

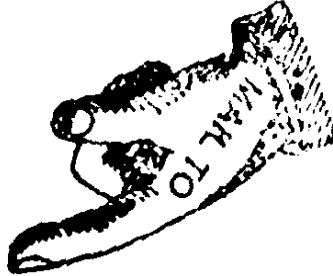
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THIS INSTRUMENT PREPARED BY:

PILLSBURY MADISON & SUTRO
600 Anton Blvd., Suite 1100
Costa Mesa, California 92626

RECORDING REQUESTED BY AND
WHEN RECORDED MAIL TO:

HELLER FINANCIAL, INC.
c/o Wayne S. Gilmartin, Esq.
Goldberg, Kohn, Bell, Black,
Rosenbloom & Moritz, Ltd.
55 East Monroe Street, Suite 3700
Chicago, Illinois 60603



94878412

SPACE ABOVE THIS LINE FOR RECORDER'S USE

LOAN NO. _____

Subdivision Name: Sherwood

Address of Movel: 27 Cambridge Avenue

Streamwood, IL 60107

MORTGAGE

This MORTGAGE (herein, referred to as the "Mortgage"), is given as of September 26, 1994, by AMHC-1, L.P., a Delaware limited partnership, as Grantor, whose mailing address for notice hereunder is at 4621 Teller Avenue, Suite 100, Newport Beach, California 92660 to the hereinafter described Lender.

WITNESSETH:

ARTICLE 1

DEFINITIONS

1.1 Definitions: As used herein, the following terms shall have the following meanings:

Lender: Heller Financial, Inc., a Delaware corporation, whose address for notice hereunder is Real Estate Financial Services, 500 West Monroe Street, 15th Floor, Chicago, Illinois 60661, Attention: Manager, Residential Investment Group, and its successors and assigns, including, any subsequent holder or holders, from time to time, of the Note.

DEST-01 RECORDING 167.50
129979 TRAM 10/13/94 09:21:06
1482 1 DU 1-94-1378412
COOK COUNTY RECORDER

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475012

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INTERCOUNTY TITLE

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Code: The Uniform Commercial Code, as amended from time to time, in effect in the state in which the Property is located.

Commitment: The Second Amended and Restated Loan Commitment and Purchase Agreement dated March 22, 1994, wherein Lender has agreed to make a loan to Grantor subject to the terms and conditions contained therein.

Constituent Party: Any signatory to this Mortgage that signs on Grantor's behalf that is a corporation, general partnership, limited partnership, joint venture, trust, or other type of business organization.

Debtor Relief Laws: Title 11 of the United States Code, as now or hereafter in effect, or any other applicable law, domestic or foreign, as now or hereafter in effect relating to bankruptcy, insolvency, liquidation, receivership, reorganization, arrangement or composition, extension or adjustment of debts, or similar laws affecting the rights of creditors.

Default Rate: The rate of interest specified in the Note to be paid by the maker of the Note from and after the occurrence of a default in payment under the provisions of the Note and Loan Documents but not in excess of the maximum lawful rate.

Event of Default: Any happening or occurrence described in Article 5 hereof.

Fixtures: All materials, supplies, equipment, systems, apparatus, and other items now owned or hereafter acquired by Grantor and now or hereafter attached to, installed in, or used in connection with (temporarily or permanently) and of the Improvements or the Land, which are now owned or hereafter acquired by Grantor and are now or hereafter attached to the Land or the Improvements, together with all accessions, appurtenances, replacements, betterments, and substitutions for any of the foregoing and the proceeds thereof.

Governmental Authority: Any and all applicable courts, boards, agencies, commissions, offices, or authorities of any nature whatsoever for any governmental unit (federal, state, county, district, municipal, city or otherwise), whether now or hereafter in existence.

Grantor: The individual or entity described as Grantor in the initial paragraph of this Mortgage and any and all subsequent owners of the Property or any part thereof.

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Impositions: All real estate taxes, assessments, fines, Impositions and other similar charges and obligations which may become a lien on or against the Property.

Improvements: Any and all buildings, covered garages, air conditioning towers, open parking areas, structures and other improvements, and any and all additions, alterations, betterments or appurtenances thereto, now or at any time hereafter situated, placed, or construed upon the Land or any part thereof.

Indebtedness: (i) The principal of, interest on, or other sums evidenced by the Note or the Loan Documents; (ii) any other amounts, payments, or premiums payable under the Loan Documents; (iii) such additional sums, with interest thereon, including Working Capital Loans as defined in the Loan Agreement, as may hereafter be borrowed from Lender, its successors or assigns, by the then record owner of the Property, when evidenced by a promissory note which, by its terms, is secured hereby (it being contemplated by Grantor and Lender that such future indebtedness may be incurred); and (iv) any and all other indebtedness, obligations, and liabilities of any kind or character of the Grantor to Lender, now or hereafter existing, absolute or contingent, due or not due, arising by operation of law or otherwise, or direct or indirect, primary or secondary, joint, several, joint and several, fixed or contingent, secured or unsecured by additional or different security or securities, including indebtedness, obligations, and liabilities to Lender of the Grantor as a member of any partnership, joint venture, trust or other type of business association, or other group, and whether incurred by Grantor as principal, surety, endorser, guarantor, accommodation party or otherwise, it being contemplated by Grantor and Lender that Grantor may hereafter become indebted to Lender in further sum or sums. Notwithstanding the foregoing provisions of this definition, this Mortgage shall not secure any such other loan, advance, debt, obligation or liability with respect to which Lender is by applicable law prohibited from obtaining a lien on real estate, nor shall this definition operate or be effective to constitute or require any assumption or payment by any person, in any way, of any debt or obligation of any other person to the extent that the same would violate or exceed the limit provided in any applicable usury or other law.

Land: The real property or interest therein described in Exhibit "A" attached hereto and incorporated herein by this reference, together with all right, title, interest, and privileges of Grantor in and to (i) all streets, ways, roads, alleys, easements, rights-of-way, licenses, rights of ingress and egress, vehicle parking rights and public

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places, existing or proposed, abutting, adjacent, used in connection with or pertaining to such real property or the improvements thereon; (ii) any strips or gores of real property between such real property and abutting or adjacent properties; (iii) all water and water rights, timber and crops pertaining to such real estate; and (iv) all appurtenances and all reversions and remainders in or to such real property.

Leases: Any and all leases, master leases, subleases, licenses, concessions, or other agreements (written or oral, now or hereafter in effect) which grant to third parties a possessory interest in and to, or the right to use, all or any part of the Property, together with all security and other deposits or payments made in connection therewith.

Legal Requirements: Any and all present and future judicial decisions, statutes, rulings, rules, regulations, permits, certificates, or ordinances of any Governmental Authority in any way applicable to the Property.

Loan Agreement: The Participating Loan Agreement dated March 29, 1994, by and among Lender, as lender, and Grantor, American Model Home Corporation, a California corporation, as General Partner of Grantor, Timothy Jagemann, and Paul N. Donnelly, as principals (the "Principals") pertaining to the indebtedness evidenced by the Note.

Loan Documents: The Commitment, the Loan Agreement, the Note, this Mortgage, and any and all other documents now or hereafter executed by the Grantor or any other person or party in connection with the loan evidenced by the Note or in connection with the payment of the Indebtedness or the performance and discharge of the Obligations.

Note: That certain Promissory Note dated as of September 26, 1994, incorporated herein by this reference, executed by Grantor and payable to the order of Lender in the principal amount of FOUR MILLION AND NO/100 DOLLARS (\$4,000,000.00), bearing interest as therein specified, containing an attorneys' fee clause, interest and principal being payable as therein specified, and finally maturing on October 31, 1997 (the "Maturity Date"), and secured by, among other things, this Mortgage; and any and all renewals, modifications, rearrangements, reinstatements, enlargements, or extensions of such promissory note or of any promissory note or notes given in renewal, substitution or replacement therefor. The terms and conditions of the Note are incorporated herein by this reference as if fully set forth herein.

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Obligations: Any and all obligations of Grantor or any Principal or any other person or party to the Loan Documents to Lender or others as set forth in the Loan Documents.

Permitted Exceptions: The liens, easements, restrictions, security interests, and other matters (if any) approved by Lender in writing.

Personalty: All of the right, title, and interest of Grantor in and to (i) furniture, furnishings, equipment, machinery, goods (including, but not limited to, crops, farm products, timber and timber to be cut, and extracted minerals); (ii) general intangibles, money, insurance proceeds, accounts, contract and subcontract rights, trademarks, tradenames, inventory; (iii) all refundable, returnable, or reimbursable fees, deposits or other funds or evidences of credit or indebtedness deposited by or on behalf of Grantor with any governmental agencies, boards, corporations, providers of utility services, public or private, including specifically, but without limitation, all refundable, returnable, or reimbursable tap fees, utility deposits, commitment fees and development costs, any awards, remunerations, reimbursements, settlements, or compensation heretofore made or hereafter to be made by any Governmental Authority pertaining to the Land, Improvements, Fixtures, or Personalty, including but not limited to those for any vacation of, or change of grade in, any streets affecting the Land or the Improvements and those for municipal utility district or other utility costs incurred or deposits made in connection with the Land; and (iv) all other personal property of any kind or character as defined in and subject to the provisions of the Code (Article 9 - Secured Transactions); any and all of which are now owned or hereafter acquired by Grantor, and which are now or hereafter situated in, on, or about the Land or the Improvements, or used in or necessary to the complete and proper planning, development, construction, financing, use, occupancy, or operation thereof, or acquired (whether delivered to the Land or stored elsewhere) for use in or on the Land or the Improvements, together with all accessions, replacements, and substitutions thereto or therefor and the proceeds thereof.

Property: The Land, Fixtures, Improvements, Personalty, Leases and Rents, and any interest of Grantor now owned or hereafter acquired in and to the Land, Fixtures, Improvements, Personalty, Leases and Rents, together with any and all other security and collateral of any nature whatsoever, now or hereafter given for the repayment of the Indebtedness or the performance and discharge of the Obligations. As used in this Mortgage, the term "Property" shall be expressly defined as meaning all or, where the context permits or requires, any portion

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of the above and all or, where the context permits or requires, any interest therein.

Rents: All of the rents, revenues, income, proceeds, profits, security and other types of deposits (after Grantor acquires title thereto), and other benefits paid or payable by parties to the Leases, other than Grantor for using, leasing, licensing, possessing, operating from, residing in, selling, or otherwise enjoying all or any portion of the Property.

Senior Lender: Ryland Mortgage Company, an Ohio corporation.

Senior Loan: That certain loan evidenced by that certain note dated July 29, 1994 in favor of Senior Lender, in the original principal amount of \$112,500, which note is secured by a mortgage, dated July 29, 1994, by Grantor in favor of Senior Lender, which encumbers the Property.

Senior Loan Documents: The note evidencing the Senior Loan, the mortgage securing the Senior Loan and any other agreement, instrument or document evidencing, securing or otherwise executed in connection with the Senior Loan and any and all renewals, extensions, amendments and replacements thereof.

1.2 Additional Definitions. As used herein, the following terms shall have the following meanings:

(a) "Hereof," "hereby," "hereunder," "herewith," and similar terms mean of, by, to, under and with respect to, this Mortgage or to the other documents or matters being referenced.

(b) "Heretofore" means before, "hereafter" means after, and "herewith" means concurrently with, the date of this Mortgage.

(c) All pronouns, whether in masculine, feminine or neuter form, shall be deemed to refer to the object of such pronoun whether the same is masculine, feminine or neuter in gender, as the context may suggest or require.

(d) All terms used herein, whether or not defined in Section 1.1 hereof, and whether used in singular or plural form, shall be deemed to refer to the object of such term whether such is singular or plural in nature, as the context may suggest or require.

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ARTICLE 2

GRANT OF SECURITY INTEREST

2.1 Grant. This Mortgage secures to Lender the repayment of the Indebtedness and the full and timely discharge of the Obligations. For this purpose, Borrower does hereby mortgage, grant, assign, warrant, transfer, pledge and convey to Lender the Property and all proceeds thereof. All replacements and additions shall also be covered by this Mortgage.

ARTICLE 3

WARRANTIES AND REPRESENTATIONS

Grantor hereby unconditionally warrants and represents to Lender, as of the date hereof and at all times during the term of this Mortgage, as follows:

3.1 Validity of Loan Documents. The execution, delivery, and performance by Grantor of the Loan Documents, (a) if Grantor, or any signatory who signs on its behalf, is a corporation, general partnership, limited partnership, joint venture, trust, or other type of business association, as the case may be, are within Grantor's and each Constituent Party's powers and have been duly authorized by Grantor's and each Constituent Party's board of directors, shareholders, partners, venturers, trustees, or other necessary parties, and all other requisite action for such authorization has been taken, (b) have received any and all requisite prior governmental approvals in order to be legally binding and enforceable in accordance with the terms thereof, and (c) will not violate, be in conflict with, result in a breach of, or constitute (with due notice or lapse of time, or both) a default under or violation of any Legal Requirement or result in the creation or imposition of any lien, charge, or encumbrance of any nature whatsoever upon any of Grantor's and any Constituent Party's property or assets, except as contemplated by the provisions of the Loan Documents. The Loan Documents constitute the legal, valid, and binding obligations of Grantor and others obligated under the terms of the Loan Documents, enforceable in accordance with their respective terms.

3.2 Business Purposes. The loan evidenced by the Note is solely for the purpose of carrying on or acquiring a business of Grantor, and is not for personal, family, household, or agricultural purposes.

3.3 Mailing Address. Grantor's mailing address, as set forth in the opening paragraph hereof or as changed pursuant to the provisions hereof, is true and correct.

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ARTICLE 4

AFFIRMATIVE COVENANTS

Grantor hereby unconditionally covenants and agrees with Lender, until the entire Indebtedness shall have been paid in full and all of the Obligations shall have been fully performed and discharged as follows:

4.1 Payment of Indebtedness; Performance of Obligations. Grantor shall promptly pay when due the Indebtedness and shall promptly perform all Obligations.

4.2 Preservation and Maintenance of Property. Grantor shall: (a) not commit waste or permit impairment or deterioration of the Property; (b) not abandon the Property; (c) keep the Property, or the Property to be kept, in good repair and restore or repair promptly, in a good and workmanlike manner, all or any part of the Property to the equivalent of its original condition or such other condition as Lender may approve in writing, upon any damage or loss thereto; (d) comply with all laws, ordinances, regulations and requirements of any governmental body applicable to the Property; and (e) give notice in writing to Lender of and, unless otherwise directed in writing by Lender, appear in and defend any action or proceeding purporting to affect the Property, the security granted by the Loan Documents or the rights or powers of Lender. Neither Grantor nor any tenant or other person shall remove, demolish or alter any Improvement on the Land, except to the extent required to convert the Model pursuant to terms of the Loan Agreement in order to facilitate the Sale (as defined in the Loan Agreement) of such Model.

4.3 Protection of Lender's Security. If (a) Grantor fails to pay the Indebtedness or to perform the Obligations, (b) any action or proceeding is commenced which affects or could affect the Property or Lender's interest therein, including any loss, damage, cost, expense or liability incurred by Lender with respect to (i) any environmental matters relating to the Property or (ii) the preparation of the commencement or defense of any action or proceedings or any threatened action or proceeding affecting the Loan Documents or the Property, then Lender, at Lender's option, may make such appearances, disburse such sums and take such action as Lender as Lender deems necessary, in its sole discretion, to protect the Property or Lender's interest therein, including entry upon the Property to take such actions Lender determines appropriate to preserve, protect or restore the Property. Any amounts disbursed by Lender pursuant to this Section 4.3 (including attorneys' fees, costs and expenses), together with interest thereon at the "Default Rate" (defined in the Note) from the date of disbursement, shall become additional Indebtedness of Grantor secured by the lien of this Mortgage and the other Loan Documents and shall be due and payable on demand. Nothing

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contained in this Section 4.3 shall require Lender to incur any expense or take any action hereunder.

4.4 Covenant of Title. Grantor covenants with Lender to warrant and defend title to the Property against all claims and demands.

4.5 Leases. Grantor has executed and delivered or will, at Lender's request, execute and deliver to Lender an Assignment of Leases and Rents, and the provisions of said Assignment of Leases and Rents shall control.

4.6 Uniform Commercial Code Security Agreement.

(a) This Mortgage shall constitute a security agreement pursuant to the Uniform Commercial Code for any portion of the Property which, under applicable law, may be subject to a security interest pursuant to the Uniform Commercial Code (such portion of the Property is hereinafter called the "Personal Property"), and Grantor hereby grants to Lender a security interest in the Personal Property. Any reproduction of this Mortgage or of any other security agreement or financing statement shall be sufficient as a financing statement. In addition, Grantor agrees to execute and deliver to Lender any financing statements, as well as extensions, renewals and amendments thereof, and reproductions of this Mortgage in such form as Lender may require to perfect a security interest with respect to the Personal Property. Grantor hereby authorizes and empowers Lender and irrevocably appoints Lender its agent and attorney-in-fact to execute and file, on Grantor's behalf, all financing statements and refilings and continuations thereof as Lender deems necessary or advisable to create, preserve and protect such lien. Grantor shall pay all costs of filing such financing statements and any extensions, renewals, amendments and releases thereof, and shall pay all reasonable costs and expenses of any record searches for financing statements as Lender may reasonably require. Without limitation of the foregoing, if an Event of Default occurs, Lender shall be entitled immediately to exercise all remedies available to it under the Uniform Commercial Code.

(b) Any party to any contract subject to the security interest granted herein shall be entitled to rely on the rights of Lender without the necessity of any further notice or action by Grantor. Lender shall not by reason of this Mortgage or the exercise of any right granted hereby be obligated to perform any obligation of Grantor with respect to any portion of the Personal Property nor shall Lender be responsible for any act committed by Grantor, or any breach or failure to perform by grantor with respect to any portion of the Personal Property.

(c) Grantor shall not, without the prior written consent of Lender, sell, assign, transfer, remove or permit to be removed from the Property any of the Personal Property. So long

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as no Event of Default exists, Grantor may sell or otherwise dispose of the Personal Property when obsolete, worn out, inadequate, unserviceable or unnecessary for use in the operation of the Property, but only upon replacing the same with other Personal Property at least equal in value and utility to the disposed Personal property. Any replacement or substituted Personal Property shall be subject to the security interest granted herein.

(d) To the extent permitted by law, Grantor and Lender agree that with respect to all items of Personal Property which are or will become fixtures on the Land, this Mortgage, upon recording or registration in the real estate records of the proper office, shall constitute a "fixture filing" within the meaning of the Uniform Commercial Code. Grantor is the record owner of the Land.

ARTICLE 5

EVENTS OF DEFAULT

5.1 Events of Default; Acceleration of Indebtedness. The occurrence of any one or more of the following events shall constitute an "Event of Default" under this Mortgage:

(a) failure of Grantor to pay, within five (5) days of the due date, any of the Indebtedness, including any payment due under the Note; or

(b) the occurrence of an "Event of Default" under and as defined in the Loan Agreement; or

(c) failure of Grantor, within thirty (30) days after notice and demand, to satisfy each and every Obligation not set forth in the subsections above; provided, however, if such Obligation cannot by its nature be cured within thirty (30) days, and if Grantor commences to cure such failure promptly after written notice thereof and thereafter diligently pursues the curing thereof (and then in all events cures such failure within ninety (90) days after the original notice thereof), Grantor shall not be in default hereunder during such period of diligent curing.

Upon the occurrence of an Event of Default at the option of Lender, the Indebtedness shall become immediately due and payable without notice to Grantor and Lender shall be entitled to all of the rights and remedies provided at law or in equity. Each remedy provided in the Loan Documents is distinct and cumulative to all other rights or remedies under the Loan Documents or afforded by law or equity, and may be exercised concurrently, independently, or successively, in any order whatsoever. Notwithstanding the foregoing, until the Senior Loan is paid in full, Lender shall not exercise any rights or

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remedies available under Article 6, or any right to foreclose this Mortgage contained in Article 6 hereof or any right to foreclose this Mortgage otherwise available under applicable law.

ARTICLE 6

REMEDIES

6.1 Lender's Remedies Upon Default. Upon the occurrence of an Event of Default or any event or circumstance which, with the lapse of time, or the giving of notice, or both, would constitute an Event of Default, Lender may, at Lender's option, by Lender itself or otherwise, do any one or more of the following:

(a) Right to Perform Grantor's Covenants. If Grantor has failed to keep or perform any covenant whatsoever contained in this Mortgage or the other Loan Documents, Lender may, but shall not be obligated to any person to do so, perform or attempt to perform said covenant, and any payment made or expense incurred in the performance or attempted performance of any such covenant shall be and become a part of the Indebtedness.

(b) Right of Entry. Lender may, prior or subsequent to the institution of any foreclosure proceedings, enter upon the Property, or any part thereof, and take exclusive possession of the Property and of all books, records, and accounts relating thereto and to exercise without interference from Grantor any and all rights which Grantor has with respect to the management, possession, operation, protection, or preservation of the Property.

(c) Right to Foreclose. When the Indebtedness or any part thereof shall become due, whether by acceleration or otherwise, Lender may, either with or without entry or taking possession as herein provided or otherwise proceed by suit or suits at law or in equity or by any other appropriate proceeding or remedy to: (a) enforce payment of the Note or the performance of any term, covenant, condition or agreement of Borrower under any of the Loan Documents; (b) foreclose the lien hereof for the Indebtedness or part thereof and sell the Property as an entirety or otherwise, as Lender may determine; and/or (c) pursue any other right or remedy available to it under or by the law and decisions of the State in which the Land is located. Notwithstanding any statute or rule of law to the contrary, the failure to join any tenant or tenants of the Property as party defendant or defendants in any foreclosure action or the failure of any such order or judgment to foreclose their rights shall not be asserted by Grantor as a defense in any civil action instituted to collect (a)

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the Indebtedness, or any part thereof or (b) any deficiency remaining unpaid after foreclosure and sale of the Property.

(d) Lender's Right to Appointment of Receiver. Lender, as a matter of right and without regard to the sufficiency of the security for repayment of the Indebtedness and performance and discharge of the Obligations, without notice to Grantor and without any showing of insolvency, fraud, or mismanagement on the part of Grantor, and without the necessity of filing any judicial or other proceeding other than the proceeding for appointment of a receiver, shall be entitled to the appointment of a receiver or receivers of the Property or any part thereof, and of the Rents, and Grantor hereby irrevocably consents to the appointment of a receiver or receivers. Any receiver appointed pursuant to the provisions of this subsection shall have the usual powers and duties of receivers in such matters.

(e) Lender's Uniform Commercial Code Remedies. The Lender may exercise its rights of enforcement with respect to Fixtures and Personalty under the Code.

(f) Lender as Purchaser. Lender may be the purchaser of the Property or any part thereof, at any foreclosure sale thereof, and Lender shall, upon any such purchase, acquire good title to the Property so purchased, free of the liens and security interests hereof, unless the sale was made subject to an unmatured portion of the Indebtedness. The Lender, as purchaser, shall be treated in the same manner as any third party purchaser and the proceeds of the Lender's purchase shall be applied in accordance with Section 7.4 of this Mortgage.

6.2 Other Rights of Lender. Should any part of the Property come into the possession of Lender, whether before or after default, Lender may (for itself or by or through other persons, firms, or entities) hold, lease, manage, use, or operate the Property for such time and upon such terms as Lender may deem prudent under the circumstances (making such repairs, alterations, additions, and improvements thereto and taking such other action as Lender may from time to time deem necessary or desirable) for the purpose of preserving the Property or its value, pursuant to the order of a court of appropriate jurisdiction or in accordance with any other rights held by Lender in respect of the Property.

6.3 Possession After Foreclosure. If the liens or security interests hereof shall be foreclosed, the purchaser at any such sale shall receive, as an incident to purchaser's ownership, immediate possession of the property purchased, and if Grantor or Grantor's successors shall hold possession of said property or any part thereof subsequent to foreclosure, Grantor

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and Grantor's successors shall be considered as tenants at sufferance of the purchaser at foreclosure sale (without limitation of other rights or remedies, at a reasonable rental per day, due and payable daily, based upon the value of the portion of the Property so occupied and sold to such purchaser), and anyone occupying such portion of the Property, after demand is made for possession thereof, shall be guilty of forcible detainer and shall be subject to eviction and removal, forcible or otherwise, with or without process of law, and all damages by reason thereof are hereby expressly waived.

6.4 Application of Proceeds. The proceeds from any sale, lease, or other disposition made pursuant to this Article 6, or the proceeds from the surrender of any insurance policies pursuant hereto, or any Rents collected by Lender from the Property, or proceeds from insurance which Lender elects to apply to the Indebtedness, shall be applied by Lender, as the case may be, to the Indebtedness in the following order and priority: (i) to the payment of all expenses of advertising, selling, and conveying the Property or part thereof, and/or prosecuting or otherwise collecting Rents, proceeds, premiums, or other sums including reasonable attorneys' fees and title search fees; (ii) to the remainder of the Indebtedness as follows: first, to the remaining accrued but unpaid interest, second, to the matured portion of principal of the Indebtedness, and third, to prepayment of the unmatured portion, if any, of principal of the Indebtedness applied to installments of principal in inverse order of maturity; (iii) the balance, if any and to the extent applicable, remaining after the full and final payment of the Indebtedness and full performance and discharge of the Obligations to the holder or beneficiary of any inferior liens covering the Property, if any, in order of the priority of such inferior liens (Lender shall hereby be entitled to rely exclusively upon a commitment for title insurance issued to determine such priority); and (iv) the balance, if any, shall be payable concurrently to Lender for its Participation (as defined in the Loan Agreement) and to the Grantor in accordance with the terms of the Loan Agreement. The application of proceeds of sale or other proceeds as otherwise provided herein shall be deemed to be a payment of the Indebtedness like any other payment. The balance of the Indebtedness remaining unpaid, if any, shall remain fully due and owing in accordance with the terms of the Note or the other Loan Documents.

6.5 Abandonment of Sale. In the event a foreclosure hereunder is commenced in accordance with this Article 6, at any time before the sale, Lender may abandon the sale, and Lender may then institute suit for the collection of the Indebtedness and for the foreclosure of the liens and security interests hereof and of the Loan Documents.

6.6 Payment of Fees. If the Note or any other part of the Indebtedness shall be collected or if any of the Obligations shall be enforced by legal proceedings, whether through a

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probate or bankruptcy court or otherwise, or shall be placed in the hands of an attorney for collection after maturity, whether matured by the expiration of time or by an option given to the Lender to mature same, or if Lender becomes a party to any suit where this Mortgage or the Property or any part thereof is involved, Grantor agrees to pay Lender's attorneys' fees and expenses incurred, and such fees shall be and become a part of the Indebtedness and shall bear interest from the date such costs are incurred at the Default Rate.

6.7 Miscellaneous.

(a) In case Lender shall have proceeded to invoke any right, remedy, or recourse permitted under the Loan Documents and shall thereafter elect to discontinue or abandon same for any reason, Lender shall have the unqualified right so to do and, in such event, Grantor and Lender shall be restored to their former positions with respect to the Indebtedness, the Loan Documents, the Property or otherwise, and the rights, remedies, recourse and powers of Lender shall continue as if same had never been invoked.

(b) In addition to the remedies set forth in this Article, upon the occurrence of an Event of Default, the Lender shall, in addition, have all other remedies available to them at law or in equity.

(c) All rights, remedies, and recourse of Lender granted in the Note, this Mortgage, the other Loan Documents, any other pledge of collateral, or otherwise available at law or equity: (i) shall be cumulative and concurrent; (ii) may be pursued separately, successively, or concurrently against Grantor, the Property, or any one or more of them, at the sole discretion of Lender; (iii) may be exercised as often as occasion therefor shall arise, it being agreed by Grantor that the exercise or failure to exercise any of same shall in no event be construed as a waiver or release thereof or of any other right, remedy, or recourse; (iv) shall be nonexclusive; (v) shall not be conditioned upon Lender exercising or pursuing any remedy in relation to the Property prior to Lender bringing suit to recover the Indebtedness or suit on the Obligations; and (vi) in the event Lender elects to bring suit on the Indebtedness and/or the Obligations and obtains a judgment against Grantor prior to exercising any remedies in relation to the Property, all liens and security interests, including the lien of this Mortgage, shall remain in full force and effect and may be exercised at Lender's option.

(d) Lender may release, regardless of consideration, any part of the Property without, as to the remainder, in any way impairing, affecting, subordinating, or releasing

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the lien or security interests evidenced by this Mortgage or the other Loan Documents or affecting the obligations of Grantor or any other party to pay the Indebtedness or perform and discharge the Obligations. For payment of the Indebtedness, Lender may resort to any of the collateral therefor in such order and manner as Lender may elect. No collateral heretofore, herewith, or hereafter taken by Lender shall in any manner impair or affect the collateral given pursuant to the Loan Documents, and all collateral shall be taken, considered, and held as cumulative.

(e) Grantor hereby irrevocably and unconditionally waives and releases: (i) all benefits that might accrue to Grantor by virtue of any present or future law exempting the Property from attachment, levy or sale on execution or providing for any appraisal, valuation, stay of execution, exemption from civil process, redemption, or extension of time for payment; (ii) any right to receive notices of any Event of Default provided for under the Loan Documents; and (iii) any right to a marshalling of assets or a sale in inverse order of alienation.

(f) Grantor and Lender mutually agree that there are no, nor shall there be any, implied covenants of good faith and fair dealing or other similar covenants or agreements in this Mortgage and the other Loan Documents. All agreed contractual duties are set forth in this Mortgage, the Note, and the other Loan Documents.

(g) The remedies in this Article 6 are available under and governed by the real property laws of Illinois and are not governed by the personal property laws of Illinois, including but not limited to, the power to dispose of personal property in a commercially reasonable manner.

ARTICLE 7

SPECIAL PROVISIONS

7.1 Condemnation Proceeds. Any and all sums which may be awarded and become payable to Grantor for condemnation of the Property or any part thereof, for public or quasi-public use, or by virtue of private sale in lieu thereof, and any sums which may be awarded or become payable to Grantor for damages caused by public works or construction on or near the Property shall be disbursed in accordance with the provisions of Section 9(b) of the Loan Agreement reference to which is hereby made for all purposes.

7.2 Insurance Proceeds. Grantor shall keep the Property insured or cause to keep the Property insured in accordance with the requirements set forth in the Loan Agreement, and any

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Insurance proceeds received shall be made available pursuant to the terms of Section 9(a)(iii) of the Loan Agreement.

7.3 INDEMNITY. GRANTOR SHALL DEFEND, INDEMNIFY AND HOLD LENDER HARMLESS FROM AND AGAINST ANY AND ALL LIABILITIES, COSTS, EXPENSES AND DAMAGES THAT ARISE FROM CLAIMS ASSERTED BY THIRD PARTIES IN CONNECTION WITH THE LOAN, GRANTOR'S PURCHASE, CONSTRUCTION, OWNERSHIP MAINTENANCE, OPERATION OR SALE OF THE MODELS (AS DEFINED IN THE LOAN AGREEMENT) OR THE PURCHASE, CONSTRUCTION, OWNERSHIP, MAINTENANCE, OPERATION OR SALE OF THE MODELS BY ANY LESSEE UNDER THE LEASES OR LENDER'S ISSUANCE OF THE COMMITMENT.

7.4 Subrogation. Grantor waives any and all right to claim, recover, or subrogation against Lender or its officers, directors, employees, agents, attorneys, or representatives for loss or damage to Grantor, the Property. Grantor's property or the property of others under Grantor's control from any cause insured against or required to be insured against by the provisions of the Loan Documents.

7.5 Setoff. Lender shall be entitled to exercise both the rights of setoff and banker's lien, if applicable, against the interest of Grantor in and to each and every account and other property of Grantor which are in the possession of Lender to the full extent of the outstanding balance of the Indebtedness.

ARTICLE 5

MISCELLANEOUS

8.1 Release. If the Indebtedness (including without limitation any participation of Lender) is paid in full in accordance with the terms of this Mortgage, the Note, and the other Loan Documents, and if Grantor shall well and truly perform each and every of the Obligations to be performed and discharged in accordance with the terms of this Mortgage, the Note and the other Loan Documents, then this conveyance shall become null and void and be released at Grantor's request and expense, and Lender shall have no further obligation to make advances under and pursuant to the provisions hereof or in the other Loan Documents.

8.2 Survival of Obligations. Each and all of the Obligations shall survive the execution and delivery of the Loan Documents and the consummation of the loan called for therein and shall continue in full force and effect until the Indebtedness shall have been paid in full; provided, however, that nothing contained in this Section 8.2 shall limit the obligations of Grantor as otherwise set forth herein.

8.3 Covenants Running with the Land. All Obligations contained in this Mortgage and the other Loan Documents are

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intended by Grantor and Lender to be, and shall be construed as, covenants running with the Property until the lien of this Mortgage has been fully released by Lender.

8.4 No Waiver; Severability. Any failure by Lender to insist, or any election by Lender not to insist, upon strict performance by Grantor or others of any of the terms, provisions, or conditions of the Loan Documents shall not be deemed to be a waiver of same or of any other terms, provisions, or conditions thereof, and Lender shall have the right at any time or times thereafter to insist upon strict performance by Grantor or others of any and all of such terms, provisions, and conditions. The Loan Documents are intended to be performed in accordance with, and only to the extent permitted by, all applicable Legal Requirements. If any provision of any of the Loan Documents or the application thereof to any person or circumstance shall, for any reason and to any extent, be invalid or unenforceable, then neither the remainder of the instrument in which such provision is contained nor the application of such provision to other persons or circumstances nor the other instruments referred to herein shall be affected thereby, but rather shall be enforced to the greatest extent permitted by law.

8.5 Counterparts. To facilitate execution, this Mortgage may be executed in as many counterparts as may be convenient or required. It shall not be necessary that the signature and acknowledgment of, or on behalf of, each party, or that the signature and acknowledgment of all persons required to bind any party, appear on each counterpart. All counterparts shall collectively constitute a single instrument. It shall not be necessary in making proof of this Mortgage to produce or account for more than a single counterpart containing the respective signatures and acknowledgment of, or on behalf of, each of the parties hereto. Any signature and acknowledgment page to any counterpart may be detached from such counterpart without impairing the legal effect of the signatures and acknowledgments thereon and thereafter attached to another counterpart identical thereto except having attached to it additional signature and acknowledgment pages.

8.6 Savings Clause. If the applicable law is ever judicially interpreted so as to render usurious any amount called for under the Note or under any of the other Loan Documents, or contracted for, charged, or received with respect to the Indebtedness, or if Lender's exercise of the option to accelerate the maturity of the Note, or if any prepayment by Grantor results in Grantor having paid any interest in excess of that permitted by applicable law, then it is Grantor's and Lender's express intent that all excess amounts theretofore collected by Lender shall be credited on the principal balance of the Note and all other Indebtedness (or, if the Note and all other Indebtedness have been or would thereby be paid in full, refunded to Grantor), and the provisions of the Note and the

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other Loan Documents immediately be deemed reformed and the amounts thereafter collectible hereunder and thereunder reduced, without the necessity of the execution of any new documents, so as to comply with the applicable law, but so as to permit the recovery of the fullest amount otherwise called for hereunder or thereunder. All sums paid or agreed to be paid to Lender for the use, forbearance, or detention of the Indebtedness shall, to the extent permitted by applicable law, be amortized, prorated, allocated, and spread throughout the full stated term of the Indebtedness until payment in full so that the rate or amount of interest on account of the Indebtedness does not exceed the applicable maximum lawful rate from time to time in effect and applicable to the Indebtedness for so long as the Indebtedness is outstanding. Notwithstanding anything to the contrary contained herein or in any of the other Loan Documents, it is not the intention of Lender to accelerate the maturity of any interest that has not accrued at the time of such acceleration or to collect unearned interest at the time of such acceleration. Notwithstanding the provisions of this paragraph, as set forth in Section 8.16 below, it is the intention of Grantor and Lender that the laws of the State of Illinois shall govern and control this Mortgage.

8.7 Subrogation. If any or all of the proceeds of the Note have been used to extinguish, extend or renew any indebtedness heretofore existing against the Property, then, to the extent of such funds so used. Lender shall be subrogated to all of the rights, claims, liens, titles, and interests existing against the Property heretofore held by, or in favor of, the holder of such indebtedness and such former rights, claims, liens, titles, and interests, if any, are not waived but rather are continued in full force and effect in favor of Lender and are merged with the lien and security interest created herein as cumulative security for the repayment of the Indebtedness and the performance and discharge of the Obligations.

8.8 Reliance. Grantor recognizes and acknowledges that in entering into the loan transaction evidenced by the Loan Documents and accepting this Mortgage, Lender is expressly and primarily relying on the truth and accuracy of the foregoing warranties and representations set forth in Article 3 hereof without any obligation to investigate the Property and notwithstanding any investigation of the Property by Lender; that such reliance exists on the part of Lender prior hereto; that such warranties and representations are a material inducement to Lender in making the loan evidenced by the Loan Documents and accepting of this Mortgage; and that Lender would not be willing to make the loan evidenced by the Loan Documents and accept this Mortgage in the absence of any of such warranties and representations.

8.9 Headings. The Article, Section, and Subsection entitlements hereof are inserted for convenience of reference

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only and shall in no way alter, modify, or define, or be used in construing the text of such Articles, Sections, or Subsections.

8.10 Entire Agreement; Amendment. THIS MORTGAGE AND THE OTHER LOAN DOCUMENTS EMBODY THE FINAL, ENTIRE AGREEMENT AMONG THE PARTIES HERETO AND SUPERSEDE ANY AND ALL PRIOR COMMITMENTS, AGREEMENTS, REPRESENTATIONS, AND UNDERSTANDINGS, WHETHER WRITTEN OR ORAL, RELATING TO THE SUBJECT MATTER HEREOF AND THEREOF AND MAY NOT BE CONTRADICTED OR VARIED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OR DISCUSSIONS OF THE PARTIES HERETO, THERE ARE NO ORAL AGREEMENTS AMONG THE PARTIES HERETO. The provisions of this Agreement and the Loan Documents may be amended or waived only by an instrument in writing signed by the Grantor and Lender.

8.11 Waiver of Right to Trial by Jury. GRANTOR HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES ALL RIGHT TO TRIAL BY JURY IN ANY ACTION, SUIT, PROCEEDING, OR COUNTERCLAIM THAT RELATES TO OR ARISES OUT OF ANY OF THE LOAN DOCUMENTS OR THE ACTS OR FAILURE TO ACT OF OR BY LENDER IN THE ENFORCEMENT OF ANY OF THE TERMS OR PROVISIONS OF THIS MORTGAGE OR THE OTHER LOAN DOCUMENTS.

8.12 After-Acquired Property. To the extent permitted by, and subject to, applicable law, the lien of this Mortgage, including without limitation the security interest created under the granting clauses of this Mortgage, shall automatically attach, without further act, to all property hereafter acquired by Grantor located in or on, or attached to, or used or intended to be used in connection with, or with the operation of, the Property or any part thereof.

8.13 Future Advances. This Mortgage is given to secure not only the existing indebtedness, but also future advances (whether such advances are obligatory or are made at the option of Lender, or otherwise) made by Lender, or its successors and assigns, under the Note, the Loan Agreement or this Mortgage, to the same extent as if such future advances were made on the date of the execution of this Mortgage. The total amount of indebtedness that may be so secured may decrease or increase from time to time, but all indebtedness secured hereby shall in no event exceed five (5) times the aggregate face amount of the Note.

8.14 Waiver of Statute of Limitations. Grantor hereby waives the right to assert any statute of limitations as a bar to the enforcement of the lien created by any of the Loan Documents or to any action brought to enforce the Note or any other obligation secured by any of the Loan Documents.

8.15 Waiver of Homestead and Redemption. Grantor hereby waives all right of homestead exemption in the Property. Grantor hereby waives all right of redemption on behalf of Grantor and on behalf of all other persons acquiring any

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interest or title in the Property subsequent to the date of this Mortgage, except decree or judgment creditors of Grantor. Grantor represents that none of the Property is homestead property.

8.16 Governing Law; Severability. This Mortgage shall be governed by and construed in accordance with the internal laws of the State of Illinois. The invalidity, illegality or unenforceability of any provision of this Mortgage shall not affect or impair the validity, legality or enforceability of the remainder of this Mortgage, and to this end, the provisions of this Mortgage are declared to be severable.

8.17 Notice. Any notice or other communication required or permitted to be given shall be in writing addressed to the respective party as set forth below and may be personally served, telecopied or sent by overnight courier or U.S. Mail and shall be deemed given: (a) if served in person, when served; (b) if telecopied, on the date of transmission if before 3:00 p.m. (Chicago time); provided that a hard copy of such notice is also sent pursuant to clause (c) or (d) below: (c) if by overnight courier, on the first business day; after delivery to the courier; or (d) if by U.S. Mail, on the fourth (4th) day after deposit in the mail, postage prepaid, certified mail, return receipt requested.

Notices to Grantor:

c/o American Model Home
Corporation
4621 Teller Avenue, Suite 100
Newport Beach, California 92660
Attention: Mr. Paul N. Donnelly
Telecopy: 714-752-9227

Notices to Beneficiary:

Heller Financial, Inc.
Real Estate Financial Services
500 West Monroe Street
15th Floor
Chicago, Illinois 60661
Attention: Manager, Residential

Investment Group

Telecopy: 312-441-7119

with a copy to:

Heller Financial, Inc.
Real Estate Financial Services
500 West Monroe Street
15th Floor
Attention: Deputy General Counsel
Telecopy: 312-441-7872

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8.18 Successors and Assigns Bound; Joint and Several Liability; Agents; Captions. The covenants and agreements contained in the Loan Documents shall bind, and the rights thereunder shall inure to, the respective successors and assigns of Lender and Grantor, subject to the provisions of the Loan Agreement prohibiting transfers of the Property by Grantor. All covenants and agreements of Grantor shall be joint and several. In exercising any rights under the Loan Documents or taking any actions provided for therein, Lender may act through its employees, agents or independent contractors as authorized by Lender. The captions and headings of the paragraphs of this Mortgage are for convenience only and are not to be used to interpret or define the provisions hereof.

8.19 Time of Essence. Time is of the essence of this Mortgage and the performance of each of the covenants and agreements contained herein.

8.20 Venue. GRANTOR AGREES THAT ALL ACTIONS OR PROCEEDINGS ARISING DIRECTLY, INDIRECTLY OR OTHERWISE IN CONNECTION WITH, OUT OF, RELATED TO OR FROM THIS MORTGAGE SHALL BE LITIGATED, AT LENDER'S SOLE DISCRETION AND ELECTION, ONLY IN COURTS HAVING A SITUS WITHIN THE COUNTY OF COOK, STATE OF ILLINOIS. GRANTOR HEREBY CONSENTS AND SUBMITS TO THE JURISDICTION OF ANY LOCAL, STATE OR FEDERAL COURT LOCATED WITHIN SAID COUNTY AND STATE. GRANTOR HEREBY IRREVOCABLY APPOINTS AND DESIGNATES CT CORPORATION SYSTEM, WHOSE ADDRESS IS GRANTOR, C/O CT CORPORATION SYSTEM, 208 S. LA SALLE STREET, CHICAGO, ILLINOIS 60604, AS ITS DULY AUTHORIZED AGENT FOR SERVICE OF LEGAL PROCESS AND AGREES THAT SERVICE OF SUCH PROCESS UPON SUCH PARTY SHALL CONSTITUTE PERSONAL SERVICE OF PROCESS UPON GRANTOR. IN THE EVENT SERVICE IS UNDELIVERABLE BECAUSE SUCH AGENT MOVES OR CEASES TO DO BUSINESS IN CHICAGO, ILLINOIS, GRANTOR SHALL, WITHIN TEN (10) DAYS AFTER LENDER'S REQUEST, APPOINT A SUBSTITUTE AGENT (IN CHICAGO, ILLINOIS) ON ITS BEHALF AND WITHIN SUCH PERIOD NOTIFY LENDER OF SUCH APPOINTMENT. IF SUCH SUBSTITUTE AGENT IS NOT TIMELY APPOINTED, LENDER SHALL, IN ITS SOLE DISCRETION, HAVE THE RIGHT TO DESIGNATE A SUBSTITUTE AGENT UPON FIVE (5) DAYS NOTICE TO GRANTOR. GRANTOR HEREBY WAIVES ANY RIGHT IT MAY HAVE TO TRANSFER OR CHANGE THE VENUE OF ANY LITIGATION BROUGHT AGAINST IT BY LENDER ON THE LOAN DOCUMENTS IN ACCORDANCE WITH THIS PARAGRAPH.

8.21 Subordination to Senior Loan Documents. This Mortgage and all of the rights of Lender hereunder and any lien or security interest created hereby are subject and subordinate to the Senior Loan Documents and any liens and security interests created thereby.

8.22 Release of Liens on Models. If Grantor desires to sell a Model (as defined in the Loan Agreement) encumbered by this Mortgage, Lender shall issue a release of the lien of this Mortgage and the other Loan Documents upon satisfaction of the following conditions:

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(a) No Event of Default shall exist and no circumstance shall exist which, with the giving of notice or passage of time or both, would constitute an Event of Default;

(b) Senior Lender and the holder of any Homebuilders Mortgage (as defined in the Loan Agreement) shall have issued a release of any and all liens encumbering such Model; and

(c) Grantor shall have paid to Lender an amount in immediately available funds equal to Twenty-Five Thousand Six Hundred Thirty-Five and 00/100 Dollars (\$25,635), the release price for such Model, plus any other amounts then due under the Loan Documents, including, without limitation, any Participation due Lender under the Loan Agreement.

8.23 Exculpation. This Mortgage and each and all of the other Loan Documents and all of Principals' obligations hereunder and thereunder are subject to the provisions of the Note entitled Exculpation, which provisions limit the personal liability of Principals under this Mortgage and the Loan Documents and which provisions are incorporated herein by this reference .

8.24 Application of Mortgage. This Mortgage shall also secure the other Loan Documents and the other Obligations.

EXECUTED as of the date first above written.

GRANTOR

AMHC-1, L.P., a Delaware limited partnership

By: AMERICAN MODEL HOME CORPORATION, a California corporation, its Sole General Partner

By: 

Name: Paul W. Denny

Title: President

Witness: 

Name: Sharon Kim

Witness: 

Name: Julie Auvil

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EXHIBIT "A"

ALL THAT CERTAIN LAND SITUATED IN THE STATE OF ILLINOIS, COUNTY OF COOK, AND IS DESCRIBED AS FOLLOWS:

Lot 9 in plat of subdivision of Sherwood Forest, being a subdivision of the east 1/2 of section 27 and the west 1/2 of section 26, in township 41 north, range 9, east of the third principal meridian in Cook County, Illinois

06-26-300-012
06-26-102-078
06-26-300-009
06-26-300-001
06-27-402-001
06-27-402-005
06-26-102-073

Property of Cook County Clerk's Office

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