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**SUBORDINATION AGREEMENT**

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Property Address: 1725 West North Avenue, Chicago, Illinois

Permanent Index Number: 17-06-203-010

THIS SUBORDINATION AGREEMENT (this "Agreement") is dated October 30, 1992 and is by and among HABERDASHER, INC., an Illinois corporation, 1725 West North Avenue, Chicago, Illinois 60622 (the "Mortgagor"), MANUFACTURERS BANK, 1200 North Ashland, Chicago, Illinois 60622 (the "Senior Mortgagee"), and LASALLE EQUIPMENT LIMITED PARTNERSHIP, an Illinois limited partnership, 40 Skokie Boulevard, Suite 310, Northbrook, Illinois 60062 (the "Junior Mortgagee").

The Senior Mortgagee, as a condition precedent to the funding of a loan to the Mortgagor as hereinafter described, has required the subordination of the Junior Debt to the Senior Debt and the Junior Mortgage to the Senior Mortgage, all as hereinafter defined, on the terms and conditions herein recited.

In consideration of \$10.00 and other good and valuable consideration paid to the Junior Mortgagee and of the premises and of the mutual covenants and agreements of the parties hereafter set forth, the parties hereto agree as follows:

1. **Definitions.**

A. **Senior Debt.** "Senior Debt" as used herein means the principal amount of the Senior Note and all interest and late charges now or hereafter accruing thereon and all other debts, obligations, and liabilities of the Mortgagor to the Senior Mortgagee under the Senior Note and Senior Mortgage without regard to whether any of such debts, obligations, or liabilities:

1. Exists now or is hereafter incurred,
2. Is direct, contingent, primary, secondary, joint, several, or otherwise, or
3. Is evidenced by one or more notes, contracts, escrow accounts, or otherwise,

and without regard to the obligee of such debts, obligations, or liabilities; provided, however, that Senior Debt shall not,

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without the prior written consent of the Junior Mortgagee, include any increase in the principal amount of the Senior Note above \$1,500,000.00.

B. Senior Mortgage. "Senior Mortgage" as used herein means the Mortgage, Security Agreement and Financing Statement dated October 30, 1992 and recorded by the Cook County Recorder of Deeds on 11-6, 1992 as document number ~~92-~~ 92828490 mortgaging and conveying the Property to the Senior Mortgagee to secure the Senior Note.

C. Senior Note. "Senior Note" as used herein means the Promissory Note dated October 30, 1992 in the principal amount of \$1,500,000.00 executed by the Mortgagor and co-made by LaSalle Equipment Limited Partnership, an Illinois limited partnership, Gately Enterprises, Inc., an Illinois corporation, Charles M. Gately, Jay K. Scanlon, and Marily F. Bacon and payable to the Senior Mortgagee.

D. Property. "Property" as used herein means the real estate legally described as follows:

Units Nos. 102, 201 to 209 inclusive, 301 to 309 inclusive, 401 to 409 inclusive, and Parking Spaces P-1 through P-27 inclusive, in the 1725 West North Avenue Condominium as delineated on a survey of the following described real estate:

Lots 15, 16, 17, 18, 19, 20, and 21 in Block 2 in McReynold's Subdivision of part of the East 1/2 of the North East 1/4, North of Milwaukee Avenue, of Section 6, Township 39 North, Range 14 East of the Third Principal Meridian,

which survey is attached as Exhibit "A" to the Declaration of Condominium recorded as document number 92-815332 together with its undivided percentage interest in the common elements, in Cook County, Illinois

and commonly known as 1725 West North Avenue, Chicago, Illinois.

E. Junior Debt. "Junior Debt" as used herein means the principal amount of the Junior Note and all interest and late charges now or hereafter accruing thereon and all other debts, obligations, and liabilities of the Mortgagor to the Junior Mortgagee under the Junior Note, the Investment Agreement dated August 10, 1992 (certain obligations under which are described in the Junior Mortgage), and the Junior Mortgage without regard to whether any of such debts, obligations, or liabilities:

1. Exists now or is hereafter incurred,
2. Is direct, contingent, primary, secondary, joint, several, or otherwise, or

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3. Is evidenced by one or more notes, contracts, escrow accounts, or otherwise,

and without regard to the obligee of such debts, obligations, or liabilities.

F. Junior Mortgage. "Junior Mortgage" as used herein means the Mortgage dated August 10, 1992 and recorded by the Cook County Recorder of Deeds on 11-6, 1992 as document number 92-828493 mortgaging and conveying the Property to the Junior Mortgagee to secure the Junior Note.

G. Junior Note. "Junior Note" as used herein means the Note dated August 10, 1992 in the principal amount of \$300,000.00 executed by the Mortgagor and payable to the Junior Mortgagee.

## 2. Representations and Warranties of the Mortgagor and the Junior Mortgagee

A. The Mortgagor represents and warrants to the Senior Mortgagee that the Mortgagor is the holder of fee simple title to the Property.

B. The Junior Mortgagee represents and warrants to the Senior Mortgagee that the Junior Mortgagee is the holder of the Junior Note and Junior Mortgage and that neither the Junior Note or Junior Mortgage has been negotiated, assigned, transferred, or delivered to any party.

## 3. Subordination of Junior Mortgage and Junior Debt.

A. The Junior Mortgagee hereby subordinates the lien of the Junior Mortgage to the lien of the Senior Mortgage and agrees that the Junior Mortgage is subordinate, subject, and inferior, in payment and priority, to the Senior Mortgage without regard to the number of times or the manner in which the Senior Note, or any part thereof, and the lien securing the Senior Note may be renewed, extended, changed, or altered; provided, however, that the principal amount of the Senior Note shall not be increased above \$1,500,000.00 without the prior written consent of the Junior Mortgagee.

B. The Junior Mortgagee hereby subordinates the Junior Debt to the Senior Debt and agrees that the Junior Debt is subordinate, subject, and inferior, in payment and priority, to the Senior Debt without regard to the number of times or the manner in which the Senior Note, or any part thereof, and the lien securing the Senior Note may be renewed, extended, changed, or altered; provided, however, that the principal amount of the Senior Note shall not be increased above \$1,500,000.00 without the prior written consent of the Junior Mortgagee.

C. If the Senior Debt has not been paid in full, or if the obligation of Mortgagor to any other lender secured by a lien

superior to the lien of the Senior Mortgage is not paid in full, then the Junior Mortgage agrees that as a precondition to foreclosing the Junior Mortgage:

1. Junior Mortgagee will give Senior Mortgagee written notice of Junior Mortgagee's intent to foreclose the Junior Mortgage, and

2. The Senior Debt and the obligations of Mortgagor to all other lenders secured by a lien superior to the lien of the Senior Mortgage shall have been paid in full.

4. The Senior Mortgagee's Right With Respect to Release or Substitution of Obligor or Collateral. The Senior Mortgagee may at any time and from time to time without notice to or consent of the Junior Mortgagee and with or without valuable consideration, without in any manner impairing its rights hereunder:

- A. Release any person or persons primarily or secondarily liable upon the Senior Debt or permit substitution of persons primarily or secondarily liable upon the Senior Debt.
- B. Permit substitution or withdrawal of any security or collateral at any time securing payment of the Senior Debt or release any of such security or collateral.
- C. Renew and extend or accept any partial payments upon the Senior Debt or alter, in such manner as the Senior Mortgagee shall deem proper, the terms of any instruments evidencing or securing the Senior Debt or any part thereof.

It shall not be necessary for the Senior Mortgagee in order to enforce its rights hereunder or under the Senior Note or Senior Mortgage or any other agreement between the Mortgagor and the Senior Mortgagee to institute suit or exhaust its remedies against any person obligated to pay the Senior Debt.

5. Continuing Subordination. This Agreement constitutes a continuing subordination until the Senior Debt and every refinancing, modification, renewal, or extension thereof and all other liabilities arising out of the Senior Debt or any part thereof have been repaid in full.

6. Effect of Waiver. No waiver by the Senior Mortgagee of any right hereunder or under the Senior Note or the Senior Mortgage or any other agreement between the Mortgagor and the Senior Mortgagee shall affect or impair any of the other rights of the Senior Mortgagee hereunder. A waiver by the Senior Mortgagee of any right hereunder shall be limited to the specific right and specific instance and shall not waive such right of the Senior Mortgagee with respect to another or a different occurrence of

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the event or another event in respect of which the waiver was given.

7. Continuing Cooperation. The Mortgagor and the Junior Mortgagee agree to execute and deliver to the Senior Mortgagee, acknowledged and in recordable form when requested by the Senior Mortgagee, such other documents and instruments as the Senior Mortgagee may from time to time reasonably request.

8. Notices. Any notice required or desired to be given hereunder shall be delivered personally, or by United States mail (registered or certified, postage prepaid, with return receipt requested), or by delivery service. Notices to the Mortgagor shall be addressed as follows:

Haberdasher, Inc.  
1725 West North Avenue  
Chicago, Illinois 60622

Notices to the Senior Mortgagee shall be addressed as follows:

Manufacturers Bank  
Attn: Irene Ford  
1200 North Ashland  
Chicago, Illinois 60622

Notices to the Junior Mortgagee shall be addressed to:

Charles M. Gately  
LaSalle Equipment Limited Partnership  
40 Skokie Boulevard  
Suite 310  
Northbrook, Illinois 60062

A copy of any notice given to any party shall be addressed to:

Jonathan L. Mills  
Gottlieb and Schwartz  
111 East Wacker Drive  
Suite 2700  
Chicago, Illinois 60601

A notice delivered by United States mail is given on the date placed in the United States mail for delivery.

9. Miscellaneous. This Agreement shall be interpreted and enforced in accordance with the laws of the State of Illinois. The use of singular or plural, masculine, feminine, or neuter nouns and pronouns is for convenience only and shall be liberally construed. The invalidity or unenforceability of any provision hereof shall not affect, modify, or impair the validity and

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enforceability of all other provisions hereof. This Agreement shall be binding on and shall inure to the benefit of the parties hereto and their representatives, heirs, legatees, successors, and assigns.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on or as of the date and year first above written.

## MORTGAGOR:

Haberdasher, Inc., an Illinois corporation

By:   
Mary L. Thompson, President

## SENIOR MORTGAGEE:

Manufacturers Bank

By: 

By:   
Vice President

## JUNIOR MORTGAGEE:

LaSalle Equipment Limited Partnership, an Illinois limited partnership

By: Gately Enterprises, Inc., an Illinois corporation, general partner

By:   
Charles M. Gately,  
President

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