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MORTGAGE AND SECURITY AGREEMENT

Dated as of August 1, 1991

91513372

FROM

COLONIAL BANK F/K/A/ COLONIAL
BANK AND TRUST COMPANY, as trustee
under Land Trust No. 577

(the "Mortgagor")

DEPT-31 RECORDING \$45.00

T#2222 TRAN 9138 10/02/91 15:43:00

#2798 # 5 *-91-513372

COOK COUNTY RECORDER

TO

91513372

ILLINOIS DEVELOPMENT FINANCE AUTHORITY

(the "Mortgagee")

The rights of the Illinois Development Finance Authority hereunder
have been assigned to Colonial Bank.

This instrument was prepared by
and return to:

Address:

Charles R. Hug
Carlson and Hug
135 South LaSalle Street
Chicago, Illinois 60603

1827 Janke Drive
Northbrook, Illinois 60062

P.I.N.: 04-15-302-006
04-15-302-007

91-113-513372

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TABLE OF CONTENTS

<u>Section</u>	<u>Page</u>
Parties	1
Preliminary Statement	1
Granting Clauses	2
1. General Covenants and Warranties	5
1.1. Loan Agreement and Bond Purchase Agreement Covenants	5
1.2. Ownership of Mortgage Property	5
1.3. Further Assurances	6
1.4. Payment of Principal and Interest	6
1.5. Maintenance of Mortgaged Property, Other Liens, Compliance with Laws, Etc.	6
1.6. Insurance	6
1.7. Advances	7
1.8. Recordation; Annual Opinions	7
1.9. After-Acquired Property	7
2. Possession, Use and Release of Property	7
2.1. Mortgagor's Right of Possession	7
2.2. Substitutions, Replacements and Alterations	7
2.3. Eminent Domain	8
3. Application of Insurance and Certain Other Moneys Received by the Mortgagee; Investment of Moneys	8
3.1. Insurance Proceeds	8
3.2. Condemnation Awards; Other Proceeds	9
4. Defaults and Remedies Therefor	10
4.1. Event of Default Defined	10
4.2. Remedies	10
4.3. Application of Proceeds	11
4.4. Waiver of Extension, Appraisement and Stay Laws	12
4.5. Effect of Discontinuance of Proceedings	13
4.6. Delay or Omission Not a Waiver	13

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9 1 5 1 3 3 7 2

<u>Section</u>	<u>Page</u>
5. Amendments, Waivers and Consents	13
6. Miscellaneous	14
6.1. Certain Definitions	14
6.2. Successors and Assigns	14
6.3. Severability	14
6.4. Addresses for Notices and Demands	14
6.5. Headings and Table of Contents	15
6.6. Release of Mortgage	15
6.7. Counterparts	15
6.8. Governing Law	15
6.9. Maximum Indebtedness	15
6.10. Indemnity of Mortgagee	15
6.11. Exculpation Clause	16
6.12. Junior Mortgage	16
Signature Page	17

Attachments to Mortgage:

- Exhibit A - Legal Description of Real Property
- Exhibit B - Promissory Note
- Exhibit C - Equipment

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MORTGAGE AND SECURITY AGREEMENT

MORTGAGE AND SECURITY AGREEMENT (the "Mortgage") dated as of August 1, 1991 from Colonial Bank F/K/A Colonial Bank and Trust Company, a Illinois banking corporation, as trustee under Land Trust No. 577 (the "Mortgagor"), having its principal office at 5850 West Belmont Avenue, Chicago, Illinois 60634, to the Illinois Development Finance Authority, a political subdivision, body politic and corporate of the State of Illinois (the "Mortgagee"), as mortgagee.

This Mortgage is also a Security Agreement and Financing Statement under the Uniform Commercial Code of Illinois and in compliance therewith, the following information is set forth:

1. The names and addresses of the Debtor, the Secured Party and the Assignee of the Secured Party are:

Debtor: Colonial Bank F/K/A Colonial Bank
and Trust Company, as trustee under
Land Trust No. 577
5850 West Belmont Avenue
Chicago, Illinois 606034
Attention: Land Trust Department

Secured Party: Illinois Development Finance Authority
2 North LaSalle Street, Room 980
Chicago, Illinois 60602
Attention: Executive Director

Assignee: Colonial Bank
5850 West Belmont Avenue
Chicago, Illinois 60634
Attention: Real Estate Department

2. The property covered by this Financing Statement is described in the Granting Clauses contained herein.

3. Some or all of the machinery, equipment, goods and other property described herein is or shall become fixtures.

4. The Debtor is the record owner of the real estate described in Exhibit A attached hereto and made a part hereof.

5. This Mortgage is a first mortgage as to Lot 12 of the real estate described in Exhibit A and is a junior mortgage as to Lot 11 of the real estate described in Exhibit A.

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PRELIMINARY STATEMENT

The Mortgagor deems it necessary to borrow money to finance the cost of the construction of an addition to and the equipping of an existing screw machine product manufacturing facility (the "Project") located within the corporate limits of the Village of Northbrook, Illinois and for this purpose, Gregory Panek and Ann Panek, the sole beneficiaries of Land Trust No. 577 (the "Beneficiaries"), the Mortgagor and the Mortgagee have entered into a Loan Agreement dated as of August 1, 1991 (the "Loan Agreement") providing for the commitment of the Mortgagee to make a loan to the Mortgagor in the aggregate principal amount of \$975,000. The Mortgagor and the Beneficiaries have evidenced their joint and several obligations in respect of the loan by issuing and delivering their note (the "Note"), in the principal amount of \$975,000, a copy of which is attached hereto as Exhibit B. In order to secure the Note, the Mortgagor has executed and delivered this Mortgage and does hereby mortgage, convey, assign and grant a security interest in the Mortgaged Property (as hereinafter defined) as security for the payment thereof.

The Mortgagor is duly authorized under all applicable provisions of law and its trust instrument to enter into the Loan Agreement, to execute and deliver this Mortgage and to mortgage, convey, assign and grant a security interest in said Mortgaged Property to the Mortgagee as security for the Note; and all corporate action and all consents, approvals and other authorizations required therefor have been duly taken or obtained.

Pursuant to Chapter 48, Sections 850.01 through 850.20, inclusive, Illinois Revised Statutes, 1989, known as "The Illinois Development Finance Authority Act", as amended and supplemented, the Mortgagee will obtain funds for the purpose of constructing and equipping the Project through the issuance and sale of its Industrial Development Revenue Bond (Panek Precision Products Co. Project), Series 1991 (the "Bond") in the principal amount of \$975,000. The Bond will be issued under a Bond Resolution (the "Bond Resolution") adopted by the Issuer on August 21, 1991 with respect to the Bond. Pursuant to the Bond Resolution, the Issuer will pledge and assign the Note and its rights under and pursuant to the Loan Agreement and this Mortgage to Colonial Bank (the "Bank") as security for the Bond. The Bond will be payable solely out of the payments to be made by the Mortgagor on the Note and other payments made by the Mortgagor pursuant to this Mortgage and the Loan Agreement.

Pursuant to the Bond Purchase Agreement dated as of August 1, 1991 (the "Bond Purchase Agreement") among the Mortgagee, the Mortgagor, Panek Precision Products Co., the Beneficiaries and the Bank, the Bank will purchase the Bond from the Mortgagee, and the Mortgagee will assign all of its right, title and interest in and to this Mortgage pursuant to the Assignment and Security Agreement dated as of August 1, 1991 (the "Assignment") from the Issuer to the Bank.

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GRANTING CLAUSES

NOW THEREFORE, THIS MORTGAGE WITNESSETH: That the Mortgagor, in consideration of the premises, the execution and delivery of the Loan Agreement and the Note by the Mortgagor and of the sum of Ten Dollars received by the Mortgagor from the Mortgagee and other good and valuable consideration, receipt whereof is hereby acknowledged, and in order to secure the payment of the principal of and interest on the Note according to its tenor and effect, and to secure the payment of all other indebtedness hereby secured and the performance and observance of all the covenants, agreements and conditions contained in this Mortgage, the Loan Agreement and the Bond Purchase Agreement, the Mortgagor does hereby represent, mortgage, pledge, assign, hypothecate and grant a security interest unto the Mortgagee and its successors and assigns, in and to all and singular the following described properties, rights, interests and privileges and all the Mortgagor's estate, right, title and interest therein, thereto and thereunder (all of which properties hereby mortgaged, assigned and pledged or intended so to be are hereinafter collectively referred to as the "Mortgaged Property"):

GRANTING CLAUSE I

That certain real estate lying in the Village of Northbrook, Cook County, Illinois, more particularly described in Exhibit A attached hereto and made a part hereof (sometimes hereinafter referred to as the "Real Estate");

GRANTING CLAUSE II

All buildings and permanently attached improvements of every kind and description now or hereafter erected or placed on the Real Estate and all materials intended for construction, reconstruction, alteration and repairs of such improvements now or hereafter erected thereon, all of which materials shall be deemed to be included within the Mortgaged Property immediately upon the delivery thereof to the Real Estate, and all fixtures, machinery, apparatus, equipment, fittings and articles of personal property of every kind and nature whatsoever now owned or hereafter owned by the Mortgagor and permanently attached to the Real Estate and the buildings and permanently attached improvements now or hereafter located thereon, including, but not limited to, all machinery, motors, fittings, radiators, gas, coal, steam, electric, oil and other heating, power and lighting apparatus and fixtures, all ventilating apparatus and systems, all plumbing, incinerating, sprinkler equipment and fixtures, all elevators and escalators and all other fixtures and appurtenances thereto; and all renewals or replacements of any of the foregoing or articles in substitution therefor; it being mutually agreed, intended and declared that all the aforesaid property owned by the Mortgagor and permanently attached to the Real Estate shall, so far as permitted by law, be deemed to form a part and parcel of the Real Estate and for the purpose of this Mortgage to be real estate and covered by this Mortgage only to the extent permitted by law;

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GRANTING CLAUSE III

All right, title and interest of the Mortgagor now owned or hereafter acquired in and to all and singular the estates, tenements, hereditaments, privileges, easements, franchises and appurtenances belonging or in any wise appertaining to the property described in the preceding Granting Clause I and the buildings and improvements now or hereafter located thereon and the reversions, rents, issues, revenues and profits thereof, including all interest of the Mortgagor in all rents, issues and profits of the aforementioned property and all rents, issues, profits, revenues, royalties, bonuses, rights and benefits due, payable or accruing (including all deposits of money as advanced rent or for security) under any and all leases and renewals thereof of said property (including during any period allowed by law for the redemption of said property after any foreclosure or other sale), together with the right, but not the obligation to collect, receive and receipt for all such rents and apply them to the indebtedness hereby secured and to demand, sue for and recover the same when due or payable, provided that the assignments made hereby shall not impair or diminish the obligations of the Mortgagor under the provisions of such leases nor shall such obligations be imposed upon the Mortgagee or the Bank; by acceptance of this Mortgage, the Mortgagee agrees, and will cause the Bank to agree, not as a limitation or condition hereof, but as a personal covenant available only to the Mortgagor, that, until an event of default shall occur hereunder giving the Mortgagee or the Bank the right to foreclose this Mortgage, the Mortgagor may collect, receive and enjoy such rents.

GRANTING CLAUSE IV

All equipment (as defined in Article 9 of the Illinois Uniform Commercial Code), machinery, apparatus, equipment fittings and readily removable fixtures financed with the proceeds of the Bond and now or hereafter placed in, affixed to or used in connection with the buildings now or hereafter constructed upon any real property which (or upon any real property an interest in which) is now or hereafter subject to the lien hereof, whether now or hereafter acquired by the Mortgagor, including any substitutions for, additions to, alterations to or accretions to the foregoing, and any and all proceeds thereof including but not limited to the items described in Exhibit C attached hereto and made a part hereof (sometimes hereinafter referred to as the "Equipment");

And as to the property aforesaid which is not deemed to be real property, including but not limited to the Equipment and fixtures, this Mortgage is hereby deemed to be as well a Security Agreement under the provisions of the Illinois Uniform Commercial Code for the purpose of creating hereby a security interest in said property, which is hereby granted by the Mortgagor, as debtor, to the Mortgagee, as secured party, and assigned and pledged to the Bank, as assignee of the Mortgagee, further securing the indebtedness hereby secured; the addresses of the Mortgagor (debtor), the

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Mortgagee (secured party) and the Bank (assignee of secured party) appear at the beginning of this Mortgage;

SUBJECT, HOWEVER, as to all property or rights in property at any time subject to the lien hereof (whether now owned or hereafter acquired), to the liens, charges, and encumbrances noted on Exhibit A hereto ("Permitted Encumbrances").

TO HAVE AND TO HOLD the Mortgaged Property unto the Mortgagee and its successors and assigns forever for the uses and purposes herein set forth;

PROVIDED NEVERTHELESS, and these presents are upon the express condition that if the Mortgagor performs the covenants herein contained and pays to the Mortgagee, its successors or assigns, the full amount of all principal of and interest on the Note and all other sums due or payable hereunder or under the Loan Agreement and the Bond Purchase Agreement, the estate, right and interest of the Mortgagee in the property hereby conveyed shall cease and this Mortgage shall become null and void, but otherwise to remain in full force and effect.

SECTION 1. GENERAL COVENANTS AND WARRANTIES.

The Mortgagor covenants, represents and agrees as follows:

1.1. Loan Agreement and Bond Purchase Agreement Covenants. Each and all of the terms, provisions, restrictions, covenants and agreements set forth in the Loan Agreement and the Bond Purchase Agreement, and in each and every supplement thereto or amendment thereof which may at any time or from time to time be executed and delivered by the parties thereto or their successors and assigns, are incorporated herein by reference to the same extent as though each and all of said terms, provisions, restrictions, covenants and agreements were fully set out herein and as though any amendment or supplement to the Loan Agreement or, as the case may be, the Bond Purchase Agreement were fully set out in an amendment or supplement to this Mortgage; and the Mortgagor does hereby covenant and agree well and truly to abide by, perform and be governed and restricted by each and all of the matters provided for by the Loan Agreement and the Bond Purchase Agreement and so incorporated herein to the same extent and with the same force and effect as if each and all of said terms, provisions, restrictions, covenants and agreements so incorporated hereby by reference were set out and repeated herein at length. Without limiting the foregoing, the Mortgagor covenants and agrees to pay all taxes, assessments and governmental charges or levies imposed upon this Mortgage or the Loan Agreement or the Bond Purchase Agreement or any other indebtedness secured hereby.

1.2. Ownership of Mortgaged Property. The Mortgagor covenants and represents that it is the owner and is lawfully seized and possessed of the Mortgaged Property hereinbefore conveyed to the Mortgagee free and clear of all liens, charges and

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encumbrances whatsoever, except Permitted Encumbrances, and the Mortgagor has good right, full power and authority to convey, transfer and mortgage the same to the Mortgagee for the uses and purposes in this Mortgage set forth; and the Mortgagor has good and marketable title thereto and will represent and defend the title thereto against all claims and demands whatsoever.

1.3. Further Assurances. The Mortgagor will do, execute, acknowledge and deliver all and every further act, deed, conveyance, transfer and assurance necessary or proper for the better assuring, conveying, assigning and confirming unto the Mortgagee all of the Mortgaged Property or property intended so to be, whether now owned or hereafter acquired.

1.4. Payment of Principal and Interest. The Mortgagor will duly and punctually pay when due the principal of, and the interest on, the indebtedness evidenced by the Note, except to the extent paid by either Beneficiary, all charges, fees and other sums provided in the Loan Agreement and the Bond Purchase Agreement and the principal of and interest on any future advances secured by this Mortgage.

1.5. Maintenance of Mortgaged Property, Other Liens, Compliance with Laws, Etc. Except as hereinafter provided in Section 3 hereof, the Mortgagor shall (i) promptly repair, restore or rebuild any buildings, improvements or Equipment now or hereafter on the Mortgaged Property which may become damaged or be destroyed, (ii) keep the Mortgaged Property in good condition and repair, without waste, and free from all claims, liens, charges and encumbrances other than Permitted Encumbrances and the lien of this Mortgage, (iii) complete within a reasonable time any other building or buildings now or at any time in process of erection upon the Mortgaged Property, (iv) comply with all requirements of law or municipal ordinances with respect to the Mortgaged Property and the use thereof, and (v) make no material alterations in said Mortgaged Property which would impair the market value or usefulness of the Mortgaged Property for the purposes for which the same are presently being used.

1.6. Insurance. The Mortgagor will keep all of the buildings and improvements located on real property described in Exhibit A hereto and the Equipment fully insured against fire, theft and extended coverage risks in an amount not less than 80% of the full insurable value thereof (i.e., the actual replacement cost, without allowance for depreciation, excluding foundation and excavation costs and costs of underground flues, pipes, drains and other uninsurable items), as determined from time to time but not less often than once every three years by a qualified independent architect, contractor, appraiser, appraisal company or one of the insurers, in any case selected and paid by the Mortgagor, subject to deductible provisions not to exceed \$15,000, provided that such insurance shall in any event be in amounts sufficient to prevent the Mortgagor from being a co-insurer of any partial loss under the applicable policies. All policies of insurance maintained pursuant to this Section 1.6 shall provide that (i) the loss, if any,

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thereunder shall be payable to the Mortgagee under a standard mortgagee clause, (ii) such policies may not be cancelled without at least 30 days' prior written notice to the Mortgagee and (iii) shall contain the so-called "Replacement Cost Endorsement". The Mortgagor agrees to provide the Mortgagee with such original and supplemental certificates of insurance or copies of insurance policies, or both, as may be reasonably necessary to evidence the continuing maintenance of the insurance required by this Section 1.6 to the satisfaction of the Mortgagee.

1.7. Advances. If the Mortgagor shall fail to comply with the covenants contained herein or in the Loan Agreement and the Bond Purchase Agreement and incorporated herein by reference with respect to the procuring of insurance, the payment of taxes, assessments and other charges, or the keeping of the Mortgaged Property in repair and free of other liens, the Mortgagee may make advances to perform the same; and the Mortgagor agrees to repay all sums so advanced upon demand with interest at a rate per annum equal to the Prime Rate (as defined in the Loan Agreement) plus three percent (3%); and all sums so advanced, with interest, shall be secured hereby in priority to the indebtedness evidenced by the Note; but no such advance shall be deemed to relieve the Mortgagor from any default hereunder.

1.8. Recordation. The Mortgagor will cause this Mortgage, all mortgages supplemental hereto and any financing statements and continuation statements required by Illinois law, including the Uniform Commercial Code of the State of Illinois, in respect hereof at all times to be kept, recorded and filed at its own expense in such manner and in such places as may be required by law in order to fully preserve and protect the rights of the Mortgagee hereunder.

1.9. After-Acquired Property. Any and all property hereafter acquired and described in the Granting Clauses hereof shall ipso facto, and without any further conveyance, assignment or act on the part of the Mortgagor or the Mortgagee become and be, subject to the lien of this Mortgage as fully and completely as though specifically described herein; but nevertheless the Mortgagor shall from time to time, if requested by the Mortgagee, execute and deliver any and all such further assurances, conveyances and assignments thereof as the Mortgagee may reasonably require for the purpose of expressly and specifically subjecting to the lien of this Mortgage any and all such property.

SECTION 2. POSSESSION, USE AND RELEASE OF PROPERTY.

2.1. Mortgagor's Right of Possession. While the Mortgagor is not in default hereunder, it shall be suffered and permitted to remain in full possession, enjoyment and control of the Mortgaged Property and receipt of all rents, profits and avails of the Mortgaged Property, subject always to the observance and performance of the terms of this Mortgage, of the Loan Agreement and the Bond Purchase Agreement.

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satisfactory to the Mortgagee, then such proceeds shall be paid by the Mortgagee to the Mortgagor from time to time upon delivery to the Mortgagee of a Mortgagor Request accompanied by an approving certificate of an architect or engineer selected by the Mortgagor and approved by the Mortgagee, for the purpose of paying, or reimbursing the Mortgagor for the payment of, the reasonable cost, as shown by such Mortgagor Request, of repairing or replacing part or all of the property damaged or destroyed, but only if the Mortgagor Request is delivered to the Mortgagee within six months (or such longer period as the Mortgagee shall consent to, which consent shall not be unreasonably withheld) of the receipt of such proceeds by the Mortgagee (subject to acts of God or other events beyond Mortgagor's control), and then only for and to the extent that the Mortgagor shows by such architect's or engineer's certificates or other evidence satisfactory to the Mortgagee that the portion of such proceeds remaining on deposit with the Mortgagee, together with any additional funds irrevocably allocated or otherwise provided for in a manner satisfactory to the Mortgagee for such purpose, shall be sufficient to complete such repairs or replacements and restore the Mortgaged Property as nearly as possible to the market value and condition which existed immediately prior to the damage or destruction free from liens or encumbrances except this Mortgage and Permitted Encumbrances. Every such application for the payment of such insurance moneys shall state that the Mortgagor is not in default under any of the terms and provisions of this Mortgage. Any consent or approval to be given by the Mortgagee pursuant to this Section 3.1 shall not be unreasonably withheld by the Mortgagee. In the event that any insurance proceeds are held by the Mortgagee under this Section 3.1, such proceeds may be invested, by the Mortgagee, as if and subject to the same terms and conditions as if said proceeds were a part of the Construction Fund to be invested pursuant to Section 3.5 of the Loan Agreement and Section 8 of the Bond Resolution.

(b) Any loss under any insurance policy or policies under \$100,000, any appraisal or adjustment of such loss or any settlement or payment of indemnity therefor which shall be agreed upon between the Mortgagor and the relevant insurance company shall be accepted by the Mortgagee. Any loss of \$100,000 or more shall be so resolved only upon the written consent of the Mortgagee.

(c) In the event the insurance moneys shall not have been applied to one or more of the purposes specified in Section 3.1(a) hereof within the period provided for thereby, then the Mortgagee shall apply such insurance moneys to the prepayment, without premium, of the Note in an amount sufficient to exhaust such cash as nearly as possible upon giving the Mortgagor ten days advance notice of its intent so to do, any balance remaining after such prepayment or any balance in excess of amounts to be applied in prepayment pursuant to Section 3(b)(3) of the Bond Resolution to be released to the Mortgagor.

3.2. Condemnation Awards; Other Proceeds. Moneys received by the Mortgagee in connection with the release of property including moneys received by the Mortgagee by reason of

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the exercise of the power of eminent domain with respect to any part of the Mortgaged Property, shall be held by the Mortgagee as part of the Mortgaged Property and shall be disbursed or applied in the same manner and upon the same terms and conditions as provided for in Section 3.1(a) hereof in respect of insurance proceeds.

SECTION 4. DEFAULTS AND REMEDIES THEREFOR.

4.1. Event of Default Defined. The Mortgagor acknowledges and agrees that each and all of the terms and provisions of Sections 6.1 to 6.3, both inclusive, of the Loan Agreement have been and are incorporated into this Mortgage by reference to the same extent as though fully set forth herein and that the term "Event of Default" wherever used in this Mortgage shall mean either an Event of Default as defined in Section 6.1 of the Loan Agreement or the failure of the Mortgagor to comply with any covenant, agreement or representation contained in this Mortgage within 30 days after the Mortgagee or any owner of the Bond shall have given written notice thereof to the Mortgagor; provided, however, that if any such failure to comply (other than one curable by the payment of money) may be cured but not within such 30-day period, it shall not be an Event of Default if the Mortgagor commences to cure such failure promptly during such 30-day period and thereafter diligently prosecutes such curing to completion. In no event, however, shall the cure period be more than 120 days after the Mortgagee or any owner of the Bond shall have given written notice to the Mortgagor.

4.2. Remedies. When any Event of Default has occurred and is continuing, the Mortgagee may exercise any one or more or all, and in any order, of the remedies hereinafter set forth, it being expressly understood that no remedy herein conferred is intended to be exclusive of any other remedy or remedies; but each and every remedy shall be cumulative and shall be in addition to every other remedy given herein or now or hereafter existing at law or in equity or by statute:

(a) The Mortgagee may, by notice in writing to the Mortgagor, declare the entire unpaid balance of the Note to be immediately due and payable; and thereupon all such unpaid balance, together with all accrued interest thereon and premium, shall be and become immediately due and payable;

(b) The Mortgagee personally or by agents or attorneys may enter into and take possession of all or any part of the Mortgaged Property, and may forthwith operate and manage the Mortgaged Property, collect the earnings and income therefrom, pay all principal charges including taxes and assessments levied thereon and operating and maintenance expenses and all disbursements and liabilities of the Mortgagee hereunder and apply the net proceeds arising from any such operation of the Mortgaged Property as provided in Section 4.3 hereof in respect of the proceeds of a sale of the Mortgaged Property;

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(c) The Mortgagee may proceed to protect and enforce its rights by a suit or suits in equity or at law, or for the specific performance of any covenant or agreement contained herein or in the Note, or in aid of the execution of any power herein or therein granted, or for the foreclosure of this Mortgage, or for the enforcement of any other appropriate legal or equitable remedy. Upon the bringing of any suit to foreclose this Mortgage or to enforce any other remedy available hereunder, the Mortgagee shall be entitled as a matter of right, without notice and without giving bond to the Mortgagor or anyone claiming under, by or through it, and without regard to the solvency or insolvency of the Mortgagor or the then value of the premises, to have a receiver appointed of all the Mortgaged Property and of the earnings, income, rents, issues, profits and proceeds thereof, with such power as the court making such appointment shall confer, and the Mortgagor does hereby irrevocably consent to such appointment;

(d) In case of any sale of the Mortgaged Property, or of any part thereof, pursuant to any judgment or decree of any court or otherwise in connection with the enforcement of any of the terms of this Mortgage, the principal of the Note, if not previously due, and the interest accrued thereon, shall at once become and be immediately due and payable; also in the case of any such sale, the Mortgagee may bid and become the purchaser, and the purchaser or purchasers, for the purpose of making settlement for or payment of the purchase price, shall be entitled to a credit in an amount equal to, the sum apportionable and applicable to the Note including principal and interest thereof, out of the net proceeds of such sale after allowing for the proportion of the total purchase price required to be paid in actual cash. If at any foreclosure proceedings the Mortgaged Property shall be sold for a sum less than the total amount of indebtedness for which judgment is therein given, the judgment creditor shall be entitled to the entry of a deficiency decree against the Mortgagor and against the property of the Mortgagor for the amount of such deficiency; and

(e) With respect to the Equipment, Mortgagee shall have all the remedies of a secured party under the Uniform Commercial Code of Illinois, including without limitation thereto the right to take possession of the tangible personal property, machinery and equipment which is security for the indebtedness hereunder and for that purpose the Mortgagee may, insofar as the Mortgagor can give authority therefor, enter upon any premises on which said tangible personal property or any part thereof may be situated and remove the same therefrom. Unless said tangible personal property is perishable, threatens to decline speedily in value or is of a type customarily sold on a recognized market, Mortgagee will give Mortgagor at least 10 days prior written notice of the time and place of any public sale thereof or of a time after

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which a private sale or other intended disposition thereof is to be made.

4.3. Application of Proceeds. The purchase money proceeds and/or avails of any sale of the Mortgaged Property, or any part thereof, and the proceeds and the avails of any remedy hereunder shall be paid to and applied as follows:

(a) To the payment of costs and expenses of foreclosure or suit, if any, and of such sale, and to the extent permitted by applicable law, the reasonable compensation of the Mortgagee, its agents, attorneys and counsel, and of all proper expenses, liability and advances incurred or made hereunder by the Mortgagee, and of all taxes, assessments or liens superior to the lien of these presents, except any taxes, assessments or other superior liens subject to which said sale may have been made;

(b) To the payment to the Mortgagee of all amounts due it pursuant to Sections 4.5, 5.2, 5.5 and 6.3 of the Loan Agreement;

(c) To the payment of the whole amount then due, owing and unpaid upon the Note (which amount will in turn be applied by the Mortgagee to the payment of the whole amount then due, owing and unpaid on the Bond) for principal and interest; and in case such proceeds shall be insufficient to pay in full the whole amount so due, owing or unpaid upon the Note, then such application shall be made, first, to the unpaid interest thereof, and second, to unpaid principal thereon; and

(d) To the payment of the surplus, if any, to the Mortgagor, its successors and assigns, or to whomsoever may be lawfully entitled to receive the same.

4.4. Waiver of Extension, Appraisal, Redemption and Stay Laws. The Mortgagor covenants that, to the extent that such rights may then be lawfully waived, it will not at any time insist upon or plead, or in any manner whatsoever claim or take any benefit or advantage of, any stay or extension law now or at any time hereafter in force, or claim, take or insist upon any benefit or advantage of or from any law now or hereafter in force providing for the valuation or appraisal of the Mortgaged Property or any part thereof prior to any sale or sales thereof to be made pursuant to any provision herein contained, or to the decree, judgment or order of any court of competent jurisdiction or, after confirmation of any such sale or sales, claim or exercise any right under any statute now or hereafter made or enacted by any state or otherwise to redeem the property so sold or any part thereof, and hereby expressly waives for itself and on behalf of each and every person, except decree or judgment creditors of the Mortgagor acquiring any interest in or title to the Mortgaged Property or any part thereof, subsequent to the date of this Mortgage, all benefit and advantage of any such law or laws; and covenants that it will not invoke or utilize any such law or laws or otherwise hinder, delay or impede

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the execution of any power herein granted and delegated to the Mortgagee but will suffer and permit the execution of every such power as though no such law or laws had been made or enacted.

Any sale, whether under any power of sale hereby given or by virtue of judicial proceedings, shall operate to divest all right, title, interest, claim and demand whatsoever, either at law or in equity, of the Mortgagor in and to the property sold and shall be a perpetual bar, both at law and in equity, against the Mortgagor, its successors and assigns, and against any and all persons claiming the property sold or any part thereof under, by or through the Mortgagor, its successors or assigns.

The Mortgagor does hereby expressly waive any and all rights of redemption from sale under any order or decree of foreclosure of this Mortgage on behalf of the Mortgagor and each and every person except decree or judgment creditors of the Mortgagor in their representative capacity and of the trust estate acquiring any interest in or title to the Mortgaged Property subsequent to the date of this Mortgage.

4.5. Effect of Discontinuance of Proceedings. In case the Mortgagee shall have proceeded to enforce any right under this Mortgage by foreclosure, sale, entry or otherwise, and such proceedings shall have been discontinued or abandoned for any reason or shall have been determined adversely, then and in every such case, the Mortgagor and the Mortgagee shall be restored to their former positions and rights hereunder with respect to the property subject to the lien of this Mortgage.

4.6. Delay or Omission Not a Waiver. No delay or omission of the Mortgagee to exercise any right or power arising from any default on the part of the Mortgagor shall exhaust or impair any such right or power or prevent its exercise during the continuance of such default. No waiver by the Mortgagee of any such default, whether such waiver be full or partial, shall extend to or be taken to affect any subsequent default, or to impair the rights resulting therefrom, except as may be otherwise provided herein. No remedy hereunder is intended to be exclusive of any other remedy but each and every remedy shall be cumulative and in addition to any and every other remedy given hereunder or otherwise existing; nor shall the giving, taking or enforcement of any other or additional security, collateral or guaranty for the payment of the indebtedness secured under this Mortgage operate to prejudice, waive or affect the security of this Mortgage or any rights, powers or remedies hereunder; nor shall the Mortgagee be required to first look to, enforce or exhaust such other or additional security, collateral or guaranties.

SECTION 5. AMENDMENTS, WAIVERS AND CONSENTS.

Any term, covenant, agreement or condition of this Mortgage may, with the consent of the Mortgagor, be amended or compliance therewith may be waived (either generally or in a particular instance and either retroactively or prospectively), if

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the Mortgagor shall have obtained the consent in writing of the Mortgagee and the Bondholder, provided, however, that no such amendment shall, without the consent of the owner of the Bond, permit the creation of any lien or security interest ranking prior to or on a parity with the lien and security interest of this Mortgage or terminate the lien or security interest of this Mortgage on any property at any time subject hereto or deprive the owner of the Bond of the security afforded by the lien and security interest of this Mortgage.

SECTION 6. MISCELLANEOUS.

6.1. Certain Definitions. As used in this Mortgage, the following terms shall have the respective meanings set forth below:

"Authorized Mortgagor Representative" shall mean such person at the time designated, by written certificate furnished to the Mortgagee and the Bank containing the specimen signature of such person and signed on behalf of the Mortgagor to act on behalf of the Mortgagor. Such certificate may designate an alternate or alternates.

"Mortgagor Certificate" and "Mortgagor Request" shall mean, respectively, a written certificate or request signed in the name of the Mortgagor by an Authorized Mortgagor Representative and delivered to the Mortgagee.

"Opinion of Counsel" shall mean a written opinion of counsel who shall be satisfactory to the Bank and who may be independent counsel to the Mortgagor.

"Permitted Encumbrances" shall mean the liens, charges and encumbrances noted on Exhibit A hereto.

6.2. Successors and Assigns. Whenever any of the parties hereto is referred to, such reference shall be deemed to include the successors and assigns of such party; and all the covenants, promises and agreements in this Mortgage contained by or on behalf of the Mortgagor, or by or on behalf of the Mortgagee, shall bind and inure to the benefit of the respective successors and assigns of such parties, whether so expressed or not.

6.3. Severability. The unenforceability or invalidity of any provision or provisions of this Mortgage shall not render any other provision or provisions herein contained unenforceable or invalid.

6.4. Addresses for Notices and Demands. All communications provided for herein shall be in writing and shall be deemed to have been given (unless otherwise required by the specific provisions hereof in respect of any matter) when delivered personally or when deposited in the United States mail, registered or certified, postage prepaid, addressed as follows:

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If to the Mortgagor: Colonial Bank F/K/A Colonial Bank and Trust Company, as trustee under Land Trust No. 577
5850 West Belmont Avenue
Chicago, Illinois 60634
Attention: Land Trust Department

with copies to:

Gregory and Ann Panek
1827 Janke Drive
Northbrook, Illinois 60062

If to the Mortgagee: Illinois Development Finance Authority
2 North LaSalle Street, Room 980
Chicago, Illinois 60602
Attention: Executive Director

If to the Bank: Colonial Bank
5850 West Belmont Avenue
Chicago, Illinois 60634
Attention: Real Estate Department

or as to any such party at such other address as such party may designate by notice duly given in accordance with this Section to the other party.

6.5. Headings and Table of Contents. The headings of the sections of this Mortgage and the Table of Contents are inserted for purposes of convenience only and shall not be construed to affect the meaning or construction of any of the provisions hereof.

6.6. Release of Mortgage. The Mortgagee shall release this Mortgage and the lien hereof by proper instrument or instruments upon presentation of satisfactory evidence that all indebtedness secured hereby has been fully paid or discharged.

6.7. Counterparts. This Mortgage may be executed, acknowledged and delivered in any number of counterparts, each of such counterparts constituting an original but all together only one Mortgage.

6.8. Governing Law. This Mortgage shall be governed by and construed in accordance with the laws of the State of Illinois.

6.9. Maximum Indebtedness. The maximum amount of indebtedness secured by this Mortgage shall be \$10,000,000.

6.10. Indemnity of Mortgagee. The Mortgagee shall not be obligated to perform or discharge any obligation or duty to be performed or discharged by the Mortgagor as owner of any of the Mortgaged Property, and the Mortgagor hereby agrees to indemnify the Mortgagee for, and to save it harmless from, any and all liability arising from this Mortgage, other than arising from the

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Mortgagee's active negligence, and this Mortgage shall not place responsibility for the control, care, management or repair of any of the Mortgaged Property upon the Mortgagee, or make the Mortgagee responsible or liable for any negligence in the management, operation, upkeep, repair or control of the Mortgaged Property resulting in loss or injury or death to any tenant, licensee, employee or stranger.

This Mortgage is executed and delivered by Colonial Bank and Trust Company, as Trustee under Land Trust No. 577. The Mortgagee shall accept this Mortgage upon the express condition that in the case of default in the payment of any installment or principal or interest under the Note, or in the case of any Event of Default as set forth in Section 4.1 hereof or Section 6.1 of the Loan Agreement, the remedies of the Mortgagee shall be any or all of:

(a) Foreclosure of this Mortgage in accordance with the terms and provisions herein set forth; and

(b) Action against any other security at any time given to secured payment thereof; and

all at the sole discretion of the Mortgagee as aforesaid.

6.11. Exculpation Clause. It is expressly understood and agreed by and between the parties hereto, anything herein to the contrary notwithstanding, that each and all of the representations, covenants, undertakings and agreements herein made on the part of the Mortgagor (including any indemnifications made herein) while in form purporting to be the representations, covenants, undertakings and agreements of the Mortgagor are nevertheless each and every one of them, made and intended not as personal representations, covenants, undertakings and agreements by the Mortgagor or for the purpose or with the intention of binding the Mortgagor personally, but are made and intended for the purpose of binding only the Land Trust property specifically described herein, and this Mortgage is executed and delivered by the Mortgagor not in its own right, but solely in the exercise of the powers conferred upon it as the Mortgagor; and that no personal liability or personal responsibility is assumed by nor shall at any time be asserted or enforceable against the Mortgagor on account of this Mortgage or on account of any representation, covenant, undertaking or agreement of the Mortgagor in this Mortgage contained, either expressed or implied, all such personal liability, if any, being expressly waived and released by all other parties hereto and those claiming by, through or under them.

6.12. Junior Mortgage. This Mortgage is subordinate to the Mortgage and Security Agreement dated as of October 1, 1984 and recorded November 7, 1984 as Document Number 27327505 from the Mortgagor to the Mortgagee to secure an indebtedness in the aggregate sum of \$450,000.

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IN WITNESS WHEREOF, the Mortgagor and the Mortgagee have caused this Mortgage to be executed in their respective corporate names and attested by their respective duly authorized officers and sealed, all as of the date first above written.

COLONIAL BANK F/K/A COLONIAL
BANK AND TRUST COMPANY, as
trustee under Land Trust
No. 577

By _____
Its _____

(SEAL)

ATTEST;

its _____

ILLINOIS DEVELOPMENT FINANCE
AUTHORITY

By *Harold Brown*
Executive Director

(SEAL)

ATTEST;

[Signature]
Secretary

The right, title and interest of the ILLINOIS DEVELOPMENT FINANCE AUTHORITY in and to the amounts receivable hereunder have been assigned and pledged to COLONIAL BANK, pursuant to the Assignment and Security Agreement dated as of August 1, 1991, from the ILLINOIS DEVELOPMENT FINANCE AUTHORITY. For purposes of Article 9 of the Illinois Uniform Commercial Code, the counterpart of this Mortgage assigned, pledged and delivered to said Bank shall be deemed the original.

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IN WITNESS WHEREOF, the Mortgagor and the Mortgagee have caused this Mortgage to be executed in their respective corporate names and attested by their respective duly authorized officers and sealed, all as of the date first above written.

COLONIAL BANK F/K/A COLONIAL BANK AND TRUST COMPANY, as trustee under Land Trust No. 577

By [Signature]
Its Lorraine Nagle
Trust Officer

(SEAL)

ATTEST;

[Signature]
Its [Signature]
ASST. SECRETARY

ILLINOIS DEVELOPMENT FINANCE AUTHORITY

By _____
Executive Director

(SEAL)

ATTEST;

Secretary

The right, title and interest of the ILLINOIS DEVELOPMENT FINANCE AUTHORITY in and to the amounts receivable hereunder have been assigned and pledged to COLONIAL BANK, pursuant to the Assignment and Security Agreement dated as of August 1, 1997, from the ILLINOIS DEVELOPMENT FINANCE AUTHORITY. For purposes of Article 9 of the Illinois Uniform Commercial Code, the counterpart of this Mortgage assigned, pledged and delivered to said Bank shall be deemed the original.

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The undersigned Gregory Panek and Ann Panek, sole beneficiaries (the "Beneficiaries") of Land Trust No. 577 created and established at Colonial Bank F/K/A Colonial Bank and Trust Company as aforesaid (the "Mortgagor") and as the holders of the power of direction thereunder, hereby expressly warrant and represent that they have authorized and directed the Mortgagor to enter into the attached Mortgage (the "Mortgage") on behalf of the Mortgagor and the undersigned Beneficiaries. The undersigned Beneficiaries hereby expressly acknowledge all of the representations and warranties made by the Mortgagor in the Mortgage to be true and correct, and hereby approve all the terms, provisions and conditions of the Mortgage. The undersigned Beneficiaries further covenant and agree to execute all documents, instruments, letters of direction, notices, reports, acceptances, receipts, consents, waivers, affidavits and certificates and to take all actions (including the provision of necessary funds) within their control as holders of the powers of management, control and direction of the Mortgagor to enable the Mortgagor to perform all of its obligations, covenants and agreements contained in the Mortgage.

Ann Panek
Ann Panek 10/2/91

Gregory Panek
Gregory Panek 10/2/91

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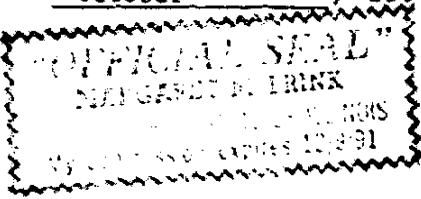
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STATE OF ILLINOIS)
) SS.
COUNTY OF COOK)

I, the undersigned, a Notary Public in and for said County in the State aforesaid, do hereby certify that Lorraine Nagle and Maureen L. Prochenski personally known to me to be the same persons whose names are, respectively, as Trust Officer and Asst. Secretary of COLONIAL BANK F/K/A/ COLONIAL BANK AND TRUST COMPANY, an Illinois banking corporation, as trustee under Land Trust No. 577, subscribed to the foregoing instrument, appeared before me this day in person and severally acknowledged that they, being thereunto duly authorized, signed, sealed with the seal of said corporation, and delivered the said instrument as the free and voluntary act of said corporation and as their own free and voluntary act, for the uses and purposes therein set forth.

GIVEN under my hand and notarial seal this 1st day of October, 1991.



Margaret M. Brink
Notary Public in and for Cook
County, Illinois

(SEAL)

My Commission Expires:

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STATE OF ILLINOIS)
) SS.
COUNTY OF COOK)

I, Joseph L. Simmons, Jr., a Notary Public in and for the said County in the State aforesaid, do hereby certify that Ronald Bean and Earl W. Barigen, Jr. personally known to me to be the same persons whose names are, respectively, as the Executive Director and the SECRETARY Secretary of the ILLINOIS DEVELOPMENT FINANCE AUTHORITY, a municipal corporation duly organized and validly existing under the laws of the State of Illinois, subscribed to the foregoing instrument, appeared before me this day in person and severally acknowledged that they, being thereunto duly authorized, signed, sealed with the seal of said municipal corporation and delivered the said instrument as the free and voluntary act of said municipal corporation and as their own free and voluntary act, for the uses and purposes therein set forth.

GIVEN under my hand and notarial seal this 1st day of October, 1951.

Joseph L. Simmons, Jr.
Notary Public in and for
Cook County, Illinois

(SEAL)

My Commission Expires:

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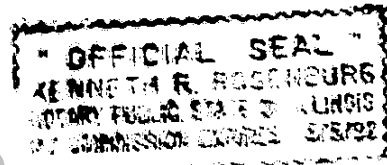
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STATE OF ILLINOIS)
) SS.
COUNTY OF COOK)

I, Kenneth R Rosenburg a Notary Public in and for the County and State aforesaid, do hereby certify that Gregory Panek and Ann Panek 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 they signed and delivered the said instrument, as their free and voluntary act, for the uses and purposes therein set forth.

GIVEN under my hand and notarial seal this 2nd day of October, 1991.

Kenneth R Rosenburg
Notary Public in and for
Cook County, Illinois



(SEAL)

My Commission Expires:

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EXHIBIT A

DESCRIPTION OF REAL PROPERTY

That real property, located in the Village of Northbrook, Cook County, Illinois, more particularly described as follows:

Lots 11 and 12 in Glenbrook Industrial Park Unit 1, a Subdivision in Section 15, Township 42 North, Range 12 East of the Third Principal Meridian, in Cook County, Illinois.

Permitted Encumbrances:

Exceptions shown on Schedule P of Guaranty National Title Company Title Insurance Policy Number 91-892 dated October 2, 1991.

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EXHIBIT B

FORM OF NOTE
COLONIAL BANK F/K/A COLONIAL BANK
AND TRUST COMPANY, as trustee under
Land Trust No. 577
and
GREGORY PANEK and ANN PANEK

\$975,000

October 1, 1991

FOR VALUE RECEIVED, Colonial Bank F/K/A Colonial Bank and Trust Company, as trustee under Land Trust No. 577 (hereinafter referred to as the "Borrower") and Gregory Panek and Ann Panek, the sole beneficiaries of Land Trust No. 577 (the "Beneficiaries"), jointly and severally promise to pay to the order of the Illinois Development Finance Authority (hereinafter referred to as the "Issuer") in the manner hereinafter provided the principal sum of Nine Hundred Seventy-Five Thousand and no/100 Dollars (\$975,000), on or before October 1, 2006 and to pay interest on the amount of principal hereof outstanding from time to time in the manner hereinafter provided at a rate per annum, except as hereinafter provided, equal to eighty percent (80%) of the hereinafter defined Prime Rate; provided, however, that the interest rate hereon shall not be greater than twelve and eight-tenths percent (12.8%) per annum or less than six and four-tenths percent (6.4%) per annum (the "Applicable Interest Rate"). Notwithstanding the foregoing, the Borrower's obligation hereunder shall be to pay only out of that portion of the trust estate subject to the trust agreement in connection with said Trust No. 577. As used herein, "Prime Rate" means the prime rate of interest announced by Colonial Bank, Chicago, Illinois (the "Bank"), from time to time as established on the date hereof and on each October 1 thereafter to and including October 1, 2005.

Payment of Principal Payment Amounts, as such term is hereinafter defined and interest hereon shall be made on November 1, 1991 and on the first day of each month thereafter through and including October 1, 2006. Each such monthly payment shall be applied first to any past due interest, then to interest currently due and owing, and if any balance of such payment is then remaining, then to the payment of the outstanding principal balance hereon.

For the purpose of calculating principal payments, the principal sum of this Note on the date hereof shall be divided into two amounts; (i) \$430,000 (the "Real Estate Principal Amount") and (ii) \$545,000 (the "Equipment Principal Amount"). With respect to the Real Estate Principal Amount, on the date hereof, the Bank shall calculate the amounts of monthly payments of principal hereof which would be necessary to amortize the Real Estate Principal

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Amount (the "Real Estate Principal Payment Amount") over the period from the date hereof through October 1, 2006 provided however that on each October 1 to and including October 1, 2005 (a "Determination Date") the Bank shall recalculate the Real Estate Principal Payment Amount by amortizing the principal amount, based on monthly payments, outstanding on the Determination Date over the period from such Determination Date through October 1, 2006 relating to the Real Estate Principal Amount. With respect to the Equipment Principal Amount, on the date hereof, the Bank shall calculate the amounts of monthly payments of principal hereof which would be necessary to amortize the Equipment Principal Amount (the "Equipment Principal Payment Amount") over the period from the date hereof through October 1, 1998 provided, however, that on each Determination Date the Bank shall recalculate the Equipment Principal Payment Amount by amortizing the principal amount, based on monthly payments, outstanding on the Determination Date over the period from such Determination Date through October 1, 1998 relating to the Equipment Principal Amount. The Real Estate Principal Payment Amount and the Equipment Principal Payment Amount are collectively referred to as the "Principal Payment Amounts". For purposes of the calculations in this paragraph, the Bank shall assume that the interest rate is a fixed amount equal to the Applicable Interest Rate on each Determination Date.

If at any time or times the maximum marginal tax rate at which banks could be taxed for Federal income tax purposes pursuant to applicable provisions of the Internal Revenue Code of 1986, as amended, or any future United States internal revenue or similar law applicable to said banks (hereinafter referred to as the "Tax Rate") is reduced from thirty-four percent (34%) then the "Applicable Interest Rate" shall be increased to the Adjusted Tax Exempt Rate, effective as of the date of such change in the Tax Rate. For the purpose hereof, "Adjusted Tax Exempt Rate" shall mean the product of the Applicable Interest Rate times a fraction (expressed as a decimal) the numerator of which is the number one minus the Tax Rate in effect following such change referred to in the preceding sentence and the denominator of which is the number one minus the Tax Rate in effect on the date of issuance of the Note. Furthermore, in the event the net effective yield on the Note is reduced as a result of a change in the tax law, the Bank shall adjust the Applicable Interest Rate to achieve the same net effective yield that existed in the Note on the date immediately preceding the change in the tax law.

In the event of a Determination of Taxability (as defined in the hereinafter defined Loan Agreement), the interest rate hereon shall be, effective as of the date of the Determination of Taxability, the sum of the Prime Rate, determined as provided above, plus one percent (1%) per annum. The calculations of principal and interest due on each payment date shall be done, in all other respects as described above. In addition, the Borrower, not individually but solely out of Land Trust Property (as defined in the Loan Agreement) and the Beneficiaries jointly and severally agree to pay all other amounts payable under Section 8.3 of the Loan Agreement. The Borrower, not individually but solely out of

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Land Trust Property and the Beneficiaries jointly and severally agree to pay, with respect to monthly payments hereon over ten (10) days past due, a five percent (5%) late charge to the holder hereof.

All payments hereunder shall be paid on the due date at or before 11:00 A.M. Chicago time at the office of the Bank in Chicago, Illinois. In the event the Borrower and the Beneficiaries should fail to pay any installment of Principal Payment Amount or interest when required and shall fail to make such payment for a period of ten days after notice thereof shall have been given to the Borrower and the Beneficiaries, the installment so in default shall continue as a joint and several obligation of the Borrower and the Beneficiaries until the amount in default shall have been fully paid, and the Borrower, not individually but solely out of Land Trust Property, and the Beneficiaries jointly and severally agree to pay the same with interest thereon from the date due until paid at a rate per annum determined as follows: (i) prior to a Determination of Taxability and after the occurrence of an Event of Default under the Loan Agreement, the rate shall be the sum of the Prime Rate plus three percent (3%) per annum; and (ii) after a Determination of Taxability and after the occurrence of an Event of Default under the Loan Agreement, the rate shall be the sum of the Prime Rate plus four percent (4%) per annum.

Concurrently with the execution and delivery of this Note, the Issuer has issued its \$975,000 principal amount Industrial Development Revenue Bond (Panek Precision Products Co. Project), Series 1991 (the "Bond") pursuant to a Bond Resolution adopted by the Issuer on August 21, 1991 with respect thereto (the "Bond Resolution"). The principal proceeds from sale of the Bond are to be lent to the Borrower and the Beneficiaries to pay the cost of construction of an addition to and the equipping of an existing screw machine product manufacturing facility (the "Project"). The Bond is secured and to be secured by this Note, and the Bank shall use each payment by the Borrower and/or the Beneficiaries under this Note to make a like payment of principal of or interest prorata on the Bond. The terms of this Note are identical with the terms of the Bond as to principal payment dates and amounts, interest rates and prepayment provisions.

This Note is issued pursuant to and subject to the terms and conditions contained in that certain Loan Agreement dated as of August 1, 1991 (the "Loan Agreement") by and among the Issuer, the Borrower and the Beneficiaries, which terms and conditions are hereby incorporated herein and made a part hereof with the same force and effect as if they were fully set forth herein, and the Borrower and the Beneficiaries jointly and severally covenant and agree to keep and perform all of the terms and conditions thereof strictly in accordance with their terms. The payment of this Note is secured by a Mortgage and Security Agreement (the "Mortgage") dated as of August 1, 1991 from the Borrower, as Mortgagor, to the Issuer, as Mortgagee, on real estate and equipment located in Cook County, Illinois, by an Assignment of Rents and Leases (the "Assignment of Rents") dated as of August 1, 1991 from the Borrower

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and the Beneficiaries, as Assignors, to the Issuer, as Assignee and by a Second Assignment of Beneficial Interest (the "Assignment of Beneficial Interest") dated as of August 1, 1991 from the Beneficiaries, as Assignors, to the Issuer, as Assignee. All of the terms, agreements, conditions, covenants, provisions and stipulations contained in said Mortgage, Assignment of Rents and Assignment of Beneficial Interest which are to be kept and performed by the Borrower are hereby made a part of this Note to the same extent and with the same force and effect as if they were fully set forth herein, and the Borrower and the Beneficiaries jointly and severally covenant and agree to keep and perform them or cause them to be kept and performed strictly in accordance with their terms.

Whenever payment has been made in respect of the principal of (whether at maturity or upon prepayment or acceleration) or interest on all or any portion of the Bond in accordance with the Bond Resolution, this Note shall be deemed paid to the extent such payment has been made and is considered to be a payment of principal of or interest on the Bond. If the Bond is thereby deemed paid in full this Note shall be cancelled and returned to the Beneficiaries. Subject to the foregoing, all payments shall be in the full amount required under this Note.

All payments of principal and interest shall be made to the Bank at its principal office in Chicago, Illinois for the account of the Issuer in lawful money of the United States of America and shall be in immediately available funds current in Chicago, Illinois.

Except as otherwise provided in the Loan Agreement, the joint and several obligations of the Borrower and the Beneficiaries to make the payments required hereunder shall be absolute and unconditional without defense or set-off by reason of any default by the Issuer under the Loan Agreement or under any other agreement among the Borrower, the Beneficiaries and the Issuer or for any other reason, including without limitation, failure to complete the Project, any acts or circumstances that may constitute failure of consideration, eviction or constructive eviction, destruction of or damage to the Project, commercial frustration of purpose, any change in the tax or other laws or administrative rulings of or administrative actions by the United States of America or the State of Illinois or any political subdivision of either, or any failure of the Issuer to perform and observe any agreement, whether express or implied, or any duty, liability or obligation arising out of or connected with the Loan Agreement, it being the intention of the Borrower, the Beneficiaries and the Issuer that the payments hereunder will be paid in full when due without any delay or diminution whatsoever.

If an Event of Default occurs under Section 6.1 of the Loan Agreement, the principal of this Note may be accelerated and may be declared due and payable under the circumstances, in the manner with the effect provided in Section 6.2 of the Loan Agreement. Furthermore in the event of an "Event of Default"

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pursuant to Section 6.1 of the Loan Agreement, then the legal holder of this Note shall have the right to foreclose the Mortgage securing payment of this Note. The remedies of the holder hereof as provided in the Loan Agreement, in the aforesaid Mortgage, or any other security documents, shall be cumulative and concurrent and may be pursued singly, successively or together against the Borrower or the Beneficiaries, or the mortgaged property and/or against any other security at the sole discretion of the holder hereof.

Whenever possible each provision of this Note and the Loan Agreement and the Mortgage securing payment of this Note shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Note or the Loan Agreement or the Mortgage securing the payment of this Note shall be prohibited or invalid under such law, such provision shall be ineffective only to the extent of such prohibition or invalidity, without invalidating the remainder of such provisions of this Note, the Loan Agreement or the Mortgage securing this Note. This Note shall be governed by the laws of Illinois.

The Issuer and each successive holder hereof shall accept this Note upon the express condition that in the case of default in the payment of any installment of principal or interest under this Note, or in the case of any Event of Default as set forth in Section 6.1 of the Loan Agreement, the remedies of the holder hereof shall be any or all of:

- (a) Foreclosure of the Mortgage securing this Note in accordance with the terms and provisions in the Mortgage; and
- (b) Action against any other security at any time given to secure payment hereof, all at the sole discretion of the holder hereof as aforesaid.

Concurrently with the execution and delivery of this Note by the Borrower and the Beneficiaries, it is understood that this Note is being assigned by the Issuer to the Bank.

It is expressly understood and agreed, anything herein to the contrary notwithstanding, that each and all of the representations, covenants, undertakings and agreements herein made on the part of the Borrower (including any indemnifications made herein) while in form purporting to be the representations, covenants, undertakings and agreements of the Borrower are nevertheless each and every one of them, made and intended not as personal representations, covenants, undertakings and agreements by the Borrower or for the purpose or with the intention of binding the Borrower personally, but are made and intended for the purpose of binding only the Land Trust property specifically described herein, and this Note is executed and delivered by the Borrower not in its own right, but solely in the exercise of the powers conferred upon it as the Borrower; and that no personal liability or personal responsibility is assumed by nor shall at any time be asserted or enforceable against the Borrower on account of this

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Note or on account of any representation, covenant, undertaking or agreement of the Borrower in this Note contained, either expressed or implied, all such personal liability, if any, being expressly waived and released by all other parties hereto and those claiming by, through or under them.

IN WITNESS WHEREOF, the Borrower and the Beneficiaries have caused this Note to be duly executed, countersigned and delivered October __, 1991.

COLONIAL BANK F/K/A/ COLONIAL
BANK AND TRUST COMPANY, as trustee
under Land Trust No. 577

By _____
Its _____

(SEAL)

Attest:

By _____
Its _____

Ann Panek

Gregory Panek

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95510072

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9 1 5 1 5 5 7 .

Pay to the order of Colonial Bank, without recourse.

ILLINOIS DEVELOPMENT
FINANCE AUTHORITY

By _____
Executive Director

(SEAL)

Attest:

By _____
Secretary

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9151557

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EXHIBIT C

EQUIPMENT

All personal property acquired with the proceeds of the Bond including, but not limited to:

Brehm Cutoff Machine
Universal Automatic
Surface Grinder
Conveyor
Machining Center (Cincinnati)
Toolco 4 Slide

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ASSIGNMENT OF RENTS AND LEASES

Dated as of August 1, 1991

DEPT-01 RECORDING

\$19.29

TR#2222 TRAM 9138 10/02/91 15:44:00

TR#00 # B *-91-513373

COOK COUNTY RECORDER

91513373

KNOW ALL MEN BY THESE PRESENTS

COLONIAL BANK F/K/A COLONIAL BANK AND TRUST COMPANY, as Trustee under Land Trust No. 577 (the "Assignor"), whose office is located at 5850 West Belmont Avenue, Chicago, Illinois 60634, Attention: Land Trust Department, and GREGORY PANEK AND ANN PANEK, the sole beneficiaries of said Land Trust No. 577 (the "Beneficiaries") whose address is 1827 Janke Drive, Northbrook, Illinois 60062, in consideration of Ten Dollars paid by the Illinois Development Finance Authority (hereinafter called the "Assignee"), whose office is located at 2 North LaSalle Street, Room 980, Chicago, Illinois 60602, hereby convey, transfer and assign unto the Assignee, its successors and assigns, all the rights, interest and privileges, which the Assignor, as lessor, and the Beneficiaries, as beneficiaries of Land Trust No. 577, have and may have in the leases now existing or hereafter made and affecting the real property described below or any part thereof, including, but not limited to, that certain lease identified as follows:

Lease between the Assignor and Panek Precision Products Co. dated October 1, 1984 as amended by the Amendment to Lease dated as of August 1, 1991 (collectively the "Lease");

as said lease may have been or may from time to time be hereafter, modified, extended and renewed, with all rents income and profits due and becoming due therefrom. The Assignor will, on request of the Assignee, execute assignments of any future leases affecting any part of said premises.

This Assignment is made as additional security for the obligations of the Assignor and the Beneficiaries under a certain Loan Agreement dated as of August 1, 1991 (the "Agreement") among the Assignor, the Beneficiaries and the Assignee and for the obligations of the Assignor and the Beneficiaries under their promissory note (the "Note") in the principal amount of \$975,000, payable to the Assignee, the Assignee's right, title and interest in the Agreement and the Note having been assigned to Colonial Bank (the

This Instrument Prepared By
and return to:

Charles R. Hug
Carlson and Hug
135 South LaSalle Street
Chicago, Illinois 60603

Address:

1827 Janke Drive
Northbrook, Illinois 60062

P.I.N.: 04-15-302-006
04-15-302-007

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19 MAIL

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