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This Document Prepared By
and After Recording Return To:

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Chicago, Illinois 60603

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CONSTRUCTION MORTGAGE AND SECURITY AGREEMENT
WITH ASSIGNMENT OF RENTS

This Construction Mortgage and Security Agreement with Assignment of Rents dated as of March 25, 1998 from THE WESTFORD LIMITED PARTNERSHIP, an Illinois limited partnership with an address at c/o Kimball Hill, Inc., 5999 New Wilke Road, Suite 504, Rolling Meadows 60008 (hereinafter referred to as "Mortgagor") to HARRIS TRUST AND SAVINGS BANK, an Illinois banking corporation with its principal place of business at 111 West Monroe Street, Chicago, Illinois 60690 (hereinafter referred to as "Mortgagee");

WITNESSETH THAT:

WHEREAS, Mortgagor has executed and delivered a promissory note bearing even date herewith in the principal amount of U.S. \$8,850,000, such promissory note made payable to the order of Mortgagee in and by which Mortgagor promises to pay said principal sum (or so much thereof as may be outstanding at the maturity thereof), together with interest on the balance of principal from time to time outstanding and unpaid thereon at the rates and at the times specified in the Construction Loan Agreement hereinafter defined with a final maturity of all principal and interest to be paid on March 25, 2000, subject to extension to September 25, 2000 (such maturity date, as the same may be extended, is herein referred to as the "Termination Date"), as provided for in the Construction Loan Agreement described below (said promissory note and any and all extensions and renewals thereof and any notes issued in replacement or substitution therefor being herein collectively referred to as the "Term Note"); and

WHEREAS, Mortgagor has executed and delivered a revolving promissory note bearing even date herewith in the principal amount of U.S. \$3,000,000, such promissory note made payable to the order of Mortgagee in and by which Mortgagor promises to pay

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said principal sum (or so much thereof as may be outstanding at the maturity thereof), together with interest on the balance of principal from time to time outstanding and unpaid thereon at the rates and at the times specified in the Construction Loan Agreement with a final maturity of all principal and interest to be paid on the Termination Date, as provided for in the Construction Loan Agreement (said promissory note and any and all extensions and renewals thereof and any notes issued in replacement or substitution therefor being herein collectively referred to as the "*Revolving Note*"; the Term Note and the Revolving Note are herein collectively referred to as the "*Notes*"); and

WHEREAS, the Notes have been issued under and subject to the provisions of a Construction Loan Agreement bearing even date herewith by and between Mortgagor and Mortgagee (such Construction Loan Agreement, as the same may from time to time be modified, amended or restated, being herein referred to as the "*Construction Loan Agreement*"), and the Notes evidence the \$11,850,000 loan made pursuant to the Construction Loan Agreement; and

WHEREAS, pursuant to the Construction Loan Agreement, Mortgagee may issue one or more letters of credit (individually a "*Letter of Credit*" and collectively the "*Letters of Credit*") for the account of Mortgagor in an aggregate face amount not to exceed 3,000,000 and with expiry dates in no event later than the Termination Date, which Letters of Credit are to be issued upon and subject to the terms of separate applications and agreements for Letters of Credit to be executed by Mortgagor (individually an "*Application*" and collectively the "*Applications*");

NOW, THEREFORE, to secure (i) the payment of the principal and premium, if any, of and interest on the Notes as and when the same becomes due and payable (whether by lapse of time, acceleration or otherwise) and all advances now or hereafter evidenced thereby, (ii) the payment of all sums owing in connection with the Letters of Credit, including the obligation of Mortgagor to reimburse Mortgagee for any draws under the Letters of Credit (collectively, the "*Reimbursement Obligations*") as and when the same become due and payable, (iii) the payment of all other indebtedness, obligations and liabilities which this Mortgage secures pursuant to any of its terms and the observance and (iv) the observance and performance of all covenants and agreements contained herein or in the Construction Loan Agreement, the Notes, the Letters of Credit, the Applications or in any other instrument or document at any time evidencing or securing any of the foregoing or setting forth terms and conditions applicable thereto (all of such indebtedness, obligations and liabilities described in clauses (i), (ii), (iii) and (iv) above being hereinafter collectively referred to as the "*indebtedness hereby secured*"), Mortgagor does hereby grant, bargain, sell, convey, mortgage, warrant, assign, and pledge unto Mortgagee, its successors and assigns, and grant to Mortgagee, its successors and assigns a security interest in all and singular the properties, rights, interests and privileges described in Granting Clauses I, II, III, IV, V, VI and VII below, all of the same being collectively referred to herein as the "*Mortgaged Premises*";

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GRANTING CLAUSE I

That certain real estate lying and being in Palatine and Rolling Meadows, County of Cook and State of Illinois more particularly described in Schedule I attached hereto and made a part hereof.

GRANTING CLAUSE II

All buildings and improvements of every kind and description heretofore or hereafter erected or placed on the property described in Granting Clause I and all materials intended for construction, reconstruction, alteration and repairs of the buildings and improvements now or hereafter erected thereon, all of which materials shall be deemed to be included within the premises immediately upon the delivery thereof to the said real estate, and all fixtures, machinery, apparatus, equipment, fittings and articles of personal property of every kind and nature whatsoever now or hereafter attached to or contained in or used or useful in connection with said real estate and the buildings and improvements now or hereafter located thereon and the operation, maintenance and protection thereof, including but not limited to all machinery, motors, fittings, radiators, awnings, shades, screens, all gas, coal, steam, electric, oil and other heating, cooking, power and lighting apparatus and fixtures, all fire prevention and extinguishing equipment and apparatus, all cooling and ventilating apparatus and systems, all plumbing, incinerating, and sprinkler equipment and fixtures, all elevators and escalators, all communication and electronic monitoring equipment, all window and structural cleaning rigs and all other machinery and equipment of every nature and fixtures and appurtenances hereto and all items of furniture, appliances, draperies, carpets, other furnishings, equipment and personal property used or useful in the operation, maintenance and protection of the said real estate and the buildings and improvements now or hereafter located thereon and all renewals or replacements thereof or articles in substitution therefor, whether or not the same are or shall be attached to said real estate, buildings or improvements in any manner, and all proceeds of the foregoing; it being mutually agreed, intended and declared that all the aforesaid property shall, so far as permitted by law, be deemed to form a part and parcel of the real estate and for the purpose of this Mortgage to be real estate and covered by this Mortgage; and as to the balance of the property aforesaid, this Mortgage is hereby deemed to be as well a security agreement under the provisions of the Uniform Commercial Code for the purpose of creating hereby a security interest in said property, which is hereby granted by Mortgagor as debtor to Mortgagee as secured party, securing the indebtedness hereby secured. The addresses of Mortgagor (debtor) and Mortgagee (secured party) appear at the beginning hereof.

GRANTING CLAUSE III

All right, title and interest of Mortgagor now owned or hereafter acquired in and to all and singular the estates, tenements, hereditaments, privileges, easements, licenses, franchises, appurtenances and royalties, mineral, oil, and water rights belonging or in any wise appertaining to the property described in the preceding Granting Clause I and the buildings and improvements now or hereafter located thereon and the reversions, rents,

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issues, revenues and profits thereof, including all interest of Mortgagor in all rents, issues and profits of the aforementioned property and all rents, issues, profits, revenues, royalties, bonuses, rights and benefits due, payable or accruing (including all deposits of money as advanced rent or for security) under any and all leases or subleases and renewals thereof, or under any contracts or options for the sale of all or any part of, said property (including during any period allowed by law for the redemption of said property after any foreclosure or other sale), together with the right, but not the obligation, to collect, receive and receipt for all such rents and other sums and apply them to the indebtedness hereby secured and to demand, sue for and recover the same when due or payable; provided that the assignments made hereby shall not impair or diminish the obligations of Mortgagor under the provisions of such leases or other agreements nor shall such obligations be imposed upon Mortgagee. By acceptance of this Mortgage, Mortgagee agrees, not as a limitation or condition hereof, but as a personal covenant available only to Mortgagor that until an Event of Default (as hereinafter defined) shall occur giving Mortgagee the right to foreclose this Mortgage, Mortgagor may collect, receive (but not more than 30 days in advance) and enjoy such rents.

GRANTING CLAUSE IV

All plans, specifications, working drawings and like materials prepared in connection with improvements constituting part of the Mortgaged Premises, whether now owned by Mortgagor or hereafter acquired, all rights of Mortgagor against vendors or manufacturers in connection with equipment located upon the Mortgaged Premises whether now existing or hereafter acquired and whether arising by virtue of warranty or otherwise, and all rights against contractors, subcontractors and materialmen arising in connection with work performed at or on the Mortgaged Premises or with materials furnished for the construction of improvements at or on the Mortgaged Premises and all rights of Mortgagor under contracts to provide any of the foregoing, whether now existing or hereafter arising.

GRANTING CLAUSE V

All judgments, awards of damages, settlements and other compensation heretofore or hereafter made resulting from condemnation proceedings or the taking of the property described in Granting Clause I or any part thereof or any building or other improvement now or at any time hereafter located thereon or any easement or other appurtenance thereto under the power of eminent domain, or any similar power or right (including any award from the United States government at any time after the allowance of the claim therefor, the ascertainment of the amount thereof and the issuance of the warrant for the payment thereof), whether permanent or temporary, or for any damage (whether caused by such taking or otherwise) to said property or any part thereof or the improvements thereon or any part thereof, or to any rights appurtenant thereto, including severance and consequential damage, and any award for change of grade of streets (collectively "Condemnation Awards").

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GRANTING CLAUSE VI

All property and rights, if any, which are by the express provisions of this instrument required to be subjected to the lien hereof and any additional property and rights that may from time to time hereafter, by installation or writing of any kind, be subjected to the lien hereof by Mortgagor or by anyone in Mortgagor's behalf.

GRANTING CLAUSE VII

All rights in and to common areas and access roads on adjacent properties heretofore or hereafter granted to Mortgagor and any after-acquired title or reversion in and to the beds of any ways, roads, streets, avenues and alleys adjoining the property described in Granting Clause I or any part thereof.

TO HAVE AND TO HOLD the Mortgaged Premises and the properties, rights and privileges hereby granted, bargained, sold, conveyed, mortgaged, warranted, pledged and assigned, and in which a security interest is granted, or intended so to be, unto Mortgagee, its successors and assigns, forever; *provided, however*, that this instrument is upon the express condition that if the principal of and interest on the Notes and all sums from time to time advanced thereon shall be paid in full and all other indebtedness hereby secured shall be fully paid and performed (including all sums payable under or according to the provisions of the Applications), all Letters of Credit issued pursuant to the Applications shall have expired and any commitment contained in the Construction Loan Agreement to advance funds shall have terminated, then this instrument and the estate and rights hereby granted shall cease, determine and be void and this instrument shall be released by Mortgagee upon the written request and at the expense of Mortgagor, otherwise to remain in full force and effect.

It is expressly understood and agreed that the indebtedness hereby secured will in no event exceed two hundred percent (200%) of (i) the total face amount of the Notes and the aggregate face amount of all Letters of Credit which may be issued under the Construction Loan Agreement; plus (ii) the total interest which may hereafter accrue under the Notes and the Reimbursement Obligations on such face amounts; plus (iii) any fees, costs or expenses which may be payable hereunder or under the Construction Loan Agreement.

Mortgagor covenants and agrees with Mortgagee as follows:

1. *Payment of the Indebtedness.* The indebtedness hereby secured will be promptly paid as and when the same becomes due.

2. *Further Assurances.* Mortgagor will execute and deliver such further instruments and do such further acts as may reasonably be necessary or proper to carry out more effectively the purpose of this instrument and, without limiting the foregoing, to make subject to the lien hereof any property agreed to be subjected hereto or covered by the Granting Clauses hereof or intended so to be.

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3. *Possession.* Provided no Event of Default has occurred and is continuing hereunder, Mortgagor shall be suffered and permitted to remain in full possession, enjoyment and control of the Mortgaged Premises, subject always to the observance and performance of the terms of this Mortgage.

4. *Ownership of Mortgaged Premises.* Mortgagor covenants and warrants that it is lawfully seized of and has good and marketable title to the Mortgaged Premises free and clear of all liens, charges and encumbrances whatever except those exceptions to title listed on Schedule II attached hereto (the "*Permitted Exceptions*") and Mortgagor has good right, full power and authority to convey, transfer and mortgage the same to mortgagee for the uses and purposes set forth in this Mortgage; and Mortgagor will warrant and forever defend title to the Mortgaged Premises subject to the Permitted Exceptions against all claims and demands whatsoever.

5. *Mortgage Constitutes Construction Mortgage.* This Mortgage secures an obligation for the construction of improvements on the real property herein described. As such, this Mortgage constitutes a construction mortgage for the purposes of Article Nine of the Uniform Commercial Code of Illinois and is entitled to all of the benefits afforded construction mortgages thereunder.

6. *Compliance with Construction Loan Agreement.* Mortgagor will abide by and comply with and be governed and restricted by all of the terms, conditions, provisions, restrictions and agreements contained in the Construction Loan Agreement, and in each and every supplement thereto or amendment thereof which may at any time or from time to time be executed and delivered by the parties thereto or their successors and assigns.

7. *Provisions of Construction Loan Agreement.* The proceeds of the Notes are to be disbursed by Mortgagee in accordance with the terms contained in the Construction Loan Agreement, the provisions of which are incorporated herein by reference to the same extent as if fully set forth herein. Mortgagor covenants that any and all monetary disbursements made in accordance with the Construction Loan Agreement shall constitute adequate consideration to Mortgagor for the enforceability of this Mortgage and the Notes and that all advances and indebtedness arising and accruing under the Construction Loan Agreement from time to time, whether or not the total amount thereof may exceed the aggregate face amounts of the Notes, shall be secured by this Mortgage. Upon the occurrence of an Event of Default, Mortgagee may (but need not): (i) declare the entire principal indebtedness and interest on the Notes due and payable and pursue all other remedies conferred upon Mortgagee by this Mortgage or by law as in the case of default; or (ii) complete the construction of said improvements and enter into the necessary contracts therefor; or (iii) enter into leases for all or any part of the Mortgaged Premises, subject to the rights of tenants under leases approved or deemed approved by Mortgagee at the time of default. All monies so expended shall be so much additional indebtedness secured by this Mortgage, and any monies expended in excess of the Notes shall be payable on demand with interest at the Default Rate (as hereinafter defined). Mortgagee may exercise any of the aforesaid remedies. The provisions, rights, powers and remedies contained in the Construction Loan Agreement are in addition to, and not in substitution for, those contained herein.

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8. *Payment of Taxes.* Mortgagor shall pay before any penalty attaches, all general taxes and all special taxes, special assessments, water, drainage and sewer charges and all other charges of any kind whatsoever, ordinary or extraordinary, which may be levied, assessed, imposed or charged on or against the Mortgaged Premises or any part thereof and which, if unpaid, might by law become a lien or charge upon the Mortgaged Premises or any part thereof, and shall, upon written request, exhibit to Mortgagee official receipts evidencing such payments, except that, unless and until foreclosure, distraint, sale or other similar proceedings shall have been commenced, no such charge or claim need be paid if being contested (except to the extent any full or partial payment shall be required by law), after notice to Mortgagee, by appropriate proceedings which shall operate to prevent the collection thereof or the sale or forfeiture of the Mortgaged Premises or any part thereof to satisfy the same, conducted in good faith and with due diligence and if Mortgagor shall have furnished such security, if any, as may be required in the proceedings or requested by Mortgagee.

9. *Payment of Taxes on Notes, Letters of Credit, Mortgage or Interest of Mortgagee.* Mortgagor agrees that if any tax, assessment or imposition upon this Mortgage or the indebtedness hereby secured or the Notes, Letters of Credit or the interest of Mortgagee in the Mortgaged Premises or upon Mortgagee by reason of or as a holder of any of the foregoing (including, without limitation, corporate privilege, franchise and excise taxes, but excepting therefrom any income tax on interest payments on the principal portion of the indebtedness hereby secured imposed by the United States or any state) is levied, assessed or charged, then, unless all such taxes are paid by Mortgagor to, for or on behalf of Mortgagee as they become due and payable (which Mortgagor agrees to do upon demand of Mortgagee, to the extent permitted by law), or Mortgagee is reimbursed for any such sum advanced by Mortgagee, all sums hereby secured shall become immediately due and payable, at the option of Mortgagee upon thirty (30) days' notice to Mortgagor, notwithstanding anything contained herein or in any law heretofore or hereafter enacted, including any provision thereof forbidding Mortgagor from making any such payment. Mortgagor agrees to exhibit to Mortgagee, upon request, official receipts showing payment of all taxes and charges which Mortgagor is required to pay hereunder.

10. *Recordation and Payment of Taxes and Expenses Incident Thereon.* Mortgagor will cause this Mortgage, all mortgages supplemental hereto and any financing statement or other notice of a security interest required by Mortgagee at all times to be kept recorded and filed at its own expense in such manner and in such places as may be required by law for the recording and filing or for the rerecording and refiling of a mortgage, security interest, assignment or other lien or charge upon the Mortgaged Premises, or any part thereof, in order fully to preserve and protect the rights of Mortgagee hereunder and, without limiting the foregoing, Mortgagor will pay or reimburse Mortgagee for the payment of any and all taxes, fees or other charges incurred in connection with any such recordation or rerecording, including any documentary stamp tax or tax imposed upon the privilege of having this instrument or any instrument issued pursuant hereto recorded.

11. *Insurance.* Mortgagor will, at its expense, maintain insurance in accordance with the requirements of the Construction Loan Agreement. Insurance proceeds shall be

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used and applied in accordance with the provisions of the Construction Loan Agreement. In the event of foreclosure, Mortgagor authorizes and empowers Mortgagee to effect insurance upon the Mortgaged Premises in the amounts aforesaid, for a period covering the time of redemption from foreclosure sale provided by law, and if necessary therefor, to cancel any or all existing insurance policies.

12. *Eminent Domain.* Mortgagor acknowledges that Condemnation Awards have been assigned to Mortgagee in accordance with the terms of the Construction Loan Agreement, which awards Mortgagee is hereby irrevocably authorized to collect and receive, and to give appropriate receipts and acquittances therefor, and at Mortgagee's option, to apply the same toward the payment of the amount owing on account of the indebtedness hereby secured in such order as Mortgagee may elect and whether or not the same may then be due and payable or otherwise adequately secured, and Mortgagor covenants and agrees that Mortgagor will give Mortgagee immediate notice of the actual or threatened commencement of any proceedings under condemnation or eminent domain affecting all or any part of the Mortgaged Premises including any easement therein or appurtenance thereof or severance and consequential damage and change in grade of streets, and will deliver to Mortgagee copies of any and all papers served in connection with any such proceedings. Mortgagor further covenants and agrees to make, execute and deliver to Mortgagee, at any time or times upon reasonable request, free, clear and discharged of any encumbrances of any kind whatsoever, any and all further assignments and/or instruments deemed necessary by Mortgagee for the purpose of validly and sufficiently assigning all awards and other compensation heretofore and hereafter to be made to Mortgagor for any taking, either permanent or temporary, under any such proceeding.

13. *Construction, Repair, Waste, Etc.* Except as contemplated in the Construction Loan Agreement, Mortgagor agrees that no building or other improvement on the Mortgaged Premises and constituting a part thereof shall be altered, removed or demolished nor shall any fixtures or appliances on, in or about said buildings or improvements be severed, removed, sold or mortgaged, without the consent of Mortgagee and in the event of the demolition or destruction in whole or in part of any of the fixtures, chattels or articles of personal property covered hereby, Mortgagor covenants that the same will be replaced promptly by similar fixtures, chattels and articles of personal property at least equal in quality and condition to those replaced, free from any security interest in or encumbrance thereon or reservation of title thereto; to permit, commit or suffer no waste, impairment or deterioration of the Mortgaged Premises or any part thereof; to keep and maintain said Mortgaged Premises and every part thereof in good and first class repair and condition; to effect such repairs as Mortgagee may reasonably require and from time to time to make all needful and proper replacements and additions so that said buildings, fixtures, machinery and appurtenances will, at all times, be in good and first class condition, fit and proper for the respective purposes for which they were originally erected or installed; to comply with all statutes, orders, requirements or decrees relating to the Mortgaged Premises by any federal, state or municipal authority; to observe and comply with all conditions and requirements necessary to preserve and extend any and all rights, licenses, permits (including, but not limited to, zoning variances, special exceptions and non-conforming uses), privileges, franchises and concessions which are applicable to the Mortgaged Premises

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or which have been granted to or contracted for by Mortgagor in connection with any existing or presently contemplated use of the Mortgaged Premises or any part thereof and not to initiate or acquiesce in any changes to or terminations of any of the foregoing or of zoning classifications affecting the use to which the Mortgaged Premises or any part thereof may be put without the prior written consent of Mortgagee; and to make no material alterations in or improvements or additions to the Mortgaged Premises except as required by governmental authority or as permitted by Mortgagee.

14. *Liens and Encumbrances.* Mortgagor will not, without the prior written consent of Mortgagee, directly or indirectly, create or suffer to be created or to remain and will discharge or promptly cause to be discharged any mortgage, lien, encumbrance or charge on, pledge of, or conditional sale or other title retention agreement with respect to, the Mortgaged Premises or any part thereof, whether superior or subordinate to the lien hereof, except for this Mortgage and the Permitted Exceptions.

15. *Right of Mortgagee to Perform Mortgagor's Covenants, Etc.* If Mortgagor shall fail to make any payment or perform any act required to be made or performed hereunder, Mortgagee, without waiving or releasing any obligation or default, may (but shall be under no obligation to) at any time thereafter make such payment or perform such act for the account and at the expense of Mortgagor, and may enter upon the Mortgaged Premises or any part thereof for such purpose and take all such action thereon as, in the opinion of Mortgagee, may be necessary or appropriate therefor. All sums so paid by Mortgagee and all costs and expenses (including without limitation attorney's fees and expenses) so incurred, together with interest thereon from the date of payment or incurrence at the Default Rate, shall constitute so much additional indebtedness hereby secured and shall be paid by Mortgagor to Mortgagee on demand. Mortgagee in making any payment authorized under this Section relating to taxes or assessments may do so according to any bill, statement or estimate procured from the appropriate public office without inquiry into the accuracy of such bill, statement or estimate or into the validity of any tax assessment, sale, forfeiture, tax lien or title or claim thereof. Mortgagee, in performing any act hereunder, shall be the sole judge of whether Mortgagor is required to perform same under the terms of this Mortgage.

16. *After-Acquired Property.* Any and all property hereafter acquired which is of the kind or nature herein provided, or intended to be and become subject to the lien hereof, shall *ipso facto*, and without any further conveyance, assignment or act on the part of Mortgagor, become and be subject to the lien of this Mortgage as fully and completely as though specifically described herein; but nevertheless Mortgagor shall from time to time, if requested by Mortgagee, execute and deliver any and all such further assurances, conveyances and assignments as Mortgagee may reasonably require for the purpose of expressly and specifically subjecting to the lien of this Mortgage all such property.

17. *Inspection by Mortgagee.* Mortgagee and any participant in the indebtedness hereby secured shall have the right to inspect the Mortgaged Premises at all reasonable times, and access thereto shall be permitted for that purpose.

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18. *Subrogation.* Mortgagor acknowledges and agrees that Mortgagee shall be subrogated to any lien discharged out of the proceeds of the loan evidenced by the Notes or out of any advance by Mortgagee hereunder or under the Construction Loan Agreement, irrespective of whether or not any such lien may have been released of record.

19. *Events of Default.* Any one or more of the following shall constitute an Event of Default hereunder:

(a) the Mortgaged Premises or any part thereof shall be sold, transferred, or conveyed, whether voluntarily or involuntarily, by operation of law or otherwise, except for sales of obsolete, worn out or unusable fixtures or personal property which are concurrently replaced with similar fixtures or personal property at least equal in quality and condition to those sold and owned by Mortgagor free of any lien, charge or encumbrance other than the lien hereof; or

(b) any indebtedness secured by a lien or charge on the Mortgaged Premises or any part thereof is not paid when due or proceedings are commenced to foreclose or otherwise realize upon any such lien or charge or to have a receiver appointed for the property subject thereto or to place the holder of such indebtedness or its representative in possession thereof; or

(c) any event occurs or condition exists which is specified as an "Event of Default" under the Construction Loan Agreement; or

(d) the Mortgaged Premises is abandoned.

For the purposes of this Mortgage, the Mortgaged Premises shall be deemed to have been sold, transferred or conveyed in the event that more than fifty percent of the equity interest in Mortgagor shall be sold, transferred or conveyed, whether voluntarily or involuntarily, subsequent to the date hereof whether in one or a series of related or unrelated transactions.

20. *Remedies.* When any Event of Default has occurred and is continuing (regardless of the pendency of any proceeding which has or might have the effect of preventing Mortgagor from complying with the terms of this instrument and of the adequacy of the security for the Notes or any other indebtedness hereby secured) and in addition to such other rights as may be available under applicable law or under the Construction Loan Agreement, but subject at all times to any mandatory legal requirements:

(a) *Acceleration.* Mortgagee may, by written notice to Mortgagor, declare the Notes and all unpaid indebtedness hereby secured, including any interest then accrued thereon, to be forthwith due and payable, whereupon the same shall become and be forthwith due and payable, without other notice or demand of any kind.

(b) *Uniform Commercial Code.* Mortgagee shall, with respect to any part of the Mortgaged Premises constituting property of the type in respect of which

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realization on a lien or security interest granted therein is governed by the Uniform Commercial Code, have all the rights, options and remedies of a secured party under the Uniform Commercial Code of Illinois, including without limitation, the right to the possession of any such property, or any part thereof, and the right to enter without legal process any premises where any such property may be found. Any requirement of said Uniform Commercial Code for reasonable notification shall be met by mailing written notice to Mortgagor at its address above set forth at least ten (10) days prior to the sale or other event for which such notice is required. The costs and expenses of retaking, selling, and otherwise disposing of said property, including attorney's fees and legal expenses incurred in connection therewith, shall constitute so much additional indebtedness hereby secured and shall be payable upon demand with interest at the Default Rate.

(c) *Foreclosure.* Mortgagee may proceed to protect and enforce the rights of Mortgagee hereunder (i) by any action at law, suit in equity or other appropriate proceedings, whether for the specific performance of any agreement contained herein, or for an injunction against the violation of any of the terms hereof, or in aid of the exercise of any power granted hereby or by law, or (ii) by the foreclosure of this Mortgage.

(d) *Appointment of Receiver.* Mortgagee shall, as a matter of right, without notice and without giving bond to Mortgagor or anyone claiming by, under or through it, and without regard to the solvency or insolvency of Mortgagor or the then value of the Mortgaged Premises, be entitled to have a receiver appointed of all or any part of the Mortgaged Premises and the rents, issues and profits thereof, with such power as the court making such appointment shall confer, and Mortgagor hereby consents to the appointment of such receiver and shall not oppose any such appointment. Any such receiver may, to the extent permitted under applicable law, without notice, enter upon and take possession of the Mortgaged Premises or any part thereof by force, summary proceedings, ejectment or otherwise, and may remove Mortgagor or other persons and any and all property therefrom, and may hold, operate and manage the same and receive all earnings, income, rents, issues and proceeds accruing with respect thereto or any part thereof, whether during the pendency of any foreclosure or until any right of redemption shall expire or otherwise.

(e) *Taking Possession, Collecting Rents, Etc.* Mortgagee may enter and take possession of the Mortgaged Premises or any part thereof and manage, operate, insure, repair and improve the same and take any action which, in Mortgagee's judgment, is necessary or proper to conserve the value of the Mortgaged Premises. Mortgagee may also take possession of, and for these purposes use, any and all personal property contained in the Mortgaged Premises and used in the operation, rental or leasing thereof or any part thereof. Mortgagee shall be entitled to collect and receive all earnings, revenues, rents, issues and profits of the Mortgaged Premises or any part thereof (and for such purpose Mortgagor does hereby irrevocably constitute and appoint Mortgagee its true and lawful attorney-in-fact for it and in its

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name, place and tend to receive, collect and receipt for all of the foregoing, Mortgagor irrevocably acknowledging that any payment made to Mortgagee hereunder shall be a good receipt and acquittance against Mortgagor to the extent so made) and to apply same to the reduction of the indebtedness hereby secured or, at its option, to the completion of the improvements contemplated by the Construction Loan Agreement. The right to enter and take possession of the Mortgaged Premises and use any personal property therein, to manage, operate and conserve the same, and to collect the rents, issues and profits thereof, shall be in addition to all other rights or remedies of Mortgagee hereunder or afforded by law, and may be exercised concurrently therewith or independently thereof. The expenses (including any receiver's fees, counsels' fees, costs and agent's compensation) incurred pursuant to the powers herein contained shall be so much additional indebtedness hereby secured which Mortgagor promises to pay upon demand together with interest at the Default Rate. Mortgagee shall not be liable to account to Mortgagor for any action taken pursuant hereto other than to account for any rents actually received by Mortgagee. Without taking possession of the Mortgaged Premises, Mortgagee may, in the event the Mortgaged Premises becomes vacant or is abandoned, take such steps as it deems appropriate to protect and secure the Mortgaged Premises (including hiring watchmen therefor) and all costs incurred in so doing shall constitute so much additional indebtedness hereby secured payable upon demand with interest thereon at the Default Rate.

21. *Waiver of Right to Redeem From Sale - Waiver of Appraisalment, Valuation, Etc.* Mortgagor shall not and will not apply for or avail itself of any appraisalment, valuation, stay, extension or exemption laws, or any so-called "Moratorium Laws", now existing or hereafter enacted in order to prevent or hinder the enforcement or foreclosure of this Mortgage, but hereby waives the benefit of such laws. Mortgagor for itself and all who may claim through or under it waives any and all right to have the property and estates comprising the Mortgaged Premises marshalled upon any foreclosure of the lien hereof and agrees that any court having jurisdiction to foreclose such lien may order the Mortgaged Premises sold as an entirety. In the event of any sale made under or by virtue of this instrument, the whole of the Mortgaged Premises may be sold in one parcel as an entirety or in separate lots or parcels at the same or different times, all as the Mortgagee may determine. Mortgagee shall have the right to become the purchaser at any sale made under or by virtue of this instrument and Mortgagor so purchasing at any such sale shall have the right to be credited upon the amount of the bid made therefor by Mortgagee with the amount payable to Mortgagee out of the net proceeds of such sale. In the event of any such sale, the Notes, the Reimbursement Obligations and the other indebtedness hereby secured, if not previously due, shall be and become immediately due and payable without demand or notice of any kind. Mortgagor hereby waives any and all rights of redemption prior to or from sale under any order or decree of foreclosure pursuant to rights herein granted, on behalf of Mortgagor, and each and every person acquiring any interest in, or title to the Mortgaged Premises described herein subsequent to the date of this Mortgage, and on behalf of all other persons to the extent permitted by applicable law.

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22. *Costs and Expenses of Foreclosure.* In any suit to foreclose the lien hereof there shall be allowed and included as additional indebtedness in the decree for sale, all expenditures and expenses which may be paid or incurred by or on behalf of Mortgagee for attorney's fees, appraiser's fees, environmental auditors' fees, outlays for documentary and expert evidence, stenographic charges, publication costs and costs (which may be estimated as the items to be expended after the entry of the decree) of procuring all such abstracts of title, title searches and examination, guarantee policies, Torrens certificates and similar data and assurances with respect to title as Mortgagee may deem to be reasonably necessary either to prosecute any foreclosure action or to evidence to the bidder at any sale pursuant thereto the true condition of the title to or the value of the Mortgaged Premises, all of which expenditures shall become so much additional indebtedness hereby secured which Mortgagor agrees to pay and all of such shall be immediately due and payable with interest thereon from the date of expenditure until paid at the Default Rate.

23. *Application of Proceeds.* The proceeds of any foreclosure sale of the Mortgaged Premises or of any sale of property pursuant to Section 20(b) hereof shall be distributed in the following order of priority: First, on account of all costs and expenses incident to the foreclosure or other proceedings including all such items as are mentioned in Sections 20(b) and 22 hereof; Second, to all other items which under the terms hereof constitute indebtedness hereby secured in addition to that evidenced by the Notes with interest thereon as herein provided; Third, to all principal of and interest on the Notes with any overplus to whomsoever shall be lawfully entitled to same. If the liability of Mortgagor under or in connection with the Letters of Credit has not become firm, an amount equal to the aggregate undrawn face amount of all Letters of Credit shall be held by Mortgagee unless and until the same becomes due and then applied to the payment of the same.

24. *Deficiency Decree.* If at any foreclosure proceeding the Mortgaged Premises shall be sold for a sum less than the total amount due Mortgagee hereunder and under the Construction Loan Agreement, the Mortgagee shall be entitled to the entry of a deficiency decree against Mortgagor and against the property of Mortgagor for the amount of such deficiency; and Mortgagor does hereby irrevocably consent to the appointment of a receiver for the Mortgaged Premises and of the rents, issues and profits thereof after such sale and until such deficiency decree is satisfied in full.

25. *Mortgagee's Remedies Cumulative - No Waiver.* No remedy or right of Mortgagee shall be exclusive of but shall be cumulative and in addition to every other remedy or right now or hereafter existing at law or in equity or by statute or provided for in the Construction Loan Agreement. No delay in the exercise or omission to exercise any remedy or right accruing on any default shall impair any such remedy or right or be construed to be a waiver of any such default or acquiescence therein, nor shall it affect any subsequent default of the same or a different nature. Every such remedy or right may be exercised concurrently or independently, and when and as often as may be deemed expedient by Mortgagee.

26. *Mortgagee Party to Suits.* If Mortgagee shall be made a party to or shall intervene in any action or proceeding affecting the Mortgaged Premises or the title thereto

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or the interest of Mortgagee under this Mortgage (including probate and bankruptcy proceedings), or if Mortgagee employs an attorney to collect any or all of the indebtedness hereby secured or to enforce any of the terms hereof or realize hereupon or to protect the lien hereof, or if Mortgagee shall incur any costs or expenses in preparation for the commencement of any foreclosure proceedings or for the defense of any threatened suit or proceeding which might affect the Mortgaged Premises or the security hereof, whether or not any such foreclosure or other suit or proceeding shall be actually commenced, then in any such case, Mortgagor agrees to pay to Mortgagee, immediately and without demand, all reasonable costs, charges, expenses and attorney's fees incurred by Mortgagee in any such case, and the same shall constitute so much additional indebtedness hereby secured payable upon demand with interest at the Default Rate.

27. *Modifications Not to Affect Lien.* Mortgagee, without notice to anyone, and without regard to the consideration, if any, paid therefor, or the presence of other liens on the Mortgaged Premises, may in its discretion release any part of the Mortgaged Premises or any person liable for any of the indebtedness hereby secured, may extend the time of payment of any of the indebtedness hereby secured and may grant waivers or other indulgences with respect hereto and thereto, and may agree with Mortgagor to modifications to the terms and conditions contained herein or otherwise applicable to any of the indebtedness hereby secured (including modifications in the rates of interest applicable thereto), without in any way affecting or impairing the liability of any party liable upon any of the indebtedness hereby secured or the priority of the lien of this Mortgage upon all of the Mortgaged Premises not expressly released, and any party acquiring any direct or indirect interest in the Mortgaged Premises shall take same subject to all of the provisions hereof.

28. *Notices.* All communications provided for herein shall be in writing and shall be deemed to have been given when delivered personally or mailed by first class mail, postage prepaid, addressed to the parties hereto at their addresses as shown at the beginning of this Mortgage or to such other and different address as Mortgagor or Mortgagee may designate pursuant to a written notice sent in accordance with the provisions of this Section 28.

29. *Future Advances.* This Mortgage is given to secure, among other things, revolving credit loans and amounts advanced by Mortgagee pursuant to drawings under Letters of Credit and shall secure not only presently existing indebtedness under the Construction Loan Agreement but also future advances, whether such advances are obligatory or to be made at the option of Mortgagee, or otherwise, as are made within twenty (20) years from the date hereof, to the same extent as if such future advances were made on the date of the execution of this Mortgage, although there may be no advance made at the time of execution of this Mortgage and although there may be no indebtedness hereby secured outstanding at the time any advance is made. The lien of this Mortgage shall be valid as to all indebtedness hereby secured, including future advances, from the time of its filing for record in the recorder's or registrar's office in the county in which the Mortgaged Premises are located. The total amount of indebtedness hereby secured may increase or decrease from time to time, but the total unpaid balance of indebtedness hereby secured

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(including disbursements which Mortgagee may make under this Mortgage, the Construction Loan Agreement or any other documents related thereto) at any one time outstanding shall not exceed a maximum principal amount of \$23,370,000 plus interest thereon and any disbursements made for payment of taxes, special assessments or insurance on the Mortgaged Premises and interest on such disbursements (all such indebtedness being hereinafter referred to as the "maximum amount secured hereby"). This Mortgage shall be valid and have priority over all subsequent liens and encumbrances, including statutory liens, excepting solely taxes and assessments levied on the Mortgaged Premises, to the extent of the maximum amount secured hereby.

30. *Partial Invalidity.* All rights, powers and remedies provided herein are intended to be limited to the extent necessary so that they will not render this Mortgage invalid, unenforceable or not entitled to be recorded, registered or filed under any applicable law. If any term of this Mortgage shall be held to be invalid, illegal or unenforceable, the validity and enforceability of the other terms of this Mortgage shall in no way be affected thereby.

31. *Successors and Assigns.* Whenever any of the parties hereto is referred to, such reference shall be deemed to include the successors and assigns of such party; and all the covenants, promises and agreements in this Mortgage contained by or on behalf of Mortgagor, or by or on behalf of Mortgagee, shall bind and inure to the benefit of the respective successors and assigns of such parties, whether so expressed or not.

32. *Headings.* The headings in this instrument are for convenience of reference only and shall not limit or otherwise affect the meaning of any provision hereof.

33. *Changes, Etc.* This instrument and the provisions hereof may be changed, waived, discharged or terminated only by an instrument in writing signed by the party against which enforcement of the change, waiver, discharge or termination is sought.

34. *Default Rate.* For purposes of this Mortgage, the term "Default Rate" shall have the meaning ascribed to said term in the Construction Loan Agreement.

35. *Partial Releases.* Mortgagor hereby reserves unto itself the privilege of procuring, and Mortgagee by its acceptance of the benefits hereof shall be deemed to have agreed to execute and deliver, partial releases of the lien hereof against Units (as defined in the Construction Loan Agreement) as they comprise the property legally described on Schedule I as upon, but only upon, the terms and conditions set forth in Section 11.14 of the Construction Loan Agreement.

IN WITNESS WHEREOF, Mortgagor has caused these presents to be signed and sealed the day and year first above written.

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THE WEXFORD LIMITED PARTNERSHIP, an Illinois limited partnership

By: Kimball Hill, Inc., an Illinois corporation, its sole general partner

By: [Signature]
Printed Name: Mark H. Bohnsack
Its: General Partner

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STATE OF ILLINOIS)
) SS.
COUNTY OF Cook)

I, Jacqueline D. Butler, a Notary Public in and for said County, in the State aforesaid, do hereby certify that ~~David K. Hill, Chairman and Chief Executive Officer~~ ^{DAVID K. HILL, SENIOR VICE PRESIDENT} of Kimball Hill, Inc., an Illinois corporation, the sole general partner of The Wexford Limited Partnership, an Illinois limited partnership, who is personally known to me to be the same person whose name is subscribed to the foregoing instrument appeared before me this day in person and acknowledged that he signed and delivered the said instrument as his own free and voluntary act and as the free and voluntary act and deed of said corporation on behalf of the limited partnership for the uses and purposes therein set forth.

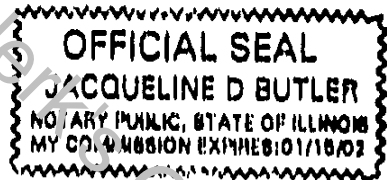
Given under my hand and notarial seal, this 25th day of March, 1998.

Jacqueline D. Butler
Notary Public

Jacqueline D. Butler
(TYPE OR PRINT NAME)

(SEAL)

My Commission Expires: _____



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SCHEDULE I

LEGAL DESCRIPTION

PARCEL 1:

*Pal. Line & Pulling
meridian*
South road corner of Quinter, Excl. D

THAT PART OF THE PREMISES KNOWN AS ALL THAT PART OF THE SOUTHWEST 1/4 OF SECTION 27 AND THE NORTHWEST 1/4 OF SECTION 34, TOWNSHIP 42 NORTH, RANGE 10, EAST OF THE THIRD PRINCIPAL MERIDIAN, DESCRIBED AS BEGINNING AT THE SOUTHEAST CORNER OF THE SOUTHWEST 1/4 OF SAID SECTION 27; THENCE NORTH, 1908 FEET; THENCE WEST, 2360 FEET TO THE CENTER OF A 3 ROD ROAD; THENCE SOUTH ALONG THE CENTER LINE OF SAID ROAD, 3475 FEET TO THE SOUTH LINE OF AN EAST AND WEST ROAD; THENCE EAST ALONG THE SOUTH LINE OF SAID ROAD, 2360 FEET TO THE EAST LINE OF THE NORTHWEST 1/4 OF SAID SECTION 34; THENCE NORTH ALONG THE QUARTER SECTION LINE, 1562.5 FEET TO THE POINT OF BEGINNING, DESCRIBED AS FOLLOWS: BEGINNING AT A POINT IN THE WEST LINE OF SAID PREMISES, 223 FEET SOUTH OF THE NORTHWEST CORNER THEREOF; THENCE EAST PARALLEL WITH THE NORTH LINE OF SAID PREMISES, 586 FEET; THENCE SOUTH PARALLEL WITH THE WEST LINE OF SAID PREMISES, 150 FEET; THENCE WEST PARALLEL WITH THE NORTH LINE OF SAID PREMISES, 586 FEET TO THE WEST LINE THEREOF; THENCE NORTH ON THE WEST LINE OF SAID PREMISES, 150 FEET TO THE POINT OF BEGINNING, EXCEPTING THEREFROM ALL THAT PART THEREOF FALLING IN QUINTEN ROAD ACCORDING TO THE RIGHT OF WAY PLAT RECORDED JUNE 8, 1976 AS DOCUMENT NO. 23511292, IN COOK COUNTY, ILLINOIS.

PARCEL 2:

THAT PART OF THE PREMISES KNOWN AS ALL THAT PART OF THE SOUTHWEST 1/4 OF SECTION 27 AND THE NORTHWEST 1/4 OF SECTION 34, TOWNSHIP 42 NORTH, RANGE 10, EAST OF THE THIRD PRINCIPAL MERIDIAN, DESCRIBED AS BEGINNING AT THE SOUTHEAST CORNER OF THE SOUTHWEST 1/4 OF SAID SECTION 27; THENCE NORTH, 1908 FEET; THENCE WEST, 2360 FEET TO THE CENTER OF A 3 ROD ROAD; THENCE SOUTH ALONG THE CENTER LINE OF SAID ROAD, 3475 FEET TO THE SOUTH LINE OF AN EAST AND WEST ROAD; THENCE EAST ALONG THE SOUTH LINE OF SAID ROAD, 2360 FEET TO THE EAST LINE OF THE NORTHWEST 1/4 OF SAID SECTION 34; THENCE NORTH ALONG THE QUARTER SECTION LINE, 1562.5 FEET TO THE POINT OF BEGINNING, DESCRIBED AS FOLLOWS: BEGINNING AT A POINT IN THE WEST LINE OF SAID PREMISES, 373 FEET SOUTH OF THE NORTHWEST CORNER THEREOF; THENCE EAST PARALLEL WITH THE NORTH LINE OF SAID PREMISES, 586 FEET; THENCE SOUTH PARALLEL WITH THE WEST LINE OF SAID PREMISES, 593.35 FEET; THENCE WEST PARALLEL WITH THE NORTH LINE OF SAID PREMISES, 586 FEET TO THE WEST LINE THEREOF; THENCE NORTH ON THE WEST LINE OF SAID PREMISES, 593.35 FEET TO THE POINT OF BEGINNING, EXCEPTING THEREFROM ALL THAT PART THEREOF FALLING IN QUINTEN ROAD ACCORDING TO THE RIGHT OF WAY PLAT RECORDED JUNE 8, 1976 AS DOCUMENT NO. 23511292, IN COOK COUNTY, ILLINOIS.

PARCEL 3:

THAT PART OF THE PREMISES KNOWN AS ALL THAT PART OF THE SOUTHWEST 1/4 OF SECTION 27 AND THE NORTHWEST 1/4 OF SECTION 34, TOWNSHIP 42 NORTH, RANGE 10, EAST OF THE THIRD PRINCIPAL MERIDIAN, DESCRIBED AS BEGINNING AT THE SOUTHEAST CORNER OF THE SOUTHWEST 1/4 OF SAID SECTION 27; THENCE NORTH, 1908 FEET; THENCE WEST, 2360 FEET TO THE CENTER OF A 3 ROD ROAD; THENCE SOUTH ALONG THE CENTER LINE OF SAID ROAD, 3475 FEET TO THE SOUTH LINE OF AN EAST AND WEST ROAD; THENCE EAST ALONG THE SOUTH LINE OF SAID ROAD, 2360 FEET TO THE EAST LINE OF THE NORTHWEST 1/4 OF SAID SECTION 34; THENCE NORTH ALONG THE QUARTER SECTION LINE, 1562.5 FEET TO THE POINT OF BEGINNING, DESCRIBED AS FOLLOWS: BEGINNING AT A POINT ON THE EAST LINE OF THE

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SCHEDULE I

LEGAL DESCRIPTION

SOUTHWEST 1/4 OF SAID SECTION 27, 926.20 FEET NORTH OF THE SOUTHEAST CORNER OF SAID SOUTHWEST 1/4; THENCE NORTH ON THE EAST LINE OF SAID SOUTHWEST 1/4, 981.80 FEET TO THE NORTHEAST CORNER OF SAID PREMISES; THENCE WEST ON THE NORTH LINE OF SAID PREMISES, 2360 FEET TO THE NORTHWEST CORNER THEREOF; THENCE SOUTH ON THE WEST LINE OF SAID PREMISES, 223.00 FEET; THENCE EAST ON A LINE PARALLEL TO THE NORTH LINE OF SAID PREMISES, 586 FEET; THENCE SOUTH ON A LINE PARALLEL TO THE WEST LINE OF SAID PREMISES, 758.90 FEET, THENCE EAST ON A LINE PARALLEL TO THE NORTH LINE OF SAID PREMISES, 1770.00 FEET TO THE PLACE OF BEGINNING, EXCEPTING THEREFROM ALL THAT PART THEREOF FALLING IN QUINTEN ROAD ACCORDING TO THE RIGHT OF WAY PLAT RECORDED JUNE 8, 1976 AS DOCUMENT NO. 23511292, IN COOK COUNTY, ILLINOIS.

PARCEL 4:

THAT PART OF THE EAST 1/2 OF THE SOUTHWEST 1/4 OF SECTION 27, TOWNSHIP 42 NORTH, RANGE 10, EAST OF THE THIRD PRINCIPAL MERIDIAN, LYING NORTH OF A LINE 1908 FEET NORTH OF THE SOUTH LINE OF THE SOUTHWEST 1/4 OF SAID SECTION 27 AND LYING SOUTH OF THE SOUTHERLY LINE OF EUCLID AVENUE ACCORDING TO THE RIGHT OF WAY PLAT RECORDED JUNE 8, 1976 AS DOCUMENT NO. 23511292, EXCEPTING THEREFROM THE WEST 309.5 FEET OF THE NORTH 528 FEET OF SAID EAST 1/2 OF THE SOUTHWEST 1/4,

ALSO

THAT PART OF THE WEST 1/2 OF THE SOUTHWEST 1/4 OF SECTION 27, TOWNSHIP 42 NORTH, RANGE 10, EAST OF THE THIRD PRINCIPAL MERIDIAN, LYING NORTH OF A LINE 1908 FEET NORTH OF THE SOUTH LINE OF THE SOUTHWEST 1/4 OF SAID SECTION 27, LYING SOUTH OF THE SOUTHERLY LINE OF EUCLID AVENUE ACCORDING TO THE RIGHT OF WAY PLAT RECORDED JUNE 8, 1976 AS DOCUMENT NO. 23511292 AND LYING EAST OF THE EASTERLY LINE OF QUINTEN ROAD ACCORDING TO THE RIGHT OF WAY PLAT RECORDED JUNE 8, 1976 AS DOCUMENT NO. 23511292, ALL IN COOK COUNTY, ILLINOIS.

PARCEL 5:

THAT PART OF THE WEST 309.5 FEET OF THE NORTH 528 FEET OF THE EAST 1/2 OF THE SOUTHWEST 1/4 OF SECTION 27, TOWNSHIP 42 NORTH, RANGE 10, EAST OF THE THIRD PRINCIPAL MERIDIAN, LYING SOUTH OF THE SOUTHERLY LINE OF EUCLID AVENUE ACCORDING TO THE RIGHT OF WAY PLAT RECORDED JUNE 8, 1976 AS DOCUMENT NO. 23511292, IN COOK COUNTY, ILLINOIS.

PARCEL 6:

THAT PART OF THE WEST 1/2 OF THE SOUTHWEST 1/4 OF SECTION 27, TOWNSHIP 42 NORTH, RANGE 10, EAST OF THE THIRD PRINCIPAL MERIDIAN, LYING SOUTH OF A LINE 1908 FEET NORTH OF THE SOUTH LINE OF THE SOUTHWEST 1/4 OF SAID SECTION 27, LYING WEST OF THE CENTER LINE OF A 3 ROD ROAD (NOW VACATED) FORMERLY KNOWN AS QUINTEN ROAD AND LYING EAST OF THE EASTERLY LINE OF RELOCATED QUINTEN ROAD ACCORDING TO THE RIGHT OF WAY PLAT RECORDED JUNE 8, 1976 AS DOCUMENT NO. 23511292, IN COOK COUNTY, ILLINOIS.

PARCELS 1 THROUGH 6 ABOVE, TAKEN AS A TRACT, ARE DESCRIBED AS FOLLOWS:

THAT PART OF THE SOUTHWEST 1/4 OF SECTION 27, TOWNSHIP 42 NORTH, RANGE 10, EAST OF THE THIRD PRINCIPAL MERIDIAN, DESCRIBED AS FOLLOWS: BEGINNING AT A POINT ON THE EAST LINE OF THE SOUTHWEST 1/4 OF SAID SECTION 27, 926.20 FEET NORTH OF THE SOUTHEAST CORNER OF THE SOUTHWEST 1/4 OF SAID SECTION 27, SAID POINT OF BEGINNING BEING AT THE

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SCHEDULE I

LEGAL DESCRIPTION

INTERSECTION OF THE EAST LINE OF THE SOUTHWEST 1/4 OF SAID SECTION 27, WITH THE NORTH LINE OF PLUM GROVE CREEK PHASE 1, A SUBDIVISION ACCORDING TO THE PLAT THEREOF RECORDED SEPTEMBER 19, 1977 AS DOCUMENT NO. 24111251, AS SAID NORTH LINE OF PLUM GROVE CREEK PHASE 1 IS STAKED, MONUMENTED AND OCCUPIED; THENCE SOUTH 89 DEGREES 58 MINUTES 21 SECONDS WEST ALONG THE NORTH LINE OF SAID PLUM GROVE CREEK PHASE 1 AS STAKED, MONUMENTED AND OCCUPIED AND ALONG THE NORTH LINE OF PLUM GROVE CREEK PHASE 2, A SUBDIVISION ACCORDING TO THE PLAT THEREOF RECORDED SEPTEMBER 11, 1978 AS DOCUMENT NO. 24621516, AS SAID NORTH LINE OF PLUM GROVE CREEK PHASE 2 IS STAKED, MONUMENTED AND OCCUPIED, 1771.36 FEET TO AN ANGLE POINT IN SAID NORTH LINE; THENCE NORTH 00 DEGREES 12 MINUTES 38 SECONDS WEST ALONG THE EAST LINE OF LOT 41 IN SAID PLUM GROVE CREEK PHASE 2, AS SAID EAST LINE OF LOT 41 IS STAKED, MONUMENTED AND OCCUPIED, 13.17 FEET TO THE NORTHEAST CORNER OF SAID LOT 41; THENCE SOUTH 89 DEGREES, 57 MINUTES, 17 SECONDS WEST ALONG THE NORTH LINE OF LOTS 41 TO 46, INCLUSIVE, IN SAID PLUM GROVE CREEK PHASE 2, AS SAID NORTH LINE IS STAKED, MONUMENTED AND OCCUPIED, 537.00 FEET TO THE EAST LINE OF QUINTEN ROAD ACCORDING TO THE RIGHT OF WAY PLAT RECORDED JUNE 8, 1976 AS DOCUMENT NO. 23511292. THE FOLLOWING 4 COURSES ARE ALONG THE EASTERLY LINE OF QUINTEN ROAD ACCORDING TO THE RIGHT OF WAY PLAT RECORDED JUNE 8, 1976 AS DOCUMENT NO. 23511292; THENCE NORTH 00 DEGREES 12 MINUTES 38 SECONDS WEST, 274.38 FEET; THENCE NORTH 01 DEGREES 10 MINUTES 47 SECONDS EAST, 412.12 FEET; THENCE NORTH 12 DEGREES 07 MINUTES 18 SECONDS WEST, 130.82 FEET; THENCE NORTH 18 DEGREES 29 MINUTES 36 SECONDS WEST, 210.39 FEET TO THE SOUTHERLY LINE OF EUCLID AVENUE ACCORDING TO THE RIGHT OF WAY PLAT RECORDED JUNE 8, 1976 AS DOCUMENT NO. 23511292; THE FOLLOWING 10 COURSES ARE ALONG THE SOUTHERLY LINE OF EUCLID AVENUE ACCORDING TO THE RIGHT OF WAY PLAT RECORDED JUNE 8, 1976 AS DOCUMENT NO. 23511292; THENCE NORTH 71 DEGREES 16 MINUTES 22 SECONDS EAST, 69.60 FEET; THENCE NORTH 77 DEGREES 42 MINUTES 15 SECONDS EAST, 351.57 FEET; THENCE NORTH 74 DEGREES 45 MINUTES 00 SECONDS EAST, 100.18 FEET; THENCE NORTH 65 DEGREES 02 MINUTES 20 SECONDS EAST, 100.60 FEET; THENCE NORTH 62 DEGREES 24 MINUTES 44 SECONDS EAST, 303.66 FEET; THENCE NORTH 76 DEGREES 27 MINUTES 33 SECONDS EAST, 200.81 FEET; THENCE NORTH 73 DEGREES 50 MINUTES 48 SECONDS EAST, 339.77 FEET; THENCE NORTH 75 DEGREES 31 MINUTES 21 SECONDS EAST, 252.39 FEET; THENCE NORTH 71 DEGREES 30 MINUTES 53 SECONDS EAST, 294.42 FEET; THENCE NORTH 87 DEGREES 12 MINUTES 54 SECONDS EAST, 480.67 FEET; TO AN INTERSECTION WITH THE EAST LINE OF THE SOUTHWEST 1/4 OF SAID SECTION 27; THENCE SOUTH 00 DEGREES 07 MINUTES 09 SECONDS EAST ALONG THE EAST LINE OF SAID SOUTHWEST 1/4, 1653.73 FEET TO THE POINT OF BEGINNING, IN COOK COUNTY, ILLINOIS.

PARCEL 7:

LOTS 2 AND 3 IN BLOCK 28 IN ARTHUR T. MCINTOSH AND COMPANY'S PALATINE ESTATE UNIT NUMBER 3, BEING A SUBDIVISION OF PART OF SECTION 26 AND SECTION 27, TOWNSHIP 42 NORTH, RANGE 10 EAST OF THE THIRD PRINCIPAL MERIDIAN, IN COOK COUNTY, ILLINOIS (EXCEPT THAT PART OF LOT 2 IN BLOCK 28 OF A.T. MCINTOSH AND COMPANY'S PALATINE ESTATES UNIT NO. 3, A SUBDIVISION OF PARTS OF SECTIONS 26 AND 27, TOWNSHIP 42 NORTH, RANGE 10 EAST OF THE THIRD PRINCIPAL MERIDIAN, LYING NORTH OF A LINE DESCRIBED AS FOLLOWS: BEGINNING ON THE WEST LINE OF SAID LOT 2, 20 FEET SOUTH OF THE NORTHWEST CORNER THEREOF; THENCE EASTERLY TO A POINT 81 FEET EAST OF AND 20 FEET SOUTH OF SAID NORTHWEST CORNER (AS MEASURED ON THE NORTH LINE OF SAID LOT 2 AND AT RIGHT ANGLES THERETO); THENCE SOUTHEASTERLY TO A POINT 181 FEET EAST OF AND 30 FEET SOUTH OF SAID NORTHWEST CORNER (AS MEASURED ON SAID NORTH LINE AND AT RIGHT ANGLES THERETO); THENCE SOUTHEASTERLY TO A POINT IN THE EAST LINE OF SAID LOT 2, 30 FEET SOUTH OF THE NORTH LINE THEREOF), IN COOK COUNTY, ILLINOIS.

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SCHEDULE I

LEGAL DESCRIPTION

PERMANENT INDEX NUMBER: 02-27-301-003-0000
02-27-301-004-0000
02-27-400-005-0000
02-27-400-006-0000
02-27-301-007-0000
02-27-400-003-0000

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SCHEDULE II

PERMITTED EXCEPTIONS

1. The second installment of 1997 real estate taxes and subsequent years not yet due and payable.
2. Covenants and restrictions contained in Deed recorded May 14, 1946 as Document 13793478 relating to cost and location of buildings to be erected on the Land, 33 foot easement in the rear of the Land as shown on Plat of Subdivision, and easement in favor of the Village of Palatine not to exceed 30 feet in width for sewerage purposes as shown on plat.
(Affects Parcel 7)
3. Rights of owners of land bordering on the Salt Creek in respect to the water and use of the surface of said body of water. (Affects Parcel 7)
4. Rights of way for drainage tiles, ditches, feeders and laterals, if any.
5. Rights of the State of Illinois and the public in and to that part of the land, if any, falling in the bed of Salt Creek, also rights of adjoining property owners in and to the free and unobstructed flow of the waters of said creek or of any streams which may flow through said premises.
6. Building line(s) as shown on the plat of subdivision recorded as Document No. 9591352, affecting the East 33 feet of the land.
(Affects Parcel 7)
7. Encroachment of the retaining wall located mainly on the land onto the property north and adjoining by approximately 5.0 feet, as shown on plat of Survey Number 326-104 prepared by Midwest Technical Consultants, Inc. dated February 6, 1998.]

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