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INTERCREDITOR AND SUBORDINATION AGREEMENT

THIS INTERCREDITOR AND SUBORDINATION AGREEMENT (the "Agreement") is dated as of July 17, 1998 by an among CIB BANK, an Illinois banking corporation (the "Lender") and WESTSHIRE RETIREMENT AND HEALTH CARE CENTRE, an Illinois limited partnership ("Creditor"), WESTSHIRE HEALTH CARE PROPERTIES, L.L.C., an Illinois limited liability company ("WHCP") and WESTSHIRE NURSING AND REHABILITATION CENTER, L.L.C., an Illinois limited liability company ("WNRC") (hereinafter WHCP and WNRC are jointly referred to as the "Borrower"), and ERIC ROTHNER (the "Guarantor").

WITNESSETH:

WHEREAS, pursuant to the two (2) Junior Purchase Money Promissory Notes each dated as of August 29, 1996 (the "Seller Notes") made by the Borrower in favor of the Creditor, the Creditor is entitled to receive from time to time, certain repayments of moneys pursuant to the Seller Notes in the aggregate amount of \$2,192,000 (collectively, such payments and any other payment to the Creditor pursuant to the Seller Notes or any amendment, supplement or restatement thereof and any guaranties thereof, including the Guaranty (as defined herein), are referred to herein as the "Creditor Debt");

WHEREAS, as further assurance for the payment of all liabilities and obligations due under the Creditor Debt, the Guarantor has entered into a Guaranty of even date herewith (the "Guaranty") in favor of the Creditor.

WHEREAS, pursuant to a Term Loan and Security Agreement and Revolving Loan and Security Agreement each of even date herewith (as supplemented, amended or modified from time to time, the "Loan Agreements") between the Lender and the Borrower and agreements and documents related thereto (collectively, the "Lender Agreements"), the Borrower is becoming indebted to the Lender in an amount not to exceed SIXTEEN MILLION TWO HUNDRED FIFTY THOUSAND AND NO/100 DOLLARS (\$16,250,000.00) outstanding from time to time in the aggregate, exclusive of accrued

BOX 333-CTT

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interest, charges, expenses, attorneys' fees, other sums chargeable to the Borrower by the Lender and all other Borrower's Liabilities (as defined in each of the Loan Agreements) (all such indebtedness now or hereafter arising, along with any modification, amendment, refinancing or supplement thereto and any guaranties thereof, being hereinafter referred to as the "Senior Debt");

WHEREAS, as security for the payment of all liabilities and obligations due under the Senior Debt, the Borrower, pursuant to the Loan Agreements and the Mortgage and Assignment of Leases and Rents and Security Agreement of even date herewith (the "Senior Mortgage") has granted to the Lender a first lien and continuing unconditional security interest in and Lien upon, among other things, the Facilities, the Premises, the Borrower's Accounts, Inventory, chattel paper, deposit accounts, General Intangibles, goods, Equipment, motor vehicles, furniture, fixtures, instruments, letters of credit, monies and other Property, (as such terms are defined and/or referred to in the Loan Agreements), including, without limitation, all of the Collateral (as defined in the Loan Agreements) and the Stock and all proceeds thereof (said lien and security interest of the Lender in the Collateral and the Stock is referred to herein as the "Senior Lien");

WHEREAS, as further assurance for the payment of all liabilities and obligations due under the Creditor Debt, the Borrower has granted to the Creditor a second lien and continuing unconditional security interest in and Lien upon all of the Stock legally or beneficially owned by the Facilities under the terms of the Junior Purchase Money Mortgage of even date herewith (the "Junior Purchase Money Mortgage");

WHEREAS, Creditor has agreed, among other things, (i) to subordinate the Creditor Debt to the Senior Debt, (ii) to subordinate the lien of the Junior Purchase Money Mortgage to the Senior Lien and (iii) to forbear for the time period set forth herein from foreclosing upon the Junior Purchase Money Mortgage upon the Borrower's default until the Senior Debt has been paid in full in cash or otherwise satisfied (as evidenced by the cancellation of the Loan Agreements.); and

NOW, THEREFORE, in consideration of the foregoing and the mutual covenants herein contained, and for other good and valuable consideration, the parties hereto agree as follows:

1. Priority of Liens. Notwithstanding the date, time, manner or order of perfection or attachment of the security interests and liens of the Senior Mortgage and Junior Purchase Money Mortgage granted by the Borrower to the Lender or to the Creditor, and notwithstanding the usual application of the priority provisions of the Uniform commercial Code as in effect in any jurisdiction or any other applicable law or judicial decision of any

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jurisdiction, or whether the Creditor holds possession of all or any part of the Collateral, or if the Lender is perfected without filing or possession in any part of the collateral, the Senior Lien shall be a first, senior and prior security interest in an lien on the Collateral and the Facilities superior to the Junior Purchase Money Mortgage.

2. Subordination of Creditor Debt.

a. The Creditor hereby subordinates any and all claims nor or hereafter owing to it by the Borrower under the Junior Purchase Money Mortgage to any and all claims of the Lender under the Senior Mortgage, the Loan Agreements and the Other Documents, and the Creditor agrees that all claims of the Lender shall be paid in full in cash or other wise satisfied (as evidenced by the cancellation of the Loan Agreements) before any payment may be made on the Creditor Debt, whether of principal or interest, except that so long as no monetary default exists under the Senior Debt, the Creditor shall be permitted to receive payments required to be made by Borrower under the Junior Purchase Money Mortgage.

b. The Creditor agrees not to accept any payment in respect of the Creditor Debt, except as expressly provided herein or with the express, prior written consent of the Lender, and (subject to the last sentence of Subsection 2.a) the Creditor agrees to pay over to the lender any funds that may be received from the Borrower (i) as a prepayment at any time or (ii) as a payment on account of the Creditor Debt at any time after the Creditor has received notice from the Lender that a monetary default has occurred under the Loan Agreements, but not otherwise. In case any funds shall be paid or delivered to either Creditor under the circumstances described in clause (i) or (ii) of the preceding sentence, such funds shall be held in trust by such Creditor for, and immediately paid and delivered to, the Lender (in the form received endorsed over to the Lender).

c. The Creditor further agrees not to sell, assign, transfer or endorse any claim or claims against the Borrower or the Guarantor to anyone except subject to the terms and conditions of this Agreement, provided that the foregoing shall not impair Creditor's right to proceed against Buyer under Junior Purchase Money Mortgage.

d. The Creditor agrees that the priority of the Senior Debt set forth above shall continue during any insolvency, receivership, bankruptcy, dissolution, liquidation, or reorganization proceeding, or in any other proceeding, whether voluntary or involuntary, by or against the Borrower under any bankruptcy or insolvency law or laws relating to the relief of debtors of any

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jurisdiction, whether now or hereafter in effect, and in any out-of-court composition, assignment for the benefit of creditors or other arrangement of any kind.

3. Forbearance from Exercise of Remedies. As long as the Senior Debt has not been paid in full cash and discharged, Creditor agrees that it shall not, for a period of forty-five (45) days following notice, (a) take any action or exercise any remedy against the Borrower to enforce the Creditor Debt, (b) take any action or exercise any remedy under the Junior Purchase Money Mortgage as a result of any default under the Creditor Debt. The Creditor understands and agrees that the Lender shall have the right, but shall have no obligation, to cure any default under the Creditor Debt.

4. Proceeds. The order of priority of liens set forth in Section 1 hereof shall apply to all proceeds of the Facilities and the Collateral, including, without limitation, any insurance proceeds payable in the event of loss of, or damage to, the Facilities or the Collateral.

5. Perfection and Release of Liens. Upon payment and satisfaction in full of the Creditor debt, the Creditor shall release the Creditor Lien, if in existence at such time, as soon as practicable upon the request of the Lender.

6. Voided Payments. To the extent that the Borrower or the Guarantor makes any payment on the Senior Debt, which, within one (1) year of the date of such payment, is subsequently invalidated, declared to be fraudulent or preferential, set aside or is required to be repaid to a trustee, receiver or any other party under any bankruptcy act, state or Federal law, common law or equitable cause (such payment being hereinafter referred to as a "Voided Payment"), then to the extent of such Voided Payment that portion of the Senior Debt which had been previously satisfied by such Voided Payment shall be revived and continue in full force and effect as if such Voided Payment had never been made. In the event that a Voided Payment is recovered from the Lender, an Event of Default (as defined in the Loan Agreements) shall be deemed to have occurred and to be continuing from the date of such recovery from the Lender of such voided Payment until the full amount of such Voided payment is fully and finally restored to the Lender and until such time as the provisions of this Agreement shall be in full force and effect.

7. Violation of Agreement by the Borrower. Except as provided in Section 2 hereof, the Borrower agrees to make no payment whatsoever on the Creditor Debt nor Consent to or participate in any act which is in violation of the provisions of this Agreement.

8. Immediate Effect. This Agreement shall be effective immediately upon its execution by each of the parties hereto, and there are no conditions precedent or subsequent to the effectiveness of this Agreement.

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9. Successors and Assigns; Continuing Effect, Etc. This Agreement is being entered into for the benefit of, and shall be binding upon, each of the Lender, the Creditor, the Borrower, and their respective permitted successors, assigns, heirs and personal representatives, as applicable. the Lender may participate out to other parties any portion of its interest under the Senior Debt and no such participant shall be required to become a signatory hereto. Any assignee or transferee shall execute and deliver to the other parties hereto an agreement pursuant to which they become parties hereto as fully as if they were signatories hereto and providing for the effectiveness of this Agreement as to such transferee or assignee and other parties, and the lien and debt priority of such party shall be that of such party's assignor and transferor. This Agreement shall be a continuing agreement, shall be irrevocable and shall remain in full force and effect so long as any of the Senior Debt or the Creditor Debt is outstanding and so long as the Loan Agreements has not been terminated.

10. Notification of Default. The Lender and the Creditor shall give written notice to the other of an Event of Default by the Borrower under Senior Debt of a breach or default by the Borrower or the Guarantor under the Creditor Debt, respectively; *provided, however,* that the failure to give such notice absent gross negligence shall not be deemed to be a breach of this Agreement and shall not affect the effectiveness or any declaration of such breach, default or Event of Default, as the case may be. The Creditor understands that, subject to any grace or cure period under its agreements with the Borrower, any default by the Borrower under the Creditor Debt is, automatically, an Event of Default of the Borrower under the Senior Debt. Nothing in this Agreement shall be interpreted to limit or restrict the right of the Lender and the Creditor to waive any default under their respective documents, and the Lender, and the Creditor agrees that any waiver will be in writing and to provide the other parties hereto with a copy of any such waiver.

11. Notices. Except as otherwise provided herein, all notices, requests and demands to or upon a party hereto to be effective shall be in writing and shall be sent by certified or registered mail, return receipt requested, personal delivery against receipt, delivery service against receipt, overnight courier service against receipt, or by telegraph or telex and, unless otherwise expressly provided herein, shall be deemed to have been validly serviced, given or delivered when delivered against receipt, or one (1) Business Day after deposit in the mail, postage prepaid, or, in the case of telegraphic notice, when delivered to the telegraph company, or, in case of telex notice, when sent, answer back received, addressed as follows:

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If to Lender:

CIB Lender
900 E. Higgins
Elk Grove Village, Illinois 60007
Attn: John Bean, President
Telephone: (847) 437-7446
Telecopier: (847) 437-7556

With a copy to:

McBride Baker & Coles
500 West Madison Street
40th Floor
Chicago, Illinois 60661
Attn: Francis L. Keldermans
Telephone: (312) 715-5732
Telecopier: (312) 715-0839

If to the Creditor:

c/o First Health Care Associates
10700 West Higgins Road
Suite 300
Rosemont, Illinois 60018
Attn: Shael Bellows
Telephone No.: (847) 296-9623
Telecopier No.: (847) 298-0824

If to the Borrower and/or Guarantor:

Westshire Healthcare Properties, L.L.C.
5825 West Cermak Road
Cicero, Illinois 60650
Attn: Eric Rothner, Operating Manager
Telephone No.: (708) 656-9120
Telecopier No.: (708) 656-9128

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With a copy to: Lawrence Y. Schwartz, Ltd.
7366 N. Lincoln Avenue
Suite 404
Lincolnwood, Illinois 60646
Attn: Larry Schwartz
Telephone: (847) 679-1999
Telecopier: (847) 679-2011

The parties hereto may designate such other address or telecopier number by written notice in the aforesaid manner.

12. Amendments; Modifications. This Agreement may not be modified, altered or amended except by an agreement in writing executed by all of the parties hereto.

13. Amendment of Seller Notes. The Creditor and the Borrower agree to forbear from modifying, altering or amending any payment amount or payment term of the Seller Notes without the prior written consent of the Lender.

14. Cost and Expenses of Enforcement. The defaulting party agrees to pay all reasonable costs, legal expenses and attorneys' and paralegals' fees of ever kind, paid or incurred by the non-defaulting party in enforcing its rights hereunder, including, but not limited to, litigation instituted in a State or Federal Court, as hereinafter provided (including proceedings under the United States Bankruptcy Code) enforcing obligations of the defaulting party under this Agreement.

15. FORUM; AGENT; VENUE; JURY TRIAL WAIVER. TO INDUCE THE LENDER TO ACCEPT THIS AGREEMENT, EACH OF THE BORROWER AND THE CREDITOR IRREVOCABLY AGREES THAT, SUBJECT TO THE LENDER'S SOLE AND ABSOLUTE ELECTION, ALL ACTIONS OR PROCEEDINGS IN ANY WAY, MANNER OR RESPECT, ARISING OUT OF OR FROM OR RELATED TO THIS AGREEMENT SHALL BE LITIGATED ONLY IN COURTS HAVING SITUS WITHIN CHICAGO, ILLINOIS. EACH OF THE BORROWER AND THE CREDITORS HEREBY CONSENTS AND AGREES THAT THE CIRCUIT COURT OF COOK COUNTY, ILLINOIS, OR, AT THE LENDER'S OPTION, THE UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF ILLINOIS, EASTERN DIVISION, SHALL HAVE EXCLUSIVE JURISDICTION TO HEAR AND DETERMINE ANY CLAIMS OR DISPUTES BETWEEN THE LENDERS AND ANY OTHER PARTY HERETO PERTAINING TO THIS AGREEMENT OR TO ANY MATTER ARISING OUT OF OR RELATED TO THIS AGREEMENT. EACH OF THE BORROWER AND THE CREDITORS HEREBY IRREVOCABLY WAIVES THE RIGHT TO TRIAL BY JURY WITH RESPECT TO ANY ACTION IN WHICH IT IS A PARTY.

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16. Governing Law. This Agreement shall be governed and controlled by the laws of the State of Illinois without regard to principles of conflict of laws.

17. Severability. In the event any one or more of the provisions contained herein shall for any reason be held invalid, illegal or unenforceable in any respect by a court of competent jurisdiction, such invalidity, illegality or unenforceability shall not affect any other provision hereof, and this Agreement shall be construed as if such invalid, illegal or unenforceable provision had never been contained herein.

18. Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed one original and all of which taken together shall constitute one and the same instrument.

19. Definitions. All capitalized terms used in this Agreement which are not specifically defined herein shall have the meaning set forth in the Loan Agreements.

20. The Borrowers Acknowledgment. The Borrower hereby consents to this Agreement and agrees to abide by the terms hereof.

21. Lease Subordination. *The Lease dated September 1, 1996 between ~~WNRC~~ Creditor and WNRC is expressly subordinate to the Mortgage in favor of Lender.*
In witness whereof the parties hereto have executed this Intercreditor and Subordination Agreement the day and year first above written.

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In witness whereof the parties hereto have executed this Intercreditor and Subordination Agreement the day and year first above written.

CREDITOR:

Westshire Retirement and Health Care Centre, an Illinois limited partnership

By: [Signature]
Shael Bellows, General Partner

BORROWER

Westshire Health Care Properties, L.L.C.

Westshire Nursing and Rehabilitation Center, L.L.C.

By: [Signature]
Name: Eric Rothner
Title: Operating Manager

By: [Signature]
Name: Eric Rothner
Title: Operating Manager

GUARANTOR

[Signature]
Eric Rothner

LENDER
CIB Bank

By: [Signature]
~~John Dean, President~~

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ACKNOWLEDGMENT

STATE OF ILLINOIS)
) SS.
COUNTY OF COOK)

On July 17, 1998, before me, the undersigned, a Notary Public in and for the county and state aforesaid, personally appeared **Eric Rothner** personally known to me (or proved to me on the basis of satisfactory evidence) to be the person who executed the within Agreement and acknowledged to me that the execution thereof was his free and voluntary act and for the uses and purposes therein mentioned.

WITNESS my hand and official seal.

(SEAL)

[Signature]

Notary Public in and for the
State of *Illinois*
My commission expires _____
OFFICIAL SEAL"
Chrystyna Cameron
Notary Public, State of Illinois
My Commission Expires 11/17/00

ACKNOWLEDGMENT

STATE OF ILLINOIS)
) SS.
COUNTY OF COOK)

SEE PAGE 12

On July 17, 1998, before me, the undersigned, a Notary Public in and for the county and state aforesaid, personally appeared **Shael Bellows** personally known to me (or proved to me on the basis of satisfactory evidence) to be the person who executed the within instrument and acknowledged to me that the execution thereof was his free and voluntary act and for the uses and purposes therein mentioned.

WITNESS my hand and official seal.

(SEAL)

Notary Public in and for the
State of _____
My commission expires: _____

10-10-

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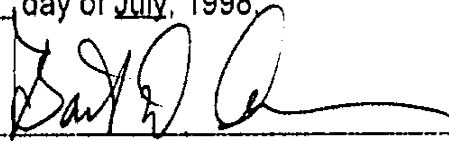
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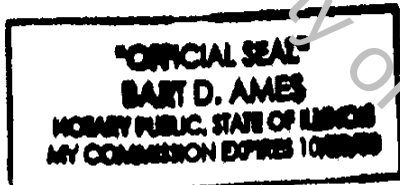
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I, the undersigned, a Notary Public in and for the County of Cook, State of Illinois, DO HEREBY CERTIFY that **SHAEL BELLOWS**, personally known to me to be the General Partner of Westshire Retirement and Health Care Centre, an Illinois Limited Partnership, and the same person whose name is subscribed to the foregoing instrument, appeared before me this day in person, and acknowledged that he signed, sealed and delivered the said instrument as the Partnership's free and voluntary act, for the uses and purposes therein set forth.

Given under my hand and official seal this 16th day of July, 1998.



Notary Public



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EXHIBIT A

LEGAL DESCRIPTION

LOTS 1 TO 7, BOTH INCLUSIVE, IN BLOCK 3 IN SUBDIVISION OF BLOCKS 3, 7, 12 AND 14 (EXCEPT THE NORTH 187 FEET OF BLOCK 14) OF THE SUBDIVISION OF WEST 1/2 OF THE NORTHEAST 1/4 AND THE WEST 1/2 OF THE SOUTH EAST 1/4 OF THE NORTHEAST 1/4 OF SECTION 29, TOWNSHIP 39 NORTH, RANGE 13 EAST OF THE THIRD PRINCIPAL MERIDIAN, IN COOK COUNTY, ILLINOIS

P.I. Numbers: 16-29-202-004-0000
16-29-202-005-0000
16-29-202-006-0000
16-29-202-007-0000
16-29-202-008-0000

Commonly known as: 5325 West Cermak Road
Cicero, Illinois

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