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SUBORDINATION AGREEMENT

THIS SUBORDINATION AGREEMENT is executed as of this ~~11~~ day of August 1996 by ROTOP, INC., an Illinois corporation ("Creditor") and COSMOPOLITAN BANK AND TRUST COMPANY, an Illinois banking association ("Lender").

DEPT-01 RECORDING \$37.50
T00014 TRAN 8415 09/10/96 13:35:00
#5493 + JW *-96-689522
COOK COUNTY RECORDER

RECITALS

A. Creditor is the current owner of (i) that certain mortgage dated December 15, 1988 and recorded with the Cook County Recorder of Deeds on December 29, 1988 as Document No. 88-597-316 made by American National Bank and Trust Company of Chicago, not individually, but as trustee under trust agreement dated November 8, 1988 and known as Trust No. 106-904-02 ("Trust") to Enterprise Savings Bank ("Enterprise"), and (ii) an Assignment of Rents and Leases dated December 15, 1988 from Trust to Enterprise recorded with the Cook County of Deeds on December 29, 1988 as Document 88-597-317. Such instruments are referred to collectively as the "Junior Mortgage" and encumber certain real property legally described on Exhibit A attached hereto and made a part hereof. Such Junior Mortgage secures a loan (the "Junior Loan") in the original principal sum of \$6,210,000 which was evidenced by the delivery of a promissory note (the "Junior Note"). By way of mesne assignments, Creditor is the current holder of the Junior Note.

B. Lender has made a loan (the "Loan") of ~~Five Million~~ ^{Four Hundred Thousand} Dollars (\$6,000,000) to Debtor which loan will be secured by, among other things, (1) a Mortgage, Assignment of Leases and Rents, Financing Statement and Security Agreement, and (2) an Assignment of Rents and Leases. Said instruments shall be referred to collectively hereafter as the "Senior Mortgage." The Loan will be evidenced by a Promissory Note (the "Senior Note").

C. Lender is unwilling to make the Loan unless the indebtedness of Debtor to Creditor is subordinated to the indebtedness under the Senior Mortgage and unless the lien of the Junior Mortgage, and all other liens securing repayment of the Junior Loan, is subordinated to the liens granted to Lender.

NOW THEREFORE, in consideration of the mutual promises herein contained, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

1. The Junior Note, together with all interest and all other sums due thereunder by virtue of future advances, and all items which come due under the terms of the Junior Mortgage or

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any and all other documents executed and delivered in connection with the Junior Loan are referred to collectively as the "Junior Debt." The Senior Note, together with all interest and all other sums due thereunder by virtue of future advances, and all items which come due under the terms of the Senior Mortgage, ~~the Junior Mortgage~~, or any and all other documents executed and delivered in connection with the Senior Loan are referred to collectively as the "Senior Debt."

2. Creditor hereby acknowledges that the outstanding principal balance due under the Junior Note, together with interest and all other sums due Creditor thereunder is \$ approx. \$7,000,000.00

3. Creditor hereby unconditionally subordinates the payment of the Junior Debt to the full payment of the Senior Debt (except as expressly provided in Paragraph _____ below). The Junior Debt shall continue to be so subordinate until repayment in full of the Senior Debt. If any payment(s) is (are) made to Creditor on account of the Junior Debt contrary to the terms of this Agreement, each and every amount so paid shall be delivered to Lender in the form received, endorsed or assigned as may be appropriate for application on account of, or as security for, the Senior Debt and until so delivered, shall be held in trust for the Lender as security for the Senior Debt.

4. Creditor hereby represents and warrants to Lender that it is the owner of the Junior Debt and that it has not assigned, endorsed, encumbered or subordinated the Junior Debt except as provided herein.

5. So long as there is no Event of Default under the Senior Debt (as such term is defined in the various loan documents evidencing the Senior Debt from time to time), nor any state of facts which with the delivery of notice, the passage of time or both would constitute such an Event of Default, Debtor may pay current amortized installments (but not balloon installments) of principal and interest due on the Junior Debt solely to the extent that such sums may be paid from Net Operating Income of the Property. For purposes hereof, "Net Operating Income" shall mean for each calendar month, the amount by which Revenues for said calendar month exceed Expenses for said calendar month. "Revenues" shall mean any and all operating income and revenues generated from the operation of the Property, computed on the basis of generally accepted accounting principles and consistently applied (but excluding all proceeds, income and revenue from non-operating sources including, without limitation, insurance and condemnation payments or awards and all capital contributions to Debtor). "Expenses" means the reasonable and necessary expenses and liabilities paid or payable by Debtor in the ordinary course of its business. Such expenses shall be pursuant to annual budgets submitted to and approved by Lender and shall include the establishment of various reserves for tenant improvements and for capital improvements.

6. Creditor agrees that the Junior Mortgage and any and all other liens granted to Creditor to secure the Junior Debt shall be and at all times remain subject and subordinate to the lien of the Senior Mortgage and to any and all other liens granted to Lender to secure the Senior Debt.

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7. Creditor covenants and agrees for the benefit of Lender that:
- (a) Creditor is hereby prohibited from declaring any default under the Junior Debt or exercising any remedies available thereunder in consequence of a default including, without limitation, the acceleration of the Junior Debt, the seeking of default interest, the imposition of any late payment penalties, the sending of any default notice, the commencement of any suit concerning the Junior Debt or the taking of any other enforcement action against Debtor. Creditor agrees that, unless and until the Senior Debt has been retired in full, it cannot and will not institute any action to foreclose its Junior Mortgage or any other security interests or seek to have any receiver appointed over the Debtor. Creditor acknowledges that Lender's remedies and damages will be difficult to ascertain or determine in the event that Creditor breaches this covenant and agrees that Lender may compel specific performance of this covenant.
 - (b) Creditor shall not change, alter, or amend, the terms, covenants or conditions of the Junior Debt in any manner without the express consent in writing of Lender which may be withheld in its complete discretion. Anything herein contained to the contrary notwithstanding, Lender shall not be bound by any amendment of the Junior Debt not approved in writing by Lender.
 - (c) In the event there is a foreclosure of the Senior Mortgage, no portion of the rents, issues and profits of the Property shall be held by such receiver and shall be applied by the receiver solely for the benefit of Lender. Creditor shall not be entitled to any such sums so long as there are any sums outstanding under the Senior Debt.
 - (d) In the event that the Debtor offers to convey the Property to Lender in lieu of foreclosure, Lender shall so notify Creditor in writing. Creditor may, within fourteen (14) days of its receipt of such notice, purchase all of Lender's rights in and to the Junior Debt for the full principal balance owing thereunder plus any and all accrued but unpaid interest or other indebtedness arising under the loan documents securing the Senior Debt (the "Outstanding Debt"). In the event, Lender has extended such right to more than one junior creditor, all such rights shall be deemed to have been granted *pari passu* and such creditors electing to so purchase shall each contribute their *pro rata* share (determined on the basis of number of creditors, not the amount of their claims) of the Outstanding Debt. Upon tender of such funds, Lender will set over and assign, without recourse or warranty, all of Lender's loan documents.

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Should Creditor not tender such funds within the aforesaid fourteen (14) day period, Creditor shall deliver to Lender an executed release of the Junior Mortgage in recordable form. In the absence of such delivery, Creditor hereby irrevocably appoints Lender its attorney-in-fact for the purposes of executing and recording such release of mortgage on behalf of Creditor. Such assignment is coupled with an interest.

- (e) Upon any distribution of the assets or readjustment of the indebtedness of Debtor, whether by reason of reorganization, liquidation, dissolution, bankruptcy, receivership, assignment for the benefit of creditors, or any other action or proceeding involving the readjustment of all or any portion of the Junior Debt, or the application of assets of Debtor to the payment or liquidation thereof, either in whole or in part, (collectively, a "Reorganization Proceeding") Lender shall be entitled to receive payment in full of all or any portion of the Senior Debt prior to the payment of all or any portion of the Junior Debt, and in order to enable Lender to assert and enforce Lender's rights hereunder in any such action or proceeding, or upon the happening of any such event, Lender is hereby irrevocably authorized and empowered, in Lender's sole discretion, to make and present, for and on behalf of Creditor such proofs of claims against Debtor on account of all or any part of the Junior Debt. Further, in any such Reorganization Proceeding, Creditor hereby irrevocably appoints Lender its attorney-in-fact and authorizes Lender, on Creditor's behalf, to cast any and all votes on any proposed plans of reorganization, or proposed orders to lift the stay or use the Debtor's cash collateral. Such assignment is coupled with an interest.
- (f) Lender may at any time in its discretion renew or extend the time of payment or otherwise modify the terms of all or any portion of the Senior Debt and/or waive any rights or release any collateral relative thereto at any time, and in reference thereto to make and enter into such agreements as Lender may deem proper or desirable, without notice to or further assent of Creditor, all without impairing or affecting in any manner this Agreement or Lender's rights hereunder.
- (g) Creditor waives all rights and options to retain and apply the proceeds of any insurance or condemnation award toward payment of the Junior Debt (or to insist on their application to the repair or restoration of the Property) except only to the extent that funds remain after satisfaction of the Senior Debt in full. Creditor agrees that, to the extent that condemnation or insurance proceeds are to be paid to the Lender in accordance with the foregoing, Creditor shall not be deemed to be a loss payee with respect to such proceeds and hereby waives any rights contained in the Junior

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Mortgage so providing unless and until the Senior Debt has been paid in full. Creditor shall promptly endorse all checks payable to Creditor in such instances as directed by Lender.

(h) Creditor agrees that, to the extent that any covenants or obligations of the Debtor set forth in the Junior Mortgage including, without limitation, any standard for the operation of the Property, are more strict or restrictive than the covenants or obligations of the Senior Mortgage, such covenants and obligations shall not be enforceable against Debtor without the prior consent of Lender.

(i) In the event that Lender enters into a nondisturbance and attornment agreement with any tenant, Creditor shall, promptly after request by Lender, enter into a nondisturbance and attornment agreement with such tenant on the same terms as the Lender's agreement.

8. This is a continuing agreement and shall remain in full force and effect and be binding upon Creditor and the heirs, legal representatives, successors or assigns of Creditor, until receipt by Creditor of written notice from Lender, or from any legal representative, successor or assign of Lender, to the effect that this Agreement has been terminated or revoked.

9. This Agreement shall be governed by the internal laws of the State of Illinois.

10. This Agreement may not be modified, amended, waived, extended, changed, discharged, or terminated orally or by any act or failure to act on the part of Creditor or Lender, but only by an agreement in writing signed by the party against whom the enforcement of any such modification, amendment, waiver, extension, change, discharge or termination is sought.

11. This Agreement may be executed in several counterparts, each of which counterpart shall be deemed an original instrument and all of which together shall constitute a single agreement.

12. In the event any term or provision of this Agreement or the application thereof to any person or circumstance shall, for any reason and to any extent, be invalid or unenforceable, the remaining terms and provisions of this Agreement shall not be affected thereby, but rather shall be enforceable to the fullest extent permitted by law.

13. Creditor shall protect, indemnify, defend and save Lender harmless from and against all liabilities, obligations, claims, damages, penalties, causes of action, costs and expenses (including, without limitation, reasonable attorneys' fees and expenses) imposed upon, incurred by or asserted against Lender by reason of a breach by Creditor of any representation or covenant of Creditor contained herein.

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IN WITNESS WHEREOF, the undersigned have executed this Subordination Agreement as of the day, month and year first above written.

ROTOP, INC., an Illinois corporation

By: Irving Levitas

Its: V.P.

COSMOPOLITAN BANK AND TRUST COMPANY, an Illinois banking association

By: [Signature]

Its: V.P.

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EXHIBIT **A**

THE SOUTH 50-1/2 FEET OF LOT 3 AND SUB-LOT 1 OF LOT 6 IN BLOCK 17 IN FRACTIONAL SECTION 15 ADDITION TO CHICAGO, TOWNSHIP 39 NORTH, RANGE 14, EAST OF THE THIRD PRINCIPAL MERIDIAN, IN COOK COUNTY, ILLINOIS.

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819 S Wabash
Chicago IL

17-15-305-002
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mail to:

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