

AGREEMENT OF SUBORDINATION,
NON-DISTURBANCE, AND ATTORNMENT

THIS AGREEMENT OF SUBORDINATION,
NON-DISTURBANCE, AND ATTORNMENT
("Agreement") is made by and among HAMILTON
PARTNERS ORLAND PARTNERS LIMITED
PARTNERSHIP, an Illinois limited partnership,
("Lessor"), PIER 1 IMPORTS (U.S.), INC., a Delaware
corporation ("Lessee"), and MADISON BANK N.A., a
national banking association ("Lender").

WITNESSETH:

WHEREAS, under a certain lease dated
January 20, 1989, as modified by a Letter
Agreement dated January 19, 1989, a Lease
Addendum dated July 21, 1989, and by a Letter
Agreement dated May 22, 1992, (hereinafter referred
to as the "Lease"), Lessor did lease, let, and demise a
portion of the Property (hereinafter called the
"Premises"), located at 15160 S. LaGrange Road,
Orland Park, IL, commonly known as Pier 1 Imports
Store #758, as described in the Lease to Lessee for
the period of time and upon the covenants, terms,
and conditions therein stated; and

WHEREAS, said Lease has not been amended
or modified except as set forth above; and

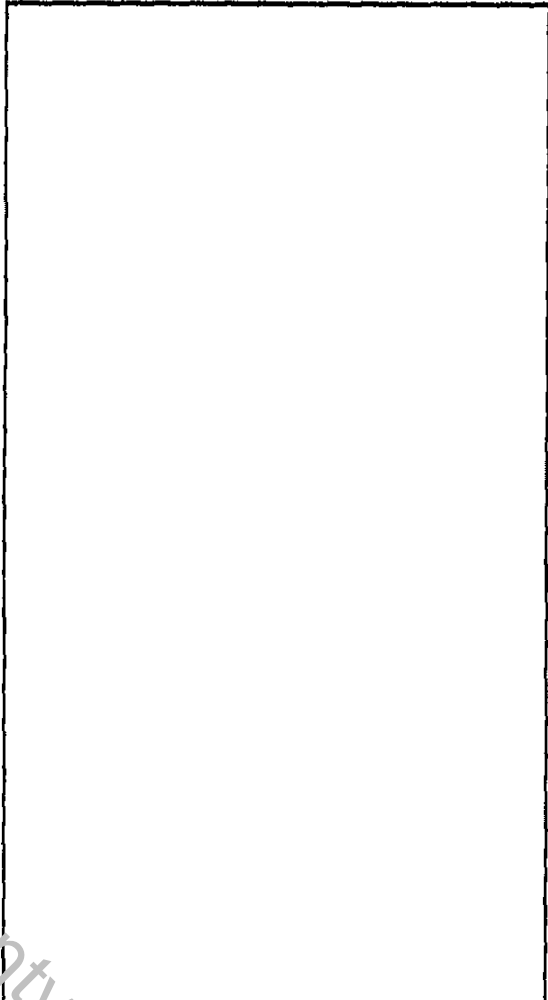
WHEREAS, by making a mortgage loan ("Loan"), Lender will become the owner of an
indebtedness and holder of a certain "Note" or "Notes", secured by a "Mortgage," of even date
herewith, constituting a valid lien upon the Property, and secured by an assignment of Lessor's
interest in the Lease as more particularly set forth in a certain Mortgage, Assignment of Rents,
Security Agreement and Fixture Financing Statement to be executed by Lessor; and

WHEREAS, Lessor and Lessee jointly and severally acknowledge and agree to the aforesaid
Assignment, and more particularly, the covenants and agreements of Lessor set forth therein; and

WHEREAS, the parties hereto desire to establish additional rights of quiet and peaceful
possession for the benefit of Lessee, and further to define the covenants, terms, and conditions
precedent to such additional rights.

NOW, THEREFORE, in consideration of the covenants, terms, conditions, agreements, and
demises herein contained, and in consideration of other good and valuable consideration, each to
the other, the sufficiency and receipt of which are hereby acknowledged, the parties hereto agree
as follows:

1. Lender, Lessor, and Lessee do hereby covenant and agree that the Lease and any
modifications and amendments subsequently approved by Lender and all rights, options, liens or



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charges created thereby are and shall continue to be subject and subordinate in all respects to the Mortgage and the lien created thereby, to any advancements made thereunder, and to any consolidations, extensions, modifications or renewals thereof.

2. Subject to the observance and performance by Lessee of all of the covenants, terms and conditions of the said Lease or in any modification or amendment specified herein or subsequently approved by Lender on the part of Lessee to be observed and performed, Lender hereby covenants that in the event it obtains title to the Premises, either by foreclosure or by deed in lieu of foreclosure, and thereafter obtains the right of possession of the Premises, that the Lease and any modifications or amendments specified herein or hereafter approved by Lender will continue in full force and effect, and Lender shall recognize the Lease and any modifications or amendments specified herein or subsequently approved by Lender and the Lessee's rights thereunder, and will thereby establish direct privity of estate and contract between the Lender and Lessee with the same force and effect and with the same relative priority in time and right as though the Lease and any modification or amendment specified herein or subsequently approved by Lender were directly made from Lender in favor of Lessee.

3. Lessee agrees to give Lender by registered or certified mail, return receipt requested, a copy of any notice of default served upon Lessor. Lessee further agrees that if Lessor shall have failed to cure such default within the time period provided for in the Lease, then Lender shall have an additional thirty (30) days within which to cure such default or if such default cannot be cured within that time, then such additional time as may be necessary if, (i) within thirty days, Lender has commenced and is diligently pursuing the remedies necessary to cure such default (including, but not limited to, obtaining possession of the Property by foreclosure), and (ii) the default does not materially interfere with the use and operation of the Premises, then the Lease shall not be terminated while such remedies are being so diligently pursued. It is specifically agreed that Lessee shall not, as to Lender, require cure of any such default which is personal to the Lessor, and therefore not susceptible of cure by Lender.

4. That in the event the interests of the Lessor under the Lease shall be transferred to Lender by reason of foreclosure, deed in lieu of foreclosure, or otherwise, Lessee hereby covenants and agrees, upon receipt of written notice from Lender, to make full and complete attornment to the Lender as substitute Lessor upon the same terms, covenants and conditions as provided in the Lease, so as to establish direct privity of estate and contract between the Lender and Lessee with the same

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form and effect and relative priority in time and right as though the Lease and all modifications and amendments thereof specified herein or hereafter consented to by Lender, together with all guarantees of Lessee's obligations under the Lease, was originally made directly between Lender and Lessee. Lessee will thereafter make all payments directly to Lender and will waive as against Lender only any non-curable defaults of Lessor which occurred prior to Lender gaining right of possession to the Premises and becoming substitute Lessor. Lessee waives all joinder and/or service of any and all foreclosure actions by Lender under the Note or Notes and Mortgage upon the Premises, and of any actions at law by Lender to gain possession of the Premises. It shall not be necessary, except as required by law, for Lender to name Lessee as a party to enforce its rights under the Note or Mortgage, or any other instrument collateralizing the loan, or to prosecute any action at law to gain possession of the Premises and unless required by law Lender agrees not to name Lessee in any such proceeding. If the interests of Lessor under the Lease shall be transferred by reason of foreclosure of the Mortgage, deed in lieu of foreclosure, or otherwise, to any party other than Lender (hereinafter referred to as a "Transferee"), then Lessee hereby covenants and agrees, upon receipt by Tenant of written notice, to make full and complete attornment to such Transferee as substitute Lessor, upon the same terms and conditions as provided for herein in the case of attornment to Lender and subject to all the terms and conditions of this Agreement.

5. Lessee agrees that it shall have no right as to any condemnation proceeds under Section ~~22~~ of the Lease or otherwise unless and until the Loan has been repaid in full. At such time as the Loan has been repaid in full, condemnation proceeds shall be allocated as set forth in Section ~~22~~ of the Lease.

6. The provisions of this Agreement shall be real covenants running with the Property, and shall be binding upon and inure to the benefit of the respective parties hereto and their respective heirs, executors, administrators, beneficiaries, successors and assigns, including without limitation any person who shall obtain, directly or by assignment or conveyance, (a) any interest in the Mortgage; (b) any certificate of purchase following foreclosure of the Mortgage; (c) any certificate of redemption following such foreclosure; or (d) any interest in the Premises, whether through foreclosure or otherwise. Furthermore, the provisions of this Agreement shall be binding upon any guarantor of Lessee's obligations under the Lease.

7. Notwithstanding anything contained herein to the contrary, or anything to the contrary in the aforesaid Lease or

in any modifications or amendments thereto, Lessor and Lessee hereby covenant and agree that Lender and its respective assignees shall not be:

- (a) Liable for any act or omission of Lessor arising prior to the date that Lender takes possession of the Premises, except for continuing obligations of Lessor under the Lease.
- (b) Subject to any offsets or defenses which Lessee might have as to Lessor.
- (c) Required or obligated to credit Lessee with any rent or additional rent which Lessee might have paid Lessor more than thirty (30) days in advance of the due date.
- (d) Bound by any amendments or modifications of the Lease made without Lender's consent (which consent shall be deemed given if Lender does not object in writing to a proposed amendment or modification within sixty (60) days following receipt of the proposed amendment or modification, other than exercise of rights, options or elections contained in the Lease, including without limitation options to extend the term of the Lease.
- (e) Bound to or liable for refund of all or any part of any security deposit by Lessee with Lessor for any purpose unless and until all such security deposit shall have been delivered by Lessor to and actually received by Lender. In the event of receipt of any such security deposit, Lender's obligations with respect thereto shall be limited to the amount of such security deposit actually received by Lender, and Lender shall be entitled to all rights, privileges and benefits of Lessor set forth in the Lease with respect thereto.

8. Lessee covenants and agrees as follows for the benefit and reliance of Lender:

- (a) That it will not, without the express written consent of Lender:
 - (i) Cancel, terminate or surrender the Lease, except as provided therein or in any modification or amendment specified herein or hereafter consented to by Lender, and then, in all cases where there is a default by Lessor, only after Lender has failed to or unsuccessfully attempted to pursue its rights and remedies as provided herein; or

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(11) After date hereof, enter into any agreement with Lessor, its successors or assigns, which grants any concession with respect to the Lease or which reduces the rent called for thereunder except as provided in the Lease or any permitted amendment thereto.

(b) That it agrees, except to the extent prohibited by law or legal proceedings, to make rental payments as directed by Lender upon written demand by Lender in the event of any default under the Note or Mortgage.

9. Lessor and Lessee hereby jointly and severally agree for the benefit and reliance of Lender that neither this Agreement, the Assignment of Lease, nor anything to the contrary in the aforesaid Lease or in any modifications or amendments thereto shall, prior to Lender's acquisition of Lessor's interest in and possession of the Premises, operate to give rise to or create any responsibility or liability for the control, care, management or repair of the Premises upon the Lender, or impose responsibility for the carrying out by Lender of any of the covenants, terms and conditions of the Lease or of any modification or amendment specified herein or hereafter consented to by Lender, nor shall said instruments operate to make the Lender responsible or liable for any waste committed on the Premises by any party whatsoever, or for dangerous or defective condition of the Premises, or for any negligence in the management, upkeep, repair or control of said Premises resulting in loss, injury or death to any Lessee, licensee, invitee, guest, employee, agent or stranger. Notwithstanding anything to the contrary in the Lease, Lender, its successors and assigns or a purchaser under the terms of the Mortgage, shall be responsible for performance of only those covenants and obligations of the Lease accruing after Lender's acquisition of Lessor's interest in and possession of the Premises.

10. Lessor irrevocably authorizes Lessee to make any payments required to be made under the Lease directly to Lender pursuant to the Assignment if so notified by Lender and Lessor hereby waives any and all claims against Lessee arising as a result of such payments to Lender.

11. Any notices ~~to Lessee~~ hereunder shall be effective upon mailing ~~to Lessee~~ by certified mail, return receipt requested, addressed as follows:

Lessee:

Pier 1 Imports (U.S.), Inc.
301 Commerce Street, Suite 600
Fort Worth, Texas 76102
Attn: Vice Pres. of Real Estate

with a copy to the Legal Dept.

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Lessor:

Hamilton Partners Orland Partners Limited Partnership
c/o Hamilton Partners Real Estate Investment
300 Park Blvd., Suite 100
Itasca, IL 60143

Lender:

Madison Bank, N.A.
10 South Riverside Plaza
Chicago, Illinois 60606
Attn: Dwight L. Frankfather

~~The First National Bank of Chicago
One First National Plaza, Suite 0316
Chicago, Illinois 60670
Attn: Real Estate Department~~

~~With copies to the attention of the Law Department, Suite
660.~~

or as to each party, to such other address as the party may designate by a notice given in accordance with the requirements contained in this Section 11.

12. This Agreement contains the entire agreement between the parties hereto. No variations, modifications or changes herein or hereof shall be binding upon any party hereto unless set forth in a document duly executed by or on behalf of such party.

13. This instrument may be executed in multiple counterparts, all of which shall be deemed originals and with the same effect as if all parties hereto had signed the same document. All of such counterparts shall be construed together and shall constitute one instrument, but in making proof, it shall only be necessary to produce one such counterpart.

14. Whenever used herein, the singular number shall include the plural, the plural the singular, and the use of any gender

(signatures on next page)

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shall include all genders. The words, "Lender," "Lessor" and "Lessee" shall include their heirs, executors, administrators, beneficiaries, successors and assigns.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be signed, sealed and delivered in their respective names and in their behalf; and if a corporation, by its officers duly authorized, this _____ day of _____, 1988.

LESSOR:

HAMILTON PARTNERS
H.P. ORLAND PARTNERS LIMITED
PARTNERSHIP, an Illinois limited
partnership

By:

Its:

James J. Sheridan
PRESIDENT
By: Hamilton Partners Retail Division #1, Inc.,
as General Partner

LESSEE:

PIER 1 IMPORTS (U.S.), INC.
Delaware corporation

By:

Its:

LENDER:

MADISON BANK, N.A.
~~THE FIRST NATIONAL BANK OF CHICAGO,~~
a national banking association

By:

Its:

WITNESS:

[Signature]

WITNESS:

Stanley R. Williams

WITNESS:

[Signature]
credit assistant

(Acknowledgments on next page)

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STATE OF Illinois
COUNTY OF DeKalb

Before me, the undersigned authority, on this day personally appeared James L. Schoriner, individually and as general partner of Hamilton Partners Orland Partners Limited Partnership, an Illinois limited partnership, known to me to be the person whose name is subscribed to the foregoing instrument and acknowledged to me that he executed the same for the purposes and consideration therein expressed, and in the capacity herein stated.

Given under my hand and seal of office this 17 day of July, 1996.

(seal)

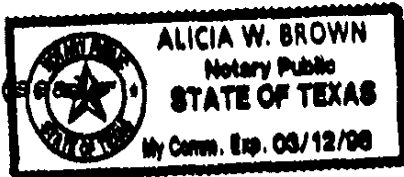


Patricia E. Ryan
Notary Public
My commission expires: 6-13-2000

STATE OF TEXAS
COUNTY OF TARRANT

Before me, the undersigned authority, on this day personally appeared J. Rodney Lawrence, the Sr. Vice President of Pier Imports (U.S.), Inc., a Delaware corporation, known to me to be the person whose name is subscribed to the foregoing instrument and acknowledged to me that he/she executed the same for the purposes and consideration therein expressed, in the capacity stated, and as the act and deed of said corporation.

Given under my hand and seal of office this 9th day of July, 1996.

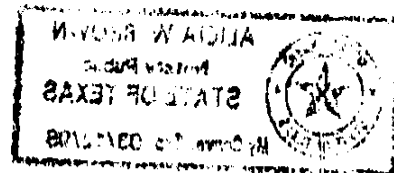


Alicia W. Brown
Notary Public
My commission expires: 3-12-98

(Acknowledgements continued on next page)

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STATE OF ILLINOIS

COUNTY OF COOK

Before me, the undersigned authority, on this day personally appeared ANTHONY TRIVETT, the Accountant Vice President of Madison Bank N.A., a national banking association, known to me to be the person whose name is subscribed to the foregoing instrument and acknowledged to me that he executed the same for the purposes and consideration therein expressed, and in the capacity herein stated.

Given under my hand and seal of office this 13 day of May, 1999.



[Handwritten Signature]

Notary Public
My commission expires: 6/26/99

*Pier Imports
P.O. Box 961020
301 Commerce St Ste 600
Fort Worth, TX 76161-0020*



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