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AMENDED AND RESTATED MORTGAGE AND SECURITY AGREEMENT

among

LA QUINTA MOTOR INNS, INC.,
NATIONSBANK OF TEXAS, N.A.,
THE FIRST NATIONAL BANK OF CHICAGO, TRUSTEE,
CRESTAR BANK, TRUSTEE,
and
UNITED STATES TRUST COMPANY OF NEW YORK, TRUSTEE

DATED AS OF:

June 1, 1992

. DEPT-01 RECORDING \$79.50
. T34444 TRAN 0190 06/09/92 16:28:00
. 44915 4 * - 92 - 409117
. COOK COUNTY RECORDER

THIS IS A MORTGAGE OF REAL PROPERTY
AS WELL AS A SECURITY AGREEMENT WITH RESPECT TO
PERSONAL PROPERTY. THIS INSTRUMENT CONTAINS
AFTER-ACQUIRED PROPERTY PROVISIONS
AND CONSTITUTES A SECURITY AGREEMENT UNDER
THE ILLINOIS UNIFORM COMMERCIAL CODE.

THIS INSTRUMENT WAS PREPARED BY:
JAMES R. LITTLEJOHN
DONOHUE, JAMESON & KOLB, L.L.P.
1201 ELM STREET, SUITE 3400
DALLAS, TEXAS 75270

AFTER RECORDING, RETURN TO:

ELIZABETH HELM
DONOHUE & JAMESON
1201 ELM STREET
SUITE 3400
DALLAS, TEXAS 75270



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AMENDED AND RESTATED MORTGAGE AND SECURITY AGREEMENT

THIS AMENDED AND RESTATED MORTGAGE AND SECURITY AGREEMENT, together with all amendments, modifications and supplements hereto (this "Mortgage") made as of this 1st day of June, 1992, by and among LA QUINTA MOTOR INNS, INC., a corporation organized and existing under and by virtue of the laws of the State of Texas ("Grantor"), UNITED STATES TRUST COMPANY OF NEW YORK, as trustee, together with its successors and assigns, in its capacity as trustee for the owners of the Elk Grove Bonds (hereinafter defined) (the "Elk Grove Trustee"), CRESTAR BANK (formerly known as United Virginia Bank), as trustee, together with its successors and assigns, in its capacity as trustee for the owners of the Virginia Bonds (hereinafter defined) (the "Virginia Trustee"), THE FIRST NATIONAL BANK OF CHICAGO, together with its successors and assigns, in its capacity as trustee for the holders of the Bonds described herein other than the Elk Grove Bonds and the Virginia Bonds (the Virginia Trustee, the Elk Grove Trustee and The First National Bank of Chicago, in its capacity as trustee for the owners of the Bonds described herein other than the Elk Grove Bonds and the Virginia Bonds, are herein collectively referred to as the "Trustees"), and NATIONSBANK OF TEXAS N.A., a national banking association (the "Bank", and as used herein the term "Bank" shall also refer to, where appropriate, NCNB Texas National Bank which was the name of NationsBank of Texas, N.A. prior to January 2, 1992). Hereinafter, the Trustees and the Bank are collectively referred to as the "Grantees," unless otherwise specified.

W I T N E S S E T H:

WHEREAS, the Village of Elk Grove Village, Cook and DuPage Counties (the "Elk Grove Issuer") has pursuant to the terms of a Loan Agreement (the Loan Agreement, as amended, modified or supplemented from time to time, the "Elk Grove Loan Agreement") dated as of October 1, 1984, between the Company and the Issuer, and an indenture of Trust (the Indenture, as amended, modified or supplemented from time to time, the "Elk Grove Indenture") dated as of October 1, 1984, between the Elk Grove Issuer and the Elk Grove Trustee issued its \$4,800,000 Village of Elk Grove Village, Cook and DuPage Counties, Illinois, Floating Rate Monthly Demand Industrial Development Revenue Bonds, Series 1984 (La Quinta Motor Inns, Inc. Project) (the "Elk Grove Bonds"); and

WHEREAS, pursuant to the terms of the Elk Grove Loan Agreement, the Elk Grove Issuer has loaned to the Grantor the aggregate principal amount of \$4,800,000, and the Grantor delivered its note (the "Elk Grove Note") to the Elk Grove Issuer (which has assigned the Elk Grove Note to the Elk Grove Trustee) to evidence said loan; and

WHEREAS, to secure payment of the Elk Grove Bonds, the Grantor caused to be delivered to the Elk Grove Trustee an irrevocable letter of credit of RepublicBank Dallas, National Association ("RepublicBank"), dated November 2, 1984, in the original face amount of \$4,942,750 (the "RepublicBank Letter of Credit"); and

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WHEREAS, as security for payment of, among other things, the Elk Grove Note and the obligations owed RepublicBank in respect of the RepublicBank Letter of Credit, the Grantor executed that certain Mortgage and Security Agreement, dated as of October 1, 1984, in favor of the Elk Grove Issuer, the Elk Grove Trustee and RepublicBank (the "Prior Mortgage") whereby the Grantor granted a mortgage lien on and security interest in the Project (as hereinafter defined); and

WHEREAS, the Grantor has requested that NationsBank of Texas, N.A. (formerly known as NCNB Texas National Bank, which was the assignee of the Federal Deposit Insurance Corporation as receiver for First RepublicBank Dallas, National Association, formerly known as RepublicBank Dallas, National Association) issue an irrevocable letter of credit in the original face amount of \$4,531,655 (the "Elk Grove Letter of Credit") to replace the RepublicBank Letter of Credit, pursuant to the terms and conditions of the Reimbursement Agreement dated as of June 1, 1992 (the Reimbursement Agreement, as amended, modified or supplemented from time to time, the "Elk Grove Reimbursement Agreement");

WHEREAS, in order to secure, among other things, payment obligations under the Elk Grove Reimbursement Agreement, which payment obligations result from the Elk Grove Trustee drawing upon the Elk Grove Letter of Credit, the Grantor has agreed to grant this Mortgage on the Project to the Bank; and

WHEREAS, the Grantor will cause or has caused other industrial revenue bonds with respect to which it is obligated to be refunded with proceeds of certain refunding bonds, the principal and portion of interest of which will be supported by other letters of credit issued by the Bank; and

WHEREAS, in order to also secure, among other things, the payment obligations of the Grantor in respect of such other letters of credit issued by the Bank, as well as the payment obligations of the Grantor in respect of letters of credit presently outstanding with respect to the Virginia Bonds, the Grantor has agreed to execute this Mortgage, which Mortgage is an amendment and restatement of the Prior Mortgage and renews and extends the lien and security interests of the Prior Mortgage; and

WHEREAS, the amounts payable by the Grantor pursuant to the Elk Grove Loan Agreement and the Elk Grove Note are equal to the amounts payable by Elk Grove as principal, premium (if any) and interest on the Elk Grove Bonds; and

WHEREAS, the real estate which is the subject of this Mortgage (the "Project Site", as hereinafter defined) is owned by the Grantor; and

WHEREAS, the Grantor, in order to facilitate the issuance of the Elk Grove Bonds and to further secure the Elk Grove Letter of Credit, the other Bonds (as defined herein) and the other Letters of Credit (as defined herein), is willing to execute this Mortgage;

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NOW, THEREFORE, in consideration of the premises, and as equal and ratable security (without preference or priority, except as expressly provided herein) for the following (hereinafter collectively called the "Obligations"; the terms "equal" or "equally" when used in such context shall mean pro-rata as to the Obligations held by each Grantee):

(a) the payment of all the Indebtedness (as defined in the hereinafter identified Reimbursement Agreements) of the Grantor to the Bank, and also including, without limitation, all indebtedness now or hereafter existing, incurred by the Grantor under or in connection with the following described Reimbursement Agreements by and between the Grantor and the Bank (such Reimbursement Agreements, as the same may from time to time be amended, modified or supplemented in accordance with their respective terms, hereinafter individually called a "Reimbursement Agreement" and collectively called the "Reimbursement Agreements"):

(i) Reimbursement Agreement dated as of December 1, 1991, providing for the issuance by the Bank of the Aurora Letter of Credit (hereinafter defined);

(ii) Reimbursement Agreement dated as of July 1, 1991, providing for the issuance by the Bank of the Michigan Letter of Credit (hereinafter defined);

(iii) Reimbursement Agreement dated as of June 1, 1991, providing for the issuance by the Bank of the Georgia Letter of Credit (hereinafter defined);

(iv) Reimbursement Agreement dated as of June 1, 1991, providing for the issuance by the Bank of the Schaumburg Letter of Credit (hereinafter defined);

(v) Reimbursement Agreement dated as of July 1, 1991, providing for the issuance by the Bank of the Texarkana Letter of Credit (hereinafter defined);

(vi) Reimbursement Agreement dated as of September 1, 1991, providing for the issuance by the Bank of the Bossier Letter of Credit (hereinafter defined);

(vii) Reimbursement Agreement dated as of November 1, 1991 providing for the issuance by the Bank of the El Paso Letter of Credit (hereinafter defined);

(viii) Reimbursement Agreement dated as of November 1, 1991, providing for the issuance by the Bank of the Wheat Ridge Letter of Credit (hereinafter defined);

(ix) Reimbursement Agreement dated as of November 1, 1991, providing for the issuance by the Bank of the Eagle Pass Letter of Credit (hereinafter defined);

(x) Elk Grove Reimbursement Agreement;

(xi) Reimbursement Agreement providing for the issuance by the Bank of the Virginia Letter of Credit (hereinafter defined);

(xii) Reimbursement Agreement dated as of January 1, 1992, providing for the issuance by the Bank of the California Letter of Credit (hereinafter defined); and

(xiii) Reimbursement Agreement providing for the issuance by the Bank of the Baton Rouge Letter of Credit (hereinafter defined); and

(b) the payment of all indebtedness of the Grantor now or hereafter existing under the following described Loan Agreements and Refunding Agreements with the following described issuers (the "issuers") and the promissory notes issued by the Grantor thereunder:

(i) Loan Agreement dated as of December 1, 1991, between the Grantor and the City of Aurora, Colorado, providing for a loan to the Grantor in the principal amount of \$3,605,000 as evidenced by the promissory note of the Grantor issued pursuant to such Loan Agreement in the form set forth in Exhibit "A" thereto;

(ii) Loan Agreement dated as of June 1, 1991, between the Grantor and the Village of Schaumburg, Cook and DuPage Counties, Illinois, providing for a loan to the Grantor in the principal amount of \$4,815,000 as evidenced by a promissory note of the Grantor issued pursuant to such Loan Agreement in the form set forth in Exhibit "A" thereto.

(iii) Loan Agreement dated as of July 1, 1991, between the Grantor and The Economic Development Corporation of the City of Kalamazoo, providing for a loan to the Grantor in the principal amount of \$2,740,000 as evidenced by the promissory note of the Grantor issued pursuant to such Loan Agreement in the form set forth in Exhibit "A" thereto;

(iv) Loan Agreement dated as of June 1, 1991, between the Grantor and Savannah Economic Development Authority providing for a loan to the Grantor in the principal amount of \$3,550,000 as evidenced by the promissory note of the Grantor issued pursuant to such Loan Agreement in the form set forth in Exhibit "A" thereto;

(v) Loan Agreement dated as of July 1, 1991, between the Grantor and Texarkana, Texas Industrial Development Corporation providing for a loan to the Grantor in the principal amount of \$3,240,000 as evidenced by the promissory note of the Grantor issued pursuant to such Loan Agreement in the form set forth in Exhibit "A" thereto;

(vi) Refunding Agreement dated as of September 1, 1991, between the Grantor and The Industrial Development Board of the Parish of Bossier, Louisiana, Inc. providing for a loan to the Grantor in the principal amount of \$2,250,000 as evidenced by the promissory note of the Grantor issued pursuant to such Loan Agreement in the form set forth in Exhibit "A" thereto;

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(vii) Loan Agreement dated as of November 1, 1991, between the Grantor and the City of El Paso, Industrial Development Authority, Incorporated providing for a loan to the Grantor in the principal amount of \$2,530,000 as evidenced by the promissory note of the Grantor issued pursuant to such Loan Agreement in the form set forth in Exhibit "A" thereto;

(viii) Loan Agreement dated as of November 1, 1991, between the Grantor and the City of Wheat Ridge, Colorado, providing for a loan to the Grantor in the principal amount of \$3,190,000 as evidenced by the promissory note of the Grantor issued pursuant to such Loan Agreement in the form set forth in Exhibit "A" thereto;

(ix) Loan Agreement dated as of November 1, 1991, between the Grantor and the Maverick County Industrial Development Corporation providing for a loan to the Grantor in the principal amount of \$3,030,000 as evidenced by the promissory note of the Grantor issued pursuant to such Loan Agreement in the form set forth in Exhibit "A" thereto;

(x) Elk Grove Loan Agreement;

(xi) Loan Agreement dated as of November 1, 1984, between the Grantor and the Peninsula Ports Authority of Virginia providing for a loan to the Grantor in the principal amount of \$4,800,000 as evidenced by the promissory note of the Grantor issued pursuant to such Loan Agreement in the form set forth in Exhibit "A" thereto;

(xii) Loan Agreement dated as of January 1, 1992, between the Grantor and the City of San Bernardino providing for a loan to the Grantor in the principal amount of \$6,670,000 as evidenced by the promissory note of the Grantor issued pursuant to such Loan Agreement in the form set forth in Exhibit "A" thereto; and

(xiii) Refunding Agreement dated as of June 1, 1992 between the Grantor and the Industrial Development Board of the Parish of East Baton Rouge, Louisiana, Inc. providing for a loan to the Grantor in the approximate principal amount of \$3,475,000 as evidenced by the promissory note of the Grantor issued pursuant to such Loan Agreement in the form set forth in Exhibit "A" thereto.

The above-described Loan Agreements and Refunding Agreements, as the same may from time to time be amended, modified, or supplemented in accordance with their respective terms, are hereinafter individually called a "Loan Agreement" and collectively called the "Loan Agreements" and such promissory notes issued in respect of such Loan Agreements, and any and all renewals, extensions for any period and rearrangements thereof, are hereinafter called an "Issuer's Note" and collectively called the "Issuers' Notes." All rights of the respective Issuers under the respective Loan Agreements and the respective Issuers' Notes have been assigned to the respective Trustees, pursuant to certain respective Trust Indentures (the "Indentures") between the respective Issuers and the respective Trustees, with each respective Loan Agreement; and

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(c) the performance of all obligations of the Grantor under this Mortgage and the other Related Documents to which the Grantor is a party (as such terms are defined in the Reimbursement Agreements), including the Reimbursement Agreements; and

(d) the payment of all sums of money which may be paid by the Bank under drafts drawn under any or all of the following:

(i) Irrevocable Letter of Credit dated December 20, 1991, in the original amount of \$3,687,614.58, issued by the Bank on behalf of the Grantor for the benefit of The First National Bank of Chicago, as Trustee, in connection with the issuance of bonds by the City of Aurora, Colorado (the "Aurora Letter of Credit");

(ii) Irrevocable Letter of Credit dated July 30, 1991, in the original amount of \$2,802,792, issued by the Bank on behalf of the Grantor for the benefit of The First National Bank of Chicago, as Trustee, in connection with the issuance of bonds by The Economic Development Corporation of the City of Kalamazoo (the "Michigan Letter of Credit");

(iii) Irrevocable Letter of Credit dated June 27, 1991, in the original amount of \$3,631,355, issued by the Bank on behalf of the Grantor for the benefit of The First National Bank of Chicago, as Trustee, in connection with the issuance of bonds by the Savannah Economic Development Authority (the "Georgia Letter of Credit");

(iv) Irrevocable Letter of Credit dated June 27, 1991, in the original amount of \$4,925,344, issued by the Bank on behalf of the Grantor for the benefit of The First National Bank of Chicago, as Trustee, in connection with the issuance of bonds by the Village of Schaumburg, Cook and DuPage Counties, Illinois, (the "Schaumburg Letter of Credit");

(v) Irrevocable Letter of Credit dated July 30, 1991, in the original amount of \$3,314,250, issued by the Bank on behalf of the Grantor for the benefit of The First National Bank of Chicago, as Trustee, in connection with the issuance of bonds by the Texarkana, Texas Industrial Development Corporation (the "Texarkana Letter of Credit");

(vi) Irrevocable Letter of Credit dated October 11, 1991, in the original amount of \$2,301,562.50, issued by the Bank on behalf of the Grantor for the benefit of The First National Bank of Chicago, as Trustee, in connection with the issuance of bonds by the Industrial Development Board of the Parish of Bossier, Louisiana, Inc. (the "Bossier Letter of Credit");

(vii) Irrevocable Letter of Credit dated November 19, 1991, in the original amount of \$2,587,979.17, issued by the Bank on behalf of the Grantor for the benefit of The First National Bank of Chicago, as Trustee, in connection with the issuance of bonds

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by the City of El Paso Industrial Development Authority, Incorporated (the "El Paso Letter of Credit");

(viii) Irrevocable Letter of Credit dated December 13, 1991, in the original amount of \$3,263,104.17, issued by the Bank on behalf of the Grantor for the benefit of The First National Bank of Chicago, as Trustee, in connection with the issuance of bonds by the City of Wheat Ridge, Colorado (the "Wheat Ridge, Letter of Credit");

(ix) Irrevocable Letter of Credit dated November 19, 1991, in the original amount of \$3,099,437.55, issued by the Bank on behalf of the Grantor for the benefit of The First National Bank of Chicago, as Trustee, in connection with the issuance of bonds by the Maverick County Industrial Development Corporation (the "Eagle Pass Letter of Credit");

(x) Milk Grove Letter of Credit;

(xi) Irrevocable Letter of Credit dated June 8, 1992, in the original amount of \$4,531,655, issued by the Bank on behalf of the Grantor for the benefit of Crestar Bank, as Trustee, in connection with the issuance of bonds by the Peninsula Ports Authority of Virginia (the "Virginia Letter of Credit");

(xii) Irrevocable Letter of Credit dated January 22, 1992, in the original amount of \$6,822,854.17, issued by the Bank on behalf of the Grantor for the benefit of The First National Bank of Chicago, as Trustee, in connection with the issuance of bonds by the City of San Bernardino (the "California Letter of Credit"); and

(xiii) Irrevocable Letter of Credit dated June 3, 1992 in the original amount of \$3,554,635.42, issued by the Bank on behalf of the Grantor for the benefit of The First National Bank of Chicago, as Trustee, in connection with the issuance of bonds by the Industrial Development Board of the Parish of East Baton Rouge, Louisiana, Inc. (the "Baton Rouge Letter of Credit").

(the above-described Letters of Credit and all amendments, modifications and substitutions of and to any and all of such Letters of Credit are individually called a "Letter of Credit" and collectively called the "Letters of Credit" (the above-described bonds are hereinafter called the "Bonds"); and

(e) all sums of money which may be paid or advanced by or on behalf of the Grantees under the terms and provisions of this Mortgage; provided, however, notwithstanding anything set forth above or in this Mortgage to the contrary, if all the Letters of Credit have terminated or expired and all obligations of the Grantor to the Bank under the Reimbursement Agreements have been paid and satisfied in full;

(a) "Obligations" shall mean collectively the following:

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(1) the payment of all indebtedness of the Grantor now or hereafter existing under the Elk Grove Loan Agreement and the Elk Grove Note;

(2) the performance of all obligations of the Grantor under this Mortgage; and

(3) all sums of money which may be paid or advanced by or on behalf of the Grantee under the terms and provisions of this Mortgage; and

(b) "Grantees" or "Grantee" whether used in the plural or singular shall mean and refer only to the Elk Grove Trustee, and all references in this Mortgage to the Bank shall be ineffective and the Bank shall not have any rights hereunder.

Grantor does hereby equally and ratably grant, bargain, sell, convey, mortgage and warrant, assign, transfer and grant a security interest in and pledge unto Grantees (without preference or priority, except as provided herein) and unto their respective successors and assigns forever, all of Grantor's estate, right, title and interest in and to and under any and all of the following described property (herein together called the "Mortgaged Property" or "property herein conveyed"):

GRANTING CLAUSE FIRST

The Project as described in Exhibit A hereto and the Project Site as described in Exhibit B hereto (both as hereinafter defined), together with all buildings, structures, improvements, fixtures, materials, equipment, apparatus, furniture, appliances, furnishings and appurtenances and all other property, real or personal, of any nature whatsoever now standing, or at any time hereafter constructed or placed, upon the Project Site and all renewals, replacements, substitutions, accessions and additions thereto, and including all building material (whether on or off the Project Site) and building equipment and all other personal property of every kind and nature whatsoever used or furnished in connection with the operation and use of the Project or at the Project or in any building, structure or improvement now or hereafter standing on the Project Site and the reversion or reversions, remainder or remainders, in and to the Project and together with the entire interest of the Grantor in and to all and singular of the tenements, hereditaments, easements, rights-of-way, rights, privileges and appurtenances to the Project Site, belonging or in any wise appertaining thereto, including without limitation the entire right, title and interest of the Grantor in, to and under any streets, ways, alleys, gores or strips of land adjoining the Project Site, and all claims or demands whatsoever of the Grantor either at law or in equity, in possession or expectancy of, or in and to the Project Site, it being the intention of the parties hereto that, so far as may be permitted by law, all property of the character hereinabove described, which is now owned or is hereafter acquired by the Grantor and is affixed or attached or annexed to the Project Site, shall be and remain or become and constitute a portion of the Project Site and the security covered by and subject to the lien of this Mortgage, together with all accounts, chattel paper, rents, room rents, deposits for lodging, income, revenues, issues and profits thereof, and the present and continuing right to make claim for, collect, receive and receipt for any and all of such

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accounts, chattel paper, rents, room rents, deposits for lodging, income, revenues, issues and profits arising therefrom or in connection therewith, subject, however, to Permitted Encumbrances (as hereinafter defined).

GRANTING CLAUSE SECOND

All accounts, chattel paper and rentals due or to become due under any and all leases or rights to use and occupation (for any period) of the Mortgaged Property or any part thereof now or hereafter created, as well as all rights, remedies, monies, general intangibles and instruments provided in or existing in connection with such leases, accounts, chattel paper and general intangibles, and including room rents and deposits for lodging.

GRANTING CLAUSE THIRD

All proceeds and products of all of the above described property, and any and all other rights and interests of Grantor in property relating to the Mortgaged Property, whether tangible or intangible, required or intended to be subject to the lien hereof, or (from time to time by delivery or by writing of any kind) conveyed, mortgaged, pledged, assigned or transferred as and for additional security hereunder by Grantor or by anyone in its behalf, or with its written consent, to Grantees which are hereby authorized to receive any and all such property at any and all times and to hold and apply the same subject to the terms hereof.

TO HAVE AND TO HOLD all and singular the Mortgaged Property hereby conveyed and assigned, as agreed or intended so to be, equally and ratably unto Grantees (without preference or priority) and their respective successors and assigns forever; and the Grantor hereby binds itself, its successors and assigns to warrant and forever defend title to the Mortgaged Property unto the Grantees and their respective successors and assigns against every person whomsoever lawfully claiming the same or any part thereof.

PROVIDED, HOWEVER, and this instrument is upon the express condition that, if Grantor pays, or causes to be paid, the Obligations, and the Grantor performs and complies with all the agreements, conditions, covenants, provisions and stipulations contained in this Mortgage, the Reimbursement Agreements, the Loan Agreements and the other Financing Documents, and the Letters of Credit shall have expired or been cancelled and the Bank has no further obligations thereunder or under the Reimbursement Agreements, then this Mortgage and the estate hereby granted shall cease, terminate and be void.

And Grantor has agreed and covenanted, and does hereby further agree and covenant with Grantees as follows:

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ARTICLE I

Definitions and Rules of Construction

SECTION 1.01. Definitions. In addition to the words and terms elsewhere defined in this Mortgage, the following words and terms as used herein shall have the following meanings unless the context or use indicates another or different meaning or intent.

"Act" shall have the meaning contained in the Elk Grove Loan Agreement.

"Authorized Company Representative" means any person (including an employee of the Company) at the time designated to act on behalf of the Company by written certificate furnished to the Grantees and the Trustee containing a specimen signature of such person and signed on behalf of the Company by the President, any Vice President, or the Treasurer or the managing partner of the Company. Such certificate may designate one or more alternate persons to act as the Authorized Company Representative.

"Bond Fund", "Bondholder", "outstanding" or "Bonds outstanding" and "Trustee" shall have the same meanings, respectively, given and assigned to such words in the Elk Grove Indenture.

"Code" means the Internal Revenue Code of 1954, as amended.

"Company" means La Quinta Motor Inns, Inc., a corporation organized and existing under and by virtue of the laws of the State of Texas, and its predecessors, successors or assigns and any surviving, resulting or transferee corporation.

"Counsel" means an attorney-at-law (other than an employee of the Company) nationally recognized as experienced in matters relating to the tax exemption of interest on bonds of States and their political subdivisions satisfactory to the Trustee.

"Event of Default" or "Default" means any of the events enumerated in Section 3.01 of this Mortgage.

"Financing Documents" means the Loan Agreements, the Notes, the Indentures, the Reimbursement Agreements, and the Letters of Credit, as the same may be amended from time to time, in accordance with their terms.

"Governing Body of the Issuer" means the President and the Board of Trustees of Elk Grove and any successor body and the legislative body of any municipal body corporate succeeding to the rights and obligations of the Issuer under the Elk Grove Note, the Elk Grove Loan Agreement and the Elk Grove Indenture.

"Loan" means the loan made by Elk Grove to the Grantor pursuant to Section 4.1 of the Elk Grove Loan Agreement of the proceeds (which shall be deemed to include underwriting

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discounts, if any) of the sale of the Elk Grove Bonds, exclusive of any accrued interest paid by the initial purchasers of the Elk Grove Bonds upon the delivery thereof.

"Mortgage" means this instrument as originally executed and as from time to time amended or supplemented in accordance with its terms.

"Ordinance" has the meaning contained in the Schaumburg Loan Agreement.

"Permitted Encumbrances" means, as of any particular time, (i) liens for real estate taxes and special assessments not then delinquent, (ii) utility, access and other easements and rights-of-way, flood rights, leases, restrictions and exceptions that appear in the Commitment for Title Insurance issued to the Grantor by Ticor Title Insurance Company of California relating to the Project Site, (iii) mortgage and security agreement securing, among other things, the Prior Bonds and (iv) this Mortgage.

"Project" means the land, buildings, fixtures, equipment and other improvements described in Exhibits A and B attached hereto.

"Project Site" means the land constituting the site and a part of the Project, described in Exhibit B attached hereto.

"Uniform Commercial Code" means the Uniform Commercial Code as presently in effect in the State of Illinois.

SECTION 1.02. Rules of Construction Unless the context or use indicates another or different meaning or intent, the following rules shall apply to the construction of this Mortgage:

(i) Words importing the singular number shall include the plural number and vice versa.

(ii) All references herein to particular articles or sections are references to articles or sections of this Mortgage.

(iii) The captions and headings herein are solely for convenience of reference and shall not constitute a part of this Mortgage, nor shall they affect its meaning, construction or effect.

(iv) Terms defined in the Uniform Commercial Code shall have the same meaning herein unless the context otherwise requires.

(v) Except as otherwise provided herein, the terms "equal" or "equally" when used in the context of "equal and ratable" shall mean equal as to lien priority, and "ratable" or "ratably" when used in such context shall mean pro rata as to the Obligations due to each of the Grantees under the Financing Documents secured by this Mortgage; provided, however, if the Letters of Credit have been terminated and all of the obligations

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of the Grantor to the Bank under the Reimbursement Agreements have been paid and satisfied in full, such terms shall be of no force or effect, as this Mortgage without amendment or modification will automatically be only for the benefit of the Elk Grove Trustee to secure the obligations owed by the Grantor pursuant to the Elk Grove Note and the Elk Grove Loan Agreement and will no longer be for the benefit of, or run in favor of, the Bank.

ARTICLE II

Payments, Taxes, Insurance and Maintenance Expenses of Grantees

SECTION 2.01. Payments. Grantor shall make all payments when due under the Financing Documents and shall perform and comply with all material covenants, agreements, conditions, provisions, stipulations and obligations set forth herein on its part to be performed, at the times and in the manner required thereby.

SECTION 2.02. Taxes and Other Charges. Subject to Section 2.06 hereof, Grantor shall promptly pay when due and payable and before interest or penalties are due thereon, without any deduction, defalcation or abatement, all taxes, assessments, water and sewer rents and all other charges or claims which may be assessed, levied, or filed at any time against Grantor, the Mortgaged Property, or any part thereof, or against the interests of Grantees therein, or which by any present or future law may have priority over the indebtedness secured hereby in lien, in distribution out of the proceeds of any judicial sale or otherwise; and Grantor shall, upon request by either of the Grantees, produce to the requesting party not later than such dates receipts for the payment thereof; provided, however, Grantor may in good faith and by appropriate proceedings (provided reserves are established therefor if required by generally accepted accounting principles) contest the validity, applicability or amount of any asserted tax, assessment, rent, charge or claim; provided, further, however, in the event that such contest shall be concluded with a result adverse to Grantor, such tax, assessment and other claims shall be paid prior to the date any writ or order is issued under which the Mortgaged Property may be sold.

SECTION 2.03. Insurance. Subject to Section 2.06 hereof, Grantor will keep all buildings, fixtures and improvements erected or hereafter erected on the Mortgaged Property insured (by such companies and in forms and amounts, subject to a deductible of up to \$100,000 per occurrence, as reasonably required by Grantees) against loss by fire with extended coverage endorsement, and against such other risks as are reasonably required by Grantees and commercially available in the State of Illinois. Grantor may furnish such insurance under a blanket insurance policy or policies which cover not only the Mortgaged Property but other properties. All such insurance policies and renewals thereof shall contain loss payable clauses payable to Grantees as their interests may appear, provide 30 days' notice to Grantees prior to cancellation and shall be delivered to the Trustee, with a copy to the Bank, immediately upon the issuance thereof, together with receipts showing payment of all premiums thereon. Except as otherwise provided herein, the Grantor shall have the right to collect and receive all money that may become

payable and collectible on all such policies (whether through loss or damage to the Project or otherwise). Grantor shall also carry comprehensive public liability insurance in amounts satisfactory to the Bank and the Trustee. In default of the carrying thereof by Grantor, Grantees may effect such insurance and the amounts so paid shall be due and payable on demand and shall be secured by this Mortgage. In the case of any fire, accident or other casualty causing loss or damage to the Mortgaged Property, the proceeds of such policies shall at the option of Grantor (provided no Event of Default shall have occurred and be continuing) be used (i) to repair or replace the Mortgaged Property or (ii) pay the Obligations; provided, however, if an Event of Default shall have occurred which has not been waived, such proceeds shall be used to pay the Obligations, without any option of Grantor to repair or replace the part of the Mortgaged Property damaged or destroyed.

SECTION 2.04. Maintenance of Mortgaged Property. Grantor shall keep and maintain or cause to be kept and maintained the Mortgaged Property and the sidewalks and curbs abutting same, in good order, condition and repair, and will make or cause to be made, as and when necessary, all repairs, renewals and replacements, structural and nonstructural, exterior and interior, ordinary and extraordinary, foreseen and unforeseen. Grantor shall abstain from and shall not permit the commission of waste, impairment or deterioration in or about the Mortgaged Property and generally will not commit or permit any act by which the value of the Mortgaged Property may become impaired; shall not remove or demolish, or impair the structural character of, any building erected at any time on the Mortgaged Property, without the prior written consent of each of the Grantees; provided, however, Grantor may remove Mortgaged Property which becomes worn-out or obsolete provided that it is replaced with property of equal suitability and value. Grantor shall not permit the Mortgaged Property to become vacant, deserted or unguarded (except during the time Grantor is reasonably attempting to release the Mortgaged Property, with the prior written consent of the Grantees). Grantor shall not permit any lien or claim to be filed against the Mortgaged Property, or any part thereof other than Permitted Encumbrances; if any such lien or claim is filed, Grantor shall promptly, prior to the expiration of the applicable grace period, if any, allowed for the curing of defaults thereunder, cause such lien or claim to be discharged of record by payment, deposit, bond, order of a court of competent jurisdiction or otherwise.

Grantor shall continue in ownership and management of the Mortgaged Property, unless Grantor has first obtained the prior written consent of each of the Grantees authorizing a change in ownership or management, which consent, with respect to each Grantee which is a Trustee, shall not be unreasonably withheld; provided, however, the consent of the Trustee shall not be required if the change in ownership or management occurs as a result of a change in corporate existence permitted pursuant to Section 5.3 of the Elk Grove Loan Agreement.

SECTION 2.05. Expenses of Grantees. Such reasonable expenses and fees as may be incurred by the Grantees in the protection of the Mortgaged Property, in the maintenance of the lien of this Mortgage and in the exercise of rights and remedies granted in this Mortgage shall be paid by Grantor on demand and secured by this Mortgage.

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SECTION 2.06. Taxes and Insurance Escrow. Grantor will pay to the Elk Grove Trustee (to the extent requested by any of the Grantees, which request no Grantee shall be required to make), on the first day of each month, one-twelfth (1/12) of all annual taxes, assessments and charges levied upon or against the Mortgaged Property and one-twelfth (1/12) of all annual insurance premiums on the Mortgaged Property, which amounts are necessary to create and maintain a reserve fund from which to pay, at least one calendar month before the same become due, all such taxes, assessments, public charges and insurance premiums on or against said Mortgaged Property as additional security for the Obligations. There shall be no interest paid or credited on account of such deposits. Grantor agrees that such funds will not be, nor be deemed to be, trust funds and may be commingled with the general funds of the Grantees. Payments from said reserve fund for said purposes may be made by Grantees or Grantees' designee at their discretion even though subsequent owners of the Project Site may benefit thereby. In the event of any default under the terms of the Financing Documents, any part or all of said reserve fund may be applied to any part of the Obligations, and in refunding any part of said reserve fund the Grantees or their designee may deal with whomsoever is represented to be the owner of the property herein conveyed at that time. The right to any return premiums on any insurance policies covered by this Mortgage is hereby assigned to the Grantees, and in the event of a default hereunder, the Grantees shall be entitled to all such return premiums and to apply same on the indebtedness secured hereby if the Grantees elect to exercise their rights thereto.

Section 2.07. Payment by Grantees. If Grantor fails to pay, as the same become due and payable, all taxes, assessments, and other charges imposed, levied or assessed against the Mortgaged Property (subject to the right of Grantor to contest such taxes, assessments and other charges as permitted pursuant to Section 2.02 of this Mortgage), or if Grantor fails to maintain the insurance coverage required herein and in the Financing Documents, then Grantees may, at their option and without waiver of any other rights granted by this Mortgage for breach of the covenants contained herein, procure and pay for any such insurance coverage and pay any such taxes, assessments and other charges (including any sums that may be necessary to redeem the Mortgaged Property from tax sale) without obligation to inquire into the validity of any such taxes, assessments, charges and tax sales, the receipts of the proper officers being conclusive evidence of the validity and amount thereof. All amounts so paid by Grantees shall immediately become due to Grantee together with interest thereon from the date such payments were made at the rate provided in Section 1(b) of the Elk Grove Reimbursement Agreement, and all such amounts shall be added to and become a part of the indebtedness secured by this Mortgage.

Section 2.08. Condemnation. If any part of the Mortgaged Property shall be taken for public use under the power of eminent domain, all amounts and damages awarded by such condemnation proceedings shall be applied the same as insurance proceeds under Section 2.03 hereof.

ARTICLE III

Events of Default and Remedies

SECTION 3.01. Events of Default. The following shall be "Events of Default" under this Mortgage and the terms "Event of Default" or "Default" shall mean, whenever they are used in this Mortgage, any one or more of the following events:

(a) The occurrence of an Event of Default as defined in Section 6.1 or 8.1 of any Loan Agreement.

(b) The occurrence of an Event of Default as defined in Section 801 or 901 of any Indenture.

(c) Failure by the Grantor to observe and perform any covenant, condition or agreement on its part to be observed or performed hereunder (other than payment obligations under the Financing Documents), for a period of thirty (30) days after written notice of such failure and demand that it be remedied has been given to Grantor by any one of the Grantees.

The provisions of paragraph (c) of this section are subject to the following limitations: If by reason of acts of God; winds; fires; epidemics; landslides; floods, droughts; famines; strikes; lockouts or other industrial disturbances; acts of public enemies; acts or orders of any kind of any governmental authority; insurrection; military action; war, whether or not declared; sabotage; riots; civil disturbances; explosions; breakage or accident to machinery, transmission pipes or canals; partial or entire failure of utilities; or any cause or event not reasonably within the control of the Grantor, the Grantor is unable in whole or in part to carry out the agreements on its part herein contained, other than obligations on the part of the Grantor to make the payments required under the Financing Documents and to carry insurance, and to pay taxes and other charges specified in Section 2.02 hereof, the Grantor shall not be deemed in Default for a period of sixty (60) days following the inception of such inability. The Grantor shall, however, use its best efforts to remedy with all reasonable dispatch the cause or causes preventing the Grantor from carrying out its agreements hereunder; provided, that the Grantor shall in no event be required to settle strikes, lockouts or other industrial disturbances by acceding to the demands of the opposing party or parties when such course is, in the reasonable judgment of Grantor, not in its interest.

The Grantor is familiar with the terms and provisions of the Financing Documents, including, but not limited to, the definitions of Events of Default under Section 8.1 of the Loan Agreements and Section 901 of the Indentures.

SECTION 3.02. Remedies under Loan Agreements, Indentures and Notes. In addition to any other remedy available to the Issuer, as provided herein or otherwise, the Trustee may exercise any remedy available to it under the Loan Agreements, the Notes and the Indentures.

SECTION 3.03. Remedies under Reimbursement Agreements and Letters of Credit. In addition to any other remedy available to the Bank, as provided herein or otherwise, the Bank

may exercise any remedy available to it under the Reimbursement Agreements and the Letters of Credit.

SECTION 3.04. Acceleration. Subject to Section 7.10 hereof, upon the occurrence of an Event of Default as defined in Section 3.01 hereof, any one of the Grantees may by notice in writing delivered to the Grantor, declare the Obligations payable to such Grantee to be due and payable immediately, and upon said declaration, such Obligations shall become and be immediately due and payable.

SECTION 3.05. Surrender of Possession; Rights and Duties of Grantees in Possession. Subject to Section 7.10 hereof, upon the happening and during the continuance of an Event of Default, the Grantor, upon demand of either Grantee, shall forthwith to the full extent permitted by law surrender possession of the Mortgaged Property and Grantees shall have the right to take possession of all or any part of the Mortgaged Property together with the books, papers, documents, instruments, chattel paper, monies and accounts of the Grantor pertaining thereto, and including the rights and the position of the Grantor under any leases, chattel paper, or other contracts relating to the use, occupation, enjoyment, management and maintenance thereof, and to hold, operate and manage the same and employ such agents and attorneys as may be necessary with respect thereto (or provide for the management of the same with any person or corporation acceptable to the Grantees), and from time to time make all needful repairs and improvements or take such other action as the Grantees shall deem wise; and the Grantees may, subject to any such chattel paper, leases, or other contracts or agreements, lease, operate and manage the Mortgaged Property or any part thereof in the name and for the account of the Grantor and demand, collect, receive, sequester, sue for and recover in its or their own name or names all presently owing or future rents, revenues and other income, charges and moneys therefrom, and out of the same any moneys received from any receiver or any part thereof, after deducting all proper costs and expenses of so taking, operating, holding and managing the same, including reasonable compensation to the Grantees, their agents and counsel, pay and/or set up proper reserves for the payment of any or all of the following in such order and amounts as the Grantees, in their sole discretion, may elect: the payment of any sums due under any prior lien, taxes, water and sewer rents, charges and claims, insurance premiums and all other carrying charges, to the maintenance, operation, management, repair or restoration of the Mortgaged Property, and on account and in reduction of the Obligations owing to Grantees ratably between the Grantees; and Grantees shall be entitled to have a receiver or receivers appointed (and the Grantor hereby consents to the appointment of any such receiver or receivers) to take possession of the Mortgaged Property and to collect all rents, room rents, deposits for lodging, income and revenues without notice to Grantor and without regard to the valuation of the Project, or the solvency or insolvency of Grantor or any other person liable for any part of the obligations and indebtedness secured hereby, and without prejudice to any other rights or remedies of Grantees. For the aforesaid purpose, Grantor hereby equally and ratably assigns to the Grantees all rentals, use and occupation of the Mortgaged Property now or hereafter created, as well as all rights and remedies provided in lease, leases or other contracts or agreements existing in connection with the Mortgaged Property. In the event that all Events of Default have been cured to the satisfaction of the Grantees and the Grantees shall have surrendered possession to the Grantor, its successors or assigns, the right of entry provided in this Section shall again exist upon any subsequent Event of Default.

SECTION 3.06. Actions to Recover Amounts Due. Subject to Section 7.10 hereof, Grantees shall have the right, from time to time, to bring an appropriate action to recover any sums required to be paid by Grantor to the Grantees under the terms of this Mortgage or the respective Financing Documents, as they become due, without regard to whether or not the principal indebtedness or any other indebtedness incurred under the Financing Documents and this Mortgage shall be due, and without prejudice to the right of Grantees thereafter to institute foreclosure, or any other action, with respect to any default by Grantor existing at the time earlier action was commenced.

SECTION 3.07. Power of Sale of Personal Property. Subject to Section 7.10 hereof, notwithstanding any other provision herein, to the extent the lien of this Mortgage on any of the Mortgaged Property constitutes a security interest governed by Article 9 of the Uniform Commercial Code, the Grantees are authorized to sell such Mortgaged Property in any manner permitted by such Article 9 (and in such case the Grantor agrees that ten days' notice to it of the date, time and place of any such proposed sale is reasonable).

SECTION 3.08. Foreclosure. Subject to Section 7.10 hereof, upon the occurrence and continuance of an Event of Default, either Grantee may proceed to protect and enforce its respective rights hereunder by any action at law or in equity or otherwise to foreclose the lien against all or any part of the Mortgaged Property and the Grantees may become the purchaser(s) of the Mortgaged Property at any foreclosure sale.

SECTION 3.09. Deficiency. If at any foreclosure proceeding the Mortgaged Property shall be sold for a sum less than the total amount of indebtedness for which judgment is therein given, Grantees, as judgment creditor, shall be entitled to the entry of a deficiency decree against Grantor and against the property of Grantor for the amount of such deficiency; and Grantor does hereby irrevocably consent to the appointment of a receiver for the Mortgaged Property and of the rents, issues and profits thereof after such sale and until such deficiency decree is satisfied in full.

SECTION 3.10. Application of Moneys. After the payment of the costs, expenses, liabilities and advances incurred by the Grantees or receiver, all moneys received by the Grantees or a receiver pursuant to any right given or action taken under the provisions of this Article shall be applied as follows: (a) deposited in the Bond Fund to the extent of the amount of unpaid principal and interest owing on the Elk Grove Bonds, (b) to the Bank to the extent of unpaid amounts owing to the Bank under the Elk Grove Reimbursement Agreement and (c) to the ratable payment to each Grantee of all remaining unpaid Obligations and accrued interest. The balance, if any, shall be paid to Grantor or its successors and assigns. If any deficiency shall remain after any such applications, the Grantor shall be and remain liable therefor and shall forthwith pay the same to the Grantees.

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ARTICLE IV

Mortgage as Security Agreement

SECTION 4.01. Effect of Mortgage. This Mortgage constitutes a security agreement under the Uniform Commercial Code, and creates security interests equally and ratably in favor of the Trustee and the Bank (without preference or priority, except as expressly provided herein) in and to all that property (and the proceeds and products thereof) included in the Mortgaged Property now owned or hereafter acquired which is or might be deemed "personal property", including, without limitation, equipment, furniture, furnishings, appliances, materials, inventory, fixtures, electronic paper, documents, instruments, accounts, contract rights, consumer goods, general intangibles, goods, room rents and deposits for lodging and any and all other personal property of any kind or character defined in and subject to the provisions of the Uniform Commercial Code, including the proceeds and products of and from any and all such personal property. If any Event of Default occurs hereunder, Grantees are and shall be entitled to all of the rights, powers and remedies afforded a secured party by the Uniform Commercial Code with reference to the personal property and fixtures in which Grantees have been granted a security interest herein, or Grantees may proceed as to both the real and personal property covered hereby in accordance with the rights, powers and remedies granted under this Mortgage in respect of the real property covered hereby. Grantor shall execute, deliver, file and refile any financing statements, continuation statements, or other security agreements that Grantees may require from time to time to confirm the security interest created by this Mortgage with respect to such property. Without limiting the foregoing, Grantor hereby appoints Grantees attorney-in-fact for Grantor to execute, deliver and file such instruments for and on behalf of Grantor. Notwithstanding any release of any or all of that property included in the Mortgaged Property which is deemed "real property", any proceeding to foreclose this Mortgage, or its satisfaction of record, the terms hereof shall survive as a security agreement with respect to the security interests created hereby and referred to above until the repayment or satisfaction in full of the Obligations. Subject to Section 7.10 hereof, nothing herein shall preclude the Grantees from proceeding as to both real and personal property in accordance with their respective rights and remedies in respect of real property, as provided in Article 9 of the Uniform Commercial Code.

ARTICLE V

Waivers by Grantor

SECTION 5.01. Waivers by Grantor. To the extent permitted by law, Grantor shall not and will not apply for or avail itself of any appraisal, valuation, stay, extension, exemption or redemption laws, or any so-called "Moratorium Laws", now existing or hereafter enacted, in order to prevent or hinder the enforcement or foreclosure of this Mortgage or the sale of the Mortgaged Property, but hereby waives the benefit of such laws. Grantor for itself and all who may claim through or under it waives any and all right to have the property and estates comprising the Mortgaged Property marshalled upon any foreclosure of the lien hereof and agrees that any court having jurisdiction to foreclose each lien may order the Mortgaged Property sold as an entirety. Grantor hereby waives any and all rights of redemption from sale to which it may

be entitled under the laws of the State of Illinois on behalf of the Grantor and each and every person acquiring any interest in, or title to, the Mortgaged Property described herein subsequent to the date of this Mortgage, and on behalf of all other persons to the extent permitted by law. In addition Grantor hereby waives and releases, to the fullest extent permitted by law:

(a) All errors, defects and imperfections in any proceeding instituted by the Issuers or Trustee under the Loan Agreements, the Notes, this Mortgage or any other mortgage or deed of trust;

(b) all errors, defects and imperfections in any proceeding instituted by the Bank under the Reimbursement Agreements, this Mortgage or any other mortgage or deed of trust; and

(c) unless specifically required herein, all notices of Grantor's Default or of Grantees' election to exercise, or Grantees' actual exercise, of any option under the Financing Documents, this Mortgage or any other mortgage or deed of trust.

ARTICLE VI

Covenants, Representations and Warranties

SECTION 6.01. Warranty of Title; Authority. Grantor warrants that, subject to Permitted Encumbrances, it has a good and legal title to the indefeasible fee estate in the Project Site, subject to no lien, charge or encumbrance, except Permitted Encumbrances, that it owns the Project free and clear of liens and claims, except as for Permitted Encumbrances; and that this Mortgage is and will remain a valid and enforceable first lien, subject only to the Permitted Encumbrances, on and security interest in the Mortgaged Property. The Grantor will preserve such title, and will forever warrant and defend the validity and priority of Grantees' lien and security interest hereof against the claim of all other persons and parties whatsoever.

SECTION 6.02. Payment and Performance. Grantor shall pay to Grantees, in accordance with the terms of the Financing Documents and this Mortgage, the principal, premium (if any) and interest and all other sums therein and herein set forth; and shall perform and comply with all of the agreements, conditions, covenants, provisions and stipulations of the Financing Documents and this Mortgage.

SECTION 6.03. Notices. Grantor shall notify Grantees promptly of the occurrence of any of the following:

- (a) A fire or other casualty causing substantial damage to the Mortgaged Property;
- (b) receipt of notice of condemnation of the Mortgaged Property;

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(c) receipt of notice from any governmental authority relating to the structure, use, or occupancy of the Mortgaged Property, which notice shall assert that there is a violation of any law, rule, regulation or ordinance;

(d) any change in the use of the Mortgage Property;

(e) receipt of notice of default from the holder of any lien or security interest in the Mortgaged Property;

(f) commencement of any litigation affecting the use, occupancy or value of the Mortgaged Property; or

(g) any Default under this Mortgage.

SECTION 6.04. No Other Financing or Liens. Except as permitted as a Permitted Encumbrance, without the prior written consent of each of the Grantees, Grantor shall not create or cause or permit to exist, any lien or security interest in the Mortgaged Property superior to that of this Mortgage, including any furniture, fixtures, appliances, equipment or other items of personal property which are, or are intended to be or become, part of the Mortgaged Property, and shall not incur any indebtedness for money borrowed to purchase the Mortgaged Property or any part thereof, other than the Obligations.

SECTION 6.05. No Further Encumbrance; No Disposition. Without the prior written consent of each of the Grantees, Grantor shall not mortgage, encumber, hypothecate, sell, transfer, assign or otherwise dispose of all or any part of the Mortgaged Property or the revenues and receipts thereof (other than to the Grantees hereunder and other than for disposition of furniture, appliances, furnishings, machinery, equipment and apparatus in the ordinary course of business and other than Permitted Encumbrances) or assign, transfer or hypothecate (other than to Grantees) any rent (or analogous payment) then due or to accrue in the future under any lease or other contract or agreement relating to the Project.

SECTION 6.06. Compliance with Laws and Regulations. Grantor covenants and agrees that in the operation, management and maintenance of the Mortgaged Property, it will observe and comply with all applicable federal, state and local statutes, ordinances, regulations, orders and restrictions, reserving hereby its right to contest the same, or the application of the same, so long as such contest shall neither prejudice the lien of this Mortgage nor affect the amounts secured hereby.

SECTION 6.07. Declaration of No Set-Off. Within one week after requested to do so by either of the Grantees, the Grantor shall certify to the requesting party (or to any proposed assignee of this Mortgage or any part hereof or interest herein), in a writing duly acknowledged, the amount of principal, interest and other charges then owing on the Obligations and by prior liens, if any, and whether there are any set-offs or defenses against them.

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SECTION 6.08. Covenant Running with the Land. Any act or agreement to be done or performed by Grantor shall be construed as a covenant running with the land, and shall be binding upon Grantor and its successors and assigns as if it had personally made such an agreement.

SECTION 6.09. No Impairment of Tax Exemption of Interest on the Bond. Grantor will not engage in any activities, or take any action, or omit to take any action, which might result (i) in the income derived by it from the Project becoming taxable to the Issuer, or (ii) in any interest on the Bonds becoming taxable to the recipient thereof under federal income tax laws (other than a "substantial user" of the Project or a "related person").

SECTION 6.10. Further Assurance. Grantor will do, execute, acknowledge and deliver, or cause to be done, executed, acknowledged and delivered, such mortgages supplemental or amendatory hereto and such further acts, instruments and transfers, including, without limiting the generality of the foregoing, such filing, registration, recording, refiling, reregistration or rerecording, as may be necessary, or as the Grantees may reasonably require for better assuring, transferring, mortgaging, pledging, assigning and confirming unto the Grantees and their respective successors and assigns, all and singular, the real and personal property secured or intended to be secured hereby.

SECTION 6.11. Assumption of Loan. Grantor shall not permit assumption of payment of the Obligations without the prior written consent of the Grantees.

SECTION 6.12. Evidence of Payment of Taxes. Upon request of either of the Grantees, which request neither Grantee shall be required to make, the Grantor shall furnish paid tax receipts or other evidence reasonably satisfactory to the requesting party on or before January 31 of each year with respect to taxes paid on the Mortgaged Property for the previous year. The Grantor shall also furnish to the requesting party each year evidence of compliance with the insurance requirements of Section 2.03 promptly upon its request.

ARTICLE VII

Miscellaneous

SECTION 7.01. Notices. All notices, certificates or other communications shall be sufficiently given (and shall be deemed given on the second day following the day on which the same have been mailed) if mailed by certified mail, postage prepaid, and addressed as follows:

(a) if to the Grantor:

La Quinta Motor Inns, Inc.
10010 San Pedro Avenue
San Antonio, Texas 78216
Attention: Vice President - Treasurer

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(b) if to the Trustees:

The First National Bank of Chicago
One First National Plaza, Suite 0126
Chicago, Illinois 60670
Attention: Corporate Trust Administration

United Virginia Bank
919 E. Main Street
Richmond, Virginia 23219
Attention: Corporate Trust Department

United States Trust Company of New York
45 Wall Street
New York, New York 10005
Attention: Corporate Trust Division

(c) if to the Bank:

NationsBank of Texas, N.A.
NationsBank Plaza
901 Main Street
Dallas, Texas 75202
Attention: Corporate Banking Department

SECTION 7.02. Amendments, Changes and Modifications. This Mortgage may not be effectively amended, changed, modified, or altered except as provided in Article XI of the Elk Grove Indenture.

SECTION 7.03. Execution Counterparts. This Mortgage may be executed in several counterparts, each of which shall be regarded as an original and all of which shall constitute but one and the same instrument.

SECTION 7.04. Severability. In case any clause, provision, or section of this Mortgage, or any covenant, stipulation, obligation, agreement, act, or action, or part thereof, made, assumed, entered into, or taken under this Mortgage, or any application thereof, is for any reason held to be illegal or invalid, such illegality or invalidity shall not affect the remainder thereof or any other clause, provision, or section, or any other covenant, stipulation, obligation, agreement, act or action or part thereof, made, assumed, entered into, or taken thereunder, which shall at the time be construed and enforced as if such illegal or invalid portion were not contained therein, nor shall such illegality or invalidity affect any legal and valid application thereof, from time to time, and each such clause, provision, or section, covenant, stipulation, obligation, agreement, act, or action, or part thereof shall be deemed to be effective, operative, made, entered into or taken in the manner and to the fullest extent from time to time permitted by law.

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SECTION 7.05. Limitation of Rights. With the exception of rights herein or in the Indenture expressly conferred, nothing expressed or mentioned in or to be implied from this Mortgage is intended or shall be construed to give to any person other than the parties hereto, any legal or equitable right, remedy, or claim, under or in respect to this Mortgage, or any covenants, conditions and provisions herein contained, this Mortgage and all of the covenants, conditions and provisions hereof being intended to be and being for the sole and exclusive benefit of the parties hereto and their respective successors and assigns.

SECTION 7.06. Governing Law. This instrument shall be governed by and construed in accordance with the laws of the State of Illinois.

SECTION 7.07. Nature of Agreement. This instrument shall be deemed to be and may be enforced from time to time as a deed to secure debt, assignment, contract, security agreement, financing statement or lien on machinery situated on realty, and from time to time as any one or more thereof, and shall constitute a "fixture filing" for purposes of Article 9 of the Uniform Commercial Code.

SECTION 7.08. Obligations. If the lien created by this Mortgage shall be invalid or unenforceable as to any part of the Obligations, the unsecured portion of the Obligations shall be completely paid and liquidated prior to the payment and liquidation of the remaining and secured portion of the Obligations, and all payments made on the Obligations shall be considered to have been first paid on and applied to the complete payment and liquidation of that portion of the Obligations which are not secured by the lien of this Mortgage.

SECTION 7.09. Subrogation. Grantor acknowledges that the proceeds of the Elk Grove Note, the Elk Grove Letter of Credit and the Elk Grove Bonds, to the extent the same are used to take up any outstanding liens and charges against the Mortgaged Property or any portion thereof, have been advanced by Grantees at the request of Grantor, and upon Grantor's representation that such amounts are due and payable. Grantees shall be subrogated to any and all rights, superior titles, liens and equities owned or claimed by any owner or holder of such outstanding liens or claims however remote, regardless of whether such liens are acquired by assignment or are released by the holder thereof by payment.

SECTION 7.10. Rights of Trustee. Notwithstanding anything contained in the Loan Agreements, the Indentures, this Mortgage or other Financing Documents to the contrary, the Elk Grove Trustee will not (without the prior written consent of the Bank) exercise or accept the benefits of any of the rights or remedies provided in this Mortgage or any of the other Mortgages or Deeds of Trust which secure repayment of the Obligations in which the Elk Grove Trustee has been named Beneficiary or Trustee unless the Bank has dishonored valid drafts drawn by the Elk Grove Trustee under the Letter of Credit in accordance with the terms of the Elk Grove Indenture, it being understood that (i) this covenant shall be binding on all successors and assigns of the Elk Grove Trustee, and (ii) the Elk Grove Letter of Credit constitutes the primary security for the payment of principal of and 55 days' interest on the Elk Grove Bonds. This Section 7.10 shall have no application to the Trustee's rights or remedies under the Mortgage to the extent they may be hereafter assigned to the Bank, or to the extent the Bank may be subrogated to such rights and

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remedies, pursuant to Section 7.11 below. If no Letters of Credit remain outstanding and all amounts and obligations of the Grantor under the Reimbursement Agreements have been paid or satisfied in full, then notwithstanding anything contained in this Mortgage to the contrary, the entire benefits of this Mortgage shall run to the Elk Grove Trustee for the owners of the Elk Grove Bonds only and the Elk Grove Trustee may exercise all of the rights or remedies provided in this Mortgage without the consent of the Bank. Where consent of the Trustees is a prerequisite of certain actions hereunder or under any other Mortgages or Deeds of Trust securing the Obligations the Trustees shall promptly respond to written requests for such consent, which consent shall not be unreasonably withheld.

SECTION 7.11. Certain Assignments and Subrogations. Assignment - To the extent the Bank makes payments to the Trustees under the respective Letters of Credit, the Grantor is entitled to a corresponding credit against the amounts owing on the respective Notes and under the respective Loan Agreements, there is assigned and transferred to the Bank, and Grantor hereby consents to the assignment and transfer to the Bank of, the pro-rata portion of the liens and security interests created by this Mortgage which secures the portion or portions of the respective Notes which have been so credited with payment. Subrogation - Grantor acknowledges and agrees that the proceeds of the respective Letters of Credit, to the extent the same or any portion thereof are used to make payments on the respective Notes, have been advanced by the Bank at the request of Grantor, and upon Grantor's representation that such amounts are due and payable. The Bank shall be subrogated, and the respective Trustees and Grantor agree to such subrogation, to the liens, rights, titles, interests, equities and remedies of the respective Trustees under this Mortgage to the extent the Bank makes payments under the respective Letters of Credit and such liens, rights, titles, interests, equities and remedies shall remain in full force and effect until all of the Obligations owing or to be owing by Grantor to the Bank have been paid in full, the respective Letters of Credit have been cancelled or expired, and the Bank has no further obligations, direct or contingent, under the respective Reimbursement Agreements.

SECTION 7.12. Certain Remedies Subsequent To Foreclosure. In the event of a foreclosure under the powers granted by this Mortgage, Grantor, and all other persons in possession of any part of the Mortgaged Property, shall be deemed tenants at will of the purchaser at such foreclosure sale and shall be liable for a reasonable rental for the use of said Mortgaged Property; and if any such tenants refuse to surrender possession of said Mortgaged Property upon demand, the purchaser shall be entitled to institute and maintain the statutory action of forcible entry and detainer and procure a writ of possession thereunder, and Grantor expressly waives all damages sustained by reason thereof.

SECTION 7.13. Cumulative Rights. No remedy or right of the Grantees shall be exclusive of, but shall be cumulative and in addition to, every other remedy or right now or hereafter existing at law or in equity or by statute or otherwise. No delay in the exercise or omission to exercise any remedy or right accruing on any default shall impair any such remedy or right or be construed to be a waiver of any such default or acquiescence therein, nor shall it affect any subsequent default of the same or a different nature. Every such remedy or right may be exercised concurrently or independently, and when and as often as may be deemed expedient by the Grantees.

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SECTION 7.14. Fixture Filing. From the date of its recording, this Mortgage shall be effective as a financing statement filed as a fixture filing with respect to all goods constituting part of the Mortgaged Property which are or are to become fixtures related to the real estate described herein. For this purpose, the following information is set forth:

- (a) Name and Address of Grantor as Debtor:

La Quinta Motor Inns, Inc.
10010 San Pedro Avenue
San Antonio, Texas 78216

- (b) Name and Address of Grantees as Secured Parties:

The First National Bank of Chicago, as Trustee
One First National Plaza, Suite 0126
Chicago, Illinois 60670

United Virginia Bank
919 East Main Street
Richmond, Virginia 23219

United States Trust Company of New York
45 Wall Street
New York, New York 10005

NationsBank of Texas, N.A.
NationsBank Plaza
901 Main Street
Dallas, Texas 75202

- (c) This document covers goods which are or are to become fixtures.

SECTION 7.15. Business Loan. Grantor represents that the indebtedness secured by this Mortgage will be used for the purposes specified in paragraph 6404 of Chapter 17 of the Illinois Revised Statutes, and that the principal evidenced by the Bonds constitutes a business loan which comes within the purview of said paragraph.

SECTION 7.16. Final Maturity. The final maturity date of the Obligations is October 1, 2001.

SECTION 7.17. Extension of Liens. The liens and security interests granted in the Prior Mortgage are hereby extended and renewed and shall remain in full force and effect.

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IN WITNESS WHEREOF, Grantor, having first been duly authorized, has caused this Mortgage to be executed in its name and by its officer, all as of the day and year first above written.

LA QUINTA MOTOR INNS, INC.

By: [Signature]
Title: Executive Vice President

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Property of Cook County Clerk's Office

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ACKNOWLEDGMENT

OF

LA QUINTA MOTOR INNS, INC.

STATE OF TEXAS

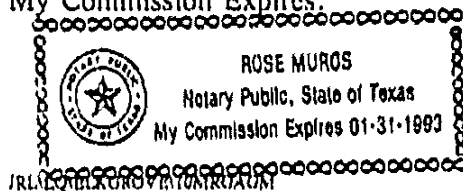
COUNTY OF Dallas

I, the undersigned, a Notary Public in and for said County in said State, DO HEREBY CERTIFY that ROSE MURROS, whose name as SECRETARY La Quinta Motor Inns, Inc., is signed to the foregoing Mortgage and Security Agreement, and who is known to me and known to be such person, acknowledged before me under oath on this day that, being informed of the contents of said Mortgage and Security Agreement, he in his capacity as such officer and with full authority, executed the same voluntarily for and as the act of La Quinta Motor Inns, Inc.

Given under my hand and seal of office, this 3rd day of June, 1992.

Rose Murros
Notary Public

My Commission Expires:



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EXHIBIT A

DESCRIPTION OF PROJECT

The Project consists of property more particularly identifiable from the records for the Project maintained by the Company, including the Plans and Specifications to which reference is made in the Loan Agreement between the Company and the Issuer dated as of October 1, 1984, and generally described as follows:

A 142-room motor inn located in the Village of Elk Grove Village, Illinois including equipment and furnishings used in connection therewith.

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Property of Cook County Clerk's Office

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EXHIBIT B

LEGAL DESCRIPTION OF PROJECT SITE

Lot 3 in La Quinta Resubdivision in the South West 1/4 of Section 23, Township 41 North, Range 11 East of the Third Principal Meridian, according to the plat thereof recorded September 20, 1984, as Document No. 27,262,582, in Cook County, Illinois.

Permanent Tax Number: 08-23-300-043

Address: 1900 East Oakton, Elk Grove Village, Illinois 60007

JRL/LQ/ELKOROVIN/OMRCAD/1

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