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. COOK COUNTY RECORDER

95-0268

Space above this line for recorder's use only

MORTGAGE, SECURITY AGREEMENT, ASSIGNMENT OF RENTS AND FIXTURE FILING

Dated: May 18, 1995

Mortgagor:

Universal Automotive, Inc.

Mortgagee:

NEO Bank, as Agent

Mortgaged Property:

Common address: 3350 North Kedzie Avenue, Chicago, Illinois

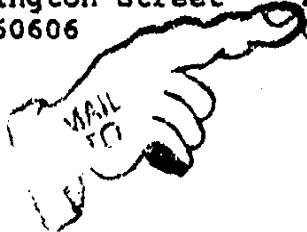
P.I.N. No: 13-23-411-004

Prepared by:

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Suite 400
225 West Washington Street
Chicago, IL 60606

When recorded, please return to:

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MORTGAGE, SECURITY AGREEMENT, ASSIGNMENT OF RENTS AND FIXTURE FILING

THIS MORTGAGE, SECURITY AGREEMENT, ASSIGNMENT OF RENTS AND FIXTURE FILING, dated as of May 18, 1995 by Universal Automotive, Inc., an Illinois corporation (the "Mortgagor") to NBD Bank, an Illinois state banking corporation as agent for the Banks which are parties to the Credit Agreement hereinafter defined (the "Mortgagee").

WITNESSETH:

To secure the prompt and complete payment and performance of (a) all indebtedness of the Mortgagor to the Mortgagee now or hereafter existing, including without limitation the principal sum of Ten Million Dollars (\$10,000,000), together with interest thereon, payable in accordance with the terms of a Tranche A Revolving Credit Note dated of even date herewith, payable by the Mortgagor to the order of the Mortgagee, the final payment of which is due not later than May 18, 1998, and the principal sum of One Million Three Hundred Thousand Dollars (\$1,300,000) together with interest thereon, payable in accordance with the terms of a Tranche A Term Note dated of even date herewith, payable by the Mortgagor to the order of the Mortgagee, the final payment on each Note is due no later than May 18, 2000 (such promissory notes, and all extensions, renewal and modifications thereof, and all notes issued in substitution or exchange therefor, being herein collectively called the "Notes"), (b) the performance of the covenants herein contained and any monies expended by the Mortgagee in connection therewith, (c) the payment of all obligations and performance of all covenants of the Mortgagor under a certain Credit Agreement of even date herewith by and among Mortgagor, Mortgagee, the Banks, the Borrowers and the Guarantors signatory thereto and as defined therein (the "Credit Agreement"), including, without limitation, all amounts owing for principal and interest for the Mortgagor's obligations as a Guarantor pursuant to article VII of the Credit Agreement and any other loan documents, agreements, instruments or certificates between the Mortgagor and the Mortgagee given in connection with or related to this Mortgage or the Notes, (d) the payment of all obligations and performance of all covenants of the Mortgagor to the Mortgagee under any loans, notes, instruments or agreements, whether now existing or hereafter created, and (e) any and all other indebtedness, obligations and liabilities of any kind of the Mortgagor to the Mortgagee now or hereafter existing, direct or indirect, absolute or contingent, joint and/or several, secured or unsecured, arising by operation of law or otherwise, and whether incurred by the Mortgagor as principal, surety, endorser, guarantor, accommodation party or otherwise, including, without limitation, all principal and all interest (including interest accruing subsequent to any petition filed by or against the Mortgagor under the U.S. Bankruptcy Code), indemnity and

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reimbursement obligations, charges, expenses, fees, attorneys' fees and disbursements and any other amount owing thereunder (all of the aforesaid indebtedness, obligations and liabilities of Mortgagor, being herein called the "Mortgage Indebtedness" and this Mortgage, the Notes and all of the other documents, agreements and instruments evidencing or securing the repayment of, or otherwise pertaining to, the Mortgage Indebtedness being herein collectively called the "Loan Documents"), Mortgagor does hereby MORTGAGE, WARRANT, GRANT and CONVEY unto Mortgagee, and its successors and assigns, the following described property (the "Mortgaged Premises"):

(A) the land situated in the City of Chicago, County of Cook and State of Illinois, more specifically described in Exhibit A hereto (the "Land");

(B) all easements, rights-of-way, licenses and privileges, thereunto belonging or in anywise appertaining;

(C) all buildings and improvements now or hereafter situated upon the Land or any part thereof;

(D) all building materials and equipment, now or hereafter located on the Land and intended to be incorporated in said buildings and improvements;

(E) all minerals, royalties, gas rights, water, water rights, water stock, flowers, shrubs, lawn plants, crops, trees, timber and other emblements now or hereafter located on, under or above all or any part of the Land to the extent the same are owned by Mortgagor;

(F) all and singular the tenements, hereditaments and appurtenances thereunto belonging or in anywise appertaining, and the reversion or reversions, remainder and remainders thereof; and also all the estate, right, title, interest, property, claim and demand whatsoever of Mortgagor, of, in and to the same and of, in and to every part and parcel thereof;

(G) all the rents, issues and profits thereof under present or future leases, or otherwise, which are hereby specifically assigned, transferred and set over to Mortgagee, and including, but not limited to, all cash or securities deposited under any such leases to secure performance by the tenants of their obligations thereunder, whether said cash or securities are to be held until the expiration of the terms of such leases or applied to one or more of the installments of rent coming due thereunder;

(H) all right, title and interest of Mortgagor, if any, in and to the land lying in the bed of any street, road, avenue, alley or walkway, opened or proposed or vacated, or any strip or gore, in front of or adjoining the Land;

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(I) Mortgagor's interest, if any, in all machinery, apparatus, equipment, fittings, fixtures, and articles of personal property of every kind and nature whatsoever, other than consumable goods, now or hereafter located in or upon the Land or any part thereof and used or useable in connection with any present or future operation of the Land or any building or buildings now or hereafter on the Land and now owned or hereafter acquired by Mortgagor (all of which is herein called "Equipment"), including, but without limiting the generality of the foregoing, all lighting, heating, cooling, ventilating, air-conditioning, incinerating, refrigerating, plumbing, sprinkling, communicating and electrical systems, and the machinery, appliances, fixtures and Equipment pertaining thereto, it being understood and agreed that all Equipment is part and parcel of the Land and appropriated to the use of said real estate and, whether affixed or annexed or not, shall for the purposes of this Mortgage, unless Mortgagee shall otherwise elect, be deemed conclusively to be real estate and mortgaged hereby;

(J) any and all awards or payments, including interest thereon, and the right to receive the same, which may be made with respect to the Land as a result of (a) the exercise of the right of eminent domain, (b) the alteration of the grade of any street, (c) any loss of or damage to any building or other improvement on the Land, (d) any other injury to or decrease in the value of the Land or (e) any refund due on account of the payment of real estate taxes, assessments or other charges levied against or imposed upon the Land, to the extent of all amounts which may be secured by this Mortgage at the date of receipt of any such award or payment by Mortgagee, and of the reasonable counsel fees, costs and disbursements incurred by Mortgagee in connection with the collection of such award or payment, Mortgagor hereby agreeing to execute and deliver, from time to time, such further instruments as may be requested by Mortgagee to confirm such assignment to Mortgagee of any such award or payment;

(K) Mortgagor's interest in all contract rights of every kind and nature whatsoever, now or hereafter relating to or used or useable in connection with any present or future operation of the Land or any buildings on the Land; and

(L) all products and proceeds and interests hereafter acquired of the foregoing.

TO HAVE AND TO HOLD the Mortgaged Premises, and each and every part thereof, unto Mortgagee and its successors and assigns forever. Any reference herein to the "Mortgaged Premises" shall, unless the context shall require otherwise, be deemed to include and apply to the above described land and said buildings, improvements, equipment, rents, issues, profits, leases, easements, tenements, hereditaments and appurtenances and all other rights,

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privileges and interests hereinabove described, whether now existing or hereafter acquired.

SUBJECT only to those matters set forth in Exhibit B hereto ("Permitted Encumbrances");

AND Mortgagor does hereby covenant and warrant as follows:

1. Payment of Mortgage Indebtedness; Performance of Agreements. The Mortgagor shall pay the Mortgage Indebtedness according to the terms thereof, and will keep and perform all the covenants, promises and agreements in (a) the Notes and any instruments at any time heretofore or hereafter issued to evidence all or any portion of the Mortgage Indebtedness, (b) this Mortgage and (c) any and all other Loan Documents, all in the manner herein or therein set forth.

2. Covenants of Title. The Mortgagor has good and indefeasible title to the entire Mortgaged Premises in fee simple and with good right and full power to sell, mortgage and convey the same, the Mortgaged Premises are free and clear of liens and encumbrances except Permitted Encumbrances, whether presently existing or which may hereafter be created in accordance with the terms hereof, and Mortgagor will warrant and defend the Mortgaged Premises against all lawful claims and demands whatsoever. The Mortgagee shall have the right at its option and at such time or times as it, in its sole discretion, shall deem necessary, to take whatever action it may deem necessary to defend or uphold the lien of this Mortgage or otherwise enforce any of the rights of Mortgagee hereunder or any obligation secured hereby, including without limitation, the right to institute appropriate legal proceedings for such purposes.

3. Payment of Taxes, Assessments and Charges. The Mortgagor shall pay when due all real estate taxes, special assessments, water and sewer charges or other governmental charges and impositions levied or assessed with respect to the Mortgaged Premises or any part thereof. Should Mortgagor fail to pay such taxes, special assessments, water and sewer charges or other governmental charges or impositions, Mortgagee may, at its option, pay the same for the account of Mortgagor. Upon request of the Mortgagee, the Mortgagor shall immediately furnish to the Mortgagee all notices of amounts due and receipts evidencing payment.

4. Reserves. Upon the occurrence of an Event of Default, at the request of the Mortgagee, the Mortgagor shall pay to the Mortgagee, monthly, at the times provided in the Tranche A Revolving Credit Note (which payment schedules shall survive the termination of said Note) for the payment of installments of interest, installments of the taxes and assessments levied or to be levied upon the Mortgaged Premises, said installments to be substantially equal and to be in an amount equal to one-twelfth

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(1/12th) of the estimated tax bills (including special assessments, if any) and be maintained on a tax lien (calendar year) basis (and not on a "when bill issued and payable" basis). Said amounts paid to the Mortgagee hereunder need not be segregated nor kept in a separate fund, and no interest shall be payable thereon. Said amounts shall be held by the Mortgagee as additional security for the Mortgage Indebtedness and, except as provided in the following sentence, be applied to the payment of said taxes and assessments when the same become due and payable. Upon the occurrence of an event of default hereunder, the Mortgagee may, at its option, but without any obligation on its part so to do, apply said amounts upon said taxes and assessments or toward the payment of the Mortgage Indebtedness or any portion thereof, whether or not then due or payable.

Upon an assignment of this Mortgage, the Mortgagee shall have the right to pay over the balance of such deposits in its possession to the assignee and the Mortgagee shall thereupon be completely released from all liability with respect to such deposits and the Mortgagor or owner of the mortgaged premises shall look solely to the assignee or transferee in reference thereto. This provision shall apply to every transfer of such deposits to a new assignee. Upon full payment and satisfaction of the Mortgage Indebtedness or at any prior time upon the election of the Mortgagee, the balance of the unapplied deposits in its possession shall be paid over to the record owner of the mortgaged premises and no other party shall have any right or claim thereto in any event, provided that in the event of a foreclosure of the mortgaged premises, the purchaser at such foreclosure shall have the right to receive such unapplied deposits.

5. Payment of Other Obligations; No Secondary Liens. The Mortgagor shall also pay any and all other obligations, liabilities or debts which may become liens, security interests, or encumbrances upon or charges against the Mortgaged Premises for any repairs or improvements that are now completed or are in progress or which may hereafter be made thereon, or for any other goods, services, or utilities furnished to the Mortgaged Premises, and shall not permit any lien, security interest, encumbrance or charge of any kind securing the repayment of borrowed funds (including the deferred purchase price for any property) to accrue and remain outstanding against the Mortgaged Premises or any part thereof, or any improvements thereon other than Permitted Encumbrances, if any.

6. Maintenance and Repair; Compliance with Laws; Inspection. The Mortgagor will keep the Mortgaged Premises and all the improvements thereon in good order and repair, and Mortgagor expressly agrees that it will not do or permit waste on the Mortgaged Premises nor do any other act whereby the Mortgaged Premises will become less valuable or the lien hereof may be impaired. Nonpayment of taxes and cancellation of insurance shall constitute waste. Should Mortgagor fail to effect the necessary

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repairs, Mortgagee may at its option make such repairs for the account of Mortgagor. The Mortgagor will promptly comply, and cause the Mortgaged Premises and the occupants or users thereof to comply, with all present and future laws, ordinances, orders, rules and regulations and other requirements of the United States of America, State of Illinois, County of Cook, City of Chicago or any other governmental authority affecting the Mortgaged Premises or any part thereof or the use or occupancy thereof and with all instruments and documents of record or otherwise affecting the Mortgaged Premises, or any part thereof, or the use or occupancy thereof. The Mortgagee, and any person authorized by Mortgagee, shall have the right to enter upon and inspect the Mortgaged Premises at all reasonable times and upon notice.

7. Insurance. (a) The Mortgagor shall keep the Land and buildings and other improvements on the Mortgaged Premises, or which may hereafter be erected thereon, constantly insured for the benefit of Mortgagee with such company or companies, with liability insurance limits of at least \$1,000,000 per occurrence and \$8,000,000 total, together with property insurance limits of \$12,000,000 (which shall include business interruption coverage of \$400,000).

(b) In the event of loss or damage, the proceeds of said property and builders' risk insurance on the buildings and improvements shall be paid to Mortgagee alone except that if no Event of Default shall have occurred, and such loss shall not exceed \$400,000, Mortgagor may use such proceeds to repair or replace the improvements to the Mortgaged Premises provided all insurance proceeds are retained in a construction escrow acceptable to the Mortgagee wherein, among other things, the Mortgagee shall approve all disbursements therefrom for such repair or replacement construction and which, should an Event of Default later occur, shall provide the Mortgagee with the right to immediately receive all remaining proceeds contained therein. No such loss or damage shall itself reduce the Mortgage Indebtedness. The Mortgagee is authorized to adjust and compromise such loss without the consent of Mortgagor, to collect, receive and receipt for such proceeds in the name of Mortgagee and Mortgagor and to endorse Mortgagor's name upon any check in payment thereof. Such proceeds shall be applied first toward reimbursement of all costs and expenses of Mortgagee in collecting said proceeds and then toward payment of the Mortgage Indebtedness or any portion thereof, whether or not then due or payable, or, subject to the terms of paragraph 7(d) below, Mortgagee at its option may apply said insurance proceeds, or any part thereof, to the repair or rebuilding of the Mortgaged Premises. No such application of proceeds by Mortgagee toward payment of the Mortgage Indebtedness shall reduce the amount of the payments required to be made on the Mortgage Indebtedness in accordance with its terms.

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(c) In the event of a foreclosure of this Mortgage, the purchaser of the Mortgaged Premises shall succeed to all of the rights of Mortgagor under said insurance policies payable to Mortgagee, including any right to unearned premiums and the right to receive the proceeds of any insurance payable by reason of any loss theretofore or thereafter occurring.

(d) Upon the occurrence of any casualty loss, the Mortgagor shall give immediate written and oral notice thereof to the Mortgagee and to the insurer. To the extent permitted by Section 7(a) hereof, the Mortgagee shall have the right to apply the insurance proceeds (in the order and in the amounts that the Mortgagee in its sole discretion elects) to the payment of (a) all of the costs and expenses, if any, of taking possession of the mortgaged premises or otherwise enforcing its rights and remedies under the Loan Documents, including, without limitation, payment of attorneys' fees and fees of a receiver; (b) accrued and unpaid interest due on the Notes; and (c) the balance of the Mortgage Indebtedness. Any excess proceeds remaining after any reconstruction shall be paid to the Mortgagee to be applied by the Mortgagee, in its discretion, to the payment of the amounts described in the foregoing clauses (a), (b) or (c) immediately above, or to any parties entitled thereto, as their interests may appear. The Mortgagee acknowledges that there shall be no prepayment penalty to the extent insurance proceeds are applied towards reduction of the principal balance of the loan secured hereby. The Mortgagee shall be under no obligation to invest the insurance proceeds on behalf of or for the benefit of the Mortgagor.

8. Eminent Domain. Notwithstanding any taking under the power of eminent domain, alteration of the grade of any street, or other injury to or decrease in value of the Mortgaged Premises by any public or quasi-public authority or corporation, Mortgagor shall continue to pay the Mortgage Indebtedness in accordance with the terms of the Notes, and any reduction in the principal sum resulting from the application by Mortgagee of such award or payment as hereinafter set forth shall be deemed to take effect only upon the receipt by Mortgagee of such award. The Mortgagor hereby assigns the entire proceeds of any award or payment to Mortgagee except that if no Event of Default shall have occurred, and the value of the property subject to such condemnation shall not exceed \$400,000, Mortgagor may use such proceeds to replace the condemned portion of the Mortgaged Premises in replacement property acceptable to the Mortgagee provided the Mortgagor grant to Mortgagee any necessary amendment or modification hereto necessary to subject the replacement property to this Mortgage. Until the Mortgagee approves of such replacement property, all such condemnation proceeds shall be retained in a condemnation escrow acceptable to the Mortgagee wherein, among other things, the Mortgagee shall approve all disbursements therefrom for the acquisition of such replacement property and which shall provide

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that should an Event of Default later occur all remaining condemnation proceeds contained therein shall be immediately paid to Mortgagee. The Mortgagee is authorized to commence, appear in and prosecute, in its own or in Mortgagor's name, any action or proceeding relating to any such taking, and to settle or compromise any claim in connection therewith. Subject to the terms and conditions stated herein, such proceeds shall be applied first toward reimbursement of all costs and expenses of Mortgagee in collecting said proceeds and then toward payment of the Mortgage Indebtedness or any portion thereof, whether or not then due or payable, or Mortgagee at its option may apply said proceeds, or any part thereof, to the alteration, restoration or rebuilding of the Mortgaged Premises. No such application of proceeds by Mortgagee toward payment of the Mortgage Indebtedness shall reduce the amount of the payments required to be made on the Mortgage Indebtedness in accordance with its terms.

9. Reimbursement of Advances by Mortgagee. The Mortgagor shall pay to Mortgagee, upon demand, all sums expended by Mortgagee, or by a receiver appointed at the request of Mortgagee, for sums owed but not timely paid by Mortgagor, unless such sums shall be paid out of the rents, income and profits from the Mortgaged Premises, (a) to pay insurance premiums, taxes, assessments, water and sewer charges and other governmental charges and impositions with respect to the Mortgaged Premises, (b) to maintain, repair or improve the Mortgaged Premises, (c) to defend the lien of this Mortgage as a lien against the Mortgaged Premises subject only to the encumbrances hereinabove expressly set forth, (d) to discharge any lien or encumbrance affecting the Mortgaged Premises other than Permitted Encumbrances, (e) to cure any default of Mortgagor under any lease or other agreement covering the Mortgaged Premises, (f) to cure any default of Mortgagor hereunder or under any of the Loan Documents or (g) for or in connection with any other action taken by Mortgagee to preserve the security of this Mortgage or any other security for the Mortgage Indebtedness or to protect any of Mortgagee's rights hereunder. All such expenditures as shall be made by Mortgagee or such receiver or pursuant to any other provision of this Mortgage or the other Loan Documents, including any reasonable attorneys' fees and disbursements incurred by Mortgagee or such receiver in connection with the foregoing, shall be payable upon demand and be secured by this Mortgage and shall bear interest at the overdue interest rate set forth in the Notes.

10. Change in Taxes. In the event any tax shall be due or become due and payable to the United States of America, the State of Illinois or any political subdivision thereof with respect to the execution and delivery or recordation of this Mortgage or any note or other instrument or agreement evidencing or securing repayment of the Mortgage Indebtedness or the interest of Mortgagee in the Mortgaged Premises, Mortgagor shall pay such tax at the time and in the manner required by applicable law and Mortgagor shall

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hold Mortgagee harmless and shall indemnify Mortgagee against any liability of any nature whatsoever as a result of the imposition of any such tax.

In the event of the passage after the date of this Mortgage of any law in the State of Illinois deducting from the value of real property for purposes of taxation any lien thereon, or changing in any way the laws now in force for the taxation of mortgages or debts secured thereby (including the interest thereon) for state or local purposes, or changing the manner of collection of any such taxes, and imposing a tax, either directly or indirectly, on this Mortgage, the Notes or any of the other Loan Documents, the holder of this Mortgage shall have the right to declare the entire unpaid amount of the Mortgage Indebtedness, together with accrued and unpaid interest thereon, to be due immediately and payable.

11. Events of Default. The occurrence of any of the following events shall be deemed an "Event of Default" hereunder and shall entitle Mortgagee to exercise its remedies hereunder and under the Notes and any of the other Loan Documents or as otherwise provided by law: (a) default in making payment, when due, of any principal or interest on the Notes 5 days after any due date therefor; (b) default in making payment, when due, of any other portion of the Mortgage Indebtedness 5 days after any due date therefor; (c) the occurrence of an Event of Default under the Credit Agreement; (d) default in the observance or performance of any other covenant, promise or agreement provided herein for a period of 30 days without cure or in any of the other Loan Documents; (e) in the event of a Prohibited Transfer (defined below in Paragraph 18 hereof); and (f) in the event of a Guarantor Event of Default (defined in Paragraph 19 below).

12. Remedies upon Default. Immediately upon the occurrence of any Event of Default, Mortgagee shall have the option, in addition to and not in lieu of or substitution for all other rights and remedies provided in this Mortgage, the Credit Agreement or any other Loan Documents or provided by law or in equity, and is hereby authorized and empowered by Mortgagor, to do any or all of the following:

(a) Declare the entire unpaid amount of the Mortgage Indebtedness, together with accrued and unpaid interest thereon, and any and all charges payable by Mortgagor to Mortgagee pursuant to any of the Loan Documents, immediately due and payable and, at Mortgagee's option, (i) to bring suit therefor, or (ii) to bring suit for any delinquent payment of or upon the Mortgage Indebtedness, or (iii) to take any and all steps and institute any and all other proceedings that Mortgagee deems necessary to enforce payment of the Mortgage Indebtedness and performance of other obligations secured hereunder and to protect the lien of this Mortgage.

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(b) Exercise any and all rights and remedies provided herein or in the Loan Documents or available at law or in equity, including without limitation the right to commence foreclosure proceedings against the Mortgaged Premises pursuant to the common law of the state of Illinois or pursuant to the statutes in such case made and provided, and to sell the Mortgaged Premises or to cause the same to be sold at public sale, and to convey the same to the purchaser, in accordance with said statutes or common law, in a single parcel or in several parcels at the option of the Mortgagee. The Mortgagor further agrees that the Mortgagee is authorized and empowered to retain out of the sale proceeds such moneys as are necessary to pay in full the Mortgage Indebtedness, the costs and charges of such sale, and also the attorneys' fees provided by statute, returning the surplus moneys (if any there should be) to the Mortgagor.

(c) 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 Mortgaged Premises. Such appointment may be either before or after the sale, without notice, 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 Mortgaged Premises or whether the same shall then be occupied as a homestead or not and the Mortgagee or any holder of any note evidencing the Mortgage Indebtedness may be appointed such receiver. Such receiver shall have the power to collect the rents, issues and profits of the Mortgaged Premises during the pendency of such foreclosure suit and, in the case of a sale and a deficiency during the full statutory period of redemption, whether there be redemption or not, as well as during any further times when the Mortgagor, except for the intervention of such receiver, would be entitled 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 Mortgaged Premises during the whole of said period. The court from time to time may authorize the receiver to apply the net income from the Mortgaged Premises in whole or in part to: (i) the indebtedness secured hereby or by any 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; or (ii) the deficiency in case of a sale and deficiency.

(d) In any case in which under the provisions of this Mortgage, Mortgagee has a right to institute foreclosure proceedings, whether before or after the whole principal sum secured hereby is declared to be immediately due, or whether before or after the institution of legal proceedings to foreclose the lien hereof or before or after sale thereunder, forthwith, upon demand of Mortgagee, Mortgagor shall surrender to Mortgagee and Mortgagee shall be entitled to take actual possession of the Mortgaged Premises or any part thereof personally, or by its agent or

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attorneys, as for condition broken. In such event Mortgagee in its discretion may, with or without process of law, enter upon and take and maintain possession of all or any part of said Mortgaged Premises, together with all documents, books, records, papers and accounts of Mortgagor or then owner of the Mortgaged Premises relating thereto, and may exclude Mortgagor, its agents or servants, wholly therefrom and may as attorney in fact or agent of Mortgagor, or in its own name as mortgagee and under the powers herein granted, hold, operate, manage and control the Mortgaged Premises and conduct the business, if any, thereof, either personally or by its agents, and with full power and to use such measures, legal or equitable, as in its discretion or in the discretion of its successors or assigns may be deemed proper or necessary to enforce the payment or security of the avails, rents, issues, and profits of the Mortgaged Premises, including liens for the recovery of rent, actions in forcible detainer and actions in distress for rent, and with full power: (i) to cancel or terminate any lease or sublease for any cause or on any ground which would entitle Mortgagor to cancel the same; (ii) to elect to disaffirm any lease or sublease which is then subordinate to the lien hereof; (iii) to extend or modify any then existing leases and to make new leases, which extensions, modifications and new leases may provide for terms to expire, or for options to lessees to extend or renew terms to expire, beyond the maturity date of the indebtedness hereunder and beyond the date of the issuance of a deed or deeds to a purchaser or purchasers at a foreclosure sale, it being understood and agreed that any such leases and the options or other such provisions to be contained therein, shall be binding upon Mortgagor and all persons whose interests in the Mortgaged Premises are subject to the lien hereof and upon the purchaser or purchasers at any foreclosure sale, notwithstanding any redemption from sale, discharge of the Mortgage Indebtedness, satisfaction of any foreclosure decree, or issuance of any certificate of sale or deed to any purchaser; (iv) to make all necessary or proper repairs, decorating, renewals, replacements, alterations, additions, betterments and improvements to the Mortgaged Premises as it may deem proper; (v) to insure and reinsure the same and all risks incidental to Mortgagee's possession, operation and management thereof; and (vi) to receive all of such avails, rents, issues and profits; hereby granting full power and authority to exercise each and every of the rights, privileges and powers herein granted at any and all times hereafter, without notice to Mortgagor. Mortgagee shall not be obligated to perform or discharge, nor does it hereby undertake to perform or discharge, any obligation, duty or liability under any leases. Except for new leases entered into by Mortgagee, Mortgagor shall and does hereby agree to indemnify and hold Mortgagee harmless of and from any and all liability, loss or damage which it may or might incur under said leases or under or by reason of the assignment thereof, and of and from any and all claims and demands whatsoever which may be asserted against it by reason of any alleged obligations or undertakings on its part to perform or discharge any of the terms, covenants or agreements

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contained in said leases. Should Mortgagee incur any such liability, loss or damage, under said leases or under or by reason of the assignment thereof, or in the defense of any claims or demands, the amount thereof, including costs, expenses and reasonable attorneys' fees, shall be secured hereby, and Mortgagor shall reimburse Mortgagee therefor immediately upon demand.

(e) Mortgagee, in the exercise of the rights and powers hereinabove conferred upon it by this Mortgage shall have full power to use and apply the avails, rents, issues and profits of the Mortgaged Premises to the payment of or on account of the following, in such order as Mortgagee may determine:

(i) to the payment of the operating expenses of said Mortgaged Premises, including cost of management and leasing thereof (which shall include reasonable compensation to Mortgagee, its agent or agents, and attorneys, if management be delegated to an agent or agents, and shall also include lease commissions and other compensation and expenses of seeking and procuring tenants and entering into leases), established claims of damages, if any, and premiums on insurance hereinabove authorized;

(ii) to the payment of taxes and special assessments now due or which may hereafter become due on the Mortgaged Premises; and, if this is a leasehold mortgage, of all rents due or which may become hereafter due under the underlying lease;

(iii) to the payment of all repairs, decorating, renewals, replacements, alterations, additions, betterments, and improvements of the Mortgaged Premises, including the cost from time to time of installing or replacing personal property such as appliances therein, and of placing the Mortgaged Premises in such condition as will, in the judgment of Mortgagee, make it readily rentable; and

(iv) to the payment of any Mortgage Indebtedness secured hereby or any deficiency which may result from any foreclosure sale.

(f) In the event of any sale of the Mortgaged Premises by foreclosure apply the proceeds of any such sale to: (i) all expenses incurred for the collection of the Mortgage Indebtedness and the foreclosure of this Mortgage, including reasonable attorneys' fees and disbursements, or such attorneys' fees and disbursements as are permitted by law, (ii) all sums expended or incurred by Mortgagee directly or indirectly in carrying out the terms, covenants and agreements of the Notes, this Mortgage and the other Loan Documents, together with interest thereon as therein provided, (iii) all accrued and unpaid interest upon the Mortgage Indebtedness, (iv) fees, expenses and other sums (excluding principal) due in connection with the Mortgage Indebtedness, (v) the unpaid principal amount of the Mortgage Indebtedness, and (vi)

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the surplus, if any there be, unless a court of competent jurisdiction decrees otherwise, to Mortgagor.

13. Successors in Ownership. In the event ownership of the Mortgaged Premises or any part thereof becomes vested in a person or persons other than Mortgagor without the prior written approval of Mortgagee, Mortgagee may (but shall not be obligated to) deal with such successor or successors in interest with reference to this Mortgage and the other Loan Documents in the same manner as with Mortgagor, without in any manner discharging or otherwise affecting Mortgagor's liability hereunder or upon the Mortgage Indebtedness.

14. Security Agreement. All personal property located at or used in connection with the mortgaged premises and owned by the Mortgagor and shall not be subject to any lease or other transaction whereby the ownership or any beneficial interest in any of such personal property shall be held by any person or entity other than the Mortgagor. The Mortgagor shall not create or cause to be created any security interest in any such personal property other than the security interest created in favor of the Mortgagee. This Mortgage shall, as to any equipment and other personal property described herein and covered hereby, be deemed to grant a security interest therein pursuant to the Uniform Commercial Code. The Mortgagor agrees, upon request of the Mortgagee to furnish an inventory of personal property owned by the Mortgagor and subject to this Mortgage and, upon request of the Mortgagee, to execute any supplements to this Mortgage, any separate security agreement and financing statements to include specifically said inventory of personal property. Upon the occurrence and during the continuance of any of the events of default referred to in Paragraph 11 hereof, the Mortgagee shall have all of the rights and remedies herein provided or otherwise provided by law or by this Mortgage, including but not limited to the right to require the Mortgagor to assemble such personal property and make it available to the Mortgagee at a place to be designated by the Mortgagee which is reasonably convenient to both parties, the right to take possession of such personal property, with or without demand, and with or without process of law, and the right to sell and dispose of the same and distribute the proceeds according to law. The parties hereto agree that any requirement of reasonable notice shall be met if the Mortgagee sends such notice to the Mortgagor at least 10 days prior to the date of sale, disposition or other event giving rise to the required notice, and that the proceeds of any disposition of any such personal property may be applied by the Mortgagee first to the reasonable expenses in connection therewith, including reasonable attorneys fees and legal expenses incurred, and including the expenses of retaining, keeping and storing such personal property, and then to payment of the Mortgage Indebtedness.

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15. Assignment of Leases and Rents. As of the date of this Mortgage, Mortgagor hereby assigns to Mortgagee all its right, title and interest in and to all written and oral leases, whether now in existence or which may hereafter come into existence during the term of this Mortgage, or any extension hereof, covering the Mortgaged Premises or any part thereof (but without an assumption by Mortgagee of liabilities of Mortgagor under any such leases by virtue of this assignment), and Mortgagor hereby assigns to Mortgagee the rents, issues and profits of the Mortgaged Premises. Until the occurrence of an Event of Default, Mortgagor shall have the right to receive and collect such rents, issues and profits. Upon the occurrence of an Event of Default, Mortgagee may elect upon written notice to Mortgagor to receive and collect said rents, issues and profits personally or through a receiver so long as any such Event of Default shall exist and during the pendency of any foreclosure proceedings and during any redemption period, and Mortgagor hereby consents to the appointment of a receiver if believed necessary or desirable by Mortgagee to enforce its rights under this Paragraph 15. The collection of rents by Mortgagee shall in no way waive the right of Mortgagee to foreclose this Mortgage in the event of any Event of Default.

16. Waiver of Redemption Rights. Pursuant to Section 15-1601 of the Illinois Mortgage Foreclosure Law, as amended, 110 Ill. Rev. Stat. §15-1601, or any successor statute thereto (the "Act"), the Mortgagor hereby expressly waives any and all rights of redemption arising under Section 15-1603 of the Act, together with any and all other statutory rights of redemption on behalf of itself and on behalf of each and every person acquiring any interest or title in the Mortgaged Premises subsequent to the date of this Mortgage.

17. Inconsistent Provisions. In the event that any provision of this Mortgage shall be inconsistent with any provision of the Act, the provisions of the Act shall take precedence over the provisions of the Mortgage, but shall not invalidate or render unenforceable any other provision of this Mortgage that can be construed in a manner consistent with the Act. If any provision of this Mortgage shall grant to the Mortgagee any rights or remedies upon default of the Mortgagor which are more limited than the rights and remedies that would otherwise be vested in the Mortgagee absent said provisions, the Mortgagee shall be vested with the rights and remedies granted in the Act to the full extent permitted by law.

18. Prohibition of Transfer and Further Encumbrances. It shall be an immediate Event of Default hereunder if, without the prior written consent of the Mortgagee any of the following shall occur (herein called a "Prohibited Transfer"):

(a) If the Mortgagor shall create, effect or consent to, contract for, or shall suffer or permit any conveyance, sale, assignment, transfer, lien, pledge, lease, mortgage, security

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interest or other encumbrance or alienation of the Mortgaged Premises or any part thereof, or interest therein, or enter into any contract to do any of the foregoing, including, without limitation, any articles of agreement, land contract or installment sale contract; or

(b) In each case whether any such conveyance, sale, assignment, transfer, lien, pledge, lease mortgage, security interest, encumbrance or alienation is effected directly, indirectly, voluntarily or involuntarily, by operation of law or otherwise;

provided, that the foregoing provisions shall not apply (i) to the lien of this Mortgage or any other liens securing the Notes, and (ii) to the lien of current taxes.

The provisions hereof shall be operative with respect to, and shall be binding upon, any persons who, in accordance with the terms hereof or otherwise, shall acquire any part or interest in or encumbrance upon the Mortgaged Premises or a beneficial interest in Mortgagor. Mortgagor acknowledges and agrees, for itself and its successors, that the foregoing restrictions on sale, transfer, or conveyance are reasonable. Any violation of the terms hereof shall entitle Mortgagee to declare the whole outstanding principal balance of the Notes, together with interest accrued thereon and any other sums owing under the terms of this Mortgage or any other instrument related to the indebtedness hereby secured, immediately due and payable and to foreclose this Mortgage.

19. Guarantor Events of Default. The indebtedness evidenced by the Notes and the Credit Agreement is guaranteed to the extent provided in the Credit Agreement by certain "Guarantors" as defined therein (collectively, the "Guarantors" and each individually a "Guarantor") and it is a proviso hereof that in case (a) any Guarantor shall be declared a bankrupt, or shall file a petition in voluntary bankruptcy under any Chapter of Title Eleven of the United States Code, or any other similar state or federal law, or (b) should any Guarantor file any declaration, answer or pleading admitting its insolvency or inability to pay its debts or liabilities, or (c) if a trustee or receiver is appointed for any Guarantor, or for the property or assets or estate thereof, or (d) should any Guarantor make an assignment for the benefit of creditors; (e) should any Guarantor fail to pay when due any principal or interest owing the Mortgagee or the Banks or otherwise default in the performance of any other covenant or agreement with the Mortgagee or the Banks, and any such default continues past the expiration of any grace period, or (f) should any Guarantor default under the terms of its obligations of guaranty under Article VII of the Credit Agreement; or (g) or any Guarantor purports to revoke, repudiate or disavow its Guarantee or the Guarantee shall cease to be in full force and effect for any reason or the legality, validity, binding effect or enforceability thereof shall be

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challenged or denied in any proceeding or otherwise; then Mortgagee, may at its option, declare the entire indebtedness secured hereby to be immediately due, and/or may immediately avail itself of any right, recourse or remedy reserved in case of an Event of Default, or any remedy afforded by law as in such case may be provided.

20. Fees and Expenses of Mortgages. In addition to the other amounts owing between the Mortgagor to the Mortgagee hereunder, Mortgagor agrees to promptly reimburse the Mortgagee for all fees, expenses and other charges incurred with respect to the Mortgage Indebtedness or Mortgaged Premises including, without limitation, title insurance and date downs, appraisals, escrows, surveys, inspections, trust documents, release deeds, environmental studies and reports, tax search fees and reasonable legal fees.

21. Integration and Severability. This Mortgage embodies the entire agreement and understanding between Mortgagor and Mortgagee, and supersedes all prior agreements and understandings, relating to the subject matter hereof. If any provision hereof is in conflict with any statute or rule of law of the State of Illinois or is otherwise unenforceable for any reason whatsoever, then such provision shall be deemed null and void to the extent of such conflict or unenforceability and shall be deemed severable from but shall not invalidate any other provisions of this Mortgage.

22. Waiver. No waiver by Mortgagee of any right or remedy granted hereunder or failure to insist on strict performance by Mortgagor hereunder shall affect or extend to or act as a waiver of any other right or remedy of Mortgagee hereunder, nor affect the subsequent exercise of the same right or remedy by Mortgagee for any further or subsequent default by Mortgagor hereunder, and all such rights and remedies of Mortgagee hereunder are cumulative.

23. Marshalling and Homestead Rights. The Mortgagor hereby waives, in the event of foreclosure of this Mortgage or the enforcement by the Mortgagee of any other rights and remedies hereunder, any right otherwise available in respect to marshalling of assets which secure the Mortgage Indebtedness or to require Mortgagee to pursue its remedies against any other such assets. The Mortgagor hereby waives and releases all rights and benefits under and by virtue of the Homestead Exemption laws of the State of Illinois.

24. Release of Mortgage. The Mortgagor shall have the right to receive a release of lien if all of the principal of and interest on the Mortgage Indebtedness shall be paid and all other sums secured hereby or payable hereunder and under the Notes and the Loan Documents shall be paid, the Loan Documents have terminated in full and the Mortgagor shall comply with all the terms, conditions and requirements hereof, then this Mortgage shall be released by Mortgagee and thereupon it shall be of no further

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force and effect. In such case, upon the written request of the Mortgagor, the Mortgagee will execute and deliver such proper instruments of release and discharge as may reasonably be requested to evidence such defeasance, release and discharge within thirty (30) days of such request.

25. Business Purpose Loan. The Mortgagor represents that the proceeds of the loan secured by this Mortgage have been and will be used for the purposes specified in Section 15 Ill. Comp. Stat. §205/4(c) of the Illinois Statutes or any successor statute, and that the principal obligation secured hereby constitutes a business loan which comes within the purview of said statute.

26. Amount of Indebtedness. The aggregate amount of principal indebtedness secured by this Mortgage, exclusive of sums advanced to remedy defaults and protect the security of this Mortgage, will not in the aggregate exceed an amount equal to Twenty Million Dollars (\$20,000,000.00).

27. Further Instruments. The Mortgagor shall execute, acknowledge and deliver any and all such further conveyances, documents, mortgages and assurances, and do or cause to be done all such further acts, as Mortgagee may reasonably require to confirm and protect the lien of this Mortgage or otherwise to accomplish the purposes hereof forthwith upon the request of Mortgagee, whether in writing or otherwise.

28. Governing Law; Binding Effect. This Mortgage, made in the State of Illinois, shall be construed according to the laws thereof and shall be binding upon Mortgagor and its successors and assigns and any subsequent owners of the Mortgaged Premises, and all of the covenants herein contained shall run with the land, and this Mortgage and all of the covenants herein contained shall inure to the benefit of Mortgagee, its successors and assigns.

29. Fixture Filing. This Mortgage also constitutes a financing statement filed as a fixture filing under the Uniform Commercial Code with respect to goods which are or are to become fixtures relating to the Land and as to which Mortgagor is the debtor and record owner of the Land and Mortgagee is the secured party. It is to be recorded in the real estate records of the County in which the Land is located. The Mortgagor is the record owner of the Mortgaged Premises. The address of the Mortgagor (Debtor) and Mortgagee (Secured Party) are hereinafter set forth:

| | |
|-----------------------|---|
| Address of Mortgagor: | Universal Automotive, Inc. 3350 North Kedzie Avenue Chicago, Illinois 60611 |
| Address of Mortgagee: | NBD Bank, individually and as Agent 211 South Wheaton Avenue Wheaton, Illinois 60187 |

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30. NOTICES. All notices, demands, requests, consents and other communications hereunder shall be delivered and be effective in the manner specified in the Credit Agreement.

31. WAIVER OF JURY TRIAL. THE MORTGAGEE AND THE MORTGAGOR, AFTER CONSULTING OR HAVING HAD THE OPPORTUNITY TO CONSULT WITH COUNSEL, KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVE ANY RIGHT ANY OF THEM MAY HAVE TO A TRIAL BY JURY IN ANY LITIGATION BASED UPON OR ARISING OUT OF THIS MORTGAGE OR ANY RELATED INSTRUMENT OR AGREEMENT OR ANY OF THE TRANSACTIONS CONTEMPLATED BY THIS MORTGAGE OR ANY COURSE OF CONDUCT, DEALING, STATEMENTS (WHETHER ORAL OR WRITTEN) OR ACTIONS OF ANY OF THEM. NEITHER THE MORTGAGEE NOR THE MORTGAGOR SHALL SEEK TO CONSOLIDATE, BY COUNTERCLAIM OR OTHERWISE, ANY SUCH ACTION IN WHICH A JURY TRIAL HAS BEEN WAIVED WITH ANY OTHER ACTION IN WHICH A JURY TRIAL CANNOT BE OR HAS NOT BEEN WAIVED. THESE PROVISIONS SHALL NOT BE DEEMED TO HAVE BEEN MODIFIED IN ANY RESPECT OR RELINQUISHED BY EITHER THE MORTGAGEE OR THE MORTGAGOR EXCEPT BY A WRITTEN INSTRUMENT EXECUTED BY ALL OF THEM.

IN WITNESS WHEREOF, Mortgagor has duly executed this Mortgage as of the day and year first above written.

UNIVERSAL AUTOMOTIVE, INC.

By: 

Its: pas

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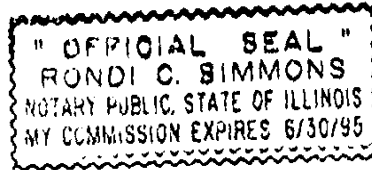
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STATE OF ILLINOIS)
) SS.
COUNTY OF Cook)

The foregoing instrument was acknowledged before me on this 17th day of May, 1995, by Yehuda Tzur, acknowledged to me to be the President of Universal Automotive, Inc.

Rondi C. Simmons
Notary Public
Acting in Cook County
My Commission Expires: _____



Drafted by and when
recorded return to:

Creighton R. Meland, Jr.
Dickinson, Wright, Moon,
Van Dusen & Freeman
225 West Washington Street
Suite 400
Chicago, Illinois 60606
(312) 220-0300

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EXHIBIT A

LEGAL DESCRIPTION:

THAT PART OF THE SOUTH EAST 1/4 OF THE SOUTH EAST 1/4 OF SECTION 23, TOWNSHIP 40 NORTH, RANGE 13 EAST OF THE THIRD PRINCIPAL MERIDIAN, BOUNDED AND DESCRIBED AS FOLLOWS:

BEGINNING AT A POINT IN THE WEST LINE OF NORTH KEDZIE AVENUE WHICH POINT IS 150 FEET SOUTH MEASURED ALONG SAID WEST LINE OF NORTH KEDZIE AVENUE FROM THE POINT OF ITS INTERSECTION WITH THE NORTH LINE OF SAID SOUTH EAST 1/4 OF THE SOUTH EAST 1/4 OF SECTION 23; THENCE SOUTH ALONG SAID WEST LINE OF NORTH KEDZIE AVENUE, A DISTANCE OF 320.40 FEET; THENCE WEST PARALLEL WITH THE NORTH LINE OF SAID SOUTH EAST 1/4 OF THE SOUTH EAST 1/4 OF SECTION 23, A DISTANCE OF 246.01 FEET; THENCE NORTHWESTERLY ALONG A LINE FORMING AN ANGLE OF 38 DEGREES 13 MINUTES TO THE RIGHT WITH AN EXTENSION OF THE LAST DESCRIBED COURSE, A DISTANCE OF 196.42 FEET TO A POINT WHICH IS A DISTANCE OF 400 FEET WEST, MEASURED ALONG A LINE PARALLEL WITH THE NORTH LINE OF SAID SOUTH EAST 1/4 OF THE SOUTH EAST 1/4 OF SECTION 23 FROM SAID WEST LINE OF NORTH KEDZIE AVENUE; THENCE NORTH PARALLEL WITH THE WEST LINE OF NORTH KEDZIE AVENUE, 198.90 FEET TO A POINT WHICH IS 150 FEET SOUTH, MEASURED ON A LINE PARALLEL WITH SAID WEST LINE OF NORTH KEDZIE AVENUE FROM SAID NORTH LINE OF THE SOUTH EAST 1/4 OF THE SOUTH EAST 1/4 OF SECTION 23, THENCE EAST PARALLEL WITH SAID NORTH LINE OF THE SOUTH EAST 1/4 OF THE SOUTH EAST 1/4 OF SECTION 23, A DISTANCE OF 400 FEET TO THE PLACE OF BEGINNING, IN COOK COUNTY, ILLINOIS.

Address: 3350 North Kedzie Avenue
Chicago, Illinois 60611

Pin No.: 13-23-411-004, Vol. 352

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EXHIBIT B

As used herein "Permitted Encumbrance" means (i) liens for taxes or assessments or governmental charges or levies not yet delinquent, or which can thereafter be paid without penalty, or which are being contested in good faith by appropriate proceedings for which enforcement has been stayed and for which the Mortgagor has established adequate financial reserves in its books and records; (ii) unfiled inchoate mechanics' and materialmen's liens for construction work in progress; (iii) all of the following if they do not, in the opinion of the Mortgagee, either individually or in the aggregate materially impair the use of the Mortgaged Premises by the Mortgagor or any Lessee: (A) any Lien for the satisfaction and discharge of which a sum of money or other security deemed adequate by the Mortgagee is on deposit with the Mortgagee (B) liens created by or resulting from any litigation or other proceedings including liens arising out of judgments or awards against the Mortgagor with respect to which the Mortgagor is in good faith prosecuting an appeal or proceeding for review, and the enforcement of which is thereby stayed, if such liens do not, in the opinion of the Mortgagee, either individually or in the aggregate, materially impair the use or value of the Mortgaged Premises by the Mortgagor or any lessee together with the following specific encumbrances:

1. Unpaid real estate taxes for 1995 and thereafter not yet delinquent.

2. Encroachment of stepped concrete footings located on the subject land over and across the line by about .09 of a foot, as disclosed by survey made by James, Schaeffer & Schimming, Inc., dated July 23, 1988.

3. Encroachment of building located mainly on the land over the east line by about .06 of a foot, as disclosed by survey made by James, Schaeffer & Schimming, Inc., dated July 23, 1988.

4. Encroachment of concrete loading dock over the west line of the land, as disclosed by survey aforesaid.

5. Rights of the Commonwealth Edison Company to maintain a transformer vault on the east side of the first floor of the building located mainly on the land, as disclosed by unrecorded agreement dated April 15, 1948 made by and between S & W Fine Food, Inc., and said Commonwealth Edison Company.

6. Possible rights and easement for railroad spur track located at the north 17 feet of the West 211.14 feet of the land and over the southwesterly line of the land, as shown on survey by James, Schaeffer & Schimming, Inc., dated July 23, 1988.

7. Encroachment of the building located primarily on the land south and adjoining onto the land by .06 of a foot to .14 of

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a foot, as disclosed by survey prepared by James, Schaeffer & Schimming, Inc., dated July 23, 1988.

8. Encroachment of the wall located primarily on the land south and adjoining onto the land by .24 of a foot, as disclosed by survey prepared by James, Schaeffer & Schimming, Inc., dated July 23, 1988.

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