junior Creditor and Lender regarding the subject matter provided for in this Agreement. This Agreement may only be modified, amended or supplemented by a writing signed by both Junior Creditor and Lender.

17. This Agreement shall be governed by and construed according to the internal laws of the State of Illinois.

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Aetna Bearing Company
c/o Katy Industries, Inc.
853 Dundee Avenue
Eglin, Illinois 60120

(b) If Junior Creditor, addressed to:

and
to the attention of the officer of Lender executing this Agreement;

NBD Business Finance, Inc.
8001 Lincoln Avenue
5th Floor
Skokie, Illinois 60077

(a) If Lender, addressed to:

20. All communications or notices that are required or may be given under this Agreement shall be deemed to have been served when personally delivered or on the date when deposited in the United States mail, postage prepaid and addressed as follows:

The provisions of this Agreement are solely for the purpose of defining the relative rights of Lender and Junior Creditor and shall not impair, as between Junior Creditor and Borrower, the obligation of Borrower, which is unconditional and absolute, to pay the Aetna Subordinated Note in accordance with its terms.

19. Provided that the obligations have been fully and finally paid and discharged, Junior Creditor shall be subrogated to the rights of Lender to receive payments or distributions of cash, property or securities payable or distributable on account of the obligations, to the extent of all payments and distributions paid over to or for the benefit of Lender pursuant to this Subordination Agreement.

18. In the event that Lender has given Junior Creditor written notice of default by Borrower as provided in paragraph 6 above and, in addition, made demand of Borrower for payment in full of some or all of Borrower's obligations to Lender, as defined and described in the Credit Agreements, including, without limitation, the obligations (collectively the "obligations" for purposes of this paragraph 18), then, in such events, Lender shall simultaneously therewith give Junior Creditor written notice of such demand for payment and Junior Creditor may, within thirty (30) days of Junior Creditor's receipt of a copy of such notice of demand for payment, purchase from Lender and Lender shall assign to Junior Creditor, all of Lender's right, title and interest, as secured party, under the Credit Agreements for a purchase price equal to an amount sufficient to fully pay to Lender and discharge all of such obligations of Borrower to Lender. Junior Creditor shall be under no obligation to make such purchase. Such assignment by Lender shall be without warranty (except for warranty of title with respect to Lender's interest in the Credit Agreements), guaranty or recourse of any kind. Prior to such purchase and assignment, if any, Lender shall be free to commence foreclosure or other realization on any of the collateral security granted to Lender in the real or personal property of the Borrower and to otherwise exercise all rights and remedies under the Credit Agreements and applicable law.

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Handwritten initials/signature

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to the attention of the officer of Junior Creditor executing this Agreement.

SIGNATURE OF JUNIOR CREDITOR(S)

AETNA BEARING COMPANY

Amount of Indebtedness: ~~\$1,054,390~~ ^{\$872,416.05} P 2/2/89

By: J. Russell Jones

Its: Vice President

c/o Katy Industries, Inc.
853 Dundee Avenue
Elgin, Illinois 60120

Security granted by Borrower:

(1) Security Agreement dated December 30, 1988 between Finson International, Inc., as debtor and Aetna Bearing Company and Katy Industries, Inc., as secured party and

(2) Junior Mortgage, Assignment of Rents and Security Agreement dated December 30, 1988 between Finson International, Inc., as mortgagor and Aetna Bearing Company, individually and as agent for Katy Industries, Inc., as mortgagee.

Attest:

Warren A. Furst
Warren A. Furst, Secretary

State of ILLINOIS)
County of Cook) ss.

Impress
Notarial
Seal
Here

I, the undersigned, a Notary Public, in and for the County and State aforesaid, DO HEREBY CERTIFY, that J. Russell Jones personally known to me to be the Vice President of the Aetna Bearing Company, a Delaware corporation, and Warren A. Furst personally known to me to be the Secretary of said corporation and personally known to me to be the same persons whose names are subscribed to the foregoing instrument, appeared before me this day in person and severally acknowledged that as such Vice President and Secretary, they signed and delivered the said instrument and caused the corporate seal of said corporation to be affixed thereto, pursuant to authority given by the Board of Directors of said corporation, as their free and voluntary act, and as the free and voluntary act and deed of said corporation, for the uses and purposes therein set forth.

Given under my hand and official seal, this 2nd day of February, 1989.

Commission expires Feb 14 1990

Carl H. Winkler
Notary Public

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EXHIBIT A

PARCEL 1:

LOTS 9 TO 23, INCLUSIVE AND THE EAST 19 FEET IN WIDTH OF LOT 24 IN THOGERSEN AND ERICKSEN'S SUBDIVISION OF LOTS 1 TO 15 AND 26 TO 33 ALL INCLUSIVE AND PRIVATE ALLEY IN BLOCK 6 IN SAMUEL S. HAYES' KELVYN GROVE ADDITION TO CHICAGO, A SUBDIVISION OF THE SOUTH WEST 1/4 OF SECTION 27, TOWNSHIP 40 NORTH, RANGE 13 EAST OF THE THIRD PRINCIPAL MERIDIAN

ALSO

THAT PART OF THE EAST AND WEST 16 FOOT ALLEY NOW VACATED LYING SOUTH OF AND ADJOINING THE SOUTH LINE OF LOTS 9 TO 16, BOTH INCLUSIVE AND NORTH OF AND ADJOINING THE NORTH LINE OF LOTS 17 TO 24, BOTH INCLUSIVE AND LYING EAST OF A LINE 16 FEET EAST OF AND PARALLEL TO THE WEST LINE OF LOT 24 PRODUCED NORTH 16 FEET IN THOGERSEN AND ERICKSEN'S SUBDIVISION AFORESAID

ALSO

THE WEST 30 FEET IN WIDTH OF THAT PART OF NORTH KENTON AVENUE IN THE CITY OF CHICAGO NOW VACATED LYING EAST OF AND ADJOINING THE EAST LINE OF BLOCK 6 AFORESAID LYING NORTH OF THE SOUTH LINE OF LOT 17 IN SAID BLOCK PRODUCED EAST 30 FEET AND LYING SOUTH OF THE NORTH LINE OF LOT 16 IN SAID BLOCK PRODUCED EAST 30 FEET IN THOGERSEN AND ERICKSEN'S SUBDIVISION AFORESAID

ALSO

BEGINNING AT THE NORTH EAST CORNER OF SAID BLOCK 6 ABOVE REFERRED TO RUNNING THENCE NORTH 18 FEET; THENCE EAST 30 FEET THEREOF SOUTH 18 FEET THENCE WEST 30 FEET TO THE POINT OF BEGINNING AND ALSO BEGINNING AT THE SOUTH EAST CORNER OF SAID BLOCK 6 ABOVE REFERRED TO RUNNING THENCE EAST 30 FEET THENCE SOUTH 33 FEET THENCE IN A STRAIGHT LINE TO POINT OF BEGINNING

PARCEL 2:

ALL THAT PART OF WEST PARKER AVENUE LYING SOUTH OF AND ADJOINING THE SOUTH LINE OF LOTS 10 TO 13, BOTH INCLUSIVE AND THE SOUTH LINE OF SAID LOT 10 PRODUCED WEST 15 FEET IN BLOCK 3 OF S. S. HAYES' KELVYN GROVE ADDITION TO CHICAGO, A SUBDIVISION OF THE SOUTH WEST 1/4 OF SECTION 27, TOWNSHIP 40 NORTH, RANGE 13 EAST OF THE THIRD PRINCIPAL MERIDIAN, LYING NORTH OF AND ADJOINING THE NORTH LINE OF LOTS 9 TO 16, BOTH INCLUSIVE LYING EAST OF AND ADJOINING THE WEST LINE OF SAID LOT 9 PRODUCED NORTH 100 FEET AND LYING WEST OF AND ADJOINING THE EAST LINE OF SAID LOT 16 PRODUCED NORTH 100 FEET IN THOGERSEN AND ERICKSEN'S SUBDIVISION OF LOTS 1 TO 15 INCLUSIVE AND LOTS 26 TO 33 INCLUSIVE AND PRIVATE ALLEY IN BLOCK 6 IN S. S. HAYES' KELVYN GROVE ADDITION TO CHICAGO SAID PART OF WEST PARKER AVENUE BEING FURTHER DESCRIBED AS THE EAST 240 FEET MORE OR LESS OF THAT PART OF WEST PARKER AVENUE LYING WEST OF VACATED NORTH KENTON AVENUE, IN COOK COUNTY, ILLINOIS

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PARCEL 3

LOTS 6, 7, 8, 9, 10 AND THAT PART OF THE STRIP OF LAND BETWEEN LOTS 6 TO 10 BOTH INCLUSIVE AND LOT 11 WHICH WAS SHOWN ON THE PLAT OF S. S. HAYES' KELVYN GROVE ADDITION TO CHICAGO AS A PRIVATE ALLEY, BUT WHICH HAS NOW BEEN TERMINATED BY THE OWNERS OF ALL THE ABUTTING LOTS BY DECLARATION OF TERMINATION RECORDED AS DOCUMENT NUMBER 12919799, EXCEPT THAT PART LYING NORTHEASTERLY OF A LINE DESCRIBED AS FOLLOWS: BEGINNING AT A POINT 1.44 FEET WEST OF THE NORTHWEST CORNER OF LOT 6, THENCE SOUTHEASTERLY AT A RADIUS OF 355.06 FEET, AN ARC DISTANCE OF 184.55 FEET THEREOF TO A POINT 2.13 FEET WEST OF THE SOUTHEAST CORNER OF LOT 10; ALSO LOTS 11, 12, 13, 14, 15 AND THE EAST 25 FEET OF LOT 16 ALL IN BLOCK 3 IN S. S. HAYES' KELVYN GROVE ADDITION TO CHICAGO A SUBDIVISION OF THE SOUTHWEST 1/4 OF SECTION 27, TOWNSHIP 40 NORTH, RANGE 13 EAST OF THE THIRD PRINCIPAL MERIDIAN, IN COOK COUNTY, ILLINOIS.

PARCEL 4:

EASEMENT FOR THE BENEFIT OF PARCEL 1 AS CREATED BY GRANT DATED JANUARY 21, 1949 AND RECORDED MARCH 23, 1949 AS DOCUMENT 14518493 FOR PURPOSE OF A RIGHT OF WAY FOR CONSTRUCTING, OPERATING AND MAINTAINING A SWITCH TRACK OVER A STRIP OF LAND BEING A PART OF VACATED NORTH KENTON AVENUE AS LAID OUT IN S. S. HAYES' KELVYN GROVE ADDITION TO CHICAGO, OF THE SOUTH WEST 1/4 OF SECTION 27, TOWNSHIP 40 NORTH, RANGE 13 EAST OF THE THIRD PRINCIPAL MERIDIAN, BEGINNING AT A POINT ON THE EAST LINE OF SAID NORTH KENTON AVENUE BEING ALSO THE WEST LINE OF RIGHT OF WAY OF CHICAGO AND NORTHWESTERN RAILWAY WHICH IS 10 FEET SOUTH OF THE SOUTH LINE OF WEST DIVERSEY AVENUE PRODUCED EAST RUNNING THENCE PARALLEL TO THE SAID SOUTH LINE OF WEST DIVERSEY AVENUE, 12 FEET, THENCE SOUTH PARALLEL TO THE WEST LINE OF AFORESAID RIGHT OF WAY, 187.39 FEET MORE OR LESS TO A POINT 85 FEET MEASURED PARALLEL TO SAID RIGHT OF WAY, NORTH OF THE NORTH LINE OF WEST PARKER AVENUE PRODUCED EAST, THENCE SOUTHERLY IN A STRAIGHT LINE TO A POINT ON SAID NORTH LINE OF WEST PARKER AVENUE WHICH IS 19 FEET WEST OF THE WEST LINE OF THE AFORESAID RIGHT OF WAY; THENCE SOUTH PARALLEL TO THE WEST LINE OF SAID RIGHT OF WAY 62 FEET TO A POINT 18 FEET NORTH OF THE SOUTH LINE OF WEST PARKER AVENUE PRODUCED EAST; THENCE EAST PARALLEL TO SAID SOUTH LINE OF WEST PARKER AVENUE 19 FEET TO THE WEST LINE OF AFORESAID RIGHT OF WAY; THENCE NORTH ALONG SAID RIGHT OF WAY LINE 349.39 FEET MORE OR LESS TO THE POINT OF BEGINNING AND ALSO OVER A PARCEL OF LAND DESCRIBED AS:

BEGINNING AT A POINT ON THE EAST LINE OF SAID VACATED NORTH KENTON AVENUE AFORESAID, BEING ALSO THE WEST LINE OF THE RIGHT OF WAY OF CHICAGO & NORTHWESTERN RAILWAY WHICH IS 18 FEET SOUTH OF THE SOUTH LINE OF WEST DIVERSEY AVENUE PRODUCED EAST; RUNNING THENCE NORTH ALONG SAID EAST LINE OF SAID NORTH KENTON AVENUE 18 FEET TO THE SOUTH LINE OF SAID WEST DIVERSEY AVENUE PRODUCED EAST, THENCE WEST ALONG THE SOUTH LINE OF SAID WEST DIVERSEY AVENUE PRODUCED EAST, A DISTANCE OF 12 FEET; THENCE SOUTH ALONG A LINE PARALLEL WITH SAID EAST LINE OF SAID NORTH KENTON AVENUE 18 FEET; THENCE EAST ALONG A LINE PARALLEL WITH SAID SOUTH LINE OF SAID WEST DIVERSEY AVENUE PRODUCED EAST A DISTANCE OF 12 FEET, TO THE POINT OF BEGINNING, ALL IN COOK COUNTY, ILLINOIS.

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Permanent Real Estate Index Numbers: 13-27-301-008-0000
13-27-301-009-0000
13-27-305-010-0000

Address: 4634 Parker Avenue and
4600 Schubert Avenue
Chicago, Illinois 60639

This instrument was prepared by and
after recording or filing should be
mailed to:

Andronike A. Tsagaris, Attorney
Honigman Miller Schwartz and Cohn
2290 First National Building
Detroit, Michigan 48226
(313) 256-7800

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COOK COUNTY RECORDER

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