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THIS INSTRUMENT PREPARED BY  
AND WHEN RECORDED RETURN TO  
Christopher M. Vidovic  
Mayer, Brown & Platt  
190 S. LaSalle St.  
Chicago, Illinois 60603

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COOK COUNTY RECORDER

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## AMENDED AND RESTATED SUBORDINATE MORTGAGE AND SECURITY AGREEMENT

THIS AMENDED AND RESTATED SUBORDINATE MORTGAGE AND SECURITY AGREEMENT (this "Mortgage") is made as of August 31, 1993 by CHICAGO TISSUE COMPANY, L.P., a Delaware limited partnership formerly known as FSC Paper Company, L.P. (formerly known as Alsip Paper Associates) (the "Mortgagor"), to CONTINENTAL BANK N.A., a national banking association ("Continental") as collateral agent for the Banks described in the Loan Agreement (hereinafter defined), including Australia and New Zealand Banking Group Limited, New York Branch ("ANZ"), Continental, and State Bank of South Australia ("SBSA") (Continental in such capacity, is referred to herein as the "Mortgagee").

### RECITALS

A. Mortgagor is the owner and holder of fee simple title in and to all of the real estate described in Exhibit A attached hereto (the "Real Estate") which Real Estate forms a portion of the Premises described below.

B. Mortgagor, the Banks (other than SBSA) and Continental and ANZ, as Co-Agents, have entered into a certain Credit Agreement, dated as of December 28, 1988, as amended by a Letter Agreement, dated June 28, 1990, a Letter Agreement, dated as of January 10, 1991, a Letter Agreement, dated May 24, 1991, a Letter Agreement, dated October 31, 1991, a First Amendment, dated as of December 30, 1991, a Second Amendment, dated as of December 30, 1991, a Third Amendment, dated as of December 30, 1992, a Fourth Amendment, dated as of March 26, 1993, a Fifth Amendment, dated as of

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of June 28, 1993; and the Mortgagor, Continental, ANZ and SBSA have entered into a Sixth Amendment (the "Sixth Amendment to Loan Agreement"), dated of even date herewith (said Credit Agreement, as heretofore amended, modified or supplemented, and as the same may be further amended, extended, renewed or otherwise modified shall hereinafter be referred to as the "Loan Agreement") pursuant to which Mortgagor has heretofore requested, and the Banks have heretofore advanced, certain loans (collectively the "Loans" and individually a "Loan"); terms which are used but not defined herein but which are defined in (or are defined via reference in) the Loan Agreement shall have the same meaning for purposes hereof as thereof.

C. The Loan Agreement provides for the Loans to be evidenced by certain Notes, described therein (said Notes, as the same have been amended, modified or restated and as the same may be hereafter further amended, modified, extended or restated from time to time and together with all replacements thereof and substitutions therefor, are referred to herein as the "Notes"), which Notes amend and restate those certain B Notes of the Mortgagor dated August 31, 1990 in the aggregate face principal amount of \$100,000,000.00 (the "Original Notes"), which Loan Agreement provides for interest to accrue on the "Loans" at per annum rates which will increase or decrease as the "Reference Rate" or the "Interbank Rate (Reserve Adjusted)", both as defined in the Loan Agreement, increases or decreases, and provides for repayment of the Loans, if not sooner repaid, on certain dates which shall be no later than March 31, 1995 (the "Maturity Date"), unless accelerated or extended as provided in said Loan Agreement. The Sixth Amendment to Loan Agreement also adds to the Liabilities an additional interest component, as described therein ("Additional Interest"), and contains a shared appreciation provision with a formula or method of calculation to determine the Additional Interest.

D. The Loans are secured by a mortgage lien against, among other things, the Real Estate, pursuant to that certain Revolving Credit Subordinate Mortgage and Security Agreement (the "Initial Mortgage"), dated as of December 28, 1988, and recorded on December 29, 1988 as Document No. 88597491 in the Office of the Recorder of Deeds of Cook County, Illinois; certain modifications were made to said Initial Mortgage by virtue of (a) a certain First Amendment to Revolving Credit Subordinate Mortgage and Security Agreement, dated as of March 15, 1990 and recorded May 7, 1990 as Document No. 90211465, (b) a certain Second Amendment to Revolving Credit Subordinate Mortgage and Security Agreement, dated as of June 28, 1990 and recorded July 5, 1990 as Document No. 90319043, (c) a certain Third Amendment to Revolving Credit Subordinate Mortgage and Security Agreement, dated as of December 30, 1992 and recorded December 31, 1992 as Document No. 92989501, (d) a certain Fourth Amendment to Revolving Credit Subordinate Mortgage and Security Agreement, dated as of March 26, 1993 and recorded March 30, 1993 as Document No. 93231158, and (e) a certain Fifth Amendment to Revolving Credit Subordinate Mortgage and Security Agreement, dated

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as of June 28, 1993 and recorded as Document No. 93499857 (the Initial Mortgage as so amended, is referred to herein as the "Existing Mortgage").

E. The Mortgagor is justly indebted to the Banks in the principal amount of Sixty-One Million Five Hundred Thousand Dollars (\$61,500,000.00), as evidenced by the Notes, which Notes are, pursuant to the Loan Agreement, due and payable in full if not sooner paid on or before the Maturity Date, as provided in the Loan Agreement, subject to acceleration as provided in the Notes, in the Loan Agreement, in this Mortgage or in the other Documents (as defined in the Loan Agreement).

F. In addition to the indebtedness of the Mortgagor to the Banks described in Recital E above, Continental has (contemporaneously with the execution of this Mortgage) issued and may hereafter reissue or renew a Letter of Credit (as defined in the Loan Agreement) for the account of the Mortgagor. The maximum face amount of the Letter of Credit is \$3,000,000.00. The Mortgagor is obligated, pursuant to the Loan Agreement, to reimburse such Bank for all amounts (plus interest), if any, drawn under said Letter of Credit; such Reimbursement Liabilities (as defined in the Loan Agreement) is more particularly described in the Loan Agreement. Contemporaneously with the execution of this Mortgage, the Mortgagor has executed and delivered to the Mortgagee a certain Mortgage and Security Agreement, dated of even date herewith (the "Mortgagee's Senior Mortgage"), pursuant to which the Mortgagor conveyed to the Mortgagee the Premises (defined below) as security for the payment of all Reimbursement Liabilities other than interest on amounts paid by Continental under the Letter of Credit. All such Reimbursement Liabilities other than interest on amounts paid by Continental under the Letter of Credit are referred to herein as the "L/C Liabilities". All such Reimbursement Liabilities which consist of interest on amounts paid by Continental under the Letter of Credit are referred to herein as the "L/C Interest Liabilities".

G. Mortgagor has submitted the real property and improvements thereon subject to the Existing Mortgage to the provisions of the Condominium Act (as defined in the Loan Agreement) pursuant to the Condominium Declaration (as defined in Exhibit B attached hereto) (such condominium is referred to herein as the "Condominium").

H. The Condominium consists of two units and certain common elements: (i) a Paper Unit as set forth in the Condominium Declaration ("Paper Unit"), (ii) a Tissue Unit as set forth in the Condominium Declaration ("Tissue Unit"), and (iii) the Common Elements, as set forth in the Condominium Declaration ("Common Elements"), which are held and owned by the Unit Owners in common

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and administered by an Association formed pursuant to the Condominium Declaration.

I. In connection with the sale by the Mortgagor of the Paper Unit, the Mortgagee has heretofore released the lien of the Existing Mortgage on the property constituting the Paper Unit and its appurtenant interest in the Common Elements and on certain other personal property.

J. All sums which may be at any time due or owing or required to be paid as provided in this Mortgage, all sums which may be at any time due or owing or required to be paid as provided in the Mortgagee's Senior Mortgage, all "Loans" and "Liabilities," as defined in the Loan Agreement, all L/C Interest Liabilities, all of the covenants, obligations and agreements (and the truth of all representations and warranties) of the Mortgagor in connection with, under or pursuant to the Loan Agreement, the Notes, the Mortgagee's Senior Mortgage, this Mortgage or any of the other Documents, and all other obligations of the Mortgagor for payment and performance of the Notes or otherwise arising under the "Security Documents" or other "Documents," as defined in the Loan Agreement, howsoever created, arising or evidenced, whether direct or indirect absolute or contingent, now or hereafter existing or due or to become due, in amounts, however, which do not exceed at any one time in the aggregate ONE HUNDRED THIRTY MILLION DOLLARS (\$130,000,000.00) plus interest and Additional Interest as provided in the Loan Agreement, and plus any and all advances, disbursements, costs or expenses paid, made or incurred by the Mortgagee hereunder or under the Mortgagee's Senior Mortgage to protect the Premises (defined below), to pay any taxes, special assessments or insurance premiums on the Real Estate, or perform any other obligation of the Mortgagor hereunder or under the Mortgagee's Senior Mortgage or collect any amount owing to the Mortgagee or the Banks which is secured hereby or by the Mortgagee's Senior Mortgage with interest accruing on such amounts as provided in the Loan Agreement, but excluding the "L/C Liabilities," are hereinafter collectively referred to as the "Indebtedness" or "Secured Indebtedness."

K. Mortgagor and Mortgagee have entered into a certain Security Agreement dated as of December 28, 1988, as amended by a First Amendment thereto dated of even date herewith to further secure repayment of the Indebtedness and other Liabilities (the "Security Agreement").

L. Contemporaneously with the execution and delivery of this Mortgage, the Mortgagor and the Mortgagee have entered into a certain Security Agreement (Collateral Assignment of Indemnity Mortgage (the "Collateral Assignment")) pursuant to which the Mortgagor has assigned to the Mortgagee the Mortgagor's interest,



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as mortgagee, in a certain Indemnity Mortgage from FSC Corporation in favor of Mortgagor which encumbers the Paper Unit.

NOW, THEREFORE, in consideration of the Banks' entering into the Sixth Amendment to Loan Agreement and acceptance of the Notes (amending and restating the Original Notes), and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by the Mortgagor, the Existing Mortgage is hereby amended and restated in its entirety to read as follows:

## T H E G R A N T

NOW, THEREFORE, (i) to secure the payment of the principal of and interest (including Additional Interest) on the Loans and other Liabilities (except L/C Liabilities) in accordance with the Loan Agreement; and (ii) to secure the payment of all other Secured Indebtedness and the performance and observance of all the covenants, agreements and provisions contained herein and in the Loan Agreement; and (iii) in consideration of the above Recitals; and (iv) for other good and valuable considerations, whose receipt and sufficiency are acknowledged by the Mortgagor; the Mortgagor DOES HEREBY MORTGAGE, GRANT, DEMISE, CONVEY AND WARRANT unto the Mortgagee, its successors and assigns forever, all of its estate, right, title and interest in, to and under the Real Estate. The Real Estate, together with the property mentioned in the next succeeding paragraphs, is called the "Premises";

TOGETHER with all right, title and interest of the Mortgagor, including any after-acquired title or reversion, in and to the beds of the ways, gores of land, streets, avenues and alleys adjoining the Real Estate;

TOGETHER with all rights title and interest of the Mortgagor, including any after-acquired title or reversion, in any property conveyed to the Mortgagor by the Association or by the Unit Owner of the Paper Unit or otherwise pursuant to the Condominium Declaration;

TOGETHER with all and singular the tenements, hereditaments, easements, appurtenances, emblements, passages, waters, water courses, riparian rights, zoning variances and exceptions, other rights, liberties and privileges in any way now or hereafter appertaining to the Real Estate, including any other claim at law or in equity as well as any after-acquired title, franchise or license and the reversions and remainder and remainders thereof;

TOGETHER with all rents, income, receipts, revenues, issues, proceeds and profits accruing and to accrue from the

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Premises and any and all leases now or hereafter existing upon the Premises;

TOGETHER with all buildings and improvements of every kind and description now and, except as hereinafter provided, hereafter erected or placed on the Premises and all materials intended for construction, reconstruction, alteration and repairs of such buildings and improvements now and, except as hereinafter provided, hereafter erected thereon, all of which materials shall be deemed to be included within the Premises immediately upon the delivery thereof to the Real Estate, and all fixtures now and, except as hereinafter provided, hereafter owned by the Mortgagor and attached to or forming a part of or used in connection with the Real Estate or the operation and convenience of any buildings and improvements including all furnishings, elevators, fittings, screens, awnings, partitions, carpeting, curtains and drapery hardware used or useful in the operation or for the convenience of the Real Estate or any buildings and improvements thereon and all plumbing, electrical, heating, lighting, ventilating, refrigerating, incinerating, air-conditioning and sprinkler equipment, systems, fixtures and conduits (including all furnaces, boilers, plants, units, condensers, compressors, ducts, apparatus and hot-and-cold water equipment and systems), and all renewals or replacements or substitutions;

TOGETHER with all right, title, estate and interest of the Mortgagor in and to the Premises, property, improvements, and fixtures hereby conveyed, assigned, pledged and hypothecated, and all right to retain possession of the Premises after the occurrence of an Event of Default;

TOGETHER with all rights, including, without limitation, all voting rights, accruing to the Mortgagor under the terms of the Condominium Declaration and Condominium Instruments (as defined in the Loan Agreement); it being understood and agreed that upon the occurrence of an Event of Default hereunder or under the Loan Agreement and so long as such Event of Default shall continue, the Mortgagee, and only the Mortgagee, may vote in the place and stead of the Mortgagor, and may exercise any and all of said rights hereinabove referred to, and the Mortgagor hereby nominates and appoints the Mortgagee, irrevocably so long as this Mortgage remains in effect, as the Mortgagor's proxy to vote, and as the Mortgagor's agent to act with respect to all of said rights while any such Event of Default shall continue, written notice of such Event of Default from the Mortgagee to the Board of the Association to be deemed conclusive as to such right to vote and exercise such other rights; and

TOGETHER with all awards and other compensation heretofore or hereafter made to the present and all subsequent owners of the Premises for any taking by eminent domain, either

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permanent or temporary, of all or any part of the Premises or any easement or appurtenance thereof, including severance and consequential damage and change in grade of streets. Awards and compensation are hereby assigned to the Mortgagee. Mortgagor designates the Mortgagee as its agent and directs and empowers the Mortgagee, at the option of the Mortgagee, on behalf of the Mortgagor, or the successors or assigns of the Mortgagor, to adjust or compromise the claim for any award and to collect and receive the proceeds, give proper receipts and acquittances, and, after deducting expenses of collection, to apply the net proceeds as a credit upon any portion, as selected by the Mortgagee, of the Secured Indebtedness, notwithstanding the fact that the amount owing may not then be due and payable or that the Secured Indebtedness is otherwise adequately secured, all subject to the provisions of Paragraph 10.

TO HAVE AND TO HOLD the Premises, with the appurtenances, and fixtures, unto the Mortgagee, its successors and assigns, forever, for the uses and purposes set forth together with all right to possession of the Premises upon the occurrence of any Event of Default. The Mortgagor hereby RELEASES AND WAIVES all rights under and by virtue of the homestead exemption laws of the State of Illinois.

PROVIDED, NEVERTHELESS, that if the Mortgagor shall pay when due the Secured Indebtedness and shall duly and timely perform and observe all of the terms, provisions, covenants and agreements to be performed and observed by the Mortgagor, then this Mortgage and the estate, right and interest of the Mortgagee in the Premises created hereby shall cease and become void and of no effect, otherwise to remain in full force and effect.

## GENERAL AGREEMENTS

THE MORTGAGOR COVENANTS AND AGREES AS FOLLOWS:

1. Payment of Indebtedness. The Mortgagor shall pay when due (a) the principal of and interest (including Additional Interest) and premium, if any, on the Loans and (b) all other Secured Indebtedness; and the Mortgagor shall duly and punctually perform and observe all of the terms, provisions, conditions, covenants and agreements as provided herein and in the Notes and the Loan Agreement. This Mortgage shall secure such payment, performance and observance.

2. Maintenance, Repair, Restoration, Liens, Etc. The Mortgagor shall (a) promptly repair, restore or rebuild any building or improvement now or hereafter included within the Premises which may become damaged or be destroyed whether or not proceeds of insurance are available or sufficient for the purpose; (b) keep the Premises in good condition and repair, without waste,

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and free from mechanics', materialmen's or like liens or claims or other liens or claims for lien (except as otherwise permitted under this Section 2); (c) pay, when due, any indebtedness which may be secured by a lien or charge on the premises superior to the lien hereof and, upon request, exhibit to the Mortgagee satisfactory evidence of the discharge of such prior lien when such lien is discharged; (d) complete, within a reasonable time, any buildings or other improvements now or at any time in the process of erection upon the Premises; (e) comply with all requirements of law, municipal ordinances or restrictions and covenants of record with respect to the Premises and the use thereof; (f) make or permit no material alterations in the Premises, except as required by law or ordinance without Mortgagee's prior written consent; (g) suffer or permit no change in the general nature of the occupancy of the Premises; (h) initiate or acquiesce in no zoning reclassification with respect to the Premises, other than a reclassification of any portion of the Real Estate to a manufacturing classification; (i) suffer or permit no unlawful use of, or nuisance to exist upon, the Premises; (j) cause the Premises to be managed in a competent and professional manner, and (k) give notice in writing to the Mortgagee of and, unless otherwise directed in writing by the Mortgagee, appear in and defend any action or proceeding purporting to affect the Premises, the security of this Mortgage or the rights or powers of the Mortgagee.

The Mortgagor may contest or object to the legal validity or amount of any mechanics' or materialmen's lien on the Premises on and subject to the following conditions: (i) After having given the Mortgagee at least five business days' prior written notice of its intention to institute such proceedings, the Mortgagor shall in good faith have instituted appropriate legal proceedings with respect thereto, the pendency of which shall have the legal effect of staying the effectiveness and enforcement of such lien and any and all other remedies relating thereto which may affect the Premises or the title thereto, and the Mortgagor shall at all times thereafter prosecute such proceedings diligently and in good faith to completion; (ii) the Mortgagor shall either (A) have fully bonded over or insured over such lien by a bonding or title insurance company reasonably satisfactory to the Mortgagee, and otherwise to the Mortgagee's full satisfaction, or (B) have deposited with the Mortgagee security satisfactory to Mortgagee in its sole discretion for the payment of such contested lien, and (iii) the Mortgagee is satisfied that the validity, priority, value and utility of its lien and security interest on and in the Premises will not be adversely affected by such contest, objection or proceedings.

3. Other Liens. Except as otherwise expressly permitted herein, the Mortgagor shall not create or suffer or permit any mortgage, lien, charge or encumbrance to attach to the Premises, whether such lien or encumbrance is inferior or superior to the



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lien of this Mortgage, excepting only the lien of real estate taxes and assessments not due or delinquent, those encumbrances expressly permitted under the Loan Agreement, and those encumbrances listed on Exhibit B ("Permitted Encumbrances").

4. Taxes. The Mortgagor shall pay or cause the Association to pay when due and before any penalty attaches, all general and special taxes, assessments, water charges, sewer charges, and other fees, taxes, charges and assessments of every kind and nature whatsoever (all generally called "Taxes"), whether or not assessed against the Mortgagor, if applicable to the Premises or any interest therein, or the Secured Indebtedness, or any obligation or agreement secured hereby. The Mortgagor shall, upon written request, furnish to the Mortgagee duplicate receipts. The Mortgagor shall pay in full under protest in the manner provided by statute, any Taxes which the Mortgagor may desire to contest. If deferment of payment of any such Taxes is required to conduct any contest or review, the Mortgagor shall deposit with the Mortgagee the full amount thereof, together with an amount equal to the estimated interest and penalties thereon during the period of contest, and in any event, shall pay such Taxes, notwithstanding such contest, if in the opinion of the Mortgagee the Premises shall be in jeopardy or in danger of being forfeited or foreclosed. If the Mortgagor shall not pay the Taxes when required, the Mortgagee may do so and may apply such deposit for the purpose.

If any law or court decree has the effect of (i) deducting from the value of the land for the purpose of taxation any lien thereon; (ii) imposing upon the Mortgagee the payment of the whole or any part of the Taxes or liens required to be paid by the Mortgagor; or (iii) changing in any way the laws relating to the taxation of mortgages or debts secured by mortgages or the interest of the Mortgagee in the Premises, or the manner of collection of Taxes, so as to affect this Mortgage or the Secured Indebtedness or the Mortgagee; then, and in any such event, the Mortgagor, upon demand by the Mortgagee, shall pay such Taxes, or reimburse the Mortgagee on demand. If such payment or reimbursement by the Mortgagor is unlawful, then the Secured Indebtedness shall be due and payable after written demand by the Mortgagee to the Mortgagor.

Nothing in this Paragraph shall require the Mortgagor to pay any income, franchise or excise tax imposed upon the Mortgagee, excepting only such which may be levied against such income expressly as and for a specific substitute for Taxes pertaining to the Premises, and then only in an amount computed as if the Mortgagee derived no income from any source other than its interest hereunder.

Mortgagee is hereby authorized to make or advance, in the place and stead of Mortgagor, any payment relating to Taxes not paid by Mortgagor when due or being contested as allowed under this

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Section 4. Mortgagee may do so according to any bill, statement, or estimate procured from the appropriate public office without inquiry into the accuracy or the validity of any tax, assessment, lien, sale, forfeiture, or related title or claim. Mortgagee is further authorized to make or advance, in the place and stead of Mortgagor, any payment relating to any apparent or threatened adverse title, lien, statement of lien, encumbrance, claim, charge, or payment otherwise relating to any other purpose herein authorized, whenever, in its judgment and discretion, such advance seems necessary or desirable to protect the full security intended to be created by this Mortgage. In connection with any such advance, Mortgagee is further authorized, at its option, to obtain a continuation report of title or title insurance policy prepared by a title insurance company of Mortgagee's choosing. All such advances and indebtedness authorized by this Paragraph, and all advances and indebtedness authorized under Paragraph 4 of the Mortgagee's Senior Mortgage, shall constitute additional Secured Indebtedness and shall be repayable by Mortgagor upon demand with interest.

5. Insurance Coverage. The Mortgagor will insure and keep fully insured (or will cause the Association to insure and keep fully insured, as set forth in the Condominium Declaration) all of the buildings and improvements (including, without limitation, personalty, fixtures and trade fixtures) now or hereafter included within the Premises and each and every part and parcel thereof, and all of the buildings and improvements now or hereafter included within the Common Elements, against such perils and hazards as the Mortgagee may from time to time require, and in any event including:

(a) "All risk" insurance against loss by fire, risks covered by the so-called extended coverage endorsement, and other risks as the Mortgagee may reasonably require, in amounts equal to the full replacement value of the Premises;

(b) Public liability against bodily injury and property damage with such limits as the Mortgagee may require;

(c) Rental or business interruption insurance in amounts sufficient to pay all amounts required herein to be paid by the Mortgagor for one year while the Premises may be damaged or destroyed;

(d) Steam boiler, machinery and other insurance of the types and in amounts as the Mortgagee may require but in any event not less than customarily carried by persons owning or operating like properties; and

(e) Insurance against loss or damage by flood or mud slide, if the Premises are now, or at any time while the

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Secured Indebtedness remains outstanding shall be, situated in an area which an appropriate governmental authority designates as a flood or mud slide hazard area or the like, in such amount as the Mortgagee may require, but no amount in excess of the minimum legal limit of coverage shall be so required.

6. Insurance Policies. All policies of insurance required by Paragraph 5 shall be in form, companies and amounts reasonably satisfactory to the Mortgagee. All policies of casualty insurance shall have attached thereto standard noncontributory mortgage clauses or endorsements in favor of and with loss payable to and in form satisfactory to the Mortgagee; provided, however, that with respect to any such insurance policies procured and maintained by the Association pursuant to the requirements of the Condominium Declaration, the Insurance Trustee (as defined in the Condominium Declaration) rather than the Mortgagee, will be the loss payee. The Mortgagor will deliver all policies, including additional and renewal policies to the Mortgagee and, in case of insurance policies about to expire, the Mortgagor will deliver renewal policies not less than thirty (30) days prior to the respective dates of expiration, provided, however, that with respect to any such insurance policies procured and maintained by the Association pursuant to the requirements of the Condominium Declaration, the Mortgagor may deliver to the Mortgagee appropriate certificates or memoranda of such insurance carried by the Association rather than the actual policies. All insurance policies shall contain a provision requiring at least thirty (30) days notice to the Mortgagee prior to any cancellation or modification of such policies. Mortgagor shall not permit any condition to exist on or with respect to the Premises which would wholly or partially invalidate any insurance.

The Mortgagor shall not take out separate insurance concurrent in form or contributing in the event of loss with that required hereunder unless the Mortgagee is included under a standard mortgage clause acceptable to the Mortgagee, with loss payable to Mortgagee. The Mortgagor shall immediately notify the Mortgagee whenever any separate insurance is taken out and shall promptly deliver to the Mortgagee any policies or certificates of such insurance.

7. Deposits for Taxes and Insurance Premiums. In order to assure the payment of Taxes and insurance premiums payable with respect to the Premises as and when due and payable:

(a) The Mortgagor shall, if required by the Mortgagee, deposit with the Mortgagee on the first day of each and every month an amount equal to:

(i) One-twelfth (1/12) of the Taxes next to become due upon the Premises; provided that in the case of the first

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such deposit, there shall be deposited in addition an amount which, when added to the aggregate amount of monthly sums next payable under this subparagraph (i), will result in a sufficient reserve to pay the Taxes next becoming due one month prior to the date when such Taxes are, in fact, due and payable; provided, further, that (x) if for any year Taxes are not separately taxed to each Unit Owner, then the Mortgagor shall make the deposits to the Mortgagee pursuant to this clause (i) based on the proportionate share of Taxes on the Condominium attributable to the Tissue Unit pursuant to Section 24(a) of the Condominium Declaration, and (y) in any case, "Taxes on the Premises," as such phrase is used herein, shall include 50% (or such other percentage as provided in Section 24(b) of the Condominium Declaration) of the Taxes allocable to the Common Elements pursuant to Section 24(b) of the Condominium Declaration, plus

(ii) One-twelfth (1/12) of the annual premiums on each policy of insurance upon the Premises, exclusive of premiums on policies of insurance procured and maintained by the Association pursuant to the requirements of the Condominium Declaration; provided that in the case of the first such deposit, there shall be deposited in addition an amount which, when added to the aggregate amount of monthly sums next payable under this subparagraph (ii), will result in a sufficient reserve to pay the insurance premiums next becoming due one month prior to the date when such insurance premiums are, in fact, due and payable.

The amount of such deposits (generally called "Tax and Insurance Deposits") shall be based upon the Mortgagee's reasonable estimate as to the amount of Taxes and insurance premiums next to be payable. All Taxes and Insurance Deposits shall be held by the Mortgagee without any allowance of interest.

(b) The aggregate of the monthly Tax and Insurance Deposits shall be paid in a single payment each month.

(c) The Mortgagee will, out of the Tax and Insurance Deposits, upon the presentation to the Mortgagee by the Mortgagor of the applicable insurance or tax bills or statements received from the Association specifying the Mortgagor's share of Taxes, pay the insurance premiums (other than upon insurance policies maintained by the Association) and Taxes (or will pay such amount to the Association, as the case may be) or will, upon the presentation of receipted bills, reimburse the Mortgagor for such payments made by the Mortgagor. If the total Tax and Insurance Deposits on hand



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shall not be sufficient to pay all of the Taxes and insurance premiums when they shall become due and if the Mortgagor is required to make deposits to the Mortgagee for such Taxes or insurance premiums, as the case may be, pursuant to clause (a) above, then the Mortgagor shall pay to the Mortgagee on demand any amount necessary to make up the deficiency. If the total of such Deposits exceeds the amount required to pay such Taxes and insurance premiums, such excess shall be credited on subsequent payments to be made for such Deposits.

(d) Upon the occurrence of an Event of Default, the Mortgagee may, at its option, apply any Tax and Insurance Deposits on hand to any of the Secured Indebtedness or any other Liabilities (as defined in the Loan Agreement), in such order and manner as the Mortgagee may elect. When the Secured Indebtedness and all other Liabilities have been fully paid, then any remaining Tax and Insurance Deposits shall be paid to the Mortgagor. All Tax and Insurance Deposits are hereby pledged as additional security for the Secured Indebtedness, and shall be held by the Mortgagee to be irrevocably applied for the purposes as herein provided, and shall not be subject to the direction or control of the Mortgagor.

(e) Notwithstanding anything herein contained to the contrary, neither the Banks nor the Mortgagee or its loan servicing agent, or their respective successors and assigns, shall be liable for any failure to apply to the payment of Taxes and insurance premiums any amounts deposited as Tax and Insurance Deposits unless the Mortgagor, while no Event of Default has occurred and is continuing hereunder, shall have requested the Mortgagee in writing, with reasonable advance notice, to make application of such Deposits on hand to the payment of the particular Taxes or insurance premiums, accompanied by the bills therefor. Neither the Banks nor the Mortgagee or its loan servicing agent shall be liable for any act or omission taken in good faith or pursuant to the instructions of any party.

8. Proceeds of Insurance. The Mortgagor will give the Mortgagee prompt notice of any damage to or destruction of the Premises, and:

(a) In case of loss covered by policies of insurance, the Mortgagee (or, after entry of decree of foreclosure, the purchaser at the foreclosure sale or decree creditor, as the case may be) is hereby authorized at its option, but subject to the provisions of the Condominium Declaration, either (i) to settle and adjust any claim under such policies without the consent of the Mortgagor, or (ii) allow the Mortgagor to agree with the insurance company or companies on the amount to be paid upon the loss. In any case the Mortgagee shall, and is

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hereby authorized, subject to the provisions of the Condominium Declaration, to collect and receipt for any such insurance proceeds. The expenses incurred by the Mortgagee in the adjustment and collection of insurance proceeds, and all expenses incurred by the Mortgagee in the adjustment and collection of insurance proceeds pursuant to Section 8(a) of the Mortgagee's Senior Mortgage, shall be additional Secured Indebtedness, and shall be reimbursed to the Mortgagee upon demand.

(b) In the event of insured damage to or destruction of the Premises or any part thereof (herein called an "Insured Casualty"), and if, (i) in the reasonable judgment of the Mortgagee, the Premises can be restored to an economic unit not less valuable than prior to the Insured Casualty, and adequately securing the outstanding balance of the Secured Indebtedness and all other Liabilities, or (ii) the Mortgagor is required to restore such damage or destruction pursuant to Section 19 of the Condominium Declaration, then, if no Event of Default shall have occurred and be then continuing, the proceeds of insurance policies maintained by the Mortgagor, and, pursuant to the Condominium Declaration, the proceeds of any insurance policies covering any portion of the Premises and maintained by the Association pursuant to the Condominium Declaration, shall be applied to finance the cost of restoring, repairing, replacing or rebuilding the Premises or part thereof subject to Insured Casualty, as provided in Paragraph 9. The Mortgagor covenants and agrees forthwith to commence and diligently to prosecute such restoring, repairing, replacing or rebuilding. The Mortgagor shall pay all costs of such restoring, repairing, replacing or rebuilding in excess of the net proceeds of insurance.

(c) Except as provided in Subsection (b) of this Paragraph and subject to the provisions of Paragraph 9, the Mortgagee may apply the proceeds of insurance consequent upon any Insured Casualty to the Secured Indebtedness and, pursuant to the Mortgagee's Senior Mortgage, any other Liabilities, in such order or manner as the Mortgagee may elect.

(d) In the event that proceeds of insurance, if any, shall be made available to the Mortgagor for the restoring, repairing, replacing or rebuilding of the Premises, the Mortgagor hereby covenants to restore, repair, replace or rebuild the same, to be of at least equal value, and of substantially the same character as prior to the Insured Casualty. The Mortgagee may require that all plans and specifications for such restoration or repair be submitted to and approved by the Mortgagee in writing prior to commencement of the work. Such work is to comply with such plans and specifications approved by the Mortgagee.

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9. Disbursement of Insurance Proceeds. In the event that the Mortgagor shall become entitled, under Section 19(c) of the Condominium Declaration, to have insurance proceeds held by the Insurance Trustee (as defined in the Condominium Declaration) applied to the repair of the Premises (or any portion thereof), then the Mortgagor shall cause any such disbursement by the Insurance Trustee to be made to the Mortgagee, and the Mortgagee shall disburse such insurance proceeds pursuant to this Section 9. In the event that any insurance proceeds held by the Mortgagee are, pursuant to Section 8 above, to be disbursed to finance the restoration, repair, replacement or rebuilding of any portion of the Premises, or that any insurance proceeds held by the Insurance Trustee (as defined in Section 19 of the Condominium Declaration) are disbursed by the Insurance Trustee to the Mortgagee for the financing of such restoration, repair replacement or rebuilding, then such proceeds held by the Mortgagee shall be disbursed from time to time for the Mortgagee being furnished with (i) evidence satisfactory to it of the estimated cost of completion of the restoration, repair, replacement and rebuilding, (ii) funds (or assurances satisfactory to the Mortgagee that such funds are available) sufficient in addition to the proceeds of insurance, to complete the proposed restoration, repair, replacement and rebuilding and (iii) such architect's certificates, waivers of lien, contractor's sworn statements, title insurance endorsements, plats of survey and such other evidences of cost, payment and performance as the Mortgagee may reasonably require and approve. The Mortgagee may, in any event, require that all plans and specifications for such restoration, repair, replacement and rebuilding be approved by the Mortgagee prior to commencement of work. No payment made prior to the final completion of the restoration, repair, replacement and rebuilding shall exceed ninety percent (90%) of the value of the work performed from time to time. Funds other than proceeds of insurance shall be disbursed prior to disbursement of such proceeds. At all times the undisbursed balance of such proceeds remaining in the hands of the Mortgagee, together with funds deposited for that purpose or irrevocably committed to the satisfaction of the Mortgagee by or on behalf of the Mortgagor for that purpose, shall be at least sufficient in the reasonable judgment of the Mortgagee to pay for the cost of completion of the restoration, repair, replacement or rebuilding, free and clear of all liens or claims for lien. Any surplus which may remain out of insurance proceeds held by the Mortgagee after payment of such costs of restoration, repair, replacement or rebuilding shall, at the option of the Mortgagee, be applied on account of the Secured Indebtedness or, pursuant to the Mortgagee's Senior Mortgage, the other Liabilities (or both), then most remotely to be paid, or be paid to any other party entitled thereto. No interest shall be allowed to the Mortgagor on account of any proceeds of insurance or other funds held in the hands of the Mortgagee, unless the amount thereof so held by Mortgagee

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exceeds \$500,000 and Mortgagor agrees to pay reasonable investment fees and administrative costs of Mortgagee related thereto.

Notwithstanding any terms or provisions to the contrary contained in this Paragraph 9, with respect to the proceeds of insurance policies maintained, pursuant to the requirements of the Condominium Declaration, by the Association, the disbursement of such proceeds shall be governed by Section 19 of the Condominium Declaration, and the Mortgagor and the Mortgagee agree that any disbursements of the proceeds of such policies are to be made by the Insurance Trustee (as defined in the Condominium Declaration) pursuant to the terms, conditions and provisions of the Condominium Declaration; provided, however, that (a) any surplus of monies in a Construction Fund (as defined in the Condominium Declaration) to be distributed pursuant to the last sentence of Section 19(a) of the Condominium Declaration shall be paid directly to the Mortgagee and applied as set forth in the preceding grammatical paragraph of this Paragraph 9, (b) any insurance proceeds held by the Insurance Trustee and to be disbursed to the Mortgagor pursuant to Section 19(c) of the Condominium Declaration shall be disbursed, instead, to the Mortgagee, and such proceeds so disbursed to the Mortgagee shall be disbursed by the Mortgagee pursuant to the first grammatical paragraph of this Section 9, (c) if a vote is to be taken of the Unit Owners pursuant to Section 19(d)(iii) of the Condominium Declaration, the Mortgagor shall give to the Mortgagee prompt advance written notice thereof, and the Mortgagor shall cast its vote only as directed in writing by the Mortgagee, and (d) if circumstances arise such that the Mortgagor is entitled, pursuant to Section 19(e) of the Condominium Declaration, to elect not to Repair (as defined therein) the Tissue Unit, then the Mortgagor shall promptly notify the Mortgagee thereof in writing, and shall make such election only as the Mortgagee shall direct in writing.

10. Condemnation. The Mortgagor hereby assigns, transfers and sets over unto the Mortgagee the entire proceeds of any award or claim for damages for any of the Premises taken or damaged under the power of eminent domain or by condemnation including any payments made in lieu of and/or in settlement of a claim or threat of condemnation. The Mortgagee may elect to apply the proceeds of the award upon or in reduction of the Secured Indebtedness then most remotely to be paid, whether due or not, or require the Mortgagor to restore or rebuild the Premises, in which event, the proceeds shall be held by the Mortgagee and used to reimburse the Mortgagor for the cost of such rebuilding or restoring. If, in the reasonable judgment of the Mortgagee, the Premises can be restored to an economic unit not less valuable than the same was prior to the condemnation and adequately securing the outstanding balance of the Secured Indebtedness and the other Liabilities, the award shall be used to reimburse the Mortgagor for the cost of restoration and rebuilding; provided always, that no Event of Default has occurred and is then continuing. If the Mortgagor is required or permitted

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to rebuild or restore the Premises, such rebuilding or restoration shall be effected solely in accordance with plans and specifications previously approved by the Mortgagee. Proceeds of the award shall be paid out in the same manner as provided in Paragraph 9 for the payment of insurance proceeds towards the cost of rebuilding or restoration. If the amount of such award is insufficient to cover the cost of rebuilding or restoration, the Mortgagor shall pay such costs in excess of the award, before being entitled to reimbursement out of the award. Any surplus which may remain out of the award after payment of such costs of rebuilding or restoration shall, at the option of the Mortgagee, be applied on account of the Secured Indebtedness and the other Liabilities, then most remotely to be paid, or be paid to any other party entitled thereto. No interest shall be allowed to the Mortgagor on account of any award held by the Mortgagee.

11. Mortgage and Stamp Tax. If, by the laws of the United States of America, or of any state or municipality having jurisdiction over the Mortgagor or the Premises, any tax is used or becomes due in respect of the Loans or the granting or recording of this Mortgage, the Mortgagor shall pay such tax in the required manner. The Mortgagor further agrees to reimburse the Mortgagee for any sums which the Mortgagee may expend by reason of the imposition of any such tax.

12. Effect of Extensions of Time and Amendments on Junior Liens and Others. If the payment of the Secured Indebtedness, or any part thereof, is extended or varied, or if any part of the security therefor is released, all persons now or at any time hereafter liable, or interested in the Premises, shall be held to assent to such extension, variation or release. Their liability, and the lien, and all provisions hereof, shall continue in full force and effect. The right of recourse against all such persons is expressly reserved by the Mortgagee, notwithstanding any such extension, variation or release. Any person, firm or corporation taking a junior mortgage, or other lien upon the Premises or any interest therein, shall take such lien subject to the rights of the Mortgagee to amend, modify and supplement this Mortgage, the Loans, the Loan Agreement, and the Assignment herein referred to, and to extend the maturity of the Secured Indebtedness, in each and every case without obtaining the consent of the holder of such junior lien and without the lien of this Mortgage losing its priority over the rights of any such junior lien.

13. Mortgagee's Performance of Mortgagor's Obligations. If an Event of Default (defined below) shall occur and continue, the Mortgagee, either before or after accelerating the Secured Indebtedness or foreclosing the lien and during the period of redemption, if any, may, but shall not be required to, make any payment or perform any act required of the Mortgagor (whether or not the Mortgagor is personally liable therefor) in any form and

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manner deemed expedient by the Mortgagee. The Mortgagee may, but shall not be required to, (i) make full or partial payments of principal or interest on prior encumbrances, if any, (ii) purchase, discharge, compromise or settle any tax lien or other prior lien or title or claim thereof, or redeem from any tax sale or forfeiture affecting the Premises or contest any tax or assessment, (iii) complete construction, furnishing and equipping of the improvements upon the Premises, and (iv) rent, operate and manage the Premises and pay operating costs and expenses, including management fees, of every kind and nature in connection therewith, so that the Premises shall be operational and usable for their intended purposes. All monies so paid and all connected expenses, including attorneys' fees and other monies advanced by the Mortgagee to protect the Premises and the lien, to complete construction, furnishing and equipping or to rent, operate and manage the Premises or to pay any such operating costs and expenses or to keep the Premises operational and usable (along with all such amounts advanced for such purposes under Section 13 of the Mortgagee's Senior Mortgage) shall be additional Secured Indebtedness, whether or not they exceed the amount of the Notes and shall become immediately due and payable without notice, and with interest thereon at the rate specified in the Loan Agreement. Inaction of the Mortgagee shall never be considered as a waiver of any right accruing to it as a result of the occurrence of an Event of Default. The Mortgagee, in making any payment hereby authorized (a) relating to Taxes, may do so according to any bill, statement or estimate, without inquiry into the validity of any tax, assessment, sale, forfeiture, tax lien or title or claim thereof; (b) relating to the purchase, discharge, compromise or settlement of any other prior lien, may do so without inquiry as to the validity or amount of any claim for lien which may be asserted; or (c) relating to the completion of construction, furnishing or equipping of the improvements or the rental, operation or management of the Premises or the payment of operating costs and expenses thereof, the Mortgagee may do so in such amounts and to such persons as the Mortgagee may deem appropriate and may enter into such contracts as the Mortgagee may deem appropriate or may perform the same itself.

14. Inspection of Premises and Records. The Mortgagee shall have the right to inspect the Premises and all books, records and documents relating thereto at all times during normal business hours.

15. Uniform Commercial Code. This Mortgage constitutes a Security Agreement under the Uniform Commercial Code of the State of Illinois (herein called the "Code") with respect to (and the Mortgagor hereby grants a security interest in) any part of the Premises which may or might now or hereafter be fixtures other than real estate (all for the purposes of this Paragraph call "Collateral"). All of the terms, provisions, conditions and agreements contained in this Mortgage apply to the Collateral as

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fully as to any other property comprising the Premises. The following provisions shall not limit the generality or applicability of any other provision of this Mortgage but shall be additional:

(a) The Mortgagor (being the "Debtor" as that term is used in the Code) is and will be the true and lawful owner of the Collateral, subject to no liens, charges or encumbrances other than the lien hereof or as expressly permitted under the Loan Agreement.

(b) The Collateral is to be used by the Mortgagor solely for business purposes, being installed upon the Premises for the Mortgagor's own use.

(c) The Collateral will be kept at the Real Estate, and will not be removed without the consent of the Mortgagee (being the Secured Party as that term is used in the Code). The Collateral may be affixed to the Real Estate but not to any other real estate.

(d) The only persons having any interest in the Premises are the Mortgagor and the Mortgagee and lessee(s) under the lease(s) identified in the Assignment, except for (x) the interests of the Association and the Unit Owner of the Paper Unit in the Common Elements pursuant to the Condominium Declaration, and (y) the interests of the holder of the Indemnity Mortgage on Tissue Unit (as defined in Exhibit B attached hereto) pursuant to said Indemnity Mortgage on Tissue Unit.

(e) No Financing Statement covering any of the Collateral or any proceeds is on file in any public office except pursuant hereto or the Loan Agreement or the Indemnity Mortgage on Tissue Unit Documents (as defined in Section 37 hereof). The Mortgagor will at its own cost and expense, upon demand, furnish to the Mortgagee such further information and will execute and deliver to the Mortgagee such financing statements and other documents in form satisfactory to the Mortgagee and will do all such acts and things as the Mortgagee may at any time or from time to time reasonably request or as may be necessary or appropriate to establish and maintain a perfected security interest in the Collateral as security for the Secured Indebtedness, subject to no adverse liens or encumbrances not permitted by this Mortgage or the Loan Agreement. The Mortgagor will pay the cost of filing the same or filing or recording such financing statements or other documents, and this instrument, in all public offices wherever filing or recording is deemed by the Mortgagee to be necessary or desirable.

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(f) In addition to the Banks' and the Mortgagee's rights under the Loan Agreement, if an Event of Default shall occur and continue, the Mortgagee at its option may declare the Secured Indebtedness to be immediately due and payable, all as more fully set forth in Paragraph 17. Thereupon the Mortgagee shall have the remedies of a secured party under the Code, including, the right to take immediate and exclusive possession of the Collateral, or any part thereof. For that purpose Mortgagee may, so far as the Mortgagor can give authority therefor, with or without judicial process, enter (if this can be done without breach of the peace), upon any place which the Collateral or any part thereof may be situated and remove the same (provided that if the Collateral is affixed to real estate, such removal shall be subject to the conditions stated in the Code). The Mortgagee shall be entitled to hold, maintain, preserve and prepare the Collateral for sale, until disposed of, or may propose to retain the Collateral subject to the Mortgagor's right of redemption in satisfaction of the Mortgagor's obligations, as provided in the Code. The Mortgagee without removal may render the Collateral unusable and dispose of the Collateral on the Premises. The Mortgagee may require the Mortgagor to assemble the Collateral and make it available to the Mortgagee for its possession at a place to be designated by the Mortgagee which is reasonably convenient to both parties. The Mortgagee will give the Mortgagor at least ten (10) days' notice of the time and place of any public sale thereof or of the time after which any private sale or any other intended disposition thereof is made. Notice of sale, if mailed, shall be deemed reasonably and properly given if mailed at least ten (10) days before the time of sale or disposition, by registered or certified mail, postage prepaid, addressed to the Mortgagor at the address shown below. The Mortgagee may buy at any public sale and if the Collateral is of a type customarily sold in a recognized market or is of a type which is the subject of widely distributed standard price quotations, the Mortgagee may buy at private sale. Any such sale may be held as part of and in conjunction with any foreclosure sale of the Real Estate comprised within the Premises, the Collateral and Real Estate to be sold as one lot if the Mortgagee so elects. The net proceeds realized upon any such disposition, after deduction for the expenses of retaking, holding, preparing for sale, selling or the like and the reasonable attorneys' fees and legal expenses incurred by the Mortgagee, shall be applied against the Secured Indebtedness and all other Liabilities. The Mortgagee will account to the Mortgagor for any surplus realized on such disposition.

(g) Mortgagee's remedies under this Paragraph, the Code and the Loan Agreement are cumulative and the exercise of any



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one or more of the remedies provided shall not be construed as a waiver of any of the other remedies, including having the Collateral deemed to be a part of the Real Estate upon any foreclosure thereof.

(h) The terms and provisions contained in this Paragraph shall, unless the context otherwise requires, have the meanings and be construed as provided in the Code.

(i) This Mortgage is intended to be a financing statement within the purview of Section 9-402(6) of the Code with respect to the Collateral. The addresses of the Mortgagor and the Mortgagee are set forth below. This Mortgage is to be filed for record with the Recorder of Deeds of the County or Counties where the Real Estate is located.

16. A. Restrictions on Transfer. The Mortgagor shall not, without Mortgagee's prior written consent, create, effect, contract for, consent to, suffer or permit any "Prohibited Transfer". Any conveyance, sale, assignment, transfer, lien, pledge, mortgage, security interest or other encumbrance or alienation (or any agreement to do any of the foregoing) of any of the following properties, rights or interests which occurs, is granted, attempted or effectuated without the prior written consent of the Mortgagee shall constitute a "Prohibited Transfer":

(a) the Premises or any part thereof or interest therein, and in the event title to the Premises shall be held by a land trustee, any interest in or to the beneficial interest in such trust, excepting only sales or other dispositions of Collateral (herein called "Obsolete Collateral") no longer useful in connection with the operation of the Premises, provided that prior to the sale or other disposition thereof, such Obsolete Collateral has been replaced by Collateral of at least equal value and utility which is subject to the lien hereof with the same priority as with respect to the Obsolete Collateral;

(b) all or any part of the partnership or joint venture interest, as the case may be, of any Mortgagor or any direct or indirect beneficiary of a Trustee Mortgagor if the Mortgagor or such beneficiary is a partnership or a joint venture;

In each case whether any such conveyance, sale, assignment, transfer, lien, pledge, mortgage, security interest, encumbrance or alienation is effected directly, indirectly, voluntarily or involuntarily, by operation of law or otherwise. The foregoing provisions of this Paragraph shall not apply (i) to liens securing the Secured Indebtedness or the other Liabilities, (ii) to the lien of current taxes and assessments not in default, or (iii) to any

transfers of the Premises, or part thereof, or interest therein, or any beneficial interests, or shares of stock or partnership or joint venture interests, as the case may be, by or on behalf of an owner thereof who is deceased or declared judicially incompetent, to such owner's heirs, legatees, devisees, executors, administrators, estate or personal representatives. In the event of a Prohibited Transfer, the Mortgagee may declare the Secured Indebtedness immediately due and payable, together with interest and Additional Interest (if any) as provided in the Loan Agreement and in the Notes.

16. B. Compliance With Condominium Declaration. The Mortgagor will at all times comply, and will cause the Premises and the use and occupancy thereof to comply, with the provisions of the Condominium Declaration and the Condominium Instruments and any rules or regulations adopted from time to time by the Association (the "Condominium Rules"). Without limiting the generality of the foregoing, the Mortgagor shall pay or cause to be paid before delinquent, its proportionate share of Common Expenses (as defined in the Condominium Declaration) and any other amount assessed against the Premises or otherwise owing by the Mortgagor under the Condominium Declaration or the Condominium Instruments or the Condominium Rules. The Mortgagor shall furnish to the Mortgagee promptly upon receipt by the Mortgagor copies of any notice of default or noncompliance under the Condominium Declaration or Condominium Instruments.

Mortgagor shall not, except with the prior written consent of the Mortgagee, (a) institute any action or proceeding for partition of the property of which the Premises are a part; (b) vote for or consent to any modification or waiver of, amendment or supplement to or relaxation in the enforcement of, any provision of the Condominium Declaration or Condominium Instruments; and (c) in the event of damage to or destruction of the property of which the Premises are a part, vote in opposition to a motion to repair, restore or rebuild.

## DEFAULTS AND REMEDIES

17. Events of Default. The following constitute "Events of Default":

(a) A default shall be made in the due and punctual payment of the Loans, any other Liabilities or Secured Indebtedness or any installment thereof, either principal or interest (including Additional Interest), or a default shall be made in the making of any payment of monies required to be made hereunder or under the Loan Agreement, which default remains uncured after the giving of any notice and the expiration of any grace period provided for in the Loan Agreement; or

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- (b) A Prohibited Transfer shall occur; or
- (c) A default shall occur and be continuing under the provisions of Paragraph 25, or under the Assignment referred to in that Paragraph; or
- (d) An Event of Default shall occur under the Loan Agreement, or under the Mortgagee's Senior Mortgage; or
- (e) A Default shall occur under the Security Agreement, or any default shall occur under the Collateral Assignment; or
- (f) Any default or breach by the Mortgagor shall occur under the Condominium Declaration or any of the Condominium Instruments after the giving of any required notice and the expiration of any applicable grace or cure period; or
- (g) Any default shall occur under the Indemnity Mortgage on Tissue Unit or any of the Indemnity Mortgage on Tissue Unit Documents, or the holder of the Indemnity Mortgage on Tissue Unit shall give notice thereof to the Mortgagee.
- (h) Mortgagor shall commit a default in the due and punctual performance or observance of any other agreement or condition herein and such default remains uncured 30 days after notice thereof given to Mortgagor, provided that if such default cannot be cured within said thirty (30) day period, such default shall not be deemed an Event of Default hereunder so long as Mortgagor has commenced and is diligently proceeding to cure said default and, in any event, said default is cured no later than 180 days after said notice; or
- (i) The Premises shall be abandoned; or
- (j) Mortgagor's title to its interest in the Premises or any substantial part thereof shall become the subject of litigation which would or might, in the Mortgagee's opinion, upon final determination result in substantial impairment or loss of the security provided by this instrument and upon notice by the Mortgagee to the Mortgagor such litigation is not dismissed within thirty (30) days of such notice; or
- (k) This Mortgage shall not constitute a valid lien on and security interest in the Premises, or if such lien and security interest shall not be perfected; or
- (l) Mortgagor, its general partner (the "General Partner") or any beneficiary of or person in control of Mortgagor, shall: (i) file a voluntary petition in bankruptcy, insolvency, debtor relief or for arrangement, reorganization or other relief under the Federal Bankruptcy

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Act or any similar state or federal law; (ii) consent to or suffer the appointment of or taking possession by a receiver, liquidator, or trustee (or similar official), of the Mortgagor or for any part of the Property or any substantial part of the Mortgagor's other property; (iii) make any assignment for the benefit of Mortgagor's creditors; (iv) fail generally to pay Mortgagor's debts as they become due; or (v) a court having jurisdiction shall enter a decree or order for relief in respect of Mortgagor in any involuntary case brought under any bankruptcy, insolvency, debtor relief, or similar law; or

(m) All or a substantial part of Mortgagor's assets are attached, seized, subjected to a writ or distress warrant, or are levied upon; or

(n) If Mortgagor is other than a natural person or persons, (i) the dissolution or termination of existence of Mortgagor, voluntarily or involuntarily, whether by reason of death of a partner of Mortgagor or otherwise, (ii) the amendment or modification in any respect of Mortgagor's articles or agreement of partnership or its corporate resolutions or its articles of incorporation or bylaws that would affect Mortgagor's performance of its obligations under the Notes, this Mortgage or the other Documents; or

(o) Any representation or warranty made by the Mortgagor, its General Partner or any director or shareholder thereof, individually or on behalf of the Mortgagor, or any of them, or their respective agents in the Notes, this Mortgage or any of the other Documents, or in any other agreement, instrument, certificate or statement contemplated hereby or thereby, or made or delivered pursuant hereto or thereto or in connection herewith or therewith, shall be breached or violated, or prove to be false, misleading or inaccurate, in any material respect; or

(p) There shall be a material adverse change in the financial condition of the Mortgagor, or any other obligor; or

(q) The Mortgagor, or its General Partner thereof shall default under any other instrument or document which, with the consent of the Mortgagee, is hereafter secured by, or creates, a lien or encumbrance against the Premises.

Upon the occurrence of an Event of Default, the Mortgagee is authorized and empowered, at its option, without affecting the lien or the priority of the lien or any rights to declare, without further notice, all Secured Indebtedness to be immediately due and payable, whether or not such default be thereafter remedied by the Mortgagor. The Mortgagee may immediately proceed to foreclose this



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Mortgage or to exercise any right, power or remedy provided by this Mortgage, the Loan Agreement, the Assignment or by law or equity. Compliance with and performance of the terms and provisions of this Mortgage shall not in any manner impair or affect the rights of the Mortgagee or the Banks to demand payment of the Loans and the other Indebtedness and Liabilities at any time in accordance with the Loan Agreement.

18. Possession by Mortgagee. When the Secured Indebtedness shall become due, whether by acceleration or otherwise, and is not timely paid and performed in full, the Mortgagee shall, if applicable law permits, have the right to enter into and upon the Premises and take possession thereof or to appoint an agent or trustee for the collection of the rents, issues and profits of the Premises. The net income, after allowing a reasonable fee for the collection thereof and for the management of the Premises, may be applied to the payment of Taxes, insurance premiums and other charges applicable to the Premises, or in reduction of the Secured Indebtedness. The rents, issues and profits of and from the Premises are specifically pledged to the payment of the Secured Indebtedness.

To the full extent not prohibited by applicable law, Mortgagee may:

(a) hold, operate, manage, and control all or any part of the Premises and conduct the business thereof, either personally or by its agents. Mortgagee shall have full power to use such measures, legal or equitable, as it in its discretion may deem proper or necessary to enforce the payment or security of the rents, issues, deposits, profits, and avails of the Premises, including actions for recovery of rent, actions in forcible detainer, and actions in distress for rent, all without notice to Mortgagor;

(b) cancel or terminate any lease or sublease of all or any part of the Premises for any cause or on any ground that would entitle Mortgagor to cancel the same;

(c) elect to disaffirm any lease or sublease of all or any part of the Premises made subsequent to this Mortgage or subordinated to the lien hereof;

(d) extend or modify any then existing leases in accordance therewith and make new leases of all or any part of the Premises. Such extensions, modifications, and new leases may provide for terms, or for options to lessees to extend or renew terms, beyond the maturity date of the loan evidenced by the Notes and the issuance of a deed or deeds to a purchaser or purchasers at a foreclosure sale. Any such leases, and the options or other provisions therein, shall be binding upon

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Mortgagor, all persons whose interests in the Premises are subject to the lien of this Mortgage, and the purchaser or purchasers at any foreclosure sale, notwithstanding any redemption from sale, discharge of the Secured Indebtedness, satisfaction of any foreclosure decree, or issuance of any certificate of sale or deed to any such purchaser; and

(e) make all necessary or proper repairs, decoration, renewals, replacements, alterations, additions, betterments, and improvements in connection with the Premises as may seem judicious to Mortgagee, to insure and reinsure the Premises and all risks incidental to Mortgagee's possession, operation, and management, and to receive all rents, issues, deposits, profits, and avails.

19. Foreclosure. When the Secured Indebtedness, or any part thereof, shall become due, whether following demand for payment of the Loans or otherwise, and is not timely paid and performed in full, the Mortgagee shall have the right to foreclose the lien of this Mortgage. In any suit to foreclose the lien, there shall be allowed and included as additional Secured Indebtedness in the decree of sale, all expenditures and expenses which may be paid or incurred by or on behalf of the Mortgagee for attorneys' fees, appraiser's fees, outlays for documentary and expert evidence, stenographer's charges, publication costs, and costs (which may be estimated as to items to be extended after entry of the decree) of procuring all such abstracts of title, title searches and examinations, title insurance policies, and similar data and assurance with respect to title, as the Mortgagee may deem reasonably necessary either to prosecute such suit or to evidence to bidders at sales which may be had pursuant to such decree, the true conditions of the title to or the value of the Premises. All such expenditures and expenses and such other expenses and fees as may be incurred in the protection of the Premises and the maintenance of the lien of this Mortgage, including the fees of any attorney employed by the Mortgagee in any litigation or proceedings affecting this Mortgage, the Loans, the Loan Agreement, or the Premises, including probate and bankruptcy proceedings, or in preparation of the commencement or defense of any proceedings or threatened suit or proceeding, shall be additional Secured Indebtedness and shall be immediately due and payable by the Mortgagor, with interest at the rate set forth in the Loan Agreement until paid.

In any suit to foreclose the lien of the Mortgagee's Senior Mortgage, all of the following amounts incurred in connection with such foreclosure shall constitute additional Secured Indebtedness hereunder: all expenditures and expenses which may be paid or incurred by or on behalf of the Mortgagee for attorneys' fees, appraiser's fees, outlays for documentary and expert evidence, stenographer's charges, publication costs, and costs (which may be

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estimated as to items to be extended after entry of the decree of foreclosure) of procuring all such abstracts of title, title searches and examinations, title insurance policies, and similar data and assurance with respect to title, as the Mortgagee may deem reasonably necessary either to prosecute such suit or to evidence to bidders at sales which may be had pursuant to such decree, the true conditions of the title to or the value of the collateral secured by the Mortgagee's Senior Mortgage. All such expenditures and expenses and such other expenses and fees as may be incurred in the protection of the collateral secured by the Mortgagee's Senior Mortgage and the maintenance of the lien of the Mortgagee's Senior Mortgage including the fees of any attorney employed by the Mortgagee in any litigation or proceedings affecting the Mortgagee's Senior Mortgage, the indebtedness and obligations secured thereby, or the collateral secured thereby, including probate and bankruptcy proceedings, or in preparation of the commencement or defense of any proceedings or threatened suit or proceeding, shall be additional Secured Indebtedness and shall be immediately due and payable by the Mortgagor, with interest at the rate set forth in the Loan Agreement until paid.

20. Receiver. Upon, or at any time after, the filing of a complaint to foreclose this Mortgage, the court in which such complaint is filed may appoint a receiver of the Premises. Such appointment may be made either before or after sale, without notice or bond, without regard to the solvency or insolvency of the Mortgagor at the time of application for such receiver, and without regard to the then value of the Premises or whether the same shall be then occupied as a homestead or not. The Mortgagee or any employee or agent may be appointed as such receiver. Such receiver shall have the power to collect the rents, issues and profits of the Premises during the pendency of such foreclosure suit and, in case of a sale and deficiency, during the full statutory period of redemption, if any, whether there be a redemption or not, as well as during any further times when the Mortgagor or its successors and assigns, would be entitled except for the intervention of such receiver, to collect such rents, issues and profits and all other powers which may be necessary or are usual in such cases for the protection, possession, control, management and operation of the Premises during the whole of said period. The court may, from time to time, authorize the receiver to apply the net income from the Premises in his hands in payment in whole or in part of:

(a) The Secured Indebtedness or any other Liabilities or the indebtedness secured by a decree foreclosing this Mortgage, or any tax, special assessment, or other lien which may be or become superior to the lien hereof or of such decree, provided such application is made prior to the foreclosure sale; or

(b) The deficiency in case of a sale and deficiency.

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21. Proceeds of Foreclosure Sale. The proceeds of any foreclosure sale of the Premises shall be distributed and applied in the following order of priority: First, on account of all costs and expenses incident to the foreclosure proceedings, including all such items mentioned in the first grammatical paragraph of Paragraph 19. Second, all other items which constitute Secured Indebtedness additional to the Loans, with interest on such items as provided. Third, to interest (including Additional Interest) remaining unpaid upon the Loans. Fourth, to the principal remaining unpaid upon the Loans. Fifth, any surplus to the Mortgagor, and its successors or assigns, as their rights may appear.

Subject to the rights, if any, of the Association (as defined in the Loan Agreement) with respect to the lien of unpaid Common Charges (as defined in the Condominium Declaration) and to all assessments for Common Expenses or Unit Expenses (as such terms are defined in the Condominium Declaration) which shall become due and are unpaid, the excess of the proceeds of any foreclosure sale of the collateral secured by the Mortgagee's Senior Mortgage over the L/C Liabilities shall be distributed and applied in the following order of priority: First, on account of all costs and expenses incident to the foreclosure proceedings with respect to the Mortgagee's Senior Mortgage, including all such items mentioned in the second grammatical paragraph of Paragraph 19. Second, all other items which constitute Secured Indebtedness hereunder additional to the Loans, with interest on such items as provided. Third, to interest (including Additional Interest) remaining unpaid upon the Loans. Fourth, to the principal remaining unpaid upon the Loans. Fifth, any surplus to the Mortgagor, and its successors or assigns, as their rights may appear.

22. Insurance Upon Foreclosure. In case of an insured loss after foreclosure proceedings have been instituted, the proceeds of any insurance policy or policies, if not applied in rebuilding or restoring the buildings or improvements, shall be used to pay the amount due in accordance with any decree of foreclosure that may be entered. The balance, if any, shall be paid to the parties entitled thereto as the court may direct. In the case of foreclosure of this Mortgage, the court, in its decree, may provide that the mortgagee's clause attached to each of the casualty insurance policies may be cancelled and that the decree creditors may cause a new loss clause to be attached to each casualty insurance policy making the loss payable to said decree creditors. Any such foreclosure decree may further provide that in case of one or more redemptions, each and every successive redemtor may cause the preceding loss clause attached to each casualty insurance policy to be cancelled and a new loss clause to be attached making the loss payable to such redemtor. In the event of foreclosure sale, the Mortgagee is authorized, without the consent of the Mortgagor, to assign any and all insurance policies to the

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purchaser at the sale, or to take such other steps as the Mortgagee may deem advisable to cause the interest of such purchaser to be protected by any of the insurance policies without credit or allowance to the Mortgagor for prepaid premiums.

23. Application of Deposits. Upon the occurrence of any Event of Default, Mortgagee may, at its option, apply any monies or securities that constitute deposits made to or held by Mortgagee or any depository pursuant to this Mortgage toward payment of any of Mortgagor's obligations under the Notes, the Mortgage or the Loan Agreement, and all other Liabilities, in such order and manner as Mortgagee may elect. When the Secured Indebtedness and all other Liabilities have been fully paid, any remaining deposits shall be paid to Mortgagor or to the then owner or owners of the Property. Such deposits are pledged as additional security for the prompt payment of the indebtedness evidenced by the Notes and any other Secured Indebtedness and shall be held to be applied irrevocably by such depository for the intended purposes and shall not be subject to the direction or control of Mortgagor.

24. Waiver. The Mortgagor hereby covenants and agrees that it will not at any time insist upon or plead, or in any manner whatsoever claim or take any advantage of, any stay, exemption or extension law or any so-called "Moratorium Law" now or at any time hereafter in force, nor claim, take or insist upon any benefit or advantage of or from any law now or hereafter in force providing for the valuation or appraisal of the Premises, or any part thereof, prior to any sale or sales thereof to be made pursuant to any provisions herein contained, or pursuant to any decree, judgment or order of any court of competent jurisdiction; or after such sale or sales claim or exercise any rights under any statute now or hereafter in force to redeem the property so sold, or any part thereof, or relating to the marshalling thereof, upon foreclosure sale or other enforcement. The Mortgagor hereby expressly waives any and all rights of redemption from sale under any order or decree of foreclosure of this Mortgage, on its own behalf and on behalf of each and every person acquiring any interest in or title to the Premises subsequent to the date hereof. Any and all such rights of redemption of the Mortgagor and of all other persons are and shall be deemed to be waived to the full extent permitted by the provisions of applicable law. The Mortgagor will not invoke or utilize any such law or laws or otherwise hinder, delay or impede the exercise of any right, power or remedy herein or otherwise granted or delegated to the Mortgagee, but will suffer and permit the exercise of every such right, power and remedy as though no such law or laws have been made or enacted. The Mortgagor, for itself and its successors and assigns (a) does hereby waive the application of the doctrines of marshalling of assets and sale in inverse order of alienation with respect to all proceedings to enforce the lien of this Mortgage, and (b) expressly waives and renounces, to the fullest extent

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permitted by law, any and all right to invoke the benefit of any law, now or hereafter adopted, which concerns or requires the Mortgagee to sell the mortgaged Premises in an inverse order of alienation or otherwise requires a marshalling of assets or collateral in connection with any such sale.

## M I S C E L L A N E O U S

25. Assignment of Leases & Rents. As further evidence of the security for the Secured Indebtedness, the Mortgagor shall, upon written request of Mortgagee, execute and deliver to the Mortgagee a separate instrument (herein called the "Assignment") in form prepared by Mortgagee, wherein the Mortgagor shall confirm the assignment contained herein to the Mortgagee all of the rents, issues and profits with respect to the Premises, and any and all leases now or hereafter executed by the Mortgagor, as lessor or landlord, with respect to the Premises. The Mortgagor shall duly perform and observe all of the terms and provisions on its part to be performed and observed under the Assignment. Nothing herein shall be deemed to obligate the Mortgagee to perform or discharge any obligation, duty or liability of the Mortgagor under the Assignment. Mortgagor shall and does hereby indemnify and hold the Mortgagee and the Banks harmless from any and all liability, loss or damage which the Mortgagee or the Banks may or might incur by reason of the Assignment. Any and all such liability, loss or damage incurred by the Mortgagee or the Banks, together with the costs and expenses, including reasonable attorneys' fees, incurred by the Mortgagee or the Banks in the defense of any claims or demands therefor (whether successful or not), shall be so much additional Secured Indebtedness. The Mortgagor shall reimburse the Mortgagee or the Banks, as applicable, therefor on demand, together with interest at the rate set forth in the Loan Agreement from the date of demand to the date of payment.

26. Mortgagee in Possession. Nothing herein constitutes the Mortgagee a mortgagee in possession in the absence of the actual taking of possession of the Premises.

27. Further Assurances. The Mortgagor will do, execute, acknowledge and deliver all and every further acts, deeds, conveyances, transfers and assurances necessary or proper in the sole judgment of the Mortgagee, for the better assuring, conveying, mortgaging, assigning and confirming unto the Mortgagee all property mortgaged hereby, whether now owned by the Mortgagor or hereafter acquired.

28. Covenants Run with Land: Mortgagor's Successors. All covenants of this Mortgage shall run with the land and be binding on any successor owners of the Premises. In the event that the ownership of the Premises becomes vested in a person or persons

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other than the Mortgagor, the Mortgagee may, without notice to the Mortgagor, deal with such successor or successors in interest of the Mortgagor with reference to this Mortgage and the Secured Indebtedness in the same manner as with the Mortgagor. The Mortgagor will give immediate written notice to the Mortgagee of any conveyance, transfer or change of ownership of the Premises, but nothing in this Paragraph shall vary or negate the provisions of Paragraph 16.

29. Rights Cumulative. Each right, power and remedy conferred upon the Mortgagee is cumulative and in addition to every other right, power or remedy, express or implied, given now or hereafter existing, at law or in equity. Each and every right, power and remedy may be exercised from time to time as often and in such order as may be deemed expedient to the Mortgagee. The exercise or the beginning of the exercise of one right, power or remedy shall not be a waiver of the right to exercise at the same time or thereafter any other right, power or remedy. No delay or omission of the Mortgagee in the exercise of any right, power or remedy shall impair any such right, power or remedy, or be construed to be a waiver of any default or an acquiescence.

30. Successors and Assigns. This Mortgage and each and every covenant, agreement and other provision hereof shall be binding upon the Mortgagor and its successors and assigns (including, without limitation, each and every record owner from time to time of the Premises or any other person having an interest therein), and shall inure to the benefit of the Mortgagee and its successors and assigns. Each reference herein to the Mortgagee shall be deemed to include the owner from time to time of the Loans, whether so expressed or not. Each owner of the Loans shall have and enjoy all of the rights, privileges, powers, options and benefits afforded hereby and may fully enforce all terms and provisions.

31. Provisions Severable. The unenforceability or invalidity of any provision or provisions hereof shall not render any other provision or provisions unenforceable or invalid.

32. Time of the Essence. Time is of the essence of the Notes, Loan Agreement, this Mortgage, the Assignment and any other document evidencing or securing the Secured Indebtedness.

33. Captions and Pronouns. The captions and headings of the various sections of this Mortgage are for convenience only, and are not to be construed as confining or limiting in any way the scope or intent of the provisions hereof. Whenever the context requires or permits, the singular shall include the plural, the plural shall include the singular and the masculine, feminine and neuter shall be freely interchangeable.

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34. Notices. Any notice which any party hereto may desire or may be required to give to any other party shall be given as provided in the Loan Agreement, or if not so provided, then shall be in writing, and if mailed, shall be deemed to be given three (3) business days after depositing in the United States mail, by registered or certified mail, postage prepaid and addressed to the Mortgagor or the Mortgagee at its address set forth below, or to such other address as the Mortgagor or the Mortgagee may by notice in writing designate as its address for the purpose of notice hereunder:

(a) If to the Mortgagee:

Continental Bank N.A.  
231 South LaSalle Street  
Chicago, Illinois 60697  
Attn: Barbara A. Hamel

With a copy to:

Mayer, Brown & Platt  
190 South LaSalle Street  
Chicago, Illinois 60603  
Attn: Robert Barnard, Esq.

(b) If to the Mortgagor:

Chicago Tissue Company, L.P.  
13101 South Pulaski Road  
Alsip, Illinois 60658  
Attn: Julius Wajntraub, Vice President

With a copy to:

Shefsky & Froelich Ltd.  
444 North Michigan Avenue  
Chicago, Illinois 60611  
Attn: Kenneth W. Bosworth, Esq.

35. Estoppel Certificate. The Mortgagor shall within ten (10) days of a written request from the Mortgagee furnish the Mortgagee with a written statement, duly acknowledged, setting forth the sums secured by this Mortgage and any right of set-off, counterclaim or other defense which exists against such sums and the obligations of this Mortgage.

36. Release. Upon payment of the Secured Indebtedness, the Mortgagee shall release this Mortgage and the lien hereof. The Mortgagor shall pay the Mortgagee's reasonable costs incurred in releasing this Mortgage.



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## 37. Subordination.

(a) The documents evidencing and securing the Indemnity Mortgage on Tissue Unit (as such term is defined in Exhibit B attached hereto) are referred to herein as the "Indemnity Mortgage on Tissue Unit Documents."

(b) The Mortgagor hereby represents to and covenants with the Mortgagee that:

(i) the Indemnity Mortgage on Tissue Unit Documents and the Condominium Instruments are in full force and effect at the date hereof, and there has not occurred nor is there existing and continuing any default or any event which, with the lapse of time or the giving of notice, or both, would constitute a default under either the Indemnity Mortgage on Tissue Unit Documents or the Condominium Instruments; and

(ii) The Mortgagor shall not, except as expressly permitted by the Mortgagee under the Loan Agreement or the other Documents, or as specifically approved in writing by the Mortgagee, (x) renew, extend or restructure, or suffer or cause to be renewed, extended, or restructured, the indebtedness and obligations evidenced and secured by the Indemnity Mortgage on Tissue Unit Documents, or (y) amend or modify or permit, suffer or cause to be amended or modified, any of the Indemnity Mortgage on Tissue Unit Documents.

(c) The lien and security interest granted to the Mortgagee, the duties and obligations of Mortgagor and the rights, remedies, privileges and elections of the Mortgagee hereunder are subject and subordinate to (i) the lien of the Mortgagee's Senior Mortgage, (ii) the lien of unpaid Common Charges (as defined in the Condominium Declaration) and all assessments for Common Expenses or Unit Expenses (as such terms are defined in the Condominium Declaration) which become due and are unpaid, pursuant to the Condominium Declaration, except to the extent otherwise provided in the Condominium Declaration or in the other Condominium Instruments; and (iii) the lien of the Indemnity Mortgage on Tissue Unit; provided, however, that neither the lien nor security interest granted to the Mortgagee hereunder, nor the duties and obligations of Mortgagor nor the rights, remedies, privileges and elections of the Mortgagee hereunder shall be subject or subordinate to the lien of said Indemnity Mortgage on Tissue Unit if and to the extent that, at any time or from time to time, all of

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the following conditions shall exist: (x) the Premises or any portion thereof is encumbered by a lien or other encumbrance, other than a Permitted Encumbrance and other than an encumbrance in favor of the Mortgagee (a "Third Party Encumbrance"), (y) said Third Party Encumbrance is, at such time, senior in priority to the lien or security interest, or both, of the Indemnity Mortgage on Tissue Unit, and (z) were it not for the subordination set forth in this Section 37, said Third Party Encumbrance would be junior to the lien or security interest, or both, of this Mortgage.

38. Hazardous Waste and Related Matters. Mortgagor represents and warrants that it is currently in compliance with, and covenants and agrees that it will manage and operate and cause its agents and representatives to manage and operate the Premises and will cause each future tenant to occupy its demised portion of the Premises in compliance with all federal, state and local laws, rules, regulations, orders and ordinances regulating health, safety and environmental matters, including, without limitation, air pollution, soil and water pollution, and the use, generation, storage, handling or disposal of Hazardous Material (hereinafter defined) including, without limitation, raw materials, products, supplies, asbestos or polychlorinated biphenyl compounds ("PCBs"). Mortgagor shall send to Mortgagee, within five (5) days of receipt by Mortgagor, any report, citation, notice or other writing by, to or from any governmental or quasi-governmental authority empowered to regulate or oversee any of the foregoing activities. If required pursuant to any of such laws, rules, regulations, orders or ordinances, Mortgagor shall rectify, dispose of or remove from the Premises any Hazardous Materials in a manner consistent with and in compliance with the same and shall pay immediately when due any costs incurred or sustained therefor. Mortgagor shall keep the Premises free of any lien imposed pursuant to said laws, rules, regulations, orders, or ordinances. In the event Mortgagor fails to comply with any of the foregoing within fifteen (15) days after demand by Mortgagee to Mortgagor, Mortgagee may either (i) declare a default under this Mortgage or (ii) cause the removal of the Hazardous Material from the Premises, or both, with the costs of the removal added to the Secured Indebtedness, and shall become due and payable, without notice, and with interest thereon at the Default Rate specified in the Notes. Mortgagor further agrees not to generate, handle, use, store, treat, discharge, release or dispose of any Hazardous Material at the Premises without the express written approval of Mortgagee, except for the use and storage in the Premises of such safe and customary quantities of chemicals and other materials as are reasonably necessary for Mortgagor's normal of the Premises for a tissue mill, but only to the extent that such use and storage and such quantities are permitted by the laws, rules, regulations, codes, orders, decrees, ordinances and other requirements referenced in the first sentence and in the last sentence of this Section 38. Mortgagee shall have

the right at any time to conduct an environmental audit of the Premises and Mortgagor shall cooperate in the conduct of such environmental audit. After the occurrence of a default or an Event of Default, Mortgagor shall give Mortgagee, its agents and employees access to the Premises to remove any Hazardous Material, provided nothing herein shall obligate Mortgagee to take any action to remove any Hazardous Waste. Mortgagor agrees to indemnify, defend with counsel reasonably acceptable to Mortgagee (at Mortgagor's sole cost), and hold Mortgagee free and harmless from and against all losses, liabilities, obligations, penalties, claims, litigation, demands, defenses, costs, judgments, suits, proceedings, damages (including consequential damages), disbursements or expenses of any kind or of any nature whatsoever (including, without limitation, attorneys' and experts' fees and disbursements) which may at any time be imposed upon, incurred by or asserted or awarded against Mortgagee in connection with or arising from or out of the breach of any warranty, covenant or agreement or the inaccuracy of any representation contained or referred to in this subparagraph (a), and any violation by Mortgagor of any of the foregoing laws, regulation, orders or ordinances described in this subparagraph (a). The foregoing indemnification shall survive repayment of the Notes. For the purposes of this Mortgage, "Hazardous Material" shall mean and shall include any hazardous, toxic or dangerous waste, substance or material defined as such in (or for purposes of) the Comprehensive Environmental Response, Compensation, and Liability Act, any so-called "Superfund" or "Superlien" law, ordinance, code, rule, regulation, order, decree or other requirement of any governmental authority regulating, relating to, or imposing liability or standards of conduct concerning, any hazardous, toxic or dangerous waste, substance or material as is now or at any time hereafter may be in effect.

39. Waiver of Jury Trial. MORTGAGOR HEREBY WAIVES ANY RIGHT TO A TRIAL BY JURY IN ANY ACTION OR PROCEEDING TO ENFORCE OR DEFEND ANY RIGHTS (I) UNDER THIS MORTGAGE, THE NOTES, THE LOAN AGREEMENT OR ANY OTHER DOCUMENTS EVIDENCING OR SECURING THE SECURED INDEBTEDNESS OR UNDER ANY AMENDMENT, INSTRUMENT, DOCUMENT OR AGREEMENT DELIVERED OR WHICH MAY IN THE FUTURE BE DELIVERED IN CONNECTION THEREWITH; OR (II) ARISING FROM ANY BANKING RELATIONSHIP EXISTING IN CONNECTION WITH THIS MORTGAGE OR SUCH OTHER DOCUMENTS; AND AGREES THAT ANY SUCH ACTION OR PROCEEDING SHALL BE TRIED BEFORE A COURT AND NOT BEFORE A JURY.

40. Amendment and Restatement. This Mortgage amends and restates the Existing Mortgage; provided, however, that the lien of the Existing Mortgage shall continue in full force and effect, as amended and restated hereby, and the validity, priority and enforceability thereof are hereby acknowledged and reaffirmed by the Mortgagor.

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41. Counterpart Execution. This Mortgage may be executed in several counterparts, each of which shall constitute an original, but all of which together shall constitute one and the same instrument.

42. Applicable Law. This Mortgage shall be governed by, and construed in accordance with, the laws of the State of Illinois.

43. Declaration of Subordination. At the option of Mortgagee, this Mortgage shall become subject and subordinate, in whole or in part (but not with respect to priority of entitlement to insurance proceeds or any condemnation or eminent domain award) to any and all leases of all or any part of the Premises upon the execution by Mortgagee and recording of a unilateral subordination declaration in the appropriate official records of the county in which the Premises are situated.

44. Conflicting Provisions. In the event of a conflict between the provisions of this Mortgage and those of the Loan Agreement or Security Agreement (including provisions relating to notice or waiver thereof) or the Mortgagee's Senior Mortgage, those of the Loan Agreement, Security Agreement and Mortgagee's Senior Mortgage shall govern and prevail over those of this Mortgage.

45. Business Loans. Mortgagor certifies and agrees that the proceeds of the Notes secured by this Mortgage will be held for the purposes specified in Illinois Compiled Statutes, Chapter 815, Act 205, Section 4(1)(c), and that the principal obligation secured hereby constitutes a "business loan" within the definition and purview of that Section.

46. Indemnity. Mortgagor shall indemnify and save Mortgagee and each Bank harmless from and against any and all liabilities, losses, damages, claims, expenses (including attorneys' fees and court costs) which may be imposed on, incurred by or asserted against Mortgagee or such Bank at any time by any third party which relate to or arise from: the Mortgage; any suit or proceeding (including probate and bankruptcy proceedings), or the threat thereof, in or to which Mortgagee or such Bank may or does become a party, either as plaintiff or as a defendant, by reason of this Mortgage or for the purpose of protecting the lien of this Mortgage; the offer for sale or sale of all or any portion of the Premises; or the ownership, use, operation or maintenance of the Premises.

47. Subordination of Leases to Mortgagee. Mortgagee shall have the option to require Mortgagor to cause any or all future leases to the Premises to be subordinated to the Mortgage and to require future tenants to execute whatever instruments are requested by Mortgagee to effect or evidence such subordination.



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48. No Joint Venture. Neither the obligation of the Mortgagor to pay Additional Interest to the Banks pursuant to Section 4.8 of the Loan Agreement nor any other matter set forth herein or in any of the Security Documents or other Documents shall constitute the Mortgagor and the Banks or any Bank as partners, joint venturers or tenants in common, or require the Banks or any Bank to participate in any costs, liabilities, expenses or losses of the Mortgagor. The only relationship between the Mortgagor and the Banks is that of borrower and secured lender.

49. Compliance with Illinois Mortgage Foreclosure Law. If any provision in this Mortgage shall be inconsistent with any provision of the Illinois Mortgage Foreclosure Law (Chapter 735, Act 5, Sections 15-1101 et seq., Illinois Compiled Statutes) (the "Act") the provisions of the Act shall take precedence over the Mortgage provisions, but shall not invalidate or render unenforceable any other Mortgage provision that can be construed in a manner consistent with the Act.

If any Mortgage provision shall grant to Mortgagee any rights or remedies upon Mortgagor's default which are more limited than the rights that would otherwise be vested in Mortgagee under the Act in the absence of such provision, Mortgagee shall be vested with the rights granted in the Act to the full extent permitted by law.

Without limiting the generality of the foregoing, all expenses incurred by Mortgagee to the extent reimbursable under Section 15-1510 and 15-1512 of the Act, whether incurred before or after any decree or judgment of foreclosure, and whether or not enumerated in Paragraph 19 of this Mortgage, shall be added to the Indebtedness secured by this Mortgage or by the judgment of foreclosure.

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IN WITNESS WHEREOF, the Mortgagor has caused this Mortgage to be duly signed, sealed and delivered the day and year first above written.

MORTGAGOR:

Chicago Tissue Company, L.P., a Delaware limited partnership

By: Chicago Tissue Corporation, a Delaware corporation, its sole General Partner

By: *Julius Wajntraub*

Name: Julius Wajntraub

Title: Vice-President

ATTEST: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Accepted by:

CONTINENTAL BANK N.A., as collateral agent for the Bank

By: *Barbara A. Hamel*

Name: Barbara A. Hamel

Title: Vice President

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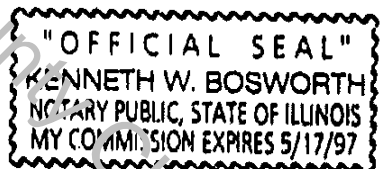
STATE OF ILLINOIS     )  
                                  ) SS.  
COUNTY OF COOK        )

I, Kenneth W. Bosworth, a Notary Public in and for the said County, in the State aforesaid, DO HEREBY CERTIFY that Julius Wajntraub, Vice President of Chicago Tissue Corporation, a Delaware Corporation, which Corporation is the sole General Partner of Chicago Tissue Company, L.P., a Delaware limited partnership, is personally known to me to be the same person whose name is subscribed to the foregoing instrument as such Vice President, appeared before me this day in person and acknowledged that he signed and delivered said instrument as his own free and voluntary act and deed and as the free and voluntary act and deed of said Corporation as General Partner of Chicago Tissue Company, L.P., for the uses and purposes therein set forth, all pursuant to authority granted by the Board of Directors of the Corporation and the partnership agreement of Chicago Tissue Company, L.P.

Given under my hand and notarial Seal, this 31st day of August, A.D., 1993.

Kenneth W. Bosworth  
Notary Public

My Commission Expires:  
\_\_\_\_\_



Notary Public of Cook County Clerk's Office

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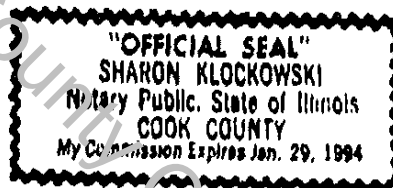
STATE OF ILLINOIS     )  
                                  ) SS.  
COUNTY OF COOK        )

I, Sharon Klockowski, a notary public in and for said County, in the State aforesaid, DO HEREBY CERTIFY THAT Barbara A. Hamel, personally known to me to be the Vice President of Continental Bank N.A., a national association, and personally known to me to be the same person whose name is subscribed to the foregoing instrument, appeared before me this day in person and acknowledged that she signed and delivered the said instrument as Vice President of said Continental Bank N.A. pursuant to authority given by the Board of Directors of said Continental Bank N.A., as her free and voluntary act, and as the free and voluntary act and deed of said Continental Bank N.A. for the uses and purposes therein set forth.

GIVEN under my hand and notarial seal this 17th day of September, 1993.

Sharon Klockowski  
Notary Public

[SEAL]



THIS INSTRUMENT PREPARED BY  
AND WHEN RECORDED RETURN TO:  
Christopher M. Vidovic  
Mayer, Brown & Platt  
190 S. LaSalle St.  
Chicago, Illinois 60603  
Recorder's Office Box: 407



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## EXHIBIT A

### LEGAL DESCRIPTION

The Tissue Unit in Alsip Paper Condominium as delineated on the survey (described below) of the following described parcels of real estate:

All those certain plots, pieces or parcels of land described as follows:

PARCEL 1: THE WEST 1/2 OF THE SOUTH WEST 1/4 (EXCEPTING THE SOUTH 1870 FEET THEREOF AND ALSO EXCEPTING THE WEST 50 FEET THEREOF) AND EXCEPTING THAT PART TAKEN BY THE COUNTY OF COOK IN DEED RECORDED AS DOCUMENT 24457221 OF SECTION 35, TOWNSHIP 37 NORTH, RANGE 13, EAST OF THE THIRD PRINCIPAL MERIDIAN, IN COOK COUNTY, ILLINOIS.

PIN: 24-35-300-001-0000

PARCEL 2: LOT 2 (EXCEPT THE NORTH 20 FEET THEREOF AND EXCEPT THAT PORTION LYING SOUTH OF A LINE 50 FEET NORTH OF AND PARALLEL WITH THE SOUTH LINE OF THE NORTH WEST 1/4 OF SECTION 35, TOWNSHIP 37 NORTH, RANGE 13 EAST OF THE THIRD PRINCIPAL MERIDIAN) AND LOTS 3 AND 4 (EXCEPT THE NORTH 44 FEET THEREOF AND EXCEPT THAT PORTION LYING SOUTH OF A LINE 40 FEET NORTH OF AND PARALLEL WITH THE SOUTH LINE OF THE NORTH WEST 1/4 OF SECTION 35, TOWNSHIP 37 NORTH, RANGE 13 EAST OF THE THIRD PRINCIPAL MERIDIAN AND EXCEPT THE NORTH 10 FEET OF THE SOUTH 17 FEET OF THE WEST 157.27 FEET OF SAID LOT 3) ALL IN BLUE ISLAND GARDENS, A SUBDIVISION OF THE SOUTH 1/2 OF THE FOLLOWING DESCRIBED LAND: THE NORTH WEST 1/4 (EXCEPT THE EAST 20 ACRES AND EXCEPT THE WEST 1/11TH OF THAT PART OF SAID NORTH WEST 1/4 LYING WEST OF THE SAID 20 ACRES) OF SECTION 35, TOWNSHIP 37 NORTH, RANGE 13 EAST OF THE THIRD PRINCIPAL MERIDIAN, IN COOK COUNTY, ILLINOIS.

PIN: 24-35-101-043  
24-35-101-044

PARCEL 3: LOT 1 (EXCEPT THE SOUTH 560.00 FEET OF THE WEST 160.00 FEET AND EXCEPT THE NORTH 20.00 FEET THEREOF AND EXCEPT THE SOUTH 17 FEET LYING

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EAST OF THE WEST 160 FEET THEREOF AS CONDEMNED IN CASE 78L 4097) IN BLUE ISLAND GARDENS, A SUBDIVISION OF THE SOUTH 1/2 OF THE FOLLOWING DESCRIBED LAND: THE NORTH WEST 1/4 (EXCEPT THE EAST 20 ACRES THEREOF AND EXCEPT THE WEST 1/11TH OF THAT PART OF SAID NORTH WEST 1/4 LYING WEST OF SAID EAST 20 ACRES) OF SECTION 35, TOWNSHIP 37 NORTH, RANGE 13, EAST OF THE THIRD PRINCIPAL MERIDIAN, IN COOK COUNTY, ILLINOIS.

THE SOUTH 1/2 OF THE WEST 1/11TH OF THAT PART OF THE NORTH WEST 1/4 LYING WEST OF THE EAST 20 ACRES THEREOF, OF SECTION 35 (EXCEPT THE NORTH 20.00 FEET THEREOF AND EXCEPT THE SOUTH 593.00 FEET THEREOF AND EXCEPT THE WEST 50.00 FEET THEREOF) ALL IN TOWNSHIP 37 NORTH, RANGE 13, EAST OF THE THIRD PRINCIPAL MERIDIAN, IN COOK COUNTY, ILLINOIS AND CONTAINING 5.654 ACRES MORE OR LESS.

THE SOUTH 593.00 FEET OF THE WEST 1/11TH OF THAT PART OF THE NORTH WEST 1/4 LYING WEST OF THE EAST 20 ACRES THEREOF, OF SECTION 35, TOWNSHIP 37 NORTH, RANGE 13, EAST OF THE THIRD PRINCIPAL MERIDIAN (EXCEPT THE SOUTH 33.00 FEET THEREOF, AND EXCEPT THE WEST 50.00 FEET THEREOF AND EXCEPT THAT PORTION OF THE LAND CONDEMNED IN CASE 78L 4097) ALL IN COOK COUNTY, ILLINOIS, AND CONTAINING 2.07 ACRES MORE OR LESS.

PIN: 24-35-101-017  
24-35-101-020

PARCEL 4: THE SOUTH 560 FEET OF THE WEST 160 FEET (EXCEPT THE SOUTH 17 FEET THEREOF) OF LOT 1 IN BLUE ISLAND GARDENS SUBDIVISION IN THE NORTH WEST 1/4 OF SECTION 35, TOWNSHIP 37 NORTH, RANGE 13, EAST OF THE THIRD PRINCIPAL MERIDIAN, ACCORDING TO THE PLAT THEREOF RECORDED FEBRUARY 28, 1921 AS DOCUMENT 7070833, IN COOK COUNTY, ILLINOIS.

PIN: 24-35-101-003

TOGETHER WITH SAID TISSUE UNIT'S UNDIVIDED PERCENTAGE INTEREST IN THE COMMON ELEMENTS AND IN THE WAREHOUSE LEASE (AS DEFINED IN THE CONDOMINIUM DECLARATION (DEFINED BELOW)).

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The "survey" referenced above is attached as Exhibit 'E' to the Declaration of Condominium by FSC Paper Company, L.P., (now known as Chicago Tissue Company, L.P.), a Delaware limited partnership, recorded in the Office of the Cook County, Illinois Recorder as Document No. 93-602958, as amended by a certain Amendment to Declaration of Condominium of Alsip Paper Condominium, recorded in the Office of the Cook County, Illinois Recorder on August 18, 1993 as Document No. R93-652739 (as so amended, the "Condominium Declaration").

Common Address: 13101 South Crawford (Pulaski) Avenue, Alsip, Illinois, along with certain vacant property at the crossroads of 131st Street and Crawford (Pulaski) Avenue, Alsip, Illinois.

Property of Cook County Clerk's Office

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## EXHIBIT B

### PERMITTED ENCUMBRANCES

1. Taxes for 1992 and subsequent years which are not yet due and payable.
2. Terms, provisions and conditions contained in an Agreement recorded July 31, 1954 as document #15976110 regarding the construction, maintenance and operation of a 12 inch pipe line for the transportation of crude oil, under and along the South 20 feet of the North 53 feet of Parcel 1.
3. Easement in favor of the Baltimore and Ohio Chicago Terminal Railroad Company established by Grant recorded October 2, 1959 as document #17675328 for the construction, operation and maintenance of a railroad right of way. (Affects Parcel 1).
4. Easement in favor of Sinclair Pipe Line Company established by Agreement recorded on September 11, 1959 as document #17655614 for the right to lay, maintain and use one 12 inch pipe for the transportation of petroleum and to operate the same. (Affects Parcel 1).
5. Easement and right of way for ingress and egress reserved in deed recorded January 31, 1973 as document #22205622. (Affects Lot 4, Parcel 2).
6. Agreement recorded October 9, 1961 as Document #18297126, providing that the land shall not be used for an amusement place. (Affects Parcel 3).
7. Grant, recorded June 18, 1963 as Document #18827969 to Northern Illinois Gas Company, an Illinois corporation, its successor and assigns, of the right to lay, maintain, operate, renew and remove a gas main and other necessary gas facilities in, under, upon and along the north half of the public highway known as 131st Street which extends along the south side of the land. (Affects Parcel 4).
8. Plat recorded December 28, 1992 as Document #92973442, which depicts "proposed acquisition line" for the widening of 131st Street and Crawford.



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9. Terms, provisions, covenants, conditions and options contained in and rights and easements established by the Declaration of Condominium recorded as Document #93-602958, as amended by a certain Amendment to Declaration of Condominium of Alsip Paper Condominium, recorded on August 18, 1993 in the Office of the Cook County, Illinois Recorder as Document No. R93-652739 (the "Condominium Declaration").
10. Encroachment of chain link fence located on the land over and onto the property south and adjoining by .22 feet south, as depicted on survey attached to the Condominium Declaration.
11. Lien of that certain Mortgage made by FSC Paper Company, L.P. (now known as Chicago Tissue Company, L.P.) in favor of FSC Corporation, dated July 31, 1993 and recorded on August 2, 1993 in the Office of the Cook County, Illinois Recorder as Document #93-602961 (the "Indemnity Mortgage on Tissue Unit").
12. Commonwealth Edison facility as depicted on the survey to the Condominium Declaration.
13. Facilities and rights disclosed by fire hydrant, catch basins, light poles, manholes, and yard drain depicted on survey attached to the Condominium Declaration.
14. Mortgage and Security Agreement, dated as of August 31, 1993, made by Chicago Tissue Company, L.P. in favor of Continental Bank N.A., as agent, and recorded with the Office of the Cook County, Illinois Recorder on 9/21/93, 1993 as Document #93-653427 (the "Mortgagee's Senior Mortgage").