

SECTION 2 [Sections 2 through 5 must be completed for each redevelopment project area listed in Section 1.]

Name of Redevelopment Project Area:	Downtown Area TIF
Primary Use of Redevelopment Project Area*:	Combination/Mixed
If "Combination/Mixed" List Component Types:	
Under which section of the Illinois Municipal Code was Redevelopment Project Area designated? (check one):	
Tax Increment Allocation Redevelopment Act <u> X </u>	Industrial Jobs Recovery Law _____

	No	Yes
Were there any amendments to the redevelopment plan, the redevelopment project area, or the State Sales Tax Boundary? [65 ILCS 5/11-74.4-5 (d) (1) and 5/11-74.6-22 (d) (1)] If yes, please enclose the amendment labeled Attachment A	X	
Certification of the Chief Executive Officer of the municipality that the municipality has complied with all of the requirements of the Act during the preceding fiscal year. [65 ILCS 5/11-74.4-5 (d) (3) and 5/11-74.6-22 (d) (3)] Please enclose the CEO Certification labeled Attachment B		X
Opinion of legal counsel that municipality is in compliance with the Act. [65 ILCS 5/11-74.4-5 (d) (4) and 5/11-74.6-22 (d) (4)] Please enclose the Legal Counsel Opinion labeled Attachment C		X
Were there any activities undertaken in furtherance of the objectives of the redevelopment plan, including any project implemented in the preceding fiscal year and a description of the activities undertaken? [65 ILCS 5/11-74.4-5 (d) (7) (A and B) and 5/11-74.6-22 (d) (7) (A and B)] If yes, please enclose the Activities Statement labeled Attachment D		X
Were any agreements entered into by the municipality with regard to the disposition or redevelopment of any property within the redevelopment project area or the area within the State Sales Tax Boundary? [65 ILCS 5/11-74.4-5 (d) (7) (C) and 5/11-74.6-22 (d) (7) (C)] If yes, please enclose the Agreement(s) labeled Attachment E		X
Is there additional information on the use of all funds received under this Division and steps taken by the municipality to achieve the objectives of the redevelopment plan? [65 ILCS 5/11-74.4-5 (d) (7) (D) and 5/11-74.6-22 (d) (7) (D)] If yes, please enclose the Additional Information labeled Attachment F	X	
Did the municipality's TIF advisors or consultants enter into contracts with entities or persons that have received or are receiving payments financed by tax increment revenues produced by the same TIF? [65 ILCS 5/11-74.4-5 (d) (7) (E) and 5/11-74.6-22 (d) (7) (E)] If yes, please enclose the contract(s) or description of the contract(s) labeled Attachment G	X	
Were there any reports or meeting minutes submitted to the municipality by the joint review board? [65 ILCS 5/11-74.4-5 (d) (7) (F) and 5/11-74.6-22 (d) (7) (F)] If yes, please enclose the Joint Review Board Report labeled Attachment H	X	
Were any obligations issued by municipality? [65 ILCS 5/11-74.4-5 (d) (8) (A) and 5/11-74.6-22 (d) (8) (A)] If yes, please enclose the Official Statement labeled Attachment I		X
Was analysis prepared by a financial advisor or underwriter setting forth the nature and term of obligation and projected debt service including required reserves and debt coverage? [65 ILCS 5/11-74.4-5 (d) (8) (B) and 5/11-74.6-22 (d) (8) (B)] If yes, please enclose the Analysis labeled Attachment J	X	
Cumulatively, have deposits equal or greater than \$100,000 been made into the special tax allocation fund? 65 ILCS 5/11-74.4-5 (d) (2) and 5/11-74.6-22 (d) (2) If yes, please enclose Audited financial statements of the special tax allocation fund labeled Attachment K		X
Cumulatively, have deposits of incremental revenue equal to or greater than \$100,000 been made into the special tax allocation fund? 65 ILCS 5/11-74.4-5 (d) (9) and 5/11-74.6-22 (d) (9) If yes, please enclose a certified letter statement reviewing compliance with the Act labeled Attachment L		X

* Types include: Central Business District, Retail, Other Commercial, Industrial, Residential, and Combination/Mixed.

SECTION 3.1 - (65 ILCS 5/11-74.4-5 (d) (5) and 65 ILCS 5/11-74.6-22 (d) (5))

Provide an analysis of the special tax allocation fund.

Reporting Year	Cumulative
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Fund Balance at Beginning of Reporting Period \$ (731,475.00)

Revenue/Cash Receipts Deposited in Fund During Reporting FY:

			% of Total
Property Tax Increment	\$ 4,247,090	\$ 13,802,889	22%
State Sales Tax Increment			0%
Local Sales Tax Increment			0%
State Utility Tax Increment			0%
Local Utility Tax Increment			0%
Interest	\$ 191,900	\$ 757,172	1%
Land/Building Sale Proceeds		\$ 1,252,260	2%
Bond Proceeds	\$ 7,700,000	\$ 46,125,866	73%
Transfers from Municipal Sources	\$ 800	\$ 882,568	1%
Private Sources			0%
Other (identify source _____; if multiple other sources, attach schedule)			0%

Total Amount Deposited in Special Tax Allocation Fund During Reporting Period \$ 12,139,790

Cumulative Total Revenues/Cash Receipts \$ 62,820,755 100%

Total Expenditures/Cash Disbursements (Carried forward from Section 3 \$ 4,767,153.00

Distribution of Surplus \$ -

Total Expenditures/Disbursements \$ 4,767,153

NET INCOME/CASH RECEIPTS OVER/(UNDER) CASH DISBURSEMENT \$ 7,372,637

FUND BALANCE, END OF REPORTING PERIOD \$ 6,641,162

- if there is a positive fund balance at the end of the reporting period, you must complete Section 3.3

SECTION 3.2 A- (65 ILCS 5/11-74.4-5 (d) (5) and 65 ILCS 5/11-74.6-22 (d) (5))
ITEMIZED LIST OF ALL EXPENDITURES FROM THE SPECIAL TAX ALLOCATION FUND
 (by category of permissible redevelopment cost, amounts expended during reporting period)

FOR AMOUNTS >\$10,000 SECTION 3.2 B MUST BE COMPLETED

Category of Permissible Redevelopment Cost [65 ILCS 5/11-74.4-3 (q) and 65 ILCS 5/11-74.6-10 (o)]

		Reporting Fiscal Year
1. Costs of studies, administration and professional services—Subsections (q)(1) and (o) (1)		
Legal Fees	63,340	
Financial Advisor Fees	6,794	
Appraisal/Survey Fees	1,200	
Legal Notices	108	
Office Supplies	62	
Professional Services	50,992	
Materials	81,249	
		\$ 203,745
2. Cost of marketing sites—Subsections (q)(1.6) and (o)(1.6)		
		\$ -
3. Property assembly, demolition, site preparation and environmental site improvement costs. Subsection (q)(2), (o)(2) and (o)(3)		
Remediation Expense	65,172	
Land Acquisition	1,903,300	
Site Development	2,863	
Land Held for Resale	(1,252,550)	
		\$ 718,785
4. Costs of rehabilitation, reconstruction, repair or remodeling and replacement of existing public buildings. Subsection (q)(3) and (o)(4)		
		\$ -
5. Costs of construction of public works and improvements. Subsection (q)(4) and (o)(5)		
Infrastructure Improvements (streets, watermains, etc.)	111,306	
		\$ 111,306

12. Payments in lieu of taxes. Subsection (q)(9) and (o)(11)		
		\$ -
13. Costs of job training, retraining advanced vocational or career education provided by other taxing bodies. Subsection (q)(10) and (o)(12)		
		\$ -
14. Costs of reimbursing private developers for interest expenses incurred on approved redevelopment projects. Subsection (q)(11)(A-E) and (o)(13)(A-E)		
		\$ -
15. Costs of construction of new housing units for low income and very low-income households. Subsection (q)(11)(F) - Tax Increment Allocation Redevelopment TIFs ONLY		
		\$ -
16. Cost of day care services and operational costs of day care centers. Subsection (q)(11.5) - Tax Increment Allocation Redevelopment TIFs ONLY		
		\$ -
TOTAL ITEMIZED EXPENDITURES		\$ 4,767,153

SECTION 3.3 - (65 ILCS 5/11-74.4-5 (d) (5) 65 ILCS 11-74.6-22 (d) (5))
Breakdown of the Balance in the Special Tax Allocation Fund At the End of the Reporting Period
(65 ILCS 5/11-74.4-5 (d) (5) (D) and 65 ILCS 5/11-74.6-22 (d) (5) (D))

FUND BALANCE, END OF REPORTING PERIOD \$ 6,641,162

	Amount of Original Issuance	Amount Designated
1. Description of Debt Obligations		
General Obligation Bond Series of 2001	\$ 14,565,000	\$ 14,565,000
General Obligation Bond Taxable Series of 2001	\$ 3,205,000	\$ 2,455,000
General Obligation Bond Taxable Series of 2003	\$ 2,975,000	\$ 2,320,000
General Obligation Bond Tax Increment Series of 2003	\$ 990,000	\$ 795,269
General Obligation Bond Series of 2004	\$ 1,900,000	\$ 1,750,000
General Obligation Bond Taxable Series of 2004A	\$ 7,500,000	\$ 7,200,000
General Obligation Bond Series of 2004D	\$ 5,080,000	\$ 5,005,000
General Obligation Bond Series of 2007A	\$ 365,000	\$ 365,000
General Obligation Bond Series of 2007B	\$ 7,335,000	\$ 7,335,000
Total Amount Designated for Obligations	\$ 43,915,000	\$ 41,790,269
2. Description of Project Costs to be Paid		

Total Amount Designated for Project Costs \$ -

TOTAL AMOUNT DESIGNATED \$ 41,790,269

SURPLUS*/(DEFICIT) \$ (35,149,107)

* NOTE: If a surplus is calculated, the municipality may be required to repay the amount to overlapping taxing districts

SECTION 4 [65 ILCS 5/11-74.4-5 (d) (6) and 65 ILCS 5/11-74.6-22 (d) (6)]

Provide a description of all property purchased by the municipality during the reporting fiscal year within the redevelopment project area.

_____ **No property was acquired by the Municipality Within the Redevelopment Project Area**

Property Acquired by the Municipality Within the Redevelopment Project Area

Property (1):	
Street address	44 West Wilson Street
Approximate size or description of property:	Lot 7 in Block "B" in the town of Palatine, in the East half of the Southeast quarter of Section 15, Township 42 North, Range 10 East of the Third Principal Meridian in Cook County, Illinois. PIN: 02-15-414-009-0000
Purchase price:	1,250,000.00
Seller of property:	Park National Bank

Property (2):	
Street address	
Approximate size or description of property:	
Purchase price:	
Seller of property:	

Property (3):	
Street address	
Approximate size or description of property:	
Purchase price:	
Seller of property:	

Property (4):	
Street address	
Approximate size or description of property:	
Purchase price:	
Seller of property:	

SECTION 5 - 65 ILCS 5/11-74.4-5 (d) (7) (G) and 65 ILCS 5/11-74.6-22 (d) (7) (G)

Please include a brief description of each project.

_____ No Projects Were Undertaken by the Municipality Within the Redevelopment Project Area

	11/1/99 to Date	Estimated Investment for Subsequent Fiscal Year	Estimated Cost of the Total Project
TOTAL:			
Private Investment Undertaken (See Instructions)	\$ 284,255,000	\$ 8,000,000	\$ 7,000,000
Public Investment Undertaken	\$ 53,304,530	\$ 1,803,200	\$ 5,750,000
Ratio of Private/Public Investment	5.33		1.22
Project 1: General Development			
Private Investment Undertaken (See Instructions)	\$ -	\$ -	\$ -
Public Investment Undertaken	\$ 2,226,200	\$ -	\$ -
Ratio of Private/Public Investment	0		0
Project 2: Wellington Court			
Private Investment Undertaken (See Instructions)	\$ 6,000,000	\$ -	\$ -
Public Investment Undertaken	\$ 400,000	\$ -	\$ -
Ratio of Private/Public Investment	15.00		0
Project 3: Downtown Traffic Study			
Private Investment Undertaken (See Instructions)	\$ -	\$ -	\$ -
Public Investment Undertaken	\$ 72,024	\$ -	\$ -
Ratio of Private/Public Investment	0		0
Project 4: Groves of Palatine			
Private Investment Undertaken (See Instructions)	\$ 98,000,000	\$ -	\$ -
Public Investment Undertaken	\$ 3,971,000	\$ -	\$ -
Ratio of Private/Public Investment	24.68		0
Project 5: Gateway Center			
Private Investment Undertaken (See Instructions)	\$ 18,000,000	\$ -	\$ -
Public Investment Undertaken	\$ 18,269,000	\$ -	\$ -
Ratio of Private/Public Investment	0.99		0
Project 6: Wood Street Watermain			
Private Investment Undertaken (See Instructions)	\$ -	\$ -	\$ -
Public Investment Undertaken	\$ 251,200	\$ -	\$ -
Ratio of Private/Public Investment	0		0
Project 7: Downtown Streetscape			
Private Investment Undertaken (See Instructions)	\$ -	\$ -	\$ -
Public Investment Undertaken	\$ 841,900	\$ 307,200	\$ 1,100,000
Ratio of Private/Public Investment	0		0

Project 8: Smith & Wood Street Improvements			
Private Investment Undertaken (See Instructions)	\$ -	\$ -	\$ -
Public Investment Undertaken	\$ 867,000	\$ 346,000	\$ -
Ratio of Private/Public Investment	0		0

Project 9: Colfax Street Improvements			
Private Investment Undertaken (See Instructions)	\$ -	\$ -	\$ -
Public Investment Undertaken	\$ 600,000	\$ -	\$ -
Ratio of Private/Public Investment	0		0

Project 10: Hummel Bldg (Block 19)			
Private Investment Undertaken (See Instructions)	\$ 6,000,000	\$ -	\$ -
Public Investment Undertaken	\$ 1,730,000	\$ -	\$ -
Ratio of Private/Public Investment	3.47		0

Project 11: Providence (Block 31)			
Private Investment Undertaken (See Instructions)	\$ 42,000,000	\$ -	\$ -
Public Investment Undertaken	\$ 9,343,637	\$ -	\$ -
Ratio of Private/Public Investment	4.50		0.00

Project 12: Palatine Station - Toll Brothers			
Private Investment Undertaken (See Instructions)	\$ 35,000,000	\$ -	\$ -
Public Investment Undertaken	\$ 164,700	\$ -	\$ -
Ratio of Private/Public Investment	212.51		0

Project 13: Brownstones Phase 1 - Hummel			
Private Investment Undertaken (See Instructions)	\$ 4,000,000	\$ -	\$ -
Public Investment Undertaken	\$ 1,374,300	\$ -	\$ -
Ratio of Private/Public Investment	2.91		0

Project 14: Palatine Place (Block 27)			
Private Investment Undertaken (See Instructions)	\$ -	\$ -	\$ -
Public Investment Undertaken	\$ 5,320,569	\$ 125,000	\$ 2,750,000
Ratio of Private/Public Investment	0		0

Project 15: Brownstones Phase 2 - Hummel			
Private Investment Undertaken (See Instructions)	\$ 5,000,000	\$ -	\$ -
Public Investment Undertaken	\$ 900,000	\$ -	\$ -
Ratio of Private/Public Investment	5.56		0

Project 16: Downtown Infrastructure			
Private Investment Undertaken (See Instructions)	\$ -	\$ -	\$ -
Public Investment Undertaken	\$ 234,000	\$ 265,000	\$ -
Ratio of Private/Public Investment	0		0

Project 17: Benchmark			
Private Investment Undertaken (See Instructions)	\$ 21,000,000	\$ -	\$ -
Public Investment Undertaken	\$ 2,098,500	\$ -	\$ -
Ratio of Private/Public Investment	10.01		0

Project 18: Preserves of Palatine			
Private Investment Undertaken (See Instructions)	\$ 30,000,000	\$ -	\$ -
Public Investment Undertaken	\$ 1,018,000	\$ 400,000	\$ 1,000,000
Ratio of Private/Public Investment	29.46954813		0

Project 19: Metropolitan			
Private Investment Undertaken (See Instructions)	\$ 13,000,000	\$ 1,000,000	\$ -
Public Investment Undertaken	\$ 1,952,000	\$ -	\$ -
Ratio of Private/Public Investment	6.659836066		0

Project 20: Music Room			
Private Investment Undertaken (See Instructions)	\$ 1,000,000	\$ -	\$ -
Public Investment Undertaken	\$ 125,000	\$ -	\$ -
Ratio of Private/Public Investment	8		0

Project 21: 19 South Bothwell			
Private Investment Undertaken (See Instructions)	\$ 675,000	\$ -	\$ -
Public Investment Undertaken	\$ 190,000	\$ -	\$ -
Ratio of Private/Public Investment	3.55		0

Project 22: Lamplighters			
Private Investment Undertaken (See Instructions)	\$ 1,000,000	\$ -	\$ -
Public Investment Undertaken	\$ 302,000	\$ -	\$ -
Ratio of Private/Public Investment	3.31		0

Project 23: Mexico Uno			
Private Investment Undertaken (See Instructions)	\$ 580,000	\$ -	\$ -
Public Investment Undertaken	\$ 482,000	\$ -	\$ -
Ratio of Private/Public Investment	1.20		0

Project 24: 4 North Plum Grove Road			
Private Investment Undertaken (See Instructions)	\$ -	\$ -	\$ -
Public Investment Undertaken	\$ 301,500	\$ -	\$ -
Ratio of Private/Public Investment	0		0

Project 25: Stratford			
Private Investment Undertaken (See Instructions)	\$ 3,000,000	\$ 7,000,000	\$ 7,000,000
Public Investment Undertaken	\$ 270,000	\$ 360,000	\$ 900,000
Ratio of Private/Public Investment	11.11111111		7.777777778

Project 26: Heritage (Smith St Condo/Brownstones)

Private Investment Undertaken (See Instructions)	\$ -	\$ 8,000,000	\$ 16,000,000
Public Investment Undertaken	\$ -	\$ 850,000	\$ 2,000,000
Ratio of Private/Public Investment	0		8

Project 27: Palatine Road Construction

Private Investment Undertaken (See Instructions)	\$ -	\$ -	\$ -
Public Investment Undertaken	\$ -	\$ 1,455,000	\$ 1,455,000
Ratio of Private/Public Investment	0		0

Project 27: Mint Julep

Private Investment Undertaken (See Instructions)	\$ -	\$ 2,500	\$ 2,500
Public Investment Undertaken	\$ -	\$ -	\$ -
Ratio of Private/Public Investment	0		0

CERTIFICATION BY THE CHIEF EXECUTIVE OFFICER

I, Rita L. Mullins, the duly elected Mayor and Chief Executive Officer of the Village of Palatine, County of Cook, State of Illinois, do hereby certify that to the best of my knowledge, the Village complied with the requirements pertaining to the Illinois Tax Increment Redevelopment Allocation Act during the fiscal year beginning January 1, 2007 and ending December 31, 2007.

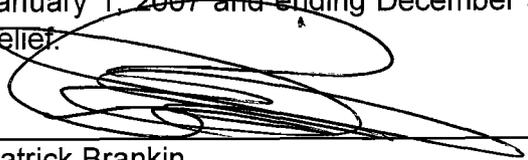


Rita L. Mullins
Mayor

10/13/08
Date

CERTIFICATION BY THE VILLAGE ATTORNEY

This will confirm that I am the duly appointed Village Attorney of the Village of Palatine, County of Cook, State of Illinois. I have reviewed all information provided to me by the Village of Palatine staff and consultants. I find that the Village has conformed to all the applicable requirements of the Illinois Tax Incremental Redevelopment Allocation Act set forth thereunder for the fiscal year beginning January 1, 2007 and ending December 31, 2007, to the best of my knowledge and belief.



Patrick Brankin
Village Attorney

10/13/08

Date

Activities Undertaken in Furtherance of the Objectives of the Redevelopment Plan

Authorized the Mayor to execute the first amendment to redevelopment agreement between the Village of Palatine and Wellington Partners, Inc. for the Metropolitan Development.

Authorized the Village Manager to execute a redevelopment agreement and the first amendment to redevelopment agreement between the Village of Palatine and Focus Development Incorporated for property in Downtown Palatine.

Authorized the Village Manager to execute a redevelopment agreement between the Village of Palatine and Ale House III for property in Downtown Palatine.

Authorized the Village Manager to execute a redevelopment agreement between the Village of Palatine and Mint Julep Bistro, Inc. for property in Downtown Palatine.

Continued evaluation of commuter/shopper parking options in Downtown Palatine.

Continued development of streetscape/railwalk for commuter/shopper traffic.

ORDINANCE NO. 0-14-07

AN ORDINANCE AUTHORIZING THE MAYOR PRO TEM TO EXECUTE A FIRST AMENDMENT TO THE AMENDED REDEVELOPMENT AGREEMENT BETWEEN THE VILLAGE OF PALATINE AND WELLINGTON PARTNERS, INC. FOR THE PROPERTY LOCATED AT THE NORTHEAST CORNER OF SMITH STREET AND COLFAX STREET KNOWN AS THE METROPOLITAN (AKA COLFAX CONDOS PHASE 2) (BLOCK 10)

**Published in pamphlet form by authority of the
Mayor and Village Council of the Village of Palatine
On February 20, 2007**

ORDINANCE NO. 0-14-07

AN ORDINANCE AUTHORIZING THE MAYOR PRO TEM TO EXECUTE A FIRST AMENDMENT TO THE AMENDED REDEVELOPMENT AGREEMENT BETWEEN THE VILLAGE OF PALATINE AND WELLINGTON PARTNERS, INC. FOR THE PROPERTY LOCATED AT THE NORTHEAST CORNER OF SMITH STREET AND COLFAX STREET KNOWN AS THE METROPOLITAN (AKA COLFAX CONDOS PHASE 2) (BLOCK 10)

WHEREAS, the Village of Palatine by Ordinance Nos. 0-224-99, 0-225-99, 0-226-99 and passed by the Mayor and Village Council on December 16, 1999, established a Tax Increment Financing District, adopted a Tax Increment Redevelopment Plan for its downtown and designated a Redevelopment Project Area; and

WHEREAS, on January 24, 2000, the Village Council, at a meeting duly held, did adopt Ordinance No. 0-12-00 correcting certain scrivener's errors in the legal description attached as Exhibit A to Ordinances Nos. 0-224-99, 0-225-99 and 0-226-99 of the Village of Palatine, Cook County, Illinois; and

WHEREAS, pursuant to Ordinance #0-239-04, adopted on November 8, 2004, the Village of Palatine entered into a Redevelopment Agreement with Wellington Partners for the property at the northeast corner of Smith Street and Colfax Street (The Metropolitan – Block 10); and

WHEREAS, pursuant to Ordinance #0-159-05, adopted on August 15, 2005, the Village of Palatine entered into an Amended Redevelopment Agreement with Wellington Partners for the property at the northeast corner of Smith Street and Colfax Street (The Metropolitan – Block 10); and

WHEREAS, the Mayor and Village Council have on February 20, 2007, considered the proposed First Amendment to Redevelopment Agreement with Wellington Partners, Inc. and have determined that entering into this Agreement

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further the purposes of the Tax Increment Financing District and the Redevelopment Plan for Downtown and furthers the public interest; and

NOW, THEREFORE, BE IT ORDAINED, by the Mayor and Village Council of the Village of Palatine, acting in the exercise of their home rule power that:

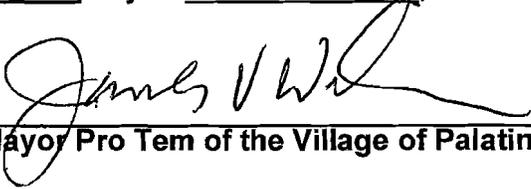
SECTION 1: The Village of Palatine hereby authorizes the Mayor Pro Tem to execute the First Amendment to the Amended Redevelopment Agreement attached hereto as Exhibit "A", pursuant to the Tax Increment Financing Act, Section 65 ILCS 5/11-74/4-4(c) and authorizes the Mayor Pro Tem to execute any other supporting documents to the extent permitted by law.

SECTION 2: This Ordinance shall be in full force and effect upon passage and approval as provided by law.

PASSED: This 20 day of February, 2007

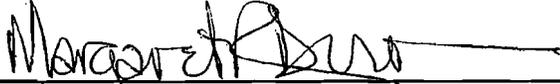
AYES: 6 NAYS: 0 ABSENT: 0 PASS: 0

APPROVED by me 20 day of February, 2007


Pro Tem Mayor Pro Tem of the Village of Palatine

ATTESTED and FILED in the office of the Village Clerk

This 20 day of February, 2007


Village Clerk

FIRST AMENDMENT TO
AMENDED REDEVELOPMENT AGREEMENT

THIS FIRST AMENDMENT TO AMENDED REDEVELOPMENT AGREEMENT (this "Amendment"), is made and entered into as of the 20th day of February, 2007 ("Amendment Date") by and between the **VILLAGE OF PALATINE, ILLINOIS**, an Illinois municipal home rule corporation, located in Cook County, Illinois (the "Village"), and **WELLINGTON PARTNERS, INC.**, an Illinois corporation, (the "Developer"). (The Village and the Developer are sometimes referred to individually as a "Party" and collectively as the "Parties").

RECITALS

WHEREAS, the Village is a home rule unit of government in accordance with Article VII, Section 6, of the Constitution of the State of Illinois, 1970; and

WHEREAS, the Village has the authority, pursuant to the laws of the State of Illinois, to promote the health, safety and welfare of the Village and its inhabitants, to prevent the presence of blight, to encourage private development in order to enhance the local tax base, to increase additional tax revenues realized by the Village, foster increased economic activity within the Village, to increase employment opportunities within the Village, and to enter into contractual agreements with third parties for the purpose of achieving the aforesaid purposes, and otherwise be in the best interests of the Village; and

WHEREAS, the Village is authorized under the provisions of the Tax Increment Allocation Redevelopment Act, 65 ILCS 5/11-74.4-1, et seq., as amended (the "Act"), to

finance redevelopment in accordance with the conditions and requirements set forth in the Act; and

WHEREAS, the parties hereto previously entered into that certain Amended Redevelopment Agreement dated as of the 15th day of August, 2005; and

WHEREAS, the terms of that certain Amended Redevelopment Agreement dated as of the 15th day of August, 2005 shall remain and be in full force in effect except as modified in Section 15.1 - c and Section 15.1 – e herein; and

WHEREAS, the parties wish to amend the Amended Redevelopment Agreement as provided hereinbelow; and

WHEREAS, this Amendment has been submitted to the corporate authorities of the Village for consideration and review. The corporate authorities have taken all actions required to be taken prior to the execution of this Amendment in order to make the same binding upon the Village according to the terms hereof and any and all actions of the corporate authorities of the Village precedent to the execution of this Amendment have been undertaken and performed in the manner required by law; and

WHEREAS, this Agreement has been submitted to the manager of the Developer for consideration and review, the manager has taken all actions required to be taken prior to the execution of this Agreement in order to make the same binding upon and Wellington Partners, Inc. according to the terms hereof, and any and all action of the manager of the and Wellington Partners, Inc. precedent to the execution of this Agreement have been undertaken and preformed in the manner required by law.

NOW THEREFORE, in consideration of the foregoing and of the mutual covenants and agreements herein contained, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties do hereby agree as follows:

ARTICLE ONE

INCORPORATION OF RECITALS.

The findings, representations and agreements set forth in the above Recitals are material to this Amendment and are hereby incorporated into and made a part of this Amendment as though fully set out in this Article One, and constitute findings, representations and agreements of the Village and of the Developer according to the tenor and import of the statements in such Recitals.

ARTICLE TWO

DEFINITIONS.

For the purposes of this Amendment, except where the context clearly requires otherwise, words and terms used in this Amendment shall have the meanings as in the Redevelopment Agreement.

ARTICLE THREE

CONSTRUCTION.

For purposes of this Amendment, except where the context by clear implication shall otherwise require, words and terms used in this Amendment shall be construed and applied the same as in the Redevelopment Agreement.

ARTICLE FOUR.

Post Closing Clean-up Costs

Article Fifteen, Section 15.1- c is deleted and shall be amended to read as follows:

- c. **Post-Closing Clean-up Costs.** Notwithstanding anything in this Article 15 to the contrary, the Village acknowledges that after the Closing, Purchaser will commence certain redevelopment activities at the Property that will involve the excavation of soil and other media to install building foundations, floors, parking lots, sidewalks, roadways and

utilities. (collectively, the "Redevelopment Activities"). The Developer is concerned that some of the soil and other materials previously used on the Property as fill to replace the contaminated soils excavated from the property may not be sufficient to support the proposed construction. The Village agrees to reimburse Purchaser for fifty percent (50%) of the costs to compensate for the inadequate soils and materials previously used as fill on the property, subject to the limitation set forth in Section 15.1.e herein. Such reimbursement shall be in accordance with the terms of Section 15.1.e herein.

Article Fifteen, Section 15.1- e is deleted and shall be amended to read as follows:

- e. **Village Liability for Post-Closing Clean-Up Costs.** The Village's total liability for its share of the Post-Closing Clean-up Costs (as set forth in Section 15.1.c) shall not exceed One Hundred Thousand and no/100 Dollars (\$100,000). To fulfill the Village's obligations under this agreement, One Hundred Thousand and no/100 Dollars (\$100,000) of the purchase price shall be deposited into a separate escrow at closing (the "Clean Up Escrow"), to be drawn upon by Purchaser as reimbursement for the Post-Closing Clean-up Costs. A copy of the Clean Up Escrow is attached hereto as Exhibit "G" and contains the provisions for withdrawal from said Escrow and payment of Post Closing Clean Up costs. Any Post Closing Clean Up Costs in excess of Two Hundred Thousand and no/100 Dollars (\$200,000) shall be at the sole cost of the Developer. Such draw shall not occur until the Developer has successfully completed the installation of the foundation as evidenced by the Developer passing the Village's foundation inspection. The Developer shall submit documentation that the extent and the cost of the remediation work, and the amount of the previously improperly placed soils.

ARTICLE FIVE

NON-CONFLICT

5.1 Non-Conflict or Breach. Neither the execution and delivery of this Amendment by Developer, the consummation of the transactions contemplated hereby by Developer, nor the fulfillment of or compliance with the terms and conditions of this Amendment by Developer conflicts with or results in a breach of any of the terms, conditions or provisions of any offerings or disclosure statement made or to be made on behalf of Developer (with Developer's prior written approval), any organizational documents, any restriction, agreement or instrument to which Developer or any of its partners or venturers is now a party or by which Developer or any of its partners or its venturers is bound, or constitutes a default under any of the foregoing, or results in the creation or imposition of any prohibited lien, charge or encumbrance whatsoever upon any of the assets or rights of Developer, any related party or any of its venturers under the terms of any instrument or agreement to which Developer, any related party or any of its partners or venturers is now a party or by which Developer, any related party or any of its venturers is bound.

ARTICLE SIX

MISCELLANEOUS PROVISIONS

- 6.1 Time of the Essence.** Time is of the essence of this Amendment.
- 6.2 Counterparts.** This Amendment may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same Amendment.
- 6.3 Recordation of Amendment.** The Parties agree to record this Amendment in the appropriate land or governmental records.

6.4 Severability. If any provision of this Amendment, or any Section, sentence, clause, phrase or word, or the application thereof, in any circumstance, is held to be invalid, the remainder of this Amendment shall be construed as if such invalid part were never included herein, and this Amendment shall be and remain valid and enforceable to the fullest extent permitted by law.

6.5 Successors in Interest. This Amendment shall be binding upon and inure to the benefit of the Parties hereto and their respective authorized successors and assigns.

6.6 No Joint Venture, Agency or Partnership Created. Nothing in this Amendment, or any actions of the Parties to this Amendment, shall be construed by the Parties or any third person to create the relationship of a partnership, agency or joint venture between or among such parties.

6.7 No Personal Liability of Officials of Village or Developer. No covenant or agreement contained in this Amendment shall be deemed to be the covenant or agreement of the Mayor, Village Council member, Village Manager, any official, officer, partner, member, director, agent, employee or attorney of the Village or Developer, in his or her individual capacity, and no official, officer, partner, member, director, agent, employee or attorney of the Village or Developer shall be liable personally under this Amendment or be subject to any personal liability or accountability by reason of or in connection with or arising out of the execution, delivery and performance of this Amendment, or any failure in that connection.

6.8 Term. This Amendment shall remain in full force and effect for twenty-three (23) years from the date the Entire Redevelopment Project Area was created, unless the Redevelopment Plan with respect to the Redevelopment Project is extended or until termination of the Redevelopment Project Area or until otherwise terminated pursuant to

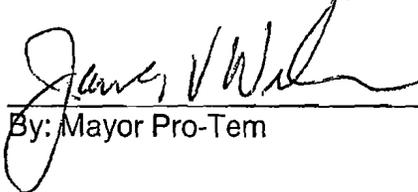
the terms of this Amendment; provided, however, that the Developer's construction obligations hereunder shall terminate pursuant to certificates of completion issued by the Village.

6.9 Municipal Limitations. All municipal commitments are limited to the extent required by law.

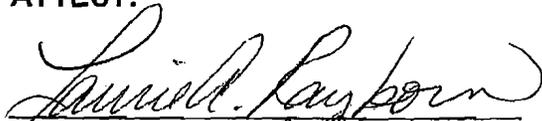
6.10 Conflicts. Wherever the terms and conditions of this Amendment conflict with the terms and conditions of the Redevelopment Agreement between the Parties, the terms and conditions of this Agreement shall control and govern. All other terms and conditions of the Redevelopment Agreement between the Parties are reinstated herein in their entirety.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed on or as of the day and year first above written.

VILLAGE OF PALATINE, an Illinois municipal corporation


By: Mayor Pro-Tem

ATTEST:


By: Village Clerk - ~~DEPUTY~~

Wellington Partners, Inc.



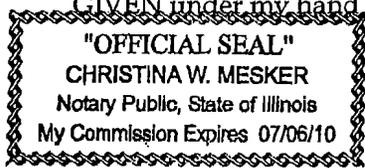
By: L. D. Vito

Its: UP

STATE OF ILLINOIS)
) SS
COUNTY OF _____)

I, Christina W. Mesker, a Notary Public in and for said County, in the State aforesaid, DO HEREBY CERTIFY, that Larry DiVito, VP of Wellington Partners, Inc., an Illinois Corporation, 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 of said Wellington Partners Inc., for the uses and purposes therein set forth.

GIVEN under my hand and Notarial Seal this 28th day of February, 2007.



Christina W. Mesker
Notary Public

My commission expires 7-6-2010.

Excerpt from the previously approved Redevelopment Agreement

Council Packet
August 15, 2005

1 WARRANTY OF CONDITION, MERCHANTABILITY, HABITABILITY, OR FITNESS FOR A
2 PARTICULAR USE OR PURPOSE, OR WITH RESPECT TO THE VALUE, PROFITABILITY,
3 BUILDABILITY, MORTGAGEABILITY OR MARKETABILITY OF THE PROPERTY, OR THE
4 PRESENCE OF HAZARDOUS MATERIALS THEREIN, THEREON, OR THEREUNDER
5 WHICH WARRANTIES ARE HEREBY DISCLAIMED. Except as otherwise provided in this
6 Agreement, Purchaser has had, and will have pursuant to this Agreement, an adequate
7 opportunity to make such legal, factual and other inquiries and investigations as Purchaser deems
8 necessary, desirable or appropriate with respect to the Property. Such inquiries and investigations
9 of Purchaser shall be deemed to include, but shall not be limited to, the physical condition of the
10 Property, the suitability of the Property for the Intended Use (as defined below), such state of facts
11 as an accurate survey and inspection of the Property would show, and all zoning and other codes,
12 ordinances and regulations of any governmental entity applicable to the ownership, maintenance
13 or operation of the Property.

14 b. NFR Letter. Issuance of a "No Further Remediation" letter by the Illinois
15 Environmental Protection Agency for the Property in connection with LUST Incident 921985,
16 pursuant to Section 57.10 of the Illinois Environmental Protection Act (415 ILCS 5/57.10) and 35
17 Ill. Adm. Code Part 732 (the "NFR Letter") has occurred and is attached as Exhibit "F" hereto.



18 c. Post-Closing Clean-up Costs. Notwithstanding anything in this Article 15 to the
19 contrary, the Village acknowledges that after the Closing, Purchaser will commence certain
20 redevelopment activities at the Property that will involve the excavation of soil and other media
21 to install building foundations, floors, parking lots, sidewalks, roadways and utilities.
22 (collectively, the "Redevelopment Activities"). The Developer is concerned that some of the soil
23 and other media at the Property excavated from under the existing buildings may be
24 contaminated with petroleum or other hazardous substances and must be managed as a



Council Packet
August 15, 2005

1 pollution control waste or special waste as defined under the Illinois Environmental Protection
2 Act (415 ILCS 5/3.335) (the "Contaminated Media"). The Village agrees to reimburse Purchaser
3 for fifty percent (50%) of the costs to properly transport and dispose of all Contaminated Media
4 that are excavated or removed by Purchaser or its contractors from the Property pursuant to
5 and in the course of Purchaser's Redevelopment Activities, subject to the limitation set forth in
6 Section 15.1.e herein. Such reimbursement shall be in accordance with the terms of Section
7 15.1.e herein.

8 d. NFR Letter revisions. The Developer is concerned that certain terms and conditions of
9 the NFR Letter (including, but not limited to, the location and maintenance of engineered
10 barriers) may be inconsistent with the Purchaser's redevelopment of the Property and
11 construction of associated improvements thereon in accordance with this Redevelopment
12 Agreement. Purchaser agrees to obtain such revisions to the NFR Letter (or a new NFR Letter)
13 as may be necessary to conform the terms and conditions of the NFR Letter to the Property as
14 redeveloped and to be consistent therewith. However, the processing and/or issuance of any
15 such revision to the NFR shall be at Purchaser's expense and shall not be a condition of closing.

* 16 e. Village Liability for Post-Closing Clean-Up Costs. The Village's total liability for its
17 share of the Post-Closing Clean-up Costs (as set forth in Section 15.1.c) shall not exceed One
18 Hundred Thousand and no/100 Dollars (\$100,000). To fulfill the Village's obligations under this
19 agreement, One Hundred Thousand and no/100 Dollars (\$100,000) of the purchase price shall
20 be deposited into a separate escrow at closing (the "Clean Up Escrow"), to be drawn upon by
21 Purchaser as reimbursement for the Post-Closing Clean-up Costs. A copy of the Clean Up
22 Escrow is attached hereto as Exhibit "G" and contains the provisions for withdrawal from said
23 Escrow and payment of Post Closing Clean Up costs. Any Post Closing Clean Up Costs in
24 excess of Two Hundred Thousand and no/100 Dollars (\$200,000) shall be at the sole cost of the

Council Packet
August 15, 2005

1 Developer. Such draw shall not occur until the Developer has successfully completed the
2 installation of the foundation as evidenced by the Developer passing the Village's foundation
3 inspection.

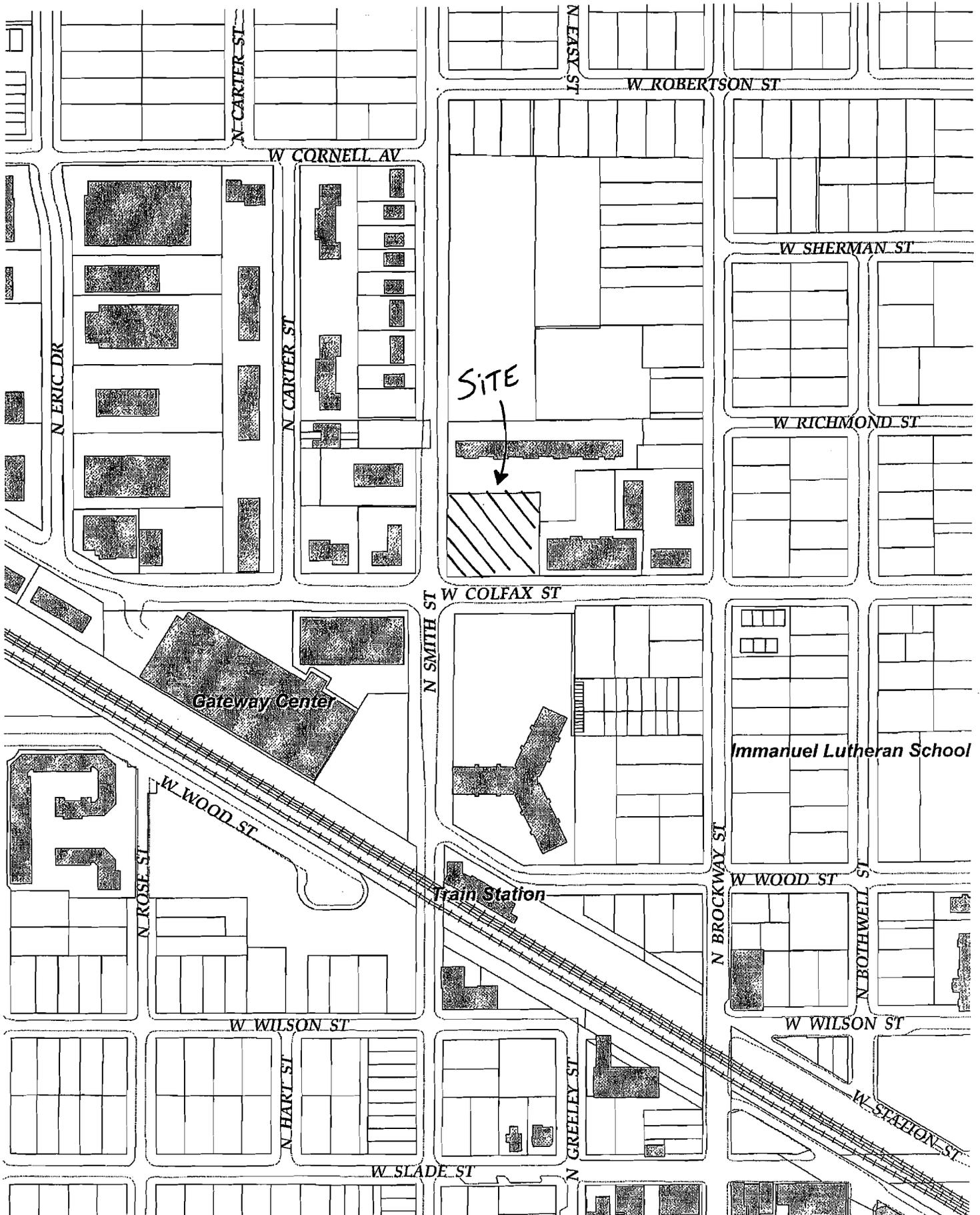
4 **15.2 Purchase Price.**

5 a. The Village shall transfer title to the Property at the price of One Million Five
6 Hundred Thousand Dollars (\$1,500,000.00), plus closing costs. The Developer shall pay One
7 Million Two Hundred Fifty Thousand Dollars (\$1,250,000.00) at Closing. The remaining Two
8 Hundred Fifty Thousand (\$250,000.00) Dollars shall be paid in Fifty Thousand (\$50,000) Dollar
9 installments upon the issuance of each of the Certificates of Occupancy for the forty-third (43)
10 through the forty-seventh (47) condominium units. Under no circumstances shall the final Fifty
11 Thousand (\$50,000.00) Dollar payment be made later than December 1, 2006.

12 **15.3 Title.**

13 a. **Title Commitment; Title Policy.** The Village has previously furnished to Purchaser
14 a commitment for an ALTA Form B Owner's Policy of Title Insurance ("Commitment") issued by
15 Chicago Title Insurance Company ("Title Company"), covering the Property, together with true
16 and legible copies of all documents creating or establishing easements, restrictions, and other items
17 referred to as exceptions in Schedule "B" and Schedule "C" of the Commitment ("Title Documents")
18 and an existing survey for the Property.

19 b. **Objections.** Purchaser shall have seven (7) days following execution of this
20 Agreement to review the Commitment, Title Documents and Survey and to provide to Village in
21 writing a specific list of Purchaser's objections to any of them ("Title Objections"). Any item
22 constituting an encumbrance upon or adversely affecting title to the Property (except for
23 Consensual Liens) which is not objected to by Purchaser in writing by such time shall be deemed
24 approved by Purchaser and shall constitute a Permitted Exception (as hereinafter defined). Any





A Development Corporation

January 8, 2007

Village of Palatine
200 E. Wood Street
Palatine, Illinois 60067

Attn: Mr. Mike Jacobs,
Deputy Village Manager

RE: The Metropolitan

Dear Mr. Jacobs:

This is to request payment from funds escrowed at closing on the above referenced property for unforeseen expenses related to environmental issues on said site.

The expenses incurred arose from the remediation efforts undertaken by the original owner. Specifically, most of the building pad is located over areas that were extensively excavated to remove many leaking underground storage tanks and associated contaminated soils. The materials removed were replaced by clean stone fill. The fill material was placed in a manner suitable for a parking lot, but not adequate for the soil bearing requirements of the new building. We therefore needed to remove most of this fill to a depth exceeding the planned founding depth. Where applicable, we carefully placed and compacted the original stone fill. In several cases where mechanical compaction was challenging, we were forced to substitute the original fill with a different stone fill suitable to our needs.

While we have a redevelopment agreement in place that we feel addresses this, Village staff has indicated that the strict wording of the agreement does not clearly address this unforeseen circumstance. Staff has indicated that the most appropriate way to deal with this would be through an amendment to the PUD to specifically allow reimbursements for this set of circumstances. We therefore respectfully request that the spirit of the original agreement be honored and we be reimbursed 50% of the aforementioned expenses from the escrow fund established for this purpose.

Sincerely,
WELLINGTON PARTNERS, INC.

Larry DiVito,
Vice President



Doc#: 0712349192 Fee: \$202.50
Eugene "Gene" Moore
Cook County Recorder of Deeds
Date: 05/03/2007 02:58 PM Pg: 1 of 90

ORDINANCE NO. 0-52-07

**AN ORDINANCE AUTHORIZING THE VILLAGE MANAGER TO EXECUTE A
REDEVELOPMENT AGREEMENT BETWEEN THE VILLAGE OF PALATINE
AND FOCUS DEVELOPMENT INCORPORATED
FOR PROPERTY IN DOWNTOWN PALATINE
123 N. BROCKWAY, 35 & 55 W. WOOD STREET AND
36, 44, 56 & 58 W. WILSON STREET (BLOCK 27)
(THE PALATINE PLACE DEVELOPMENT)**

PINS: 02-15-414-002
02-15-414-004
02-15-414-007--013

Village of Palatine
Village Clerk's Office
200 E. Wood Street
Palatine, IL 60067

Published in pamphlet form by authority of the
Mayor and Village Council of the Village of Palatine
On April 16, 2007

ORDINANCE NO. 0-52-07

**AN ORDINANCE AUTHORIZING THE VILLAGE MANAGER TO EXECUTE
A REDEVELOPMENT AGREEMENT BETWEEN THE VILLAGE OF PALATINE
AND FOCUS DEVELOPMENT INCORPORATED
FOR PROPERTY IN DOWNTOWN PALATINE
123 N. BROCKWAY, 35 & 55 W. WOOD STREET AND
36, 44, 56 & 58 W. WILSON STREET (BLOCK 27)
(THE PALATINE PLACE DEVELOPMENT)**

WHEREAS, the Village of Palatine by Ordinance Nos. 0-224-99, 0-225-99, 0-226-99 and passed by the Mayor and Village Council on December 16, 1999, established a Tax Increment Financing District, adopted a Tax Increment Redevelopment Plan for its downtown and designated a Redevelopment Project Area; and

WHEREAS, on January 24, 2000, the Village Council, at a meeting duly held, did adopt Ordinance No. 0-12-00 correcting certain scrivener's errors in the legal description attached as Exhibit A to Ordinances Nos. 0-224-99, 0-225-99 and 0-226-99 of the Village of Palatine, Cook County, Illinois; and

WHEREAS, the Mayor and Village Council have on April 16, 2007, considered the proposed Redevelopment Agreement with Focus Development Incorporated and have determined that entering into this Agreement furthers the purposes of the Tax Increment Financing District and the Redevelopment Plan for Downtown and furthers the public interest; and

NOW, THEREFORE, BE IT ORDAINED, by the Mayor and Village Council of the Village of Palatine, acting in the exercise of their home rule power that:

04/11/2007 4:36 PM

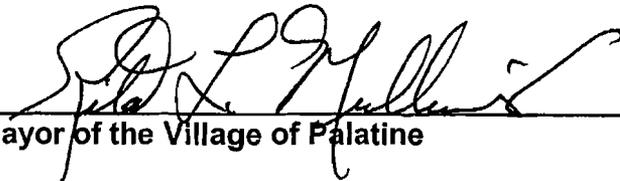
SECTION 1: The Village of Palatine hereby authorizes the Village Manager to execute the Redevelopment Agreement that substantially conforms to Exhibit "A" attached hereto, pursuant to the Tax Increment Financing Act, Section 65 ILCS 5/11-74/4-4(c) and authorizes the Village Manager to execute any other supporting documents to the extent permitted by law.

SECTION 2: This Ordinance shall be in full force and effect upon passage and approval as provided by law.

PASSED: This 16 day of April, 2007

AYES: 6 NAYS: 0 ABSENT: 0 PASS: 0

APPROVED by me this 16 day of April, 2007



Mayor of the Village of Palatine

ATTESTED and FILED in the office of the Village Clerk this 16 day of
April, 2007



Village Clerk

STATE OF ILLINOIS)
COUNTY OF COOK) SS

I, MARGARET R. DUER, do hereby certify that I am the duly elected, qualified and acting Clerk of the Village of Palatine, Cook County, Illinois, and that I am the keeper of the records, journals, entries, ordinances and resolutions of the said Village of Palatine.

I do further certify that the foregoing Ordinance is a true and correct copy of an Ordinance passed and adopted by the Village Council of the Village of Palatine at a Regular meeting held on the 16 day of April, 2007, and that said ordinance was deposited and filed in the office of the Village Clerk on the 16 day of April, 2007.

I do further certify that the original of which the foregoing is a true copy, is entrusted to my care for safekeeping and that I am the keeper of the same.

I further certify that the vote of the Village Council on the motion to adopt said ordinance was as follows:

AYES: 6 NAYS: 0 ABSENT: 0 PASS: 0

BY WITNESS WHEREOF, I have hereunto set my hand and affixed the corporate seal of the Village of Palatine this 19 day of April, 2007.

(S E A L)



Margaret R. Duer
Palatine Village Clerk

25 **WHEREAS**, Village authorized the preparation of a report entitled Redevelopment Plan
26 and Project by Kane, McKenna and Associates, Inc, dated September 1999 (the "Redevelopment
27 Plan") concerning the redevelopment of the Downtown; and

28 **WHEREAS**, in accordance with the Act, Village conducted a public hearing with respect
29 to the Redevelopment Plan and the redevelopment of the Downtown at a meeting of Village
30 Mayor and Village Council (the "Corporate Authorities") held on December 13, 1999; and

31 **WHEREAS**, as part of the study of the redevelopment of the Downtown, Village found
32 that the improvements in the Downtown suffer from the following factors: age, obsolescence,
33 depreciation of physical maintenance, deterioration, inadequate utilities, excessive vacancies,
34 deleterious land use or layout, excessive land coverage and lack of community planning; and

35 **WHEREAS**, to stimulate and induce redevelopment in the Downtown pursuant to the
36 Act, Village has adopted the following ordinances, after giving all notices required and after
37 conducting the public hearings required by law:

38 1. Ordinance No. O-224-99, adopted December 13, 1999, titled "Ordinance
39 Approving the Village of Palatine Cook County, Illinois, Downtown Area Project Area
40 Development Plan and Project;

41 2. Ordinance No. O-225-99 adopted December 13, 1999, titled "Ordinance
42 Designating the Village of Palatine, Illinois, Downtown Area Tax Increment Redevelopment
43 Project Area";

44 3. Ordinance No. O-226-99, adopted December 13, 1999, titled "Ordinance
45 Adopting Tax Increment Financing for the Village of Palatine Downtown Area Tax Increment
46 Redevelopment Project Area in the Village of Palatine, Cook County, Illinois"; and

47 4. Ordinance No. O-12-00 adopted January 24, 2000, titled "Ordinance Correcting
48 Certain Scrivener's Errors in the Legal Description Attached as Exhibit A to Ordinance Nos. O-

49 224-99, O-225-99 and O-226-99, of Village of Palatine, Cook County, Illinois, Downtown
50 Redevelopment; and

51 WHEREAS, Developer represents and warrants to Village that Developer, and its
52 principals, are skilled in the development and operation of mixed use commercial and retail
53 developments and are able to provide the Project with the necessary skill, knowledge and
54 expertise as well as input from other experts and consultants in the construction and operation
55 of such a Project; and

56 WHEREAS, Developer desires to own and redevelop the Property; and

57 WHEREAS, on October 10, 2005, Village approved and authorized the release of a
58 Request for Proposals, inviting experienced and qualified developers to submit redevelopment
59 proposals for the Property; and

60 WHEREAS, Developer and others submitted responses to the RFP, and on June 5, 2006,
61 Village directed Village staff to negotiate a redevelopment agreement with Developer for the
62 redevelopment of the Property; and

63 WHEREAS, Developer intends to file an application, which the Village shall execute as a
64 land owner, seeking approval to construct a mixed use commercial and residential development
65 (the "Project" as defined in Article 2 or the "Planned Development"); and

66 WHEREAS, it is necessary for the successful completion of the Project that Village enter
67 into this Agreement with Developer to provide for the development of the Property, subject to
68 Village approval of the required Planned Development application, thereby implementing and
69 bringing to completion a portion of the Redevelopment Plan; and

70 WHEREAS, Developer has been and continues to be unwilling to undertake the
71 redevelopment of the Property but for certain tax increment financing ("TIF") incentives from

72 Village, which Village is willing to provide under the terms and conditions contained herein;
73 and

74 WHEREAS, Village has determined that it may be desirable and in Village's best
75 interests to assist Developer through the sale of bonds and in the manner set forth herein and as
76 this Agreement may be supplemented and amended; and

77 WHEREAS, this Agreement has been submitted to the Corporate Authorities of Village
78 for consideration and review, the Corporate Authorities have taken all actions required to be
79 taken prior to the execution of this Agreement in order to make the same binding upon Village
80 according to the terms hereof, and any and all actions of the Corporate Authorities of Village
81 precedent to the execution of this Agreement have been undertaken and performed in the
82 manner required by law; and

83 WHEREAS, this Agreement has been submitted to the Manager of Developer for
84 consideration and review, the Members have taken all actions required to be taken prior to the
85 execution of this Agreement in order to make the same binding upon Developer according to
86 the terms hereof, and any and all action of Developer's Manager precedent to the execution of
87 this Agreement have been undertaken and performed in the manner required by law.

88 NOW THEREFORE, in consideration of the foregoing and of the mutual covenants and
89 agreements herein contained, and other good and valuable consideration, the receipt and
90 sufficiency of which are hereby acknowledged, the Parties do hereby agree as follows:

91
92
93
94
95
96

ARTICLE ONE

INCORPORATION OF RECITALS

96 The findings, representations and agreements set forth in the above Recitals are material
97 to this Agreement and are hereby incorporated into and made a part of this Agreement as

98 though fully set out in this **Article One**, and constitute findings, representations and
99 agreements of Village and of Developer according to the tenor and import of the statements in
100 such Recitals.

101 **ARTICLE TWO**

102 **DEFINITIONS**

103 For the purposes of this Agreement, unless the context clearly requires otherwise, words
104 and terms used in this Agreement shall have the meanings provided from place to place herein,
105 including above in the recitals hereto and as follows:

106 **"Act"** means the Tax Increment Allocation Redevelopment Act found at 65 ILCS 5/11-
107 74.4-1, *et seq.*

108 **"Agreement"** means this Redevelopment Agreement.

109 **"Bond Ordinance"** means an ordinance, if any, enacted by Village authorizing the
110 issuance of Bonds, from time to time, in one or more series and in accordance with this
111 Agreement and on such other terms as are acceptable to Village, in its sole discretion.

112 **"Bonds"** means Tax Increment General Obligation Bonds, which may be issued in
113 accordance with the Bond Ordinance to provide net proceeds in amounts sufficient to pay the
114 costs to be incurred by Village in fulfillment of its responsibilities in this Agreement.

115 **"Certificate of Completion"** means the document to be provided to Developer by
116 Village, within thirty (30) days after written request from Developer and after Developer has
117 provided all required waiver of liens and sworn statements necessary to comply with the
118 Illinois Mechanics Lien Act or evidence of title insurance coverage over all such liens in favor of
119 Developer or Construction Lender and has complied with all Village codes and with the
120 obligations of this Agreement with respect to the construction of the Project, which document
121 states that Developer has completed and satisfied all construction terms, covenants and

122 conditions contained in this Agreement. The final certificate of occupancy for the last unit in
123 the building (either residential or commercial) shall be evidence of physical completion of the
124 buildings.

125 "Change in Law" means the occurrence, after the Effective Date, of an event described
126 below that materially changes the costs or ability of the Party relying thereon to carry out its
127 obligations under this Agreement and is not caused by the Party relying thereon. Change in
128 Law means any of the following: (i) the enactment, adoption, promulgation or modification of
129 any federal, state or local law, ordinance, code, rule or regulation; (ii) the order or judgment of
130 any federal or state court, administrative agency or other governmental body; (iii) the
131 imposition of any conditions on, or delays in, the issuance or renewal of any governmental
132 license, approval or permit (or the suspension, termination, interruption, revocation,
133 modification, denial or failure of issuance or renewal thereof) necessary for the undertaking of
134 the services to be performed under this Agreement; or (iv) the adoption, promulgation,
135 modification or interpretation in writing of a written guideline or policy statement by a
136 governmental agency, but shall not include laws, rules, regulations and ordinances of Village,
137 acting voluntarily and not as a result of a mandate from a higher authority, except to the extent
138 they are generally applicable throughout the Village and do not violate the express terms of this
139 Agreement.-

140 "Closing Date" means, respectively, the dates on which Developer is to acquire title to
141 the Phase I Property (in any event on or before July 25, 2007) (the "Phase I Closing Date") and
142 on which Developer is to acquire title to the Phase II Residential Property (the "Phase II
143 Closing Date").

144 "Corporate Authorities" means Village Mayor and Village Council of Village of Palatine,
145 Illinois.

146 **"Day"** means a calendar day.

147 **"Developer"** means Focus Development, Inc., an Illinois corporation, or any successor in
148 interest thereof permitted pursuant to Section 10.11 or Section 18.12 hereof. Developer is
149 referred to as "Purchaser" in Article Fifteen.

150 **"Final Plans"** means the final plans submitted by Developer and approved by Village
151 during the Final Planned Development approval process.

152 **"Focus Development, Inc."** means Developer under this Agreement.

153 **"Off-Site Improvements"** means (i) those certain off-site improvements to be
154 constructed by Developer at its sole cost and expense specifically set forth as such on Exhibit
155 "G" attached hereto, (ii) the streetscape improvements pursuant to the Streetscape
156 Improvement Plan attached as Exhibit "L" and (iii) other improvements which are not included
157 within Exhibit "G" or Exhibit "L", but which are indicated on the final engineering plans to be
158 approved by the Village. Costs for Off-Site Improvements shall be permitted reimbursements
159 to Developer as a TIF Eligible Expense, as permitted under the Act subject to Section 8.9

160 **"Party"** means Village and/or Developer and its successors and/or assigns as permitted
161 herein, as the context requires.

162 **"Person"** means any individual, corporation, partnership, limited liability company,
163 joint venture, association, trust, or government or any agency or political subdivision thereof, or
164 any agency or entity created or existing under the compact clause of the United States
165 Constitution.

166 **"Phase I Project"** means the development, construction, financing, completion and
167 operation of a mixed use retail and residential building, containing (i) approximately 11,400
168 square feet of retail floor space, (ii) approximately 187,660 square feet of residential
169 condominium floor space comprising approximately 109 residential units and common areas,

170 and (iii) approximately 65,140 square feet of underground parking consisting of approximately
171 159 residential vehicular parking spaces, approximately 36,480 square feet of at-grade parking
172 consisting of approximately 30 residential vehicular parking spaces and 39 public and retail
173 vehicular parking spaces and approximately 13 on street surface parking spaces, all in
174 accordance with the Final Plans prepared by OKW Architects and pursuant to the Planned
175 Development ordinance and attached as Exhibit "B".

176 "Phase I Property" means the approximately 87,237.90 square foot parcel of land as that
177 parcel is legally described on Exhibit "C", upon which the Phase I Project will be implemented.
178 The Phase I Property includes the approximately 69,760.50 square foot parcel of land comprised
179 of the properties previously known as the Mia Cucina property, the Brockway/Wood corner
180 properties, the Covello property, and the Mission Juan Diego property, all bounded by Wood
181 Street on the north, Brockway Street on the west, Bothwell Street on the east and Wilson Street
182 on the south.

183 "Phase II Parking Garage Project" means the development, construction, financing and
184 completion of a three-level public parking garage containing approximately 96,000 square feet
185 of public parking with approximately 290 parking stalls, all in accordance with the Final Plans
186 prepared by OKW Architects and pursuant to the final Planned Development ordinance at such
187 time as it is adopted.

188 "Phase II Parking Garage Property" means the approximately 34,968.50 square foot
189 parcel of land as that parcel is legally described on Exhibit "D", upon which the Phase II
190 Parking Garage Project will be implemented. The Phase II Parking Garage Property includes
191 approximately the west half of the block east of Bothwell Street, commonly known as the
192 Immanuel Lutheran Property, bounded by Wood Street on the north and Wilson Street on the
193 south.

194 **"Phase II Project"** means the Phase II Residential Project and the Phase II Parking
195 Garage Project.

196 **"Phase II Residential Project"** means the development, construction, financing,
197 completion and operation of a residential building, containing (i) approximately 28,880 square
198 feet of residential condominium floor space comprising 10 residential units, and (ii)
199 approximately 13,610 square feet of parking consisting of approximately 28 residential
200 vehicular parking spaces below grade, all in accordance with the Final Planned Development
201 ordinance at such time as it is adopted.

202 **"Phase II Residential Property"** means the approximately 17,477.40 square foot parcel of
203 land as that parcel is legally described on Exhibit "E", comprised of the vacated Bothwell Street
204 right of way on the east bounded by Wood Street on the north and Wilson Street on the south
205 and such vacation shall include all Village utilities and Village rights to maintain utilities.

206 **"Preliminary Plans"** means the preliminary version of the Final Plans which are
207 attached hereto as Exhibit "F".

208 **"Project"** means the Phase I Project and the Phase II Project.

209 **"Property"** means the Phase I Property, the Phase II Parking Garage Property and the
210 Phase II Residential Property.

211 **"Real Estate Sale Provisions"** means those provisions set forth in Article Fifteen herein.

212 **"Redevelopment Plan"** means the "Redevelopment Plan" for the Downtown as defined
213 in Village Ordinance No. O-224-99.

214 **"Repurchase Closing Date"** means the date Village takes title to the Property pursuant
215 to the provisions of Section 7.4.

216 "Sales Center" means the approximately 2,000 square feet of space located at the
217 northeast corner of Bothwell Street and Palatine Road, Palatine, Illinois leased by Developer and
218 built out at Developer's expense for purposes of Project related sales.

219 "State" means the State of Illinois.

220 "TIF Eligible Expenses" means land acquisition and other eligible expenses as
221 authorized to be reimbursed by the Act.

222 "TIF Ordinances" means Ordinances No.'s O-224-99, O-225-99 and O-226-99 all adopted
223 by Village on December 13, 1999, and Ordinance O-12-00 adopted on January 24, 2000, as
224 described in the Recitals to this Agreement.

225 "Uncontrollable Circumstance" means any event, prior to completion of construction
226 which impacts the construction of the Project, which:

227 (a) is beyond the reasonable control of and without the fault of the Party relying thereon;
228 and

229 (b) is one or more of the following events:

230 (i) a Change in Law;

231 (ii) insurrection, riot, civil disturbance, sabotage, act of the public enemy, explosion,
232 nuclear incident, war or naval blockade;

233 (iii) epidemic, hurricane, tornado, landslide, earthquake, lightning, fire, windstorm,
234 flood, other extraordinary weather conditions or other similar Act of God;

235 (iv) governmental condemnation or taking other than by Village;

236 (v) strikes or labor disputes, other than those caused by the acts of Developer; and

237 (vi) a shortage of materials not attributable to Developer.

238 Uncontrollable Circumstance shall not include: (1) economic hardship or
239 impracticability of performance (except as described under Change of Law), (2)

240 commercial or economic frustration of purpose (except as described under Change of
241 Law), (3) unavailability of materials, strikes or labor disputes caused by the acts of
242 Developer, or (4) a failure of performance by a contractor (except as caused by events
243 which are Uncontrollable Circumstances as to such contractor).

244 "Village" means the Village of Palatine, Illinois, an Illinois municipal corporation.

245 "Village Engineer" means the person so designated by the Village Manager as the
246 Village Engineer.

247 ARTICLE THREE

248 CONSTRUCTION

249 This Agreement, except where the context by clear implication shall otherwise require,
250 shall be construed and applied as follows:

251 (a) Definitions include both singular and plural.

252 (b) Pronouns include both singular and plural and cover all genders.

253 (c) The word "include", "includes" and "including" shall be deemed to be followed
254 by the phrase "without limitation".

255 (d) Headings of sections herein are solely for convenience of reference and do not
256 constitute a part hereof and shall not affect the meaning, construction or effect hereof.

257 (e) All exhibits attached to this Agreement shall be and are operative provisions of
258 this Agreement and shall be and are incorporated by reference in the context of use where
259 mentioned and referenced in this Agreement. In the event of a conflict between any exhibit and
260 the terms of this Agreement, the terms of this Agreement shall control.

261 (f) Any certificate, letter or opinion required to be given pursuant to this Agreement
262 means a signed document attesting to or acknowledging the circumstances, representations,
263 opinions of law or other matters therein stated or set forth. Reference herein to supplemental

264 agreements, certificates, demands, requests, approvals, consents, notices and the like means that
265 such shall be in writing whether or not a writing is specifically mentioned in the context of use.

266 (g) In connection herewith concerning written directions or authorization in respect
267 of the investment of any funds, notwithstanding any provision hereof to the contrary, such
268 direction or authorization or otherwise, confirmed in writing, including by telecopier/facsimile
269 transmission, shall be appropriate and is hereby approved. Failure of the investing agent to
270 actually receive such written confirmation shall not render invalid or ineffective any such
271 direction or authorization.

272 (h) The Village Manager, unless applicable law requires action by the Corporate
273 Authorities, shall have the power and authority to make or grant or do those things,
274 certificates, requests, demands, notices and other actions required that are ministerial in nature
275 or described in this Agreement for and on behalf of Village and with the effect of binding
276 Village as limited by and provided for in this Agreement. Developer is entitled to rely on the
277 full power and authority of the persons executing this Agreement on behalf of Village as having
278 been properly and legally given by Village.

279 (i) In connection with the foregoing and other actions to be taken under this
280 Agreement, and unless applicable documents require action by Developer in a different
281 manner, Developer hereby designates Tim Anderson as its authorized representative who shall
282 individually have the power and authority to make or grant or do all things, supplemental
283 agreements, certificates, requests, demands, approvals, consents, notices and other actions
284 required or described in this Agreement for and on behalf of Developer and with the effect of
285 binding Developer in that connection (such individual being an "Authorized Developer
286 Representative"). Developer shall have the right to change its authorized Developer

287 Representative by providing Village with written notice of such change which notice shall be
288 sent in accordance with **Section 18.2.**

289

290

ARTICLE FOUR

291

IMPLEMENTATION OF PROJECT

292

293

294

Village and Developer agree to cooperate in implementing the Project in accordance
295 with the Parties respective obligations set forth in this Agreement. This Agreement and all of its
296 terms is subject to Village adopting an ordinance granting Planned Development approval for
297 the Project. Developer shall have no rights to develop the Project unless and until Village adopts
298 an ordinance granting Planned Development approval for the Project. In the event that a
299 Planned Development ordinance substantially in accordance with the Preliminary Plan is not
300 adopted for the Project on or prior to May 7, 2007, the Developer may terminate this
301 Agreement..

302

ARTICLE FIVE

303

DESIGNATION OF DEVELOPER

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Village hereby designates Developer as the exclusive developer for the Property, subject
to Village adopting a Planned Development ordinance authorizing the construction of the
Project, subject to the terms of this Agreement and only so long as Developer is not in default of
this Agreement after the expiration of all applicable cure periods. Village hereby represents and
warrants to Developer that Village has taken all necessary actions and has complied with all
requirements imposed by law including, but not limited to, the requirements of Section 5/11-
74.4-4 (c) of the Act, required to be taken and met prior to the designation of Developer as the
exclusive developer for the Property.

312

ARTICLE SIX

313

DEVELOPER'S ACCESS TO THE PROPERTY

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Developer's rights to access those portions of the Property owned by Village as of the

315

date of this Agreement (as well as any portions of the Property acquired by Village subsequent

316

to the date of this Agreement) for preparation of Developer's desired due diligence, soil tests,

317

demolition, a land survey and topographical survey, and other required site preparation work

318

has been set forth in a separate document entitled "License Agreement" by and between Village

319

and Developer (the "License Agreement") as previously executed December 21, 2006 and which

320

is attached as Exhibit "H".

321

ARTICLE SEVEN

322

ACQUISITION OF THE PROPERTY

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324

7.1 Acquisition of Village Owned Property by Developer. Village shall transfer title to

325

those portions of the Phase I Property owned by Village to Developer subsequent to the full

326

execution of this Agreement, and upon (i) adoption of the Final Planned Development

327

Ordinance along with all other required land use ordinances necessary to construct the Project,

328

and compliance with all applicable provisions of this Agreement and (ii) issuance of the initial

329

building permit for the Phase I Project. Notwithstanding the foregoing, Village shall transfer

330

title to the Phase I Property to Developer on or before October 23, 2007. Village shall transfer

331

title to the Phase II Residential Property owned by Village to Developer subsequent to the full

332

execution of this Agreement, and upon (i) adoption of the Final Planned Development

333

Ordinance along with all other required land use ordinances necessary to construct the Project,

334

and compliance with all applicable provisions of this Agreement and (ii) issuance of the initial

335

building permit for the Phase II Residential Project.

336 **7.2 Acquisition of Property Not Owned By Village.** Developer shall use its best efforts to
337 purchase the Phase I Property which is not owned by Village (the "Unowned Property"). In the
338 event that Developer is unsuccessful in obtaining a contract to purchase the Unowned Property
339 by March 20, 2007, then Village agrees to immediately take steps required to file a Quick Take
340 Condemnation Action as provided in the Quick Take statute, and provided that, Developer
341 shall not be responsible for payment of any Village costs attendant to filing a Quick Take
342 Condemnation Action. However, the cost of the condemnation award shall be paid by
343 Developer, and the expense of condemnation shall be split on a 50% - 50% basis between the
344 Developer and Village but only so long as the proportionate split is within the agreed upon pro-
345 forma. Developer acknowledges that Village's quick take condemnation authority expires on
346 November 18, 2008. Therefore, subsequent to said date, Village will not have the authority to
347 use quick take authority in the event condemnation is necessary to obtain title to the Unowned
348 Property. In the event that Developer fails to construct the Phase I Project after Village approves
349 a Planned Development ordinance for the Property and after Village commences a Quick Take
350 Condemnation Action, then Developer shall pay all Village costs incurred in filing and
351 pursuing the Quick Take Condemnation Action including all attorneys fees assessed.

352 **7.3 Use of Plans.** In the event of exercise by Village of its rights under Section 7.4 hereof
353 after Developer commences construction of the foundation, Developer shall assign to Village, or
354 as Village shall direct, all of its right, title and interest in the Preliminary and Final Plans for the
355 Property which Developer does not develop, along with the express written consent to such
356 assignment by all parties who created or generated any such Preliminary and Final Plans. On
357 the Phase I Closing Date, Developer shall deliver to Village letters from the architect, engineer
358 and all other consultants that have provided development services to Developer that prepared
359 the Preliminary and Final Plans permitting Village or its assignee to use them, in accordance

360 with this Section 7.3, without further charge. Village shall be responsible for any payments due
361 the architect, engineer or other consultants for any of their respective services that occur
362 following the foregoing assignment and that were agreed to in writing in advance by Village.

363 **7.4 Repurchase by Village.** If Developer falls more than ninety (90) days behind any of the
364 "Default Dates" as set forth in Exhibit "J" and provided that the cause of such failure or delay is
365 not due to Uncontrollable Circumstances then Developer shall be deemed to have incurred the
366 corresponding Penalty Amount and Village may draw upon the Letter of Credit to collect the
367 Penalty Amount. If such failure or delay shall occur prior to completion of the foundation and
368 commencement of the vertical construction of the Phase I Project, or, if applicable, the Phase II
369 Project, respectively and as the case may be ("Repurchase Period"), then such failure or delay
370 shall constitute an Event of Default of this Agreement, and, in addition to the payment of any
371 Penalty Amount, the Village Manager may notify Developer in writing that Village demands
372 return (the "Return") of the applicable Phase I Property or Phase II Property, respectively and
373 as the case may be (the "Return Notice"). If Developer does not cure such default within thirty
374 (30) business days of receipt of the Return Notice, then Developer shall immediately convey the
375 applicable Property to Village subject only to such exceptions as were recorded against such
376 portion of the Property when same was conveyed to Developer and subject to any mortgage
377 placed on the Property by Developer in conformance with the provisions of this Agreement to
378 fund costs of acquisition of the Property and construction of the Project ("Return Closing Date"),
379 which loan shall be repaid in full by Village at the time of such return ("Mortgage Repayment").
380 Developer has warranted that it will not collect a Construction Management fee with regard to
381 the Phase I Project or Phase II Project, respectively and as the case may be, until after the
382 corresponding Repurchase Period expires. Any mortgage encumbering the Property shall
383 contain an express provision permitting such Return to Village and an agreement of the Lender

384 to release its lien on the Return Closing Date upon payment by Village of the outstanding
385 balance then due. In the event that there is an amount necessary to obtain releases of the
386 construction loan or other liens, Developer shall pay the excess amount prior to the Return
387 Closing Date. Village may pursue all available legal remedies in order to be made whole.
388 Developer shall convey the Property by special warranty deed, shall assume any costs for title
389 insurance in the amount of all amounts paid by Village to or on behalf of Developer (including
390 any amounts paid to any mortgage holders), and Developer and Village shall execute such
391 other customary title documents as are commonly used in similar commercial transactions in
392 the Chicago, Illinois metropolitan area.

393 **ARTICLE EIGHT**

394 **VILLAGE COVENANTS AND AGREEMENTS**

395 **8.1 Village's Redevelopment Obligations.** Village shall have the obligations set forth in
396 this Article Eight in connection with the Project. Notwithstanding the obligations of this Article
397 Eight, this Agreement shall not constitute a debt of Village within the meaning of any
398 constitutional statutory provision or limitation.

399 **8.2 TIF Funding.** Village may issue Bonds to fulfill Village's obligations under this Article
400 Eight or may identify alternative sources of funds. The funds shall be disbursed in accordance
401 with Section 8.10.

402 This agreement shall not constitute a debt of Village within the meaning of any
403 constitutions, statutory provision or limitation.

404 **8.3 Sale of Property.** Village has previously acquired parcels of the Property. Subject to
405 Developer's satisfaction of the conditions set forth in this Agreement, Village shall transfer title
406 to the Phase I Property owned by Village to Developer. On each Closing Date, Developer shall
407 only be required to pay those costs set forth in Article Fifteen.

408 **8.4 Development Signage for the Property.** Subsequent to execution of this Agreement and
409 subsequent to adoption of the Planned Development ordinance, upon proper and complete
410 permit application, Developer shall have the right to install signage on the Property, designed,
411 located and installed in a manner acceptable to Village in conformance with the Village Zoning
412 Ordinance or the Planned Development ordinance.

413 **8.5 Retail Sales Generating Uses.** Developer agrees that during the term of this Agreement,
414 not less than sixty-five (65%) percent of the commercial occupants to be located on the first floor
415 of the Phase I Project shall be retail sales generating uses in which sales tax producing activity is
416 the predominant use or restaurant uses.

417 **8.6 Defense of TIF District.** In the event that any court or governmental agency, having
418 jurisdiction over enforcement of the Act and the subject matter contemplated by this
419 Agreement, shall determine that this Agreement is contrary to law, or in the event that the
420 legitimacy of the Entire Redevelopment Project Area is otherwise challenged before a court or
421 governmental agency having jurisdiction thereof, Village will, at its sole cost and expense,
422 defend the integrity of the Entire Redevelopment Project Area and this Agreement. Developer
423 will fully cooperate with Village in connection with the foregoing, and will be entitled to
424 reimbursement by Village for TIF Eligible Expenses incurred in connection with such
425 cooperation.

426 **8.7 Cooperation with Other Permits.** Village agrees to cooperate with Developer in
427 Developer's attempts to obtain all necessary approvals from any governmental or quasi-
428 governmental entity other than Village. During the time that the Village is owner of any of the
429 Property at the time an application is filed, Village shall join in and otherwise further promptly
430 process and consider to the extent allowable under applicable law, any reasonable request of

431 Developer for zoning and planned development approvals and for relief or variances from
432 Village Zoning and Subdivision ordinances necessary for the construction of the Project.

433 **8.8 Certificate of Completion.** Within thirty (30) days after written request from Developer
434 and after Developer has provided all required waivers of liens, sworn statements necessary to
435 comply with the Illinois Mechanics Lien Act, or a date-down endorsement to an owner's or loan
436 policy of title insurance showing no outstanding mechanics or other construction related liens
437 (excluding mortgage liens), and Developer has complied with all Village codes and with the
438 obligations of this Agreement with respect to the completion of construction of each phase of
439 the Project, including obtaining final certificates of occupancy, Village shall deliver a Certificate
440 of Completion or, if not complete or satisfied, a written statement of any deficiencies. Upon
441 correction of any noted deficiencies, Village shall within ten (10) days thereafter deliver the
442 applicable Certificate of Completion.

443 **8.9 TIF Benefit/Cash Payment.** The Parties agree that total TIF Benefit payable to
444 Developer shall not exceed Eight Million Eighty Two Thousand Five Hundred Dollars
445 (\$8,082,500.00), Two Million Forty Thousand Dollars (\$2,040,000.00) of which shall be payment
446 for Village owned portions of the Property. The Village Manager shall have the authority to
447 reduce the total TIF Benefit by \$2,040,000.00 and subsequently waive this payment to the
448 Village. Two Million Six Hundred Thirty Thousand Dollars (\$2,630,000.00) shall be payable by
449 the Village to Developer within thirty (30) days of the date of commencement of construction,
450 and Three Million Four Hundred Twelve Thousand Five Hundred (\$3,412,500.00) of which
451 reimbursed as follows: (i) Twenty-five percent of the TIF Eligible Expenses (\$853,125.00) owed
452 by Village to Developer shall be paid to Developer upon Developer's completion of the
453 foundation for the building; (ii) Fifty percent of the TIF Eligible Expenses (\$1,706,250.00) owed
454 by Village to Developer shall be paid to Developer upon completion of the shell and core for the

455 building; (iii) Fifteen percent of the TIF Eligible Expenses (\$511,875.00) owed by Village to
456 Developer shall be paid to Developer at the time the Village issues the first certificate of
457 occupancy for the first unit (whether residential or commercial); (iv) Ten percent of the TIF
458 Eligible Expenses (\$341,250.00) owed by Village to Developer shall be paid to Developer at the
459 time when forty percent of the commercial space has been leased and are open for business and
460 upon acceptance of all public improvements and Off-Site Improvements. Prior to any
461 disbursement, Developer shall submit receipts to establish that the costs are TIF eligible under
462 the Act. Developer shall submit a schedule of TIF Eligible Expenses and supporting
463 documentation to Village. Village shall have a period of 45 days after receipt to review and
464 approve the disbursement or to issue a written objection to the reimbursement of specific items
465 in such draw request. Disbursement will be made from the TIF Fund for all items of
466 reimbursement which are not the subject of objection and Developer shall respond to and/or
467 correct any Village objection as soon as practicable. Village shall have 45 days to review and
468 fund or object to Developer's resubmission of any reimbursement draw items that are the
469 subject of prior objection.

470 **8.10 Phase II Parking Garage Project.** Village has engaged Developer to include the Phase II
471 Parking Garage Project as a part of its planned development submission. Village may, at its
472 sole costs and expense, engage Developer to (i) consult with architects, engineers, Village staff
473 and other professionals to create detailed plans and specifications for the Phase II Parking
474 Garage Project and (ii) act as the developer of the Phase II Parking Garage Project for a
475 guaranteed maximum price acceptable to Village, pursuant to a guaranteed maximum price
476 contract to be negotiated between the Parties. Developer is constructing the Phase II Residential
477 Project only if Developer is selected to construct the Phase II Parking Garage Project.

478 **8.11 Intentionally Omitted.**

479 **8.12 Bothwell Street Right of Way.** Village shall vacate the Bothwell Street right of way
480 bounded by Wood Street on the north and Wilson Street on the south (“Bothwell Right Of
481 Way”) and all rights to maintain any Village subsurface services or Village utilities in
482 connection with the Bothwell Right Of Way, and Village shall convey all rights and interests in
483 the Bothwell Right Of Way, except for rights and easements of other utility companies, to
484 Developer as a part of the Phase II Residential Property.

485 **ARTICLE NINE**

486 **DEVELOPER’S COVENANTS AND AGREEMENTS**

487 **9.1 Developer’s Redevelopment Obligations.** Developer shall have the obligations set
488 forth in this Article Nine for the development, construction, financing, completion and
489 furtherance of the Project.

490 **9.2 Accept Title to the Property.** Developer hereby agrees to accept legal title to the
491 applicable portion of the Property, on the corresponding Closing Date, subject to the condition
492 precedent contained herein and to the provisions of Article Fifteen.

493 **9.3 Permit Application Deadlines.** By March 13, 2007, Developer shall have applied for
494 preliminary Planned Development approval and Final Planned Development approval, which
495 application the Village shall execute as land owner. By June 1, 2007, Developer shall have
496 applied for (and made all submittal requirements in conformance with Village codes) a building
497 permit, curb-cut permits and other necessary land use and construction approvals as shall be
498 necessary or appropriate to construct Phase I of the Project in accordance with the Final Plans.
499 Developer shall proceed with the application for permits and construction of the Project on the
500 Property in accordance with the schedule set forth in Exhibit “J” hereto. This Agreement is
501 subject to Village adoption of a Planned Development ordinance approving the Project. In the
502 event that Village does not adopt an ordinance granting a Planned Development for the Project,

503 this Agreement shall be null and void with no further action required and with both Parties to
504 cover their own costs. However, in the event that the Village does adopt an ordinance, which
505 ordinance is not reconsidered at the next regularly scheduled Village Council meeting, granting
506 a Planned Development for the Project, and subsequently, Village elects to terminate this
507 Agreement through no fault of Developer or a third party, then, in that event, Village shall
508 repurchase all portions of the Property then owned by Developer at Developer's cost of
509 acquisition and shall reimburse Developer up to Two Hundred Fifty Thousand and No Dollars
510 (\$250,000.00) for any TIF Eligible expenses incurred up to the date of such termination.

511 **9.4 Construction Financing Deadline.** Within thirty (30) days after execution of this
512 Agreement, and as a condition precedent to Village's obligation to execute a purchase
513 agreement or proceed with a Quick Take Action with regard to Covello Property, Developer
514 shall demonstrate to Village's satisfaction through signed letters of intent that Developer has
515 sufficient funds to pay the cost of the Project and any other obligations of Developer hereunder
516 relating to the Property. Developer shall obtain a financing commitment which will be fully
517 binding upon Village adoption of an ordinance granting Planned Development approval for the
518 Project, in form and content that is typical in the industry, for construction financing for the
519 Project ("Construction Loan") to be constructed and shall provide to Village evidence of such
520 commitment not less than thirty (30) days following such adoption. Developer may at any time
521 and from time to time assign to any construction lender or other mortgagee ("Mortgagee") its
522 rights and interests hereunder as collateral for the Construction Loan or other financing in
523 connection with the Project permitted in accordance with the terms of this Agreement
524 ("Collateral Assignment"), and Village shall consent to such Collateral Assignment, subject to
525 the following: In the event that any Mortgagee or successor to a Mortgagee shall succeed to the
526 interests of Developer in the Project or in any portion thereof pursuant to or as result of

527 remedies under the Construction Loan documents or other mortgage and/or under any related
528 documents, including the Collateral Assignment ("Mortgage Documents"), whether by
529 foreclosure, deed-in-lieu of foreclosure or other rights granted under such Mortgage
530 Documents, Village shall attorn to and recognize Mortgagee or such successor, so long as such
531 Mortgagee or successor shall accept, in writing, an assignment of the rights and obligations of
532 Developer hereunder, effective from and after the date of such acceptance. Mortgagee or such
533 successor, as the case may be, shall have no liability or obligation to Village hereunder for
534 matters arising prior to such acceptance or for the prior defaults of Developer. In the event that
535 Mortgagee or such other successor, as the case may be, shall not accept an assignment of the
536 rights and obligations of Developer hereunder, then such party shall be entitled to no rights or
537 benefits hereunder, but shall be bound only to those covenants expressly made herein which
538 relate to the use or construction of improvements on the Property.

539 **9.5 Project Development Budget.** Developer shall submit to Village the project
540 development budget approved by the construction lender when available but not later than
541 thirty (30) days after the Village adoption of an ordinance granting Planned Development
542 approval for the Project. Developer agrees that Village will be provided a reasonable
543 opportunity to meet with the construction lender if requested by Village.

544 **9.6 Letter of Credit, Permits and Other Security Prior to Commencement of Construction.**
545 Prior to the Phase I Closing Date, Developer shall provide to Village evidence that: (i) all zoning
546 ordinances and resolutions have been obtained; (ii) the Lender has approved the budget for the
547 Project, (iii) Developer has a completely executed financing commitment. As a condition to
548 Village issuing a permit for the Project, Developer shall deliver to Village an unconditional
549 irrevocable letter of credit in the amount of Two Million Six Hundred Thousand and 00/100
550 (\$2,600,000.00) Dollars in form and substance acceptable to Village (the "LOC") which LOC may

551 be drawn on by Village upon Developer incurring a Penalty Amount as set forth on Exhibit "J".
552 One Million Six Hundred Thousand and no/100 (\$1,600,000.00) Dollars of the LOC shall be
553 released at the time that the Village certifies the completion of the foundation of the building.
554 Six Hundred Thousand (\$600,000.00) Dollars of the LOC shall be released at the time that the
555 Village certifies the completion of the shell and core of the building. One Hundred Fifty
556 Thousand (\$150,000.00) Dollars of the LOC shall be released at the time forty percent of the
557 commercial space has been leased and is open for business. One Hundred Fifty Thousand
558 (\$150,000.00) Dollars of the LOC shall be released at the time that Village issues a temporary (or
559 final if applicable) certificate of occupancy for the last unit in the building and upon acceptance
560 of all public improvements and Off-Site Improvements. The balance of the LOC in the amount
561 of One Hundred Thousand (\$100,000.00) Dollars shall be released upon the completion of the
562 one-year maintenance period as required under Village Code.

563 **9.7 Timing of Developer's Obligations.** Developer covenants and agrees to construct or
564 cause to be constructed the Phase I Project on the Phase I Property (and the Phase II Project on
565 the Phase II Property, if applicable) in compliance with Exhibit "J" hereto (as such Exhibit shall
566 be amended for the Phase II Project, if applicable) and otherwise as required herein, subject to
567 Uncontrollable Circumstances.

568 **9.8 Compliance with Applicable Laws.** Developer warrants that it shall at all times acquire,
569 install, construct, operate and maintain the Project in conformance with all applicable laws,
570 rules, ordinances and regulations. All work with respect to the Project shall conform to all
571 applicable federal, state and local laws, regulations and ordinances, including, but not limited
572 to, zoning, subdivision and planned development codes, building codes, environmental codes,
573 life safety codes, property maintenance codes and any other applicable codes and ordinances of
574 Village as more specifically set forth in Article Eleven. Village shall not enact any law,

575 ordinance, rule or regulation (or amendment thereto) which would have the effect of increasing
576 Developer's obligations hereunder, including an increase in the cost of the Project, unless said
577 law, order, rule or regulation is one of the general applicability to all property in Village.

578 **9.9 No Default.** Developer shall not be in default under this Agreement or be in default
579 under any agreement with its tenants or any other party in connection with the development of
580 the Property, which default has not been cured after the giving of proper notice thereunder and
581 all rights to cure have lapsed, and the effect thereof materially threatens or jeopardizes the
582 viability of the Project. Failure to comply with this term renders Developer in default of this
583 Agreement, subject to Developer's right to cure under this Agreement.

584 **9.10 Progress Meetings.** Developer shall meet with Village Council and Village staff and
585 make presentations to Village Council and Village staff as reasonably requested by Village
586 Manager in order to keep Village apprised of the progress of the development.

587 **9.11 Authorized Representative.** Subject to the provisions thereof, Developer has designated
588 in Article Three (i) a representative with full power and authority to meet with Village staff for
589 purposes of coordinating and implementing obligations of the Parties under this Agreement;
590 provided, however, that all agreements of the Parties shall be in writing and fully authorized by
591 all necessary action of such Parties.

592 **9.12 Real Estate Tax Payments.** Developer and successor owners agree to pay all general
593 and special real estate taxes levied during their respective period of ownership against their
594 respective interest in the Project on or prior to the date same is due and said taxes shall not
595 become delinquent. Developer and successor owners shall deliver evidence of payment of such
596 taxes to Village upon request.

597 **9.13 Tax Exempt Status.** Consistent with its covenant in Section 10.7, Developer and
598 successor owners shall not assert a tax-exempt status during their respective period of

599 ownership. This prohibition shall run with the land and shall expire on the date the Entire
600 Redevelopment Project Area expires or an earlier date if agreed by Village and Developer.

601 **9.14 Public Walkway.** In connection with the Phase II Project, if applicable, Developer
602 hereby agrees to grant and convey to Village a perpetual easement over a portion of the surface
603 (and portion of the subsurface) of the vacated Bothwell Street Right Of Way for access of the
604 public as a public walkway, pursuant to an Easement Agreement to be agreed upon between
605 the Parties.

606 **9.15 Sale Contracts.** All sales contracts, leases and condominium declarations shall be made
607 specifically subject to the terms of this Agreement.

608 **9.16 Fees and Expenses.** Developer shall pay all Village and other governmental entity-
609 imposed fees, including but not limited to permit, inspection, review, tap-on, school and park
610 impact fees, and storm water drainage fees that are assessed on a uniform basis throughout
611 Village and are of a general applicability to all other property in Village. Said payments shall be
612 made as directed by the applicable Village code or policy.

613 In addition, Developer shall pay an "art amenity fee" of \$100/per residential dwelling
614 unit based on the number of residential dwelling units approved in the final Planned
615 Development Ordinance. The "art amenity fee" for each residential unit will be paid in its
616 entirety a the Initial Closing of any portion of the Property

617 Developer's failure to pay the fees and expenses described in this Section 9.16, or
618 elsewhere in this Agreement, shall constitute an Event of Default hereunder. Without waiving
619 its rights against Developer, Village may be reimbursed for said fees and expenses to the extent
620 they are TIF Eligible Expenses.

621 **9.17 Loan Agreement.** Except for sales and refinancing of the retail components of the Phase
622 I Project, prior to issuance of the Certificate of Completion by Village, Developer shall not use

623 the Property as collateral for anything other than the cost of acquiring the Property and
624 constructing the Project. Notwithstanding anything to the contrary contained herein, no
625 mortgage executed in connection with Developer's Loan may encumber the Property unless the
626 Lender thereunder has committed in writing to the Village that, without Village consent:

- 627 (a) in no event shall disbursements be made under Developer's Loan for vertical
628 construction until such time as the Village approves the foundation inspection;
- 629 (b) in no event shall the Property serve as security or collateral for any loan other
630 than loans the proceeds of which will be applied to the acquisition of the
631 Property and construction of the Project;
- 632 (c) in the event the Village exercises the repurchase option described in Section 7.4,
633 such Lender will release the lien of its mortgage against the Property upon
634 repayment by the Village of all amounts due and owing such Lender;
- 635 (d) in no event may Lender exercise any remedies with regard to any default under
636 the Developer's Loan, other than the right to withhold further disbursement until
637 such time as Lender has tendered to Village written notice thereof and afforded
638 to Village the same cure period afforded to Developer under the loan documents
639 to cure any such default noted therein; and
- 640 (e) except for protective advances by the Lender, the amount of Developer's Loan
641 may not be increased without the consent of the Village to an amount that
642 exceeds the appraised value of the Property and Project.

643 **9.18 Roof Antennas.** All antennas and satellite dishes and/or other similar
644 telecommunications equipment shall conform to Village Code of Ordinances.

645 **9.19 Demolition of the Property.** Developer shall undertake the demolition of all Village
646 surface and subsurface structures existing on the Property and restoration of suitable soils

647 sufficient to support the Project in accordance with the Final Plans. Subject to Village approval
648 of Developer's proposal for demolition and restoration, Village, upon complete submittal of
649 materials and an application for demolition and restoration by Developer, shall issue the
650 applicable permits. Developer shall obtain the required demolition permit from Cook County.
651 Demolition and restoration may occur at any time pursuant to the License Agreement attached
652 hereto as Exhibit "I". Demolition and restoration shall be part of the TIF Eligible Expenses.

653 **9.20 Remediation of the Property.** At the time, or upon completion, of demolition,
654 Developer shall undertake, as agent for Village and at Village's sole cost and expense, further
655 environmental investigation and remediation of the Phase I Property and the Phase II
656 Residential Property as Village and Developer agree is sufficient and necessary to obtain a
657 Focused No Further Remediation Letter from the IEPA to the TACO industrial/commercial
658 standards, which shall be sufficient to allow Developer's Project to be constructed, in
659 accordance with the Final Plans; which remediation may be as prescribed by one or more
660 remediation plans, if applicable. Village shall obtain a Focused No Further Remediation Letter
661 from the IEPA in form and substance reasonably acceptable to Developer and Village shall
662 indemnify and hold Developer, its successors and assigns harmless from and against any
663 environmental costs, claims or damages related to the Phase I Property and the Phase II
664 Residential Property. Developer must conform to the IEPA process and timelines, provided,
665 however, that any delay by the IEPA will not constitute a default by Village. In no event shall
666 the Village cost to remediate the Property, together with the Village indemnity of Developer
667 exceed a total cost of Two Hundred Fifty Thousand and No Dollars (\$250,000.00). In such event
668 that the amount to remediate exceeds said amount, the Village shall have the right to terminate
669 this Agreement. In the event that the Village elects to terminate this Agreement pursuant to this
670 provision, the Village shall repurchase any portion of the Property then owned by Developer at

671 Developer's cost of acquisition and reimburse Developer up to Two Hundred Fifty Thousand
672 and No Dollars (\$250,000.00) for any TIF Eligible expense incurred up to the date Village
673 terminates. Developer shall convey any such portion of the Property by special warranty deed.
674 The post-termination provisions of this Section 9.20 shall govern gtermination under Section
675 15.3 of this Agreement.

676 **9.21 Insurance for Environmental Remediation.** Developer shall obtain three (3) proposals
677 from environmental contractors and Village and Developer shall mutually select the
678 environmental contractor and agree upon the scope of work. Developer shall engage said
679 contractor and Village shall pay the costs to remediate, which shall include the Environmental
680 Insurance Costs set forth below. Developer shall not be entitled to an additional fee to oversee
681 said work. Developer shall cause any contractor performing remediation work for itself, or for
682 Village as its agent, to obtain, and include in the bid, insurance from an insurance company
683 with an AM Best rating no less than A, under a policy with a limit of Five Million and no/100
684 Dollars (\$5,000,000.00), to cover any damages to the Property, which insurance policy shall
685 name Developer and Village as additional insureds ("Environmental Insurance Costs").

686 **ARTICLE TEN**

687 **ADDITIONAL COVENANTS OF DEVELOPER**

688 **10.1 Developer Existence.** Developer will do or cause to be done all things necessary to
689 preserve and keep in full force and effect its existence and standing as an Illinois Limited
690 Liability Company authorized to do business in Illinois, so long as Developer maintains an
691 interest in the Property or has any other remaining obligation pursuant to the terms of this
692 Agreement.

693 **10.2 Construction of Project.** Developer shall diligently pursue obtaining all required
694 permits and Developer shall cause construction of the Project on the Property to be prosecuted

695 and completed pursuant to the schedule set forth on Exhibit "J", in good faith and without
696 delay, subject to Uncontrollable Circumstances and the other provisions of this Agreement.
697 Neither Developer, nor any entity in which Developer has an interest, shall be paid any
698 developer construction management fee or other fee from the proceeds of the Construction
699 Loan for the Property until after the expiration of the Repurchase Period.

700 **10.3 Indemnification.** Developer (use of the term "Developer" herein includes permitted
701 successors and assigns), agrees to indemnify, defend and hold Village, Mayor, Village Council
702 Members, Village Manager, officers, agents and employees (hereinafter "Indemnified Parties")
703 harmless from and against any losses including lost increment (excluding sales taxes and real
704 property taxes, except as to that portion of said real estate taxes which constitute lost increment
705 experienced due to any delay beyond September 3, 2009, which is the penalty date of issuance
706 of the final certificate of occupancy in the building), costs, damages, liabilities, claims suits,
707 actions, causes of action and expenses (including, without limitation, reasonable attorneys' fees
708 and court costs) suffered or incurred by the Indemnified Parties which are caused as a result of:

- 709 a. the failure of Developer to comply with any of the terms, covenants or conditions
710 of this Agreement which Developer is obligated to comply with; or
- 711 b. the failure of Developer or any of Developer's contractors to pay contractors,
712 subcontractors or materialmen in connection with the Project; or
- 713 c. material misrepresentations or omissions of Developer relating to the Project,
714 financials or this Agreement which are the result of information supplied or omitted by
715 Developer or by its agents, employees, contractors or persons acting under the control or at the
716 request of Developer; or

- 717 d. the failure of Developer to cure any material misrepresentations or omissions of
718 Developer in this Agreement relating to the Project within the applicable cure provisions of this
719 Agreement; or
- 720 e. any claim or cause of action for injury or damage brought by a third party arising
721 out of the construction or operation of the Project by Developer; or
- 722 f. any violation by Developer of local ordinance, state or federal laws, in
723 connection with the offer and sale of interests in Developer or any part of the Project.
- 724 g. the occurrence of an Event of Default by Developer.

725 The provisions of this **Section 10.3** shall not apply to any loss which arise out of (in
726 whole or in part) intentional misconduct with respect to providing this information on the part
727 of any Indemnified Party, but only to the extent that such Indemnified Parties' misconduct or
728 misinformation, contributed to the loss, or that the loss is attributable to such Indemnified
729 Parties' misconduct, negligence or misinformation.

730 **10.4 Insurance.** Seven (7) days prior to Closing (or periodically thereafter to provide
731 necessary insurance coverage required hereunder), Developer (or Developer's contractor) shall
732 deliver to Village, at Developer's cost and expense, insurance required to be carried by
733 Developer pursuant to **Article Fourteen**. Village and the company retained by Village (or
734 Developer as Village's agent in connection with environmental remediation) to perform the
735 remediation work on the Property shall be named as additional insured parties on Developer's
736 insurance policies until such time as a Certificate of Completion is issued; provided that Village
737 hereby agrees and acknowledges that the rights of Village as an additional insured are
738 subordinate to the priority of the construction lender as a loss payee.

739 **10.5 Further Assistance and Corrective Instruments.** Village and Developer agree that they
740 will, from time to time, execute, acknowledge and deliver, or cause to be executed,

741 acknowledged and delivered, such supplements hereto and such further instruments as may be
742 reasonably required for carrying out the intention of or facilitating the performance of this
743 Agreement to the extent legally permitted and within Village's sound legal discretion.

744 **10.6 No Gifts.** Developer covenants that no officer, member, manager, stockholder,
745 employee or agent of Developer, or any other person connected with Developer, has made,
746 offered or given, either directly or indirectly, to the Mayor, any Council member, or any officer,
747 employee or agent of Village, or any other person connected with Village, any money or
748 anything of value as a gift or bribe or other means of influencing his or her action in his or her
749 capacity with Village.

750 **10.7 Conveyance.** In recognition of the nature of the Project and Village's projections of the
751 need for incremental tax revenues to finance TIF Eligible Expenses, in accordance with the Act,
752 during the life of the TIF consistent with its covenants in **Sections 9.13**, Developer shall not
753 knowingly undertake to convey the Property to persons whose ownership and use of such
754 Property will cause it to be exempt from payment of property taxes. To facilitate this provision,
755 Village will impose in the deed conveying all or any portion of the Property to Developer and
756 Developer shall impose in its deed conveying all or any portion of the Property a prohibition
757 against granting such conveyance consistent with the covenants in **Sections 9.13**.

758 **10.8 Disclosure.** Concurrently with execution of this Agreement, Developer shall disclose to
759 Village the names, addresses and ownership interests of all Persons that comprise Developer,
760 including all members of the limited liability company. Developer shall disclose the same
761 information to Village on the Phase I Closing Date. Except as otherwise permitted herein, no
762 change shall be made in the persons comprising Developer or in their ownership interests
763 without the consent of Village.

764 **10.9 Open Book Project.** Developer's Project shall be an "open book" project meaning that
765 Developer and the general contractor (or contractors, if more than one) will assure continuing
766 access to Village's agents for the purpose of reviewing and auditing their respective books and
767 records relating to any item necessary to determine the costs of Developer's Project. The
768 foregoing Village review rights shall terminate one (1) year after the issuance of the final
769 certificate of occupancy with respect to costs for Developer's Project, unless Developer has
770 failed to make available any such books and/or records requested in writing by Village.
771 Developer shall provide to Village copies of any partnership, limited liability operating
772 agreements or joint venture agreements pertaining to Developer Property to which Developer is
773 a party; provided that Developer may, (if Developer has previously provided Village not less
774 than thirty (30) days to review such confidential financial materials), remove from the copies of
775 such agreements any confidential financial information previously disclosed to Village and not
776 since changed in form or substance and Village shall keep such agreements confidential, to the
777 maximum extent permitted by law. Failure to provide the documents or allow review of the
778 books within fifteen (15) days after request by Village shall be an Event of Default. Developer
779 shall exercise prudence and good faith in attempting to contract with persons or entities that are
780 reputable and experienced in their respective areas for the provision of services or material for
781 the design and construction of Developer's Project at costs not in excess of market rates. Village
782 agrees that Developer may designate within its discretion the general contractor (or general
783 contractors) for Developer's Project. The general contractor (or general contractors) designated
784 by Developer shall be experienced and reputable.

785 **10.10 Assignment of Agreement** This Agreement is not assignable except to an assignee of a
786 mortgagee, for collateral purposes only, as set forth in Section 9.4, or for Permitted Transfers (as
787 hereinafter defined), until a Certificate of Completion for the entire Project, including Off-Site

788 Improvements, is issued by Village. Notwithstanding anything in this Section 10.10, no part of
789 this Section 10.10 shall require Village's consent to the collateral assignment hereof to
790 Developer's construction lender or permanent lender, if required thereby, or to a Permitted
791 Transferee. Subsequent to completion of the Project, as evidenced by Village issuing the
792 Certificate of Completion, Developer shall give notice to Village of any proposed transfer and
793 Village shall have thirty (30) days to accept or reject such assignee in its sole discretion.

794 **10.11 No Transfer without Village's Consent.** Except as otherwise permitted herein, prior to
795 issuance of a Certificate of Completion for the entire Project including Off-Site Improvements,
796 no portion of Developer's Project shall be transferred or conveyed (other than to Permitted
797 Transferees). Developer shall notify Village of any transfer of any interest in the Project other
798 than to an Affiliate of Developer; as used herein, an "Affiliate of Developer" shall mean an
799 entity which controls, is controlled by, or is under common control with Developer and which
800 has the same manager, members, partners or shareholders owning in the aggregate, more than
801 fifty percent (50%) of the ownership interests in Developer owning more than fifty percent
802 (50%) of the ownership interests in said Affiliate; and as used herein "control" shall mean the
803 possession, direct or indirect, of the power to direct or cause the direction of the management
804 and policies of a person or entity, whether through the ownership of voting securities or rights,
805 by contract, or otherwise. The foregoing transfers shall herein be referred to as the "Permitted
806 Transfers". Developer shall not be required to obtain Village review, approval or consent to any
807 Permitted Transfer. Village shall have no duty to return any letter of credit or other security
808 posted in connection with the portion of the Project so transferred until substitute security
809 acceptable to Village is received.

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ARTICLE ELEVEN

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ADHERENCE TO VILLAGE CODES AND ORDINANCES

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All development and construction of the Project shall comply in all respects with the

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provisions in the Building, Plumbing, Mechanical, Electrical, Storm Water Management, Fire

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Prevention, Property Maintenance, Zoning and Subdivision Codes of Village and all other

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germane codes and ordinances of Village in effect from time to time, unless otherwise

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mandated by State law or permissible under a variance or exemption granted to Developer by

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any governmental body authorized to grant such variance or exemption. Developer has

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examined and is familiar with and agrees that its development of the Project shall be performed

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in accordance with all the covenants, conditions, restrictions, building regulations, zoning

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ordinances, property maintenance regulations, environmental regulations and land use

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regulations, codes, ordinances, federal, state and local ordinances affecting the Project or is

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permissible under a variance or exemption granted to Developer by any governmental body

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authorized to grant such variance or exemption.

824

ARTICLE TWELVE

825

REPRESENTATIONS AND WARRANTIES OF DEVELOPER

826

Developer represents, warrants and agrees as the basis for the undertakings on its part

827

herein contained that as of the date hereof and until completion of the Project:

828

12.1 Organization and Authorization. Developer is an Illinois limited liability company

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authorized to do business in Illinois and existing under the laws of the State of Illinois, and is

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authorized to and has the power to enter into, and by proper action has been duly authorized to

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execute, deliver and perform, this Agreement. Developer is solvent, able to pay its debts as they

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mature and financially able to perform all the terms of this Agreement. To Developer's

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knowledge, there are no actions at law or similar proceedings which are pending or threatened

834 against Developer which would materially and adversely affect the ability of Developer to
835 proceed with the construction and development of the Project.

836 **12.2 Non-Conflict or Breach.** Neither the execution and delivery of this Agreement by
837 Developer, the consummation of the transactions contemplated hereby by Developer, nor the
838 fulfillment of or compliance with the terms and conditions of this Agreement by Developer
839 conflicts with or results in a breach of any of the terms, conditions or provisions of any offerings
840 or disclosure statement made or to be made on behalf of Developer (with Developer's prior
841 written approval), any organizational documents, any restriction, agreement or instrument to
842 which Developer or any of its partners or venturers is now a party or by which Developer or
843 any of its partners or its venturers is bound, or constitutes a default under any of the foregoing,
844 or results in the creation or imposition of any prohibited lien, charge or encumbrance
845 whatsoever upon any of the assets or rights of Developer, any related party or any of its
846 venturers under the terms of any instrument or agreement to which Developer, any related
847 party or any of its partners or venturers is now a party or by which Developer, any related
848 party or any of its venturers is bound.

849 **12.3 Location of Project.** The Project will be located entirely within the Property, except for
850 Off-Site Improvements.

851 **12.4 Financial Resources.** Developer and any Affiliate to which portions of this Agreement
852 are assigned have sufficient financial and economic resources to implement and complete
853 Developer's obligations contained in this Agreement.

854 **12.5 Limit on Use of Land as Security.** Developer's right to use the land as security for
855 financing purposes shall be subject to the restrictions contained in this Agreement. Violation of
856 this covenant shall constitute an Event of Default.

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ARTICLE THIRTEEN

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REPRESENTATIONS AND WARRANTIES OF VILLAGE.

859

Village represents, warrants and agrees as the basis for the undertakings on its part

860

herein contained that:

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13.1 Organization and Authority. Village is a municipal corporation duly organized and

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validly existing under the law of the State of Illinois, is a home rule unit of government, and has

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all requisite corporate power and authority to enter into this Agreement.

864

13.2 Authorization. The execution, delivery and the performance of this Agreement and the

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consummation by Village of the transactions provided for herein and the compliance with the

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provisions of this Agreement: (i) have been duly authorized by all necessary corporate action on

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the part of Village, (ii) require no other consents, approvals or authorizations on the part of

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Village in connection with Village's execution and delivery of this Agreement, and (iii) shall

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not, by lapse of time, giving of notice or otherwise result in any breach of any term, condition or

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provision of any indenture, agreement or other instrument to which Village is subject.

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13.3 Litigation. To the best of Village's knowledge, there are no proceedings pending or

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threatened against or affecting Village or the Redevelopment Project Area in any court or before

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any governmental authority which involves the possibility of materially or adversely affecting

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the ability of Village to perform its obligations under this Agreement.

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13.4 Connections. Village shall permit the connection to Village utility systems of all water

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lines, sanitary and storm sewer lines or Village utility lines existing or constructed in the

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Property or near the perimeter of the Property as set forth on the Final Plans, provided that

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Developer complies with all requirements of general applicability promulgated by Village for

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such connections. Village shall grant utility easements over Village owned land and public

880 rights of way as may be necessary or appropriate to accommodate the utilities shown on the
881 Final Plans.

882 **13.5 Information.** Village shall deliver to Developer all documents and instruments in its
883 possession or control relating to the physical condition and development of the Property.

884 **13.6 Best Efforts.** Village agrees to cooperate with Developer's efforts to obtain necessary
885 licenses, permits and approvals from other governmental and quasi-governmental bodies for
886 the Project, including, the state and local Departments of Transportation, Metropolitan Water
887 Reclamation District, state and federal Environmental Protection Agencies, and FEMA.

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889

ARTICLE FOURTEEN

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LIABILITY AND RISK INSURANCE.

891 **14.1 Liability Insurance Prior to Completion.** Seven (7) days prior to the Phase I Closing
892 Date, Developer (or Developer's contractor) shall procure and deliver to Village, at Developer's
893 (or such contractor's) cost and expense, and shall maintain in full force and effect until each and
894 every obligation of Developer contained herein has been fully paid, or performed, a policy or
895 policies of comprehensive liability insurance and, during any period of construction,
896 contractor's liability insurance and worker's compensation insurance, with liability coverage
897 under the comprehensive liability insurance to be not less than One Million and no/100 Dollars
898 (\$1,000,000.00) each occurrence and Two Million and no/100 Dollars (\$2,000,000.00) total. All
899 such policies shall be in such form and issued by such companies as shall be acceptable to
900 Village to protect Village and Developer against any liability incidental to the use of or resulting
901 from any claim for injury or damage occurring in or about the Project or the Property, or the
902 construction and improvement thereof by Developer. Each such policy shall name Village as an
903 additional insured and shall contain an affirmative statement by the issuer that it will give

904 written notice to Village at least thirty (30) days prior to any cancellation or amendment of its
905 policy; provided that, Village hereby agrees and acknowledges that its rights as an additional
906 insured are subordinate to the priority of the construction lender as a loss payee. Developer
907 may satisfy its insurance obligations in this Article Fourteen by way of a blanket policy or
908 policies which includes other liabilities, properties and locations having a general policy
909 aggregate of at least Ten Million and No/100 Dollars (\$10,000,000.00). Developer shall provide
910 to Village a replacement certificate not less than 30 days prior to expiration of any policy.

911 **14.2 Builder's Risk Prior to Completion.** Prior to completion of the construction of the
912 Project on the Property, as certified by Village, Developer shall keep in force at all times
913 builders risk insurance on a completed value basis, in non-reporting form, against all risks of
914 physical loss, including collapse, covering the total value of work performed and equipment,
915 supplies and materials furnished for the Project (including on-site stored materials), all as to
916 work by Developer. Such insurance policies shall be issued by companies reasonably
917 satisfactory to Village. All such policies shall contain a provision that the same will not be
918 canceled or modified without prior thirty-(30) day written notice to Village.

919 **ARTICLE FIFTEEN**

920 **REAL ESTATE SALE PROVISIONS**

921 **15.1 As Is Purchase.** EXCEPT AS EXPRESSLY PROVIDED HEREIN TO THE
922 CONTRARY, DEVELOPER AGREES THAT IT WILL PERFORM ALL EXAMINATIONS
923 AND INVESTIGATIONS OF THE PROPERTY IT DEEMS NECESSARY, INCLUDING
924 SPECIFICALLY, WITHOUT LIMITATION, EXAMINATIONS AND INVESTIGATIONS
925 FOR THE PRESENCE OF ASBESTOS, PCB EMISSIONS AND HAZARDOUS
926 SUBSTANCES, MATERIALS OR WASTES (AS THOSE TERMS MAY BE DEFINED BY
927 APPLICABLE FEDERAL OR STATE LAW, RULE OR REGULATION) ON THE PROPERTY,
928 AND THAT DEVELOPER WILL RELY SOLELY UPON SUCH EXAMINATIONS AND
929 INVESTIGATIONS, ALONG WITH ANY AND ALL DOCUMENTS PROVIDED TO
930 DEVELOPER BY VILLAGE (OR MADE AVAILABLE BY VILLAGE FOR DEVELOPER'S
931 REVIEW) IN PURCHASING THE PROPERTY. NOTWITHSTANDING ANYTHING TO
932 THE CONTRARY HEREIN, IT IS EXPRESSLY UNDERSTOOD AND AGREED THAT
933 DEVELOPER IS PURCHASING THE PROPERTY "AS IS" AND "WHERE IS," AND WITH

934 ALL FAULTS AND THAT VILLAGE IS MAKING NO REPRESENTATIONS OR
935 WARRANTIES, WHETHER EXPRESS OR IMPLIED, BY OPERATION OF LAW OR
936 OTHERWISE, WITH RESPECT TO THE QUALITY, PHYSICAL CONDITION OR VALUE
937 OF THE PROPERTY OR THE COMPLIANCE OF THE PROPERTY WITH APPLICABLE
938 BUILDING OR FIRE CODES OR OTHER LAWS OR REGULATIONS. WITHOUT
939 LIMITING THE FOREGOING, IT IS UNDERSTOOD AND AGREED THAT VILLAGE
940 MAKES NO WARRANTY OF HABITABILITY, SUITABILITY, MERCHANTABILITY OR
941 FITNESS FOR A PARTICULAR PURPOSE. DEVELOPER AGREES THAT VILLAGE IS
942 NOT LIABLE OR BOUND BY ANY GUARANTEES, PROMISES, STATEMENTS,
943 REPRESENTATIONS OR INFORMATION PERTAINING TO THE PROPERTY MADE OR
944 FURNISHED BY ANY REAL ESTATE AGENT, BROKER, EMPLOYEE, SERVANT OR
945 OTHER PERSON REPRESENTING OR PURPORTING TO REPRESENT VILLAGE,
946 EXCEPT AS AND TO THE EXTENT EXPRESSLY SET FORTH HEREIN. DEVELOPER AND
947 VILLAGE AGREE THAT THE PROVISIONS OF THIS SECTION SURVIVE THE CLOSING
948 OF THE TRANSACTION CONTEMPLATED BY THIS CONTRACT.
949

950 **15.2 Purchase Price.**

951 a. Village shall transfer title to the Village owned portions of the Phase I Property
952 for a purchase price equal to Two Million Forty Thousand Dollars (\$2,040,000.00) (the "Phase I
953 Purchase Price") subject to Section 8.9 of this Agreement. Village shall transfer title to the Phase
954 II Residential Property, if applicable, for a purchase price equal to One Dollars (\$1.00) (the
955 "Phase II Purchase Price"; the Phase I Purchase Price and Phase II Purchase Price are sometimes
956 collectively referred to herein as the "Purchase Price"). Developer's closing costs shall be
957 reimbursed as part of the TIF Eligible Expenses for the Project to the extent allowed by law.

958 **15.3 Title.**

959 a. **Title Commitment; Title Policy and Survey.** Within thirty (30) days after the
960 date hereof, Village shall cause to be furnished to Developer a (i) title commitment
961 ("Commitment") issued by Chicago Title Insurance Company ("Title Company"), covering the
962 Property, together with true and legible copies of all documents creating or establishing
963 easements, restrictions, and other items referred to as exceptions in Schedule "B" and Schedule
964 "C" of the Commitment ("Title Documents") and an ALTA/ACSM Land Title Survey, including
965 Table A - Optional Survey Responsibilities and Specifications Nos. 1, 3, 4, 7(a), 8, 10 and 11(a),

966 prepared and certified to Developer, Title Company and Developer's construction lender or
967 other identified third parties in accordance with the *2005 Minimum Standard Detail Requirements*
968 *for ALTA/ACSM Land Title Surveys as adopted by American Land Title Association and National*
969 *Society of Professional Surveyors ("Survey")*.

970 b. Objections. Developer shall have thirty (30) days following receipt of the
971 Commitment, Title Documents and Survey to review the Commitment, Title Documents and
972 Survey and to provide to Village in writing a specific list of Developer's objections to any of
973 them other than the Agreed Exceptions, as defined below, and Consensual Liens ("Title
974 Objections"). Any item constituting an encumbrance upon or adversely affecting title to the
975 Property (except for Agreed Exceptions and Consensual Liens) which is not objected to by
976 Developer in writing by such time shall be deemed approved by Developer and shall constitute
977 a Permitted Exception (as hereinafter defined). All title exceptions listed on the Attached Exhibit
978 "___" are collectively referred to as "Agreed Exceptions" and shall constitute Permitted
979 Exceptions. Any mortgages, security interests, financing statements, special assessments, taxes
980 or any lien recorded against the Property following the Agreement Date with the consent or
981 acquiescence of Village are collectively referred to as the "Consensual Liens" and none of such
982 Consensual Liens shall constitute, be or become Permitted Exceptions. Village shall cause all
983 Consensual Liens to be paid and discharged in full on the applicable Closing Date and, in the
984 event Village fails to do so, Developer shall have the right to deduct and apply so much of the
985 Purchase Price as is reasonably required to do so; which application, to the extent insufficient to
986 remove such Consensual Liens, shall not relieve Village of the obligation to remit such
987 additional amounts as may be necessary to consummate full removal of such Consensual Liens.
988 The phrase "Permitted Exceptions" shall mean the Agreed Exceptions and those exceptions to
989 title set forth in the Commitment, Title Documents and Survey and accepted or deemed

990 approved by Developer pursuant to the terms hereof, except Consensual Liens as provided
991 above, which shall not constitute Permitted Exceptions.

992 c. Cure. Village shall have the right, but not the obligation for a period of twenty-
993 one (21) days after receipt of Developer's Title Objections (the "Cure Period"), to cure (or commit
994 to cure at or prior to Closing) by delivery of written notice thereof to Developer within the Cure
995 Period any or all Title Objections contained in Developer's notice. If any such Title Objections
996 are not cured (or, if reasonably capable of being cured, Village has not committed to cure same
997 at or prior to Closing) within the Cure Period, or if Village sooner elects not to cure such Title
998 Objection by written notice to Developer, Developer shall have until the earlier of the expiration
999 of the Cure Period or five (5) days after the receipt of such written notice within which to give
1000 Village written notice that Developer elects either (i) to waive all such uncured objections (in
1001 which case the uncured objections shall become Permitted Exceptions); or (ii) to terminate this
1002 Agreement. If Developer does not deliver such written notice within the above period,
1003 Developer shall be deemed to have waived its objections and all uncured Title Objections shall
1004 be Permitted Exceptions (except Consensual Liens, which shall not constitute Permitted
1005 Exceptions hereunder. If Developer terminates this Agreement in accordance with the
1006 foregoing, this Agreement shall immediately and automatically terminate, and neither Party
1007 shall have any further obligations to the other hereunder (except any obligations, which this
1008 Agreement provides survive termination, which shall include repurchase of the Property then
1009 owned by the Developer and reimbursement of the amounts set forth in Section 9.20, as the
1010 Village would otherwise reimburse Developer in the event that the Village elected not to
1011 proceed under such Section 9.20).

1012 **15.4 Closing Deliveries.**

1013 a. **Village.** The Phase I Closing Date shall occur on or before July 25, 2007, provided
1014 all the conditions precedent described in this Agreement have been satisfied, including but not
1015 limited to: Village obtaining title to the Unowned Property, full execution of this Agreement,
1016 adoption of the Final Planned Development Ordinance, and compliance with all applicable
1017 provisions of this Agreement. Village agrees to consider a request of Developer that it be
1018 allowed to close on the Property earlier than July 25, 2007, provided all the conditions precedent
1019 described in this Agreement have been satisfied. The Phase II Closing Date shall be agreed upon
1020 pursuant to an amendment to this Agreement, provided all the conditions precedent described
1021 in this Agreement have been satisfied. On each Closing Date, Village shall deliver or cause to be
1022 delivered to Developer, the following with respect to the portion of the Property being
1023 conveyed:

- 1024 i. **Deed.** Special Warranty Deed, in form and substance reasonably
1025 acceptable to Developer, conveying such portion of the Property
1026 to Developer (or Developer's Permitted Assignee) free and clear of
1027 all liens, claims and encumbrances except for the Permitted
1028 Exceptions.
- 1029 ii. **Possession.** Exclusive possession of the Property.
- 1030 iii. **Title Policy.** An ALTA Form B Owner's Policy of Title Insurance
1031 for the Property, dated as of the applicable Closing Date, in the
1032 amount of the applicable Purchase Price, insuring title in
1033 Developer (or Developer's Permitted Assignee) in indefeasible fee
1034 simple, subject to no exceptions other than Permitted Exceptions
1035 with extended coverage (the "Title Policy"). Village shall pay the

1036 additional premium charged for extended coverage, however,
1037 Developer shall pay for any endorsements required by Developer
1038 or its Lender.

1039 iv. Closing Statement. A Closing Statement conforming to the
1040 prorations and other relevant provisions of this Agreement.

1041 v. Entity Transfer Certificate. An Entity Transfer Certification
1042 confirming that Village is a "United States Person" within the
1043 meaning of Section 1445 of the Internal Revenue Code of 1986, as
1044 amended.

1045 vi. Other. Such other documents and instruments as may be
1046 required by the Title Company as necessary to consummate this
1047 transaction and to otherwise effect the agreement of the parties
1048 hereto and not inconsistent with the terms of this Agreement,
1049 including but not limited to: (1) an Affidavit of Title, and (2) an
1050 A.L.T.A. Statement.

1051 b. Developer. On each Closing Date, Developer shall deliver or cause to be
1052 delivered to Village the following:

1053 i. Closing Statement. A Closing Statement conforming to the
1054 proration and other relevant provisions of this Agreement.

1055 ii. Corporate Resolutions/Authorizations. Such limited liability
1056 company resolutions and authorizations satisfactory to the Title
1057 Company evidencing Developer's authority to enter into and
1058 consummate this transaction and the acceptance of the
1059 conveyance of the Property, pursuant to this Agreement.

1060 iii. Other. Such other documents and instruments as may be
1061 required by the Title Company to consummate this transaction
1062 and to otherwise effect the agreement of the parties hereto and not
1063 inconsistent with the terms of this Agreement.

1064 **15.5 Prorations and Adjustments.** The following shall be prorated and adjusted between
1065 Village and Developer at the Closing, except as otherwise specified:

1066 a. Village will pay the basic premium for the Title Policy and any premiums for
1067 extended coverage; one-half of the escrow fee and New York closing fee charged by the Title
1068 Company; the costs to prepare the Deed; the costs to obtain, deliver, and record releases of all
1069 liens to be released at Closing; the costs to record all documents to cure Title Objections agreed
1070 to be cured by Village; the costs to obtain the Survey; the cost of state and county transfer
1071 stamps, if any, and Village's expenses and attorney's fees. Developer will pay one-half of the
1072 escrow fee and New York closing fee charged by Title Company; the costs to obtain, deliver,
1073 and record all documents other than those to be recorded at Village's expense; the costs of any
1074 work required by Developer to have the Survey reflect matters other than those required under
1075 this Agreement; the costs to obtain financing of the Purchase Price, including the incremental
1076 premium costs of mortgagee's title policies and endorsements and deletions required by
1077 Developer or Developer's lender; and Developer's expenses and attorney's fees. All general
1078 taxes and assessments, which are due and payable in arrears after any Closing Date, and
1079 assessments for improvements completed prior to but payable after such Closing Date, shall be
1080 prorated at such Closing based on each Party's period of ownership. Ad valorem real estate
1081 taxes for the Property will be prorated at 105% of most current available assessed value,
1082 equalization factor and tax rate between Developer and Village as of the applicable Closing
1083 Date. Village's portion of the prorated taxes will be credited to Developer at closing as an

1084 adjustment to the Purchase Price. If the assessment(s) for the year of closing and/or prior years
1085 are not known as of any Closing Date, the prorations will be based on taxes for the previous tax
1086 year. Village will promptly notify Developer of all notices of proposed or final tax valuations
1087 and assessments that Village receives after the Contract Date and prior to such Closing. If this
1088 sale or Developer's use of the Premises after such Closing results in the assessment of additional
1089 taxes for periods prior to Closing, Developer will pay the additional taxes. All taxes due as of
1090 such Closing will be paid at such Closing. Such other items that are customarily prorated in
1091 transactions of this nature, if any, shall be ratably prorated. For purposes of calculating
1092 prorations, Developer shall be deemed to be in title to the applicable portion of the Property on
1093 the corresponding Closing Date. All such prorations shall be made on the basis of the actual
1094 number of days of the year which shall have elapsed as of such Closing Date. The amount of
1095 the ad valorem real estate tax proration shall be adjusted in cash after such Closing as and when
1096 the final tax bill for such period(s) becomes available. Village and Developer agree to cooperate
1097 and use their diligent and good faith efforts to make such adjustments no later than thirty (30)
1098 days after such information becomes available.

1099 **ARTICLE SIXTEEN**

1100 **EVENTS OF DEFAULT AND REMEDIES.**

1101 **16.1 Developer Events of Default.** The following shall be Events of Default with respect to
1102 this Agreement:

1103 a. If any representation made by Developer in this Agreement, or in any certificate,
1104 notice, demand or request made by a Party hereto, in writing and delivered to Village pursuant
1105 to or in connection with any of said documents, shall prove to be untrue or incorrect in any
1106 material respect as of the date made; provided, however, that such default shall constitute an

1107 Event of Default only if Developer does not remedy the default, within thirty (30) days after
1108 written notice from Village.

1109 b. Default by Developer for a period of thirty (30) days after written notice thereof
1110 in the performance or breach of any covenant contained in this Agreement concerning the
1111 existence, structure or financial condition of Developer; provided, however, that such default or
1112 breach shall not constitute an Event of Default if such default cannot be cured within said thirty
1113 (30) days and Developer, within said thirty (30) days, initiates and diligently pursues
1114 appropriate measures to remedy the default; provided, however, that such additional period
1115 will be limited to an additional thirty (30) days in the event that permitting a longer period for
1116 cure would materially threaten or jeopardize the value, TIF increment projection or completion
1117 of the Project. However, in no event shall the additional period be longer than ninety (90) days
1118 in the event that the Village, in its sole discretion, feels that a longer period for cure would
1119 materially threaten or jeopardize the value, TIF Increment Projection, or completion of the
1120 Project.

1121 c. Default by Developer in the performance or breach of any covenant, warranty,
1122 representation, or obligation contained in this Agreement which is not cured within thirty (30)
1123 days (or such longer other time permitted for cure thereunder) after written notice of such
1124 breach; provided, however, that such default shall not constitute an Event of Default if such
1125 default cannot be cured within said thirty (30) days initiates and diligently pursues appropriate
1126 measures to remedy the default; provide, however, that such period shall be limited to an
1127 additional sixty (60) days in the event that permitting a longer period for cure would materially
1128 threaten or jeopardize the value, TIF Increment projection, or completion of the Project.
1129 However, in no event shall the additional period be longer than ninety (90) days in the event

1130 that the Village, in its sole discretion, feels that a longer period for cure would materially
1131 threaten or jeopardize the value, TIF Increment Projection, or completion of the Project.

1132 d. The entry of a decree or order for relief by a court having jurisdiction in the
1133 premises in respect of Developer in an involuntary case under the federal bankruptcy laws, as
1134 now or hereafter constituted, or any other applicable federal or state bankruptcy, insolvency or
1135 other similar law, or appointing a receiver, liquidator, assignee, custodian, trustee, sequestrator
1136 (or similar official) of Developer for any part of its property, and either ordering the winding-up
1137 or liquidation of its affairs and the continuance of any such decree or order unstayed and in
1138 effect for a period of ninety (90) consecutive days, or where a plan of reorganization acceptable
1139 to Village in not confirmed within one hundred twenty (120) days after such order or decree or
1140 such earlier date as the court might otherwise order.

1141 e. The commencement (i) by Developer of a voluntary case under the federal
1142 bankruptcy laws, as now or hereafter constituted, or any other applicable federal or state
1143 bankruptcy, insolvency or other similar law; (ii) by any third party or parties of an involuntary
1144 case under the federal bankruptcy laws, as now or hereafter constituted, or any other applicable
1145 federal or state bankruptcy, insolvency or other similar law, which is not dismissed or with
1146 respect to which a plan of reorganization acceptable to Village has not been confirmed within
1147 ninety (90) days after commencement, or the consent by Developer to the appointment of or
1148 taking possession by a receiver, liquidator, assignee, trustee, custodian, sequestrator (or similar
1149 official) of Developer or of any part of the Property, or the making by Developer of any
1150 assignment for the benefit of creditors, or the failure of Developer generally to pay such entity's
1151 debts as such debts become due or the taking of action by Developer in furtherance of any of the
1152 foregoing.

1153 f. Developer's failure to have funds to meet Developer's obligations.

1154 g. Failure to renew or extend the LOC referenced in Section 9.6 thirty (30) or more
1155 days prior to its expiry (in which event Village may draw the full amount of the LOC).

1156 h. Sale, assignment, or transfer of the Project except in accordance with this
1157 Agreement.

1158 i. Change in Developer (other than to Permitted Transferees).

1159 j. Developer stops work on the Project for more than thirty (30) consecutive days
1160 for any reason other than Uncontrollable Circumstances.

1161 k. Developer fails to comply with applicable governmental codes and regulations in
1162 relation to the construction and maintenance of the buildings during the time period between
1163 commencement of construction and the date that control over the condominium association is
1164 turned over by the Developer to the condominium association. Subject to the time period in the
1165 preceding sentence, the maintenance requirement of this provision shall not be covered by and
1166 shall survive any Certificate of Completion or Estoppel Certificate of any kind issued during the
1167 term of this Agreement

1168 **16.2 Village Events of Default.** The following shall be Events of Default with respect to this
1169 Agreement:

1170 a. if any material representation made by Village in this Agreement, or in any
1171 certificate, notice, demand or request made by a Party hereto, in writing and delivered to
1172 Developer pursuant to or in connection with any of said documents, shall prove to be untrue or
1173 incorrect in any material respect as of the date made, provided, however, that such default shall
1174 constitute an Event of Default only if such breach materially threatens or jeopardizes the value
1175 or completion of the Project and Village does not remedy the default within thirty (30) days
1176 after written notice from Developer.

1177 b. default by Village in the performance or breach of any material covenant
1178 contained in this Agreement concerning the existence, structure or financial condition of
1179 Village; provided, however, that such default or breach shall constitute an Event of Default only
1180 if such breach materially threatens or jeopardizes the value or completion of the Project and
1181 Village does not, within thirty (30) days after written notice from Developer, initiate and
1182 diligently pursue appropriate measures to remedy the default, and such additional period for
1183 cure will not materially threaten or jeopardize the value or completion of the Project.

1184 c. default by Village in the performance or breach of any material covenant,
1185 warranty or obligation contained in this Agreement; provided, however, that such default shall
1186 not constitute an Event of Default if Village, commences cure within thirty (30) days after
1187 written notice from Developer and in any event cures such default within sixty (60) days after
1188 such notice, subject to Uncontrollable Circumstances.

1189 d. failure to have funds to meet Village's obligations.

1190 **16.3 Remedies for Default.**

1191 a. In the case of an Event of Default hereunder, the non-defaulting Party may
1192 institute such proceedings as may be necessary or desirable in its opinion to cure or remedy
1193 such default or breach, including, but not limited to, proceedings to compel specific
1194 performance of the defaulting Party's obligations under this Agreement.

1195 b. In the event Village shall have proceeded to enforce its rights under this
1196 Agreement and such proceedings shall have been discontinued or abandoned for any reason,
1197 then, and in each such case, Developer and Village shall be restored respectively to their several
1198 positions and rights hereunder, and all rights, remedies and powers of Developer and Village
1199 shall continue as though no such proceedings had been taken.

1200 c. In the case of an Event of Default by Developer, in addition to recourse under the
1201 LOC and any other remedies at law or in equity, Village shall be relieved of its obligations
1202 under this Agreement, including but not limited to its obligations to accord Developer
1203 "exclusive" developer status as set forth in Article Five.

1204 d. In the event a "Default Date" as defined in Exhibit "J" exists, Village may
1205 immediately draw on the LOC, without rights of Developer to cure.

1206 **16.4 Agreement to Pay Attorneys' Fees and Expenses.** In the event an Event of Default is
1207 not cured within the applicable cure periods and the Parties employ an attorney or attorneys or
1208 incur other expenses for the collection of the payments due under this Agreement or the
1209 enforcement of performance or observance of any obligation or agreement herein contained, the
1210 non-prevailing Party shall pay, on demand, the prevailing Party's reasonable fees of such
1211 attorneys and such other reasonable expenses in connection with such enforcement action.
1212 Village's duty to pay shall be subject to the Illinois Local Government Prompt Payment Act.

1213 **16.5 No Waiver by Delay or Otherwise.** Any delay by either Party in instituting or
1214 prosecuting any actions or proceedings or otherwise asserting its rights under this Agreement
1215 shall not operate to act as a waiver of such rights or to deprive it of or limit such rights in any
1216 way (it being the intent of this provision that neither Party should be deprived of or limited in
1217 the exercise of the remedies provided in this Agreement because of concepts of waiver, laches
1218 or otherwise); nor shall any waiver in fact made with respect to any specific Event of Default be
1219 considered or treated as a waiver of the rights by the waiving Party of any future Event of
1220 Default hereunder, except to the extent specifically waived in writing. No waiver made with
1221 respect to the performance, or the manner or time thereof, of any obligation or any condition
1222 under the Agreement shall be considered a waiver of any rights except if expressly waived in
1223 writing.

1224 **16.6 Rights and Remedies Cumulative.** The rights and remedies of the Parties to this
1225 Agreement, whether provided by law or by this Agreement, shall be cumulative, and the
1226 exercise of any one or more of such remedies shall not preclude the exercise by such Party, at
1227 that time or different times, of any other such remedies for the same Event of Default.

1228 **ARTICLE SEVENTEEN**

1229 **EQUAL EMPLOYMENT OPPORTUNITY**

1230 **17.1 No Discrimination.** Developer will not discriminate against any employee or applicant
1231 for employment on the basis of race, color, religion, sex or national origin. To the fullest extent
1232 permitted by law, Developer will take affirmative action to ensure that applicants are employed
1233 and treated during employment, without regard to their race, color, religion, sex or national
1234 origin. Such action shall include, but not be limited to, the following: employment, upgrading,
1235 demotion, transfer, recruitment, recruitment advertising, layoff, termination, rate of pay or
1236 other forms of compensation and selection for training, including apprenticeship. Developer
1237 agrees to post in conspicuous places, available to employees and applicants for employment,
1238 notices to be provided by Village setting forth the provisions of this nondiscrimination clause.

1239 **17.2 Advertisements.** Developer will, in all solicitations or advertisements for employees
1240 placed by or on behalf of Developer, state that all qualified applicants will receive consideration
1241 for employment without regard to race, color, religion, sex or national origin.

1242 **17.3 Contractors.** Any contracts made by Developer with any general contractor, agent,
1243 employee, independent contractor or any other Person in connection with Project shall contain
1244 language similar to that recited in Sections 17.1 and 17.2 above.

1245 ARTICLE EIGHTEEN

1246 MISCELLANEOUS PROVISIONS.

1247 **18.1 Cancellation.** In the event prior to Closing on any portion of the Property, Developer or
1248 Village shall be prohibited, for a period of more than ninety (90) days, in any material respect,
1249 from performing covenants and agreements or enjoying the rights and privileges herein
1250 contained, or contained in the Redevelopment Plan, including Developer's duty to build the
1251 Project, by any Uncontrollable Circumstance, or in the event that all or any part of the Act or
1252 any ordinance adopted by Village in connection with the Project, shall be declared invalid or
1253 unconstitutional, in whole or in part, by a final decision of a court of competent jurisdiction and
1254 such declaration shall materially affect the Redevelopment Plan or the covenants and
1255 agreements or rights and privileges of Developer or Village, or if Village is unsuccessful in any
1256 eminent domain or Quick Take proceedings initiated pursuant to this Agreement, then and in
1257 any such event, the Party so affected may, at its election, cancel or terminate this Agreement in
1258 whole or in part (with respect to that portion of the Project materially affected) by giving
1259 written notice thereof to the other prior to Closing. If Village terminates this Agreement
1260 pursuant to this Section 18.1, to the extent it is then appropriate, Village, at its option, may also
1261 terminate its duties, obligation and liability under all or any related documents and agreements.
1262 In the event of any termination/cancellation, the LOC shall be released to Developer unless
1263 required to cure a default. The foregoing shall not operate to modify the termination provisions
1264 or any other provision of this Agreement.

1265 **18.2 Notices.** All notices, certificates, approvals, consents or other communications desired
1266 or required to be given hereunder shall be given in writing at the addresses set forth below, by
1267 any of the following means: (a) personal service, (b) overnight courier, or (c) registered or
1268 certified first class mail, postage prepaid, return receipt requested.

1311 and any notices, demands or requests sent pursuant to clause (c) shall be deemed received
1312 forty-eight (48) hours following deposit in the mail.

1313 **18.3 Time of the Essence.** Time is of the essence of this Agreement.

1314 **18.4 Counterparts.** This Agreement may be executed in several counterparts, each of which
1315 shall be an original and all of which shall constitute but one and the same Agreement.

1316 **18.5 Recordation of Agreement.** The Parties agree to record this Agreement in the
1317 Recorder's Office of Cook County.

1318 **18.6 Severability.** If any provision of this Agreement, or any section, sentence, clause,
1319 phrase or word, or the application thereof, in any circumstance, is held to be invalid, the
1320 remainder of this Agreement shall be construed as if such invalid part were never included
1321 herein, and this Agreement shall be and remain valid and enforceable to the fullest extent
1322 permitted by law.

1323 **18.7 Choice of Law.** This Agreement shall be governed by and construed in accordance with
1324 the laws of the State of Illinois.

1325 **18.8 Entire Contract and Amendments.** This Agreement (together with the exhibits
1326 attached hereto) is the entire contract and a full integration of the Agreement between Village
1327 and Developer relating to the subject matter hereof, supersedes all prior and contemporaneous
1328 negotiations, understandings and agreements, written or oral, between Village and Developer,
1329 and may not be modified or amended except by a written instrument executed by the Parties
1330 hereto.

1331 **18.9 Third Parties.** Nothing in this Agreement, whether expressed or implied, is intended to
1332 confer any rights or remedies under or by reason of this Agreement on any other persons other
1333 than Village and Developer, nor is anything in this Agreement intended to relieve or discharge
1334 the obligation or liability of any third persons to either Village or Developer, nor shall any

1335 provision give any third parties any rights of subrogation or action over or against either
1336 Village or Developer. This Agreement is not intended to and does not create any third party
1337 beneficiary rights whatsoever.

1338 **18.10 Waiver.** Any Party to this Agreement may elect to waive any right or remedy it may
1339 enjoy hereunder, provided that no such waiver shall be deemed to exist unless such waiver is in
1340 writing. No such waiver shall obligate the waiver of any other right or remedy hereunder, or
1341 shall be deemed to constitute a waiver of other rights and remedies provided pursuant to this
1342 Agreement.

1343 **18.11 Cooperation and Further Assurances.** Village and Developer each covenants and
1344 agrees that each will do, execute, acknowledge and deliver or cause to be done, executed and
1345 delivered, such agreements, instruments and documents supplemental hereto and such further
1346 acts, instruments, pledges and transfers as may be reasonably required for the better clarifying,
1347 assuring, mortgaging, conveying, transferring, pledging, assigning and confirming unto Village
1348 or Developer or other appropriate persons all and singular the rights, property and revenues
1349 covenanted, agreed, conveyed, assigned, transferred and pledged under or in respect of this
1350 Agreement.

1351 **18.12 Successors in Interest.** This Agreement shall be binding upon and inure to the benefit
1352 of the Parties hereto and their respective authorized successors and assigns; provided, however,
1353 that, except as provided in Section 10.10 hereof, Developer may not assign its rights under this
1354 Agreement without the express written approval of Village. Notwithstanding anything herein
1355 to the contrary, Village may not delegate its obligation hereunder or except as provided herein,
1356 transfer any interest in Village Property without the express written approval of Developer.

1357 **18.13 No Joint Venture, Agency or Partnership Created.** Nothing in this Agreement, or any
1358 actions of the Parties to this Agreement, shall be construed by the Parties or any third person to
1359 create the relationship of a partnership, agency or joint venture between or among such parties.

1360 **18.14 No Personal Liability of Officials of Village or Developer.** No covenant or agreement
1361 contained in this Agreement shall be deemed to be the covenant or agreement of the Mayor,
1362 Village Council member, Village Manager, any official, officer, partner, member, director, agent,
1363 employee or attorney of Village or Developer, in his or her individual capacity, and no official,
1364 officer, partner, member, director, agent, employee or attorney of Village or Developer shall be
1365 liable personally under this Agreement or be subject to any personal liability or accountability
1366 by reason of or in connection with or arising out of the execution, delivery and performance of
1367 this Agreement, or any failure in that connection.

1368 **18.15 Repealer.** To the extent that any ordinance, resolution, rule, order or provision of
1369 Village's code of ordinances, or any part thereof, is in conflict with the provisions of this
1370 Agreement, the provisions of this Agreement shall be controlling, to the extent lawful.

1371 **18.16 Term.** This Agreement shall remain in full force and effect for twenty-three (23) years
1372 from the date the Downtown Redevelopment Project Area was created, unless the
1373 Redevelopment Plan with respect to the Project is extended or until termination of the
1374 Downtown Redevelopment Project Area or until otherwise terminated pursuant to the terms of
1375 this Agreement.

1376 **18.17 Estoppel Certificates.** Each of the parties hereto agrees to provide the other, upon not
1377 less than ten (10) business days prior request, a certificate ("Estoppel Certificate") certifying that
1378 this Agreement is in full force and effect (unless such is not the case, in which such parties shall
1379 specify the basis for such claim), that the requesting party is not in default of any term,
1380 provision or condition of this Agreement beyond any applicable notice and cure provision (or

1381 specifying each such claimed default) and certifying such other matters reasonably requested by
1382 the requesting party.

1383 **18.18 Municipal Limitations.** All municipal commitments are limited to the extent required
1384 by law.

1385 **18.19 Prevailing Wage Act Compliance. Prevailing Wages.** Developer acknowledges that
1386 construction and installation for municipal infrastructure in connection with this Agreement
1387 requires compliance with the Prevailing Wage Law and Developer's agreements with
1388 contractors and subcontractors shall so comply. Pursuant to the Prevailing Wage Law,
1389 Developer shall require that contractors and sub-contractors make available upon reasonable
1390 request from the Village, but not more than twice a year, certified payroll to the Village. These
1391 records shall be kept by the Village for three (3) years and aer subject to review through
1392 Freedom of Information Act (FOIA), provided that for purposes of public review, such records
1393 would not include an employee's address, phone number or social security number.

1394 **ARTICLE NINETEEN**

1395 **EFFECTIVENESS**

1396 The Effective Date for this Agreement shall be the day on which this Agreement is fully
1397 executed pursuant to a duly enacted Village ordinance authorizing the execution and adoption
1398 of this Agreement. Developer shall execute this Agreement not later than twenty-one (21) days
1399 after Village Council authorization of execution of this Agreement or else this Agreement will
1400 be deemed void.

1401 IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed
1402 on or as of the day and year first above written.

1403 VILLAGE OF PALATINE, an Illinois
1404 municipal corporation

1405
1406 By: R. J. Otter
1407 Its: Village Manager

1408 ATTEST:
1409 By: Deborah Rayborn
1410 Its: Village Clerk - DEPUTY

1411 DEVELOPER:

1412 FOCUS DEVELOPMENT, INC.

1413
1414 By: Timothy J. Anderson
1415 Name: TIMOTHY J. ANDERSON
1416 Its: PRESIDENT

1417
1418 STATE OF ILLINOIS)
1419) SS
1420 COUNTY OF _____)

1421
1422
1423 I, Christina W. Mesker, a Notary Public in and for said County, in
1424 the State aforesaid, DO HEREBY CERTIFY, that Timothy J. Anderson, President
1425 of Focus Development, Inc., an Illinois corporation, who is personally known to me to be the
1426 same person whose name is subscribed to the foregoing instrument, appeared before me this
1427 day in person and acknowledged that he signed and delivered the said instrument as his own
1428 free and voluntary act and as the free and voluntary act of said Focus Development, Inc., for
1429 the uses and purposes therein set forth.

1430
1431 GIVEN under my hand and Notarial Seal this 23rd day of April, 2007.

1432
1433
1434 Christina W. Mesker
1435 Notary Public

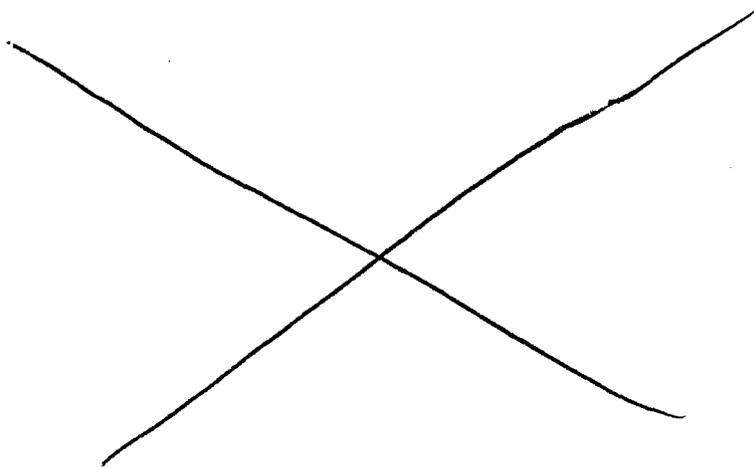
1436
1437 My commission expires 7-6-10



03-14-07 4 pm
RCK revisions

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EXHIBIT A
Entire Redevelopment Project Area

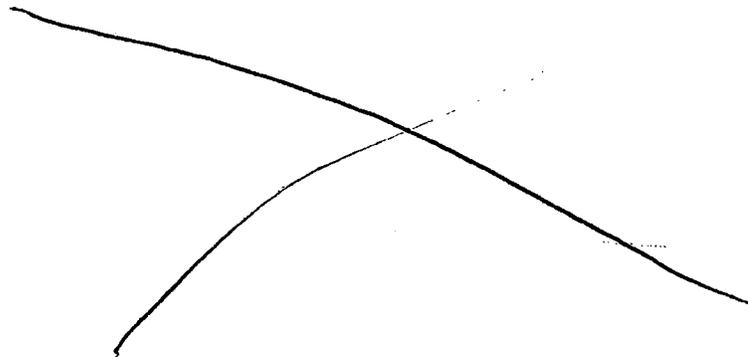


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03-14-07 4 pm
RCK revisions

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EXHIBIT B
Planned Development Ordinance



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EXHIBIT C

Legal Description - Phase I Property

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P.I.N. 02-15-414-010 36 West Wilson Street, Palatine, IL 60067

P.I.N. 02-15-414-011 35 West Wood Street, Palatine, IL 60067

- Lots 1, 2 and 8 in Block "B" in Town of Palatine, a Subdivision of the West 16-2/3 acres of the South 31 acres of the West 1/2 of the Southwest 1/4 of Section 15, and the Southeast 24.12 acres of the South 31 acres of the East 1/2 of the Southeast 1/4 of Section 15, Township 42 North, Range 10 East of the Third Principal Meridian in Cook County, Illinois.
-

P.I.N. 02-15-414-012 123 North Brockway, Palatine, IL 60067

- The North 1/2 of Lots 3 and 4 (except the East 45 feet thereof) in Block "B" in Palatine in Cook County, Illinois, according to the plat thereof recorded August 20, 1869 in Book 170 of Maps, Pages 94 and 95, as Document 23021 and rerecorded April 10, 1877 in Book 13 of Plats, Pages 3 and 4, as Document 129579, in Cook County, Illinois.
-

P.I.N. 02-15-414-009 44 West Wilson, Palatine, IL 60067

- Lot 7 in Block "B" in Palatine, being a subdivision by Joel Wood of part of the Southeast Quarter of Section 15, and part of the Southwest Quarter of Section 14, Township 42 North, Range 10, East of the Third Principal Meridian in Cook County, Illinois.
-

P.I.N. 02-15-414-013 55 West Wood Street, Palatine, IL 60067

- The East 45 Feet of the North 1/2 of Lot 3 in Block "B" in the Town of Palatine a Subdivision of the West 16 2/3 acres of the South 31 acres of the West 1/2 of the Southwest 1/4 of Section 14 and the Southeast 24.12 acres of the South 31 acres of the East 1/2 of the Southeast 1/4 of Section 15, Township 42 North, Range 10 East of the Third Principal Meridian in Cook County, Illinois according to the Plat thereof recorded August 20, 1877 in Book 13 of Plats pages 3 & 4 as Document No. 123579 in Cook County, Illinois.
-

P.I.N.'s 02-15-414-002, 004, 007, 008 56-58 West Wilson Street, Palatine, IL 60067

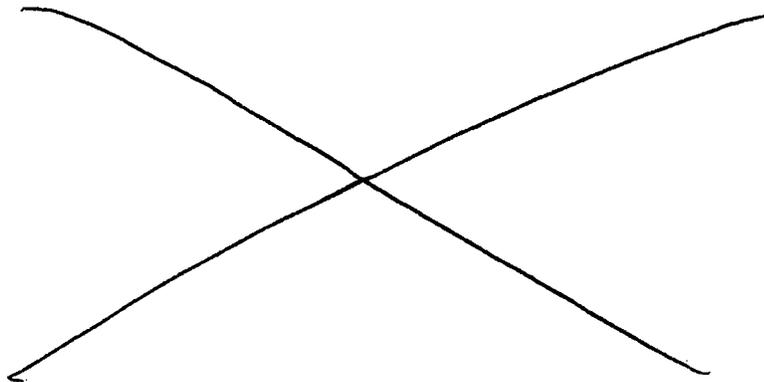
- The South 1/2 of Lots 3 and 4 and all of the Lots 5 and 6 in Block "B" in Palatine, in the East 1/2 of the Southeast 1/4 of Section 15, Township 42 North, Range 10, East of the Third Principal Meridian, according to the plat thereof recorded August 20, 1869 in Book 170 of Maps, Pages 94 and 95 as document 23021 and recorded April 10, 1877 in Book 13 of Plats, Pages 3 and 4 as document 129579 in Cook County, Illinois.
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EXHIBIT D

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Legal Description - Phase II Parking Garage Property

Lots Two (2), Three (3), Six (6) and Seven (7) in Block "C" in the Town of Palatine, Cook County, Illinois, according to the plat thereof recorded August 20, 1869 in Book 170 of maps at pages 94 and 95 as Document No. 23021 and rerecorded April 10, 1877 in Book 13 of plats at pages 3 and 4 as Document No. 129579.

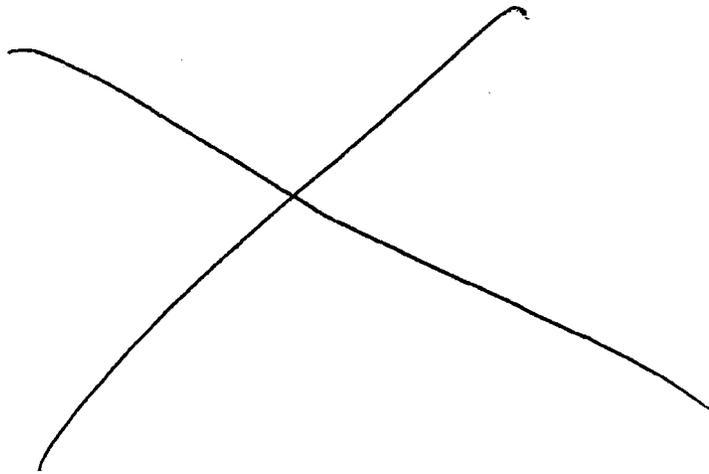


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EXHIBIT E

Legal Description - Phase II Residential Property

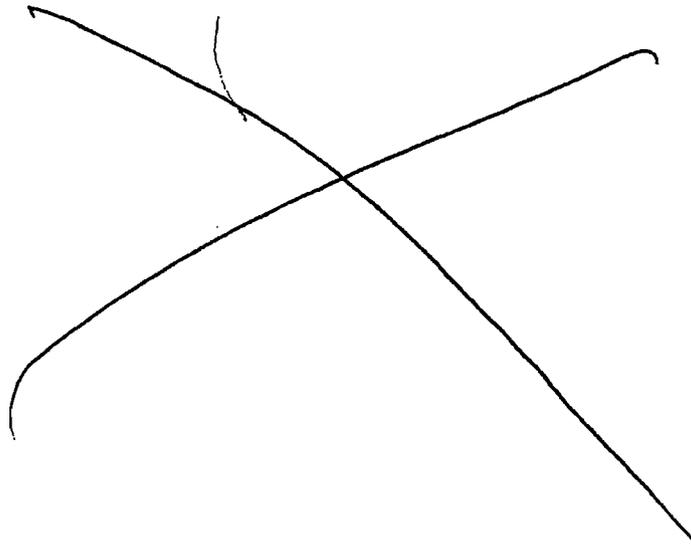
All that part of Bothwell Street lying South of the South line of Wood Street and North of the North line of Wilson Street lying between Block "B" and Block "C" in the Town of Palatine, Cook County, Illinois, according to the plat thereof recorded August 20, 1869 in Book 170 of maps at pages 94 and 95 as Document No. 23021 and rerecorded April 10, 1877 in Book 13 of plats at pages 3 and 4 as Document No. 129579.



03-14-07 4 pm
RCK revisions

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EXHIBIT F
Preliminary Plans



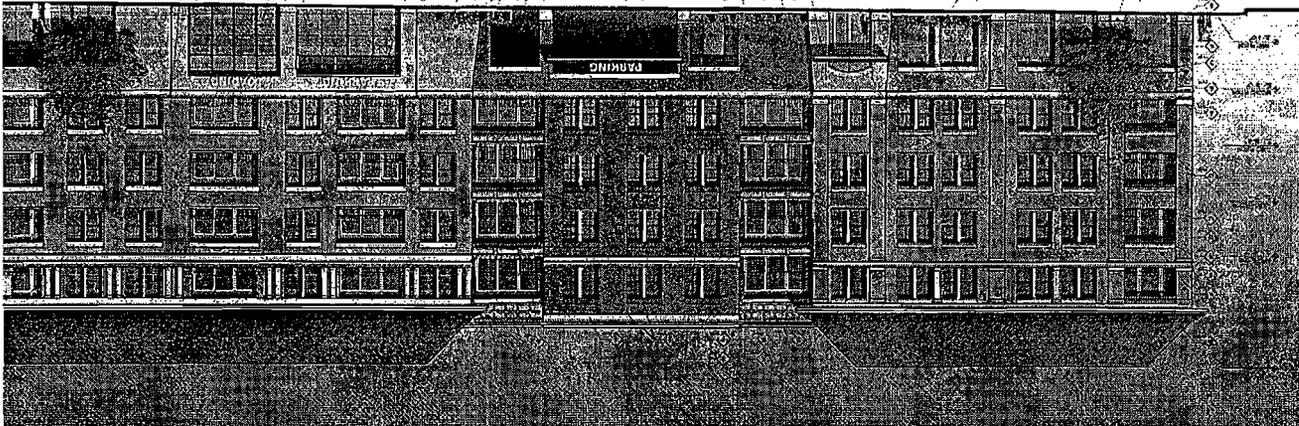
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PALATINE PLACE
PALATINE, ILLINOIS

FOCUS DEVELOPMENT, INC.

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WEST BUILDING

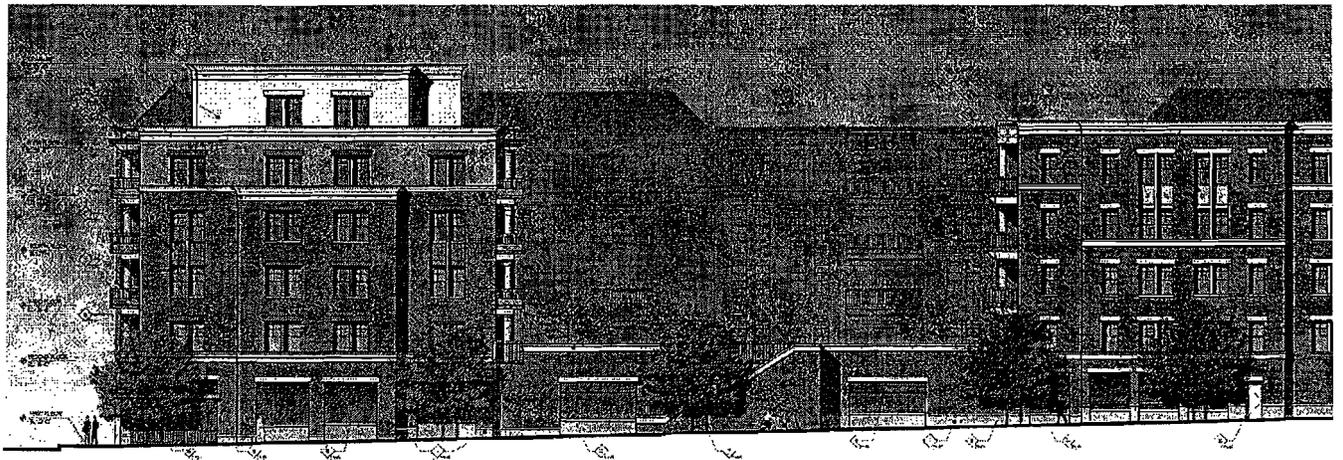


SOUTH AND WEST BUILDING
SOUTH ELEVATION





NORTH ELEVATION
NORTH AND SOUTH BUILDING
FOCUS DEVELOPMENT, INC.



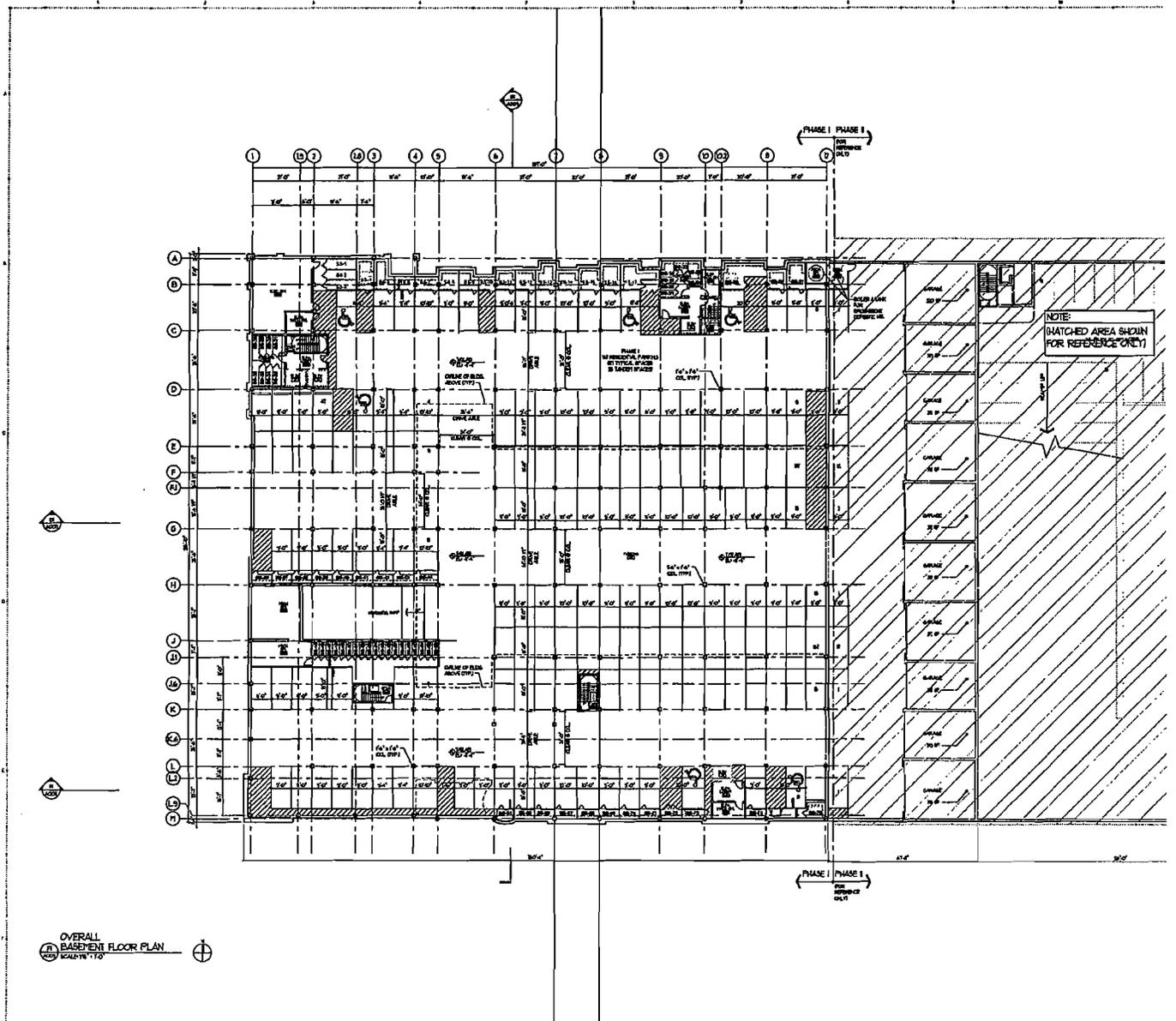
EAST ELEVATION
NORTH AND SOUTH BUILDING
FOCUS DEVELOPMENT, INC.

REVISIONS

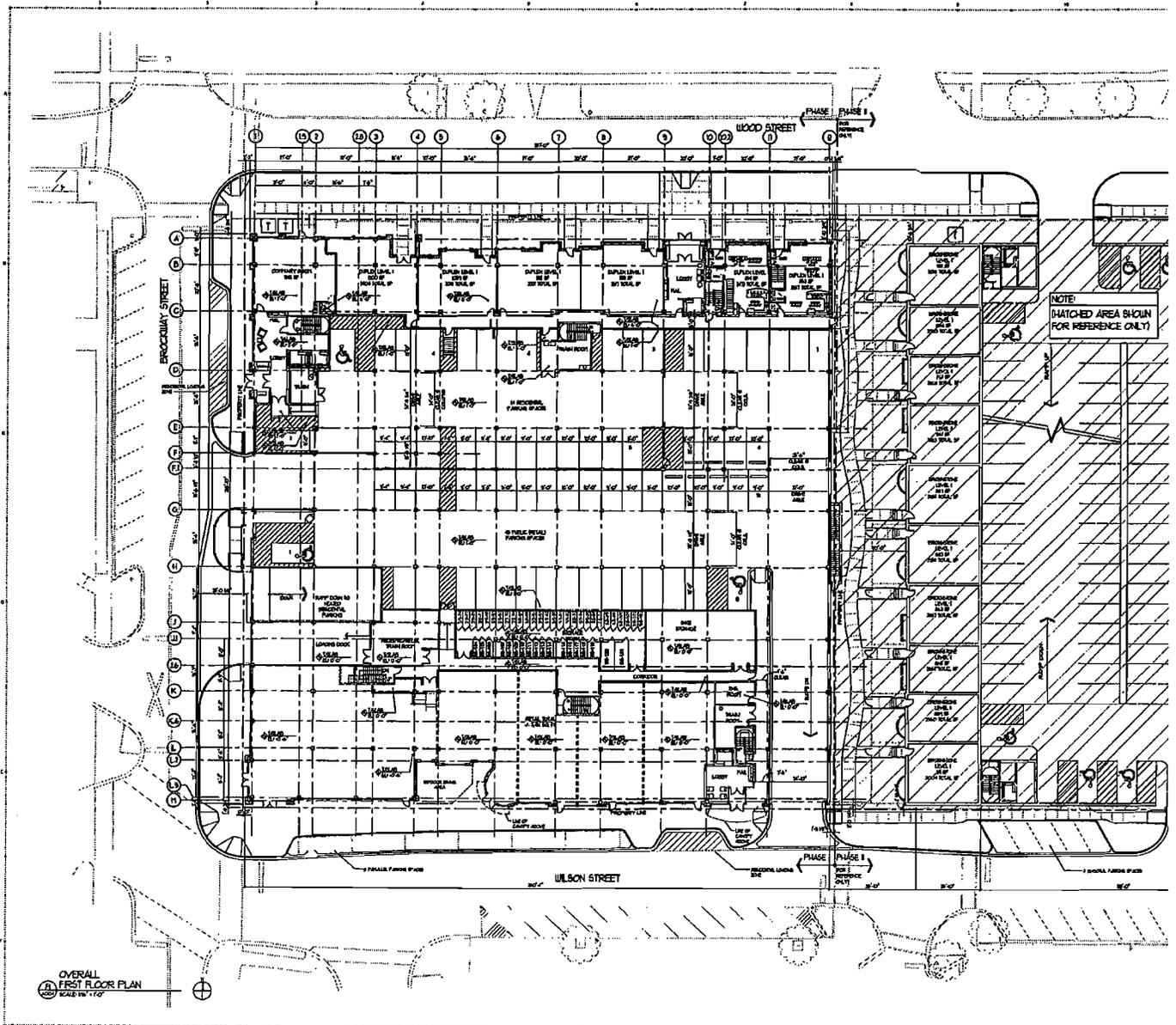
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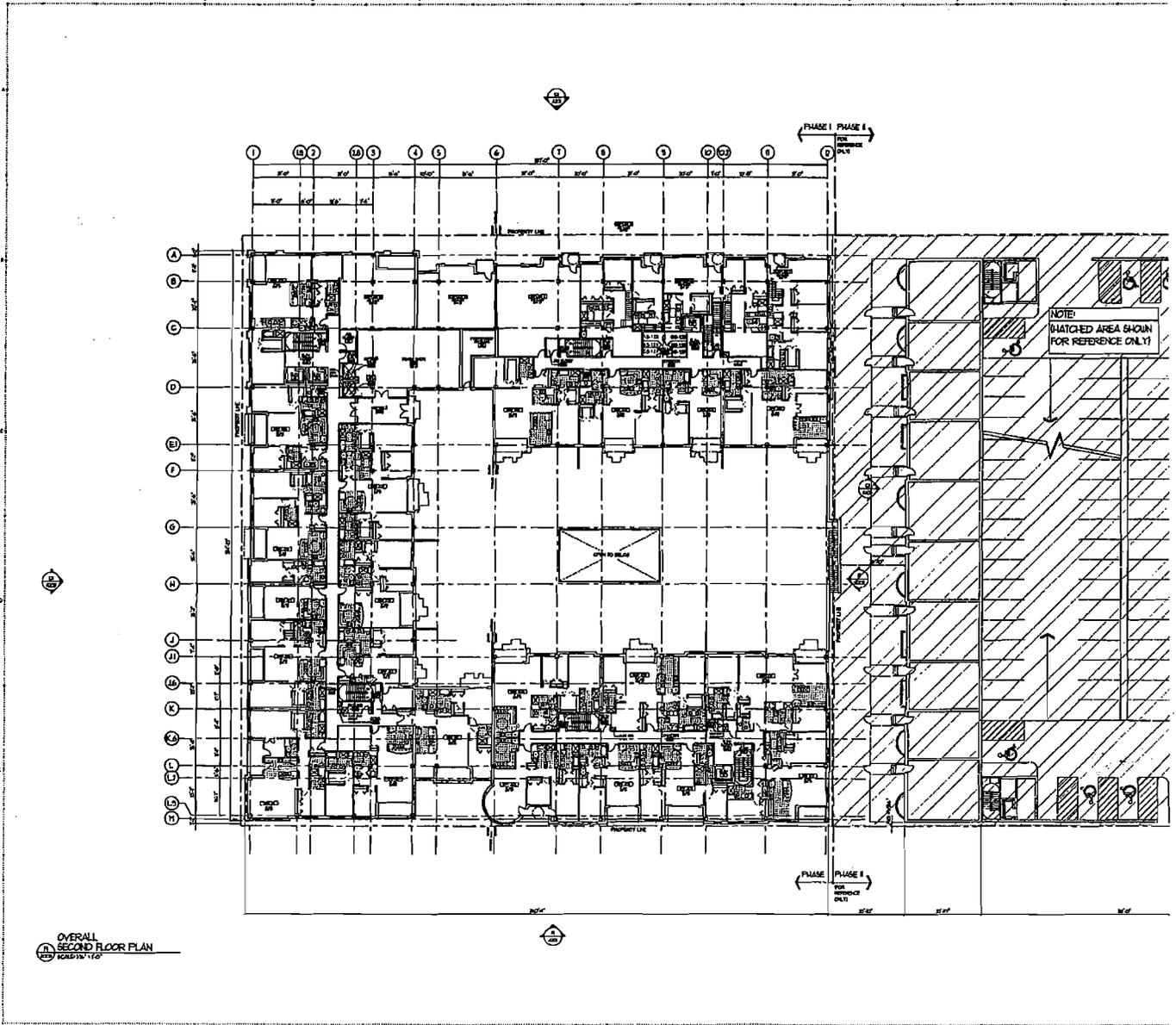
PALATINE PLACE
PALATINE, ILLINOIS

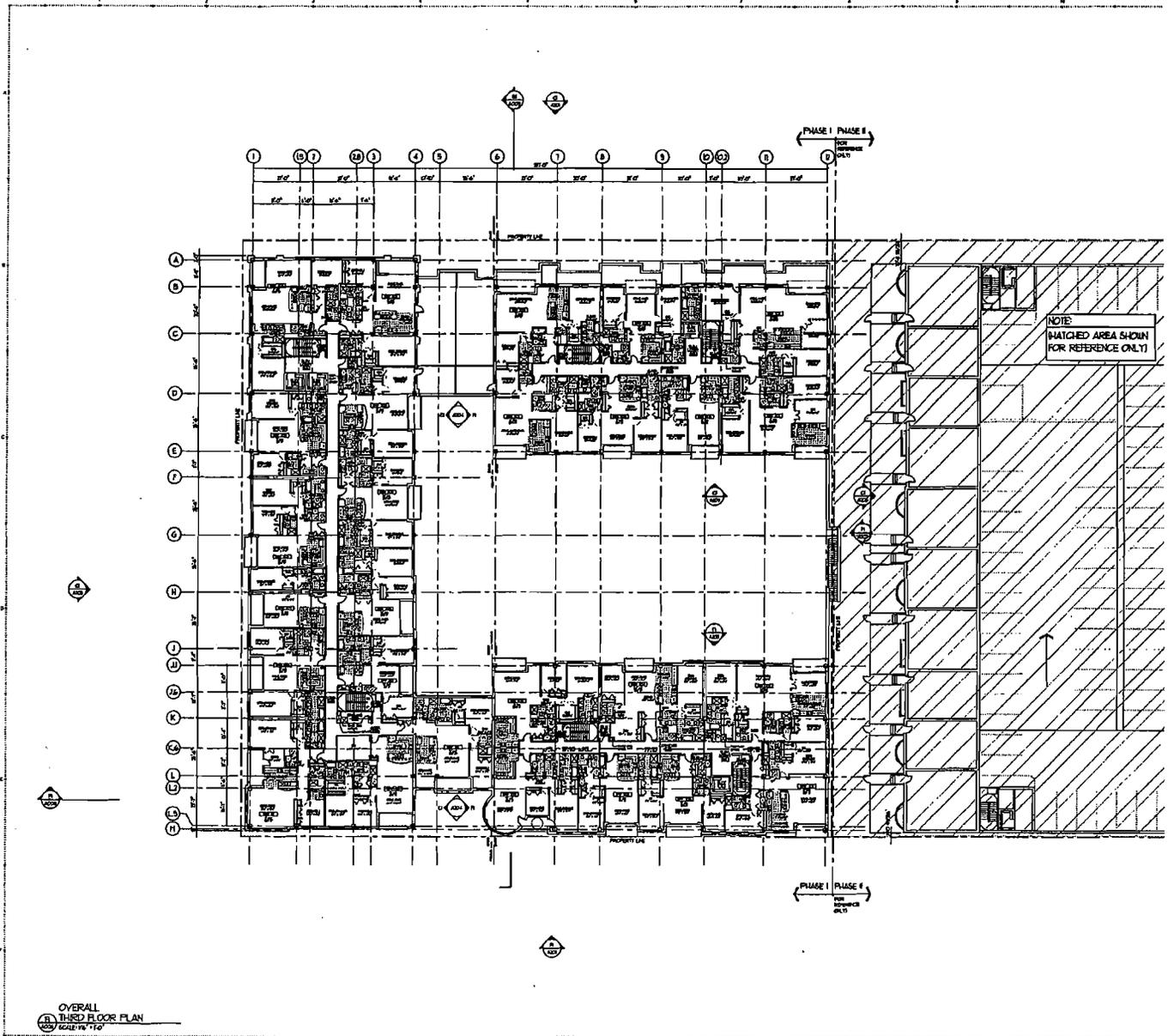
FOCUS DEVELOPMENT, INC.

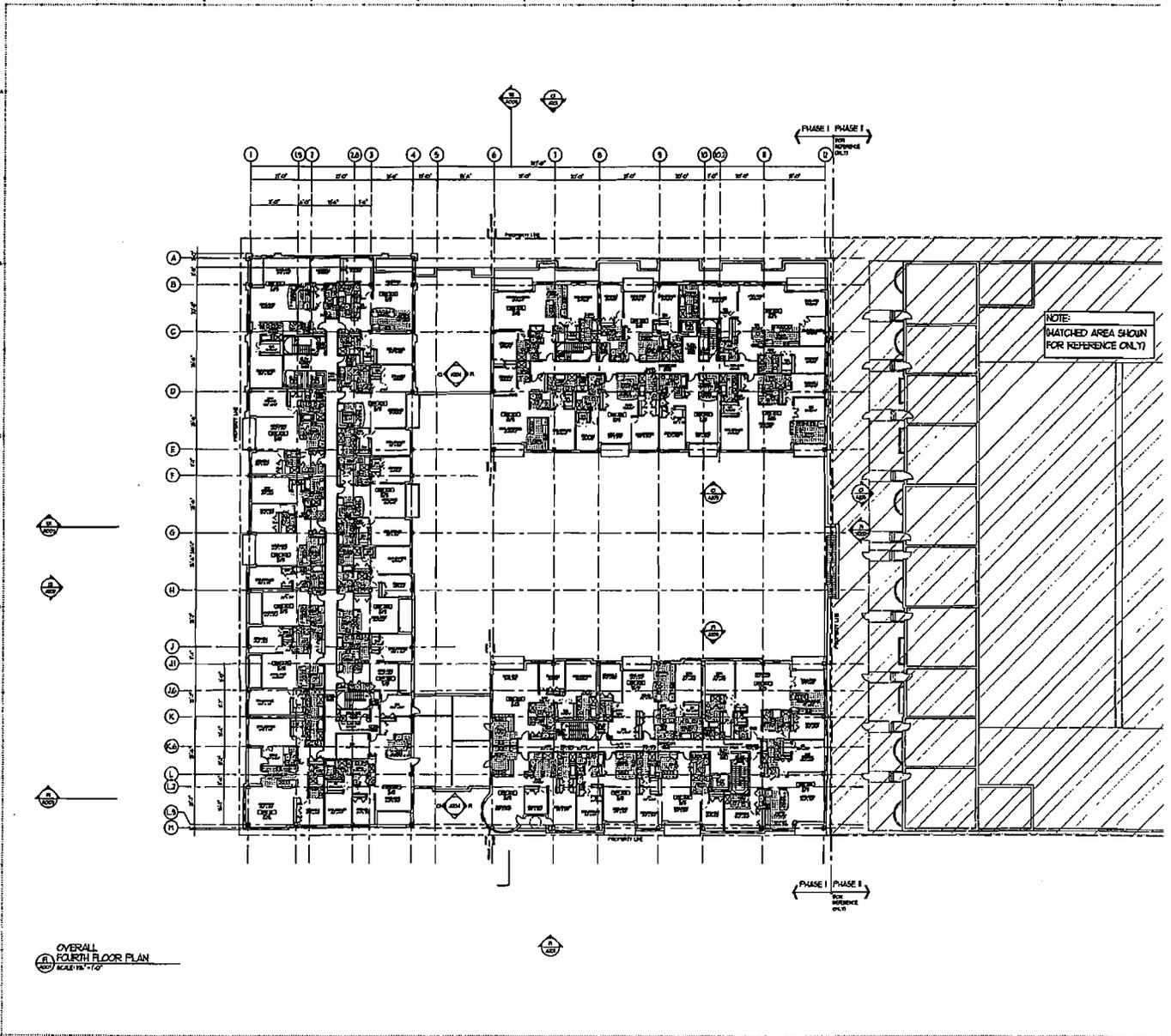


OVERALL
 (A) BASEMENT FLOOR PLAN
 SCALE: 1/8" = 1'-0"

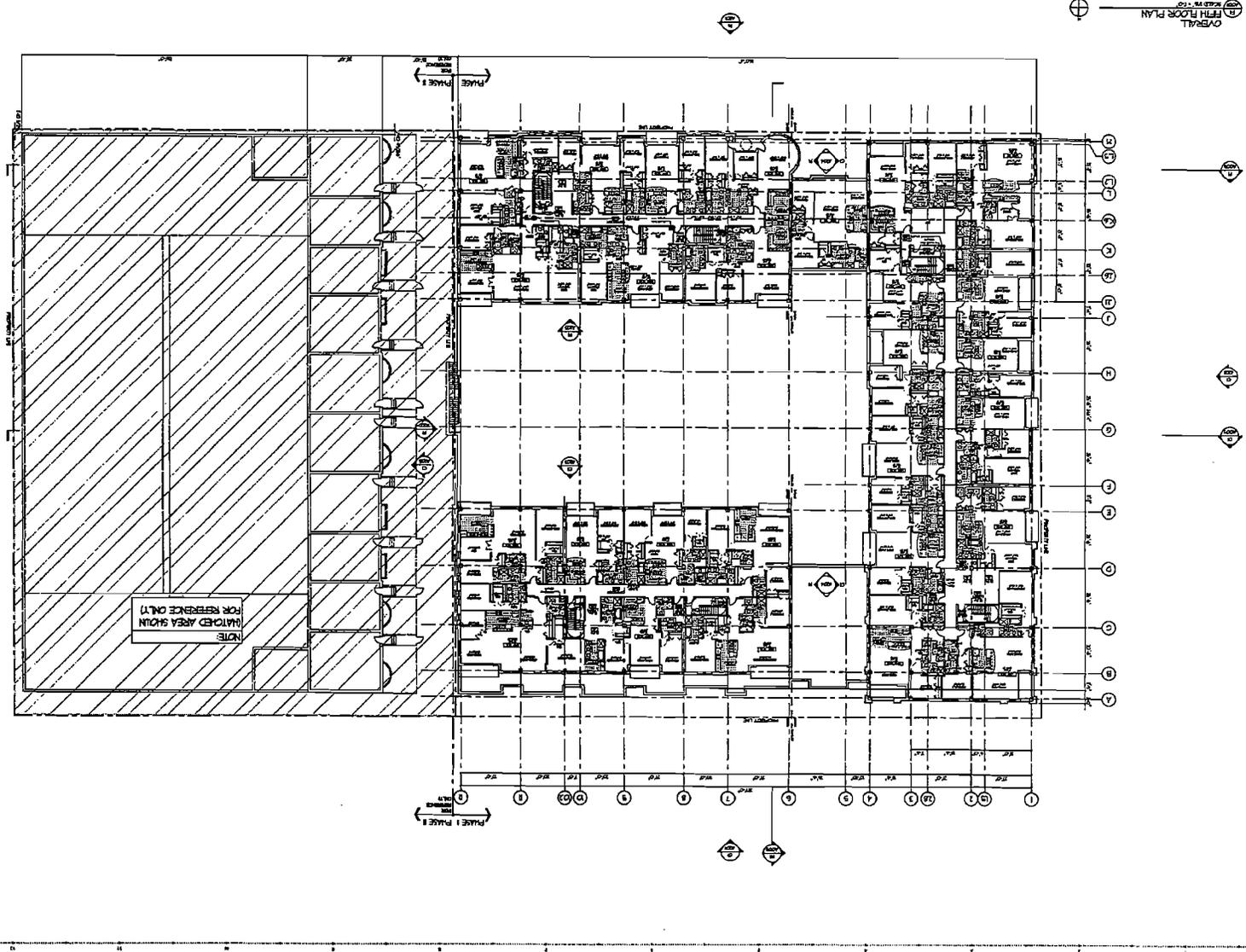








 DKW ARCHITECTS 1500 N. WASHINGTON CHICAGO, ILL. 60610 TEL: 312.527.7777 FAX: 312.527.7777 WWW: WWW.DKW.COM	PALATINE PLACE PHASE 1 - PROPOSED 8 WALKWAY PALATINE, ILL. 60067	OVERALL FIFTH FLOOR PLAN	05/12/23 A008
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03-14-07 4 pm
RCK revisions

EXHIBIT G

Off-Site Improvements
Preliminary Engineer's Estimate
Construction of Palatine Place
Palatine, Illinois
3/8/2007

SITE DEVELOPMENT-PUBLIC IMPROVEMENTS

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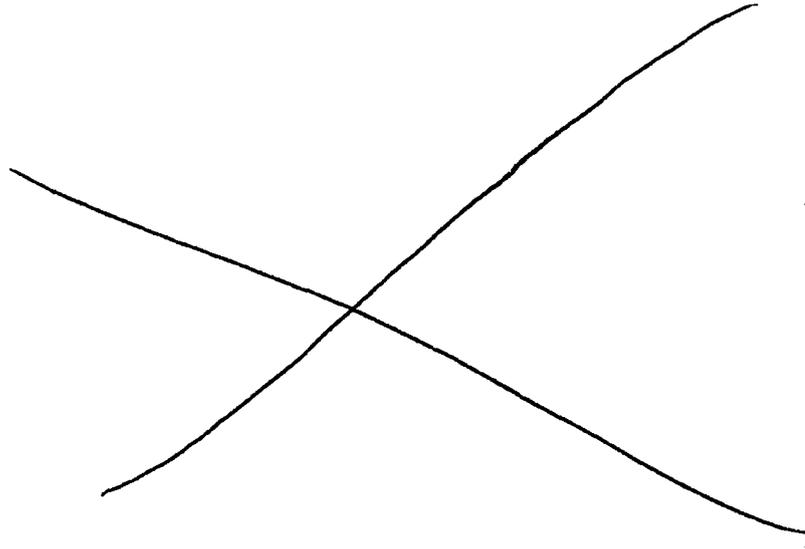
<u>DESCRIPTION</u>	<u>UNIT</u>	<u>QUANTITY</u>	<u>UNIT PRICE</u>	<u>SUBTOTAL</u>
Earthwork	CU YD	820	\$6.00	\$4,920.00
Concrete parking lot barrier curb	FOOT	480	\$16.00	\$7,680.00
Concrete curb type B-6.12	FOOT	388	\$14.00	\$5,432.00
Concrete depressed curb	FOOT	296	\$16.00	\$4,736.00
Concrete sidewalk	SQ FOOT	9270	\$5.00	\$46,350.00
Aggregate base course CA-6	TON	330	\$18.00	\$5,940.00
Hot-mix asphalt w/pcc base course	SQ YD	755	\$44.00	\$33,220.00
Portland cement concrete pavement	SQ YD	365	\$32.00	\$11,680.00
Fire hydrant complete	EACH	1	\$2,850.00	\$2,850.00
Catch basin type C	EACH	1	\$1,750.00	\$1,750.00
Adjust catch basin rim	EACH	1	\$250.00	\$250.00
Reinforced concrete lid	EACH	0	\$250.00	\$0
Landscaping	SQ YD	480	\$25.00	\$12,000.00
Luminaire	EACH	5	\$2,750.00	\$13,750.00
Striping	LF	330	\$1.00	\$330.00
			SUB-TOTAL :	\$150,888.00
			CONTINGENCY (15%) :	\$22,633.20
			OVERALL TOTAL :	\$173,521.20

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EXHIBIT H
License Agreement



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LICENSE AGREEMENT

This LICENSE AGREEMENT ("Agreement") is made as of this 21st day of December, 2006, by and between VILLAGE OF PALATINE, an Illinois municipal home rule corporation ("Village") and POLYS DEVELOPMENT, INC, an Illinois corporation (referred to as "Licensee").

The following recitals of fact are a material part of this Agreement.

A. Village is a home rule unit of government in accordance with Article VII, Section 6, of the Constitution of the State of Illinois, 1970;

B. Village is the owner of a certain parcel of land in the Village of Palatine, County of Cook and State of Illinois, graphically depicted on Exhibit A attached hereto and made a part hereof ("Property").

C. Licensee wishes to receive, and Village wishes to grant a non-exclusive license to perform soil borings and Phase 1 and Phase 2 environmental studies on the Property prior to the parties possibly agreeing to terms of a Redevelopment Agreement.

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

1. Grant of License for Soil Tests and Phase 1 and Phase 2 Environmental Studies. Village hereby grants to Licensee, a non-exclusive license to perform all required soil borings and Phase 1 and Phase 2 environmental studies on the Property.

2. Term of License. The license granted hereunder shall commence on the date hereof and shall terminate (the "Termination Date") upon a breach of the terms hereof; or upon completion of the soil borings and environmental studies as deemed necessary by Licensee. Upon the occurrence of any of the events described in the preceding sentence, this License shall immediately expire.

3. License Only. This Agreement creates a license only and Licensee acknowledges that Licensee does not and shall not claim at any time any interest or estate of any kind or extent whatsoever in the Property by virtue of such license.

4. License for Access and Construction. In addition to the license created by this Agreement, this Agreement creates a license for access across the Property for the purpose of the soil borings and environmental studies. The term of the license for access shall terminate on the Termination Date.

5. Return of the Property. At the termination of Licensee's license, Licensee shall repair and restore the Property to its condition prior to the tests and studies being performed on the Property.

6. Payment for Services. The Licensee shall pay all contractors and sub-contractors for all work performed under this Agreement.

7. Code Compliance. During the term of this license, Licensee shall comply with all applicable laws, statutes, ordinances, codes, rules, regulations, orders and decrees. Further, Licensee shall obtain all required permits and approvals prior to commencing the soil borings and environmental studies.

8. Reservation of Rights by Village. The right to use the Property owned by the Village is expressly reserved by Village, its successors, grantees, invitees and assigns. In addition, and not by limitation but by way of example, Village, its successors, grantees, invitees and assigns, reserve the right from time to time to grant additional licenses upon the Property, provided that such licenses do not unreasonably interfere with Licensee's use of the Property pursuant to the terms hereof.

9. No Transfer by Licensee. Licensee shall not transfer any of its rights hereunder without the prior written consent of Village. Any such assignment made without the prior written consent of Village shall be null and void and of no further force or effect.

10. Indemnity. Licensee for and on behalf of itself and all successors, grantees, invitees and assigns, assumes sole and entire responsibility for any and all loss of life, injury to persons or damage to property that may be sustained directly or indirectly or arising out of the Licensee's entry on the property and soil boring and environmental study activities of the Licensee, its successors, grantees, invitees and assigns and all of their officers, directors, employees, representatives and agents.

11. Insurance.

A. Worker's Compensation Insurance. Licensee shall obtain coverage in compliance with the State of Illinois Worker's Compensation Act.

B. Employer's Liability Insurance. Licensee shall obtain occupational accident and disease protection for all employees not covered by the Worker's Compensation Act. The limits are for not less than \$500,000 for any one occurrence, or such higher limited necessary to satisfy the requirements of the umbrella liability insurance discussed below.

C. Public Liability Insurance. Licensee shall obtain coverage on an occurrence form basis with limits of not less than \$1,000,000 combined single limit without any annual aggregate limit or \$1,000,000 per occurrence with an annual aggregate limit of \$2,000,000 per location.

12. No Liens. Licensee shall not permit any lien to be filed against any portion of the Property or any improvements thereon for any labor or materials in connection with work of any character performed or claimed to have been performed on the Property at the direction or sufferance of Licensee.

In the event any such lien is filed against any portion of the Property or any improvements thereon, Licensee shall remove or cause to be removed such lien within thirty (30) days of written notice from Village. In the event Licensee does not remove or cause to be removed such lien within said thirty (30) day period, Village shall have the right, but not the obligation, to cause such lien to be released and Licensee shall pay on demand all of Villages costs in connection therewith, together with interest thereon at the interest rate set forth in Paragraph 13 hereof, accruing from and after the date of such demand until Village's receipt of full payment therefor.

13. Code Violation. Licensee shall not permit any code violation to be filed against the Property as a result of Licensee's activities.

In the event Licensee does not remove or cause to be removed such code violation within said time period, Village shall have the right, but not the obligation, to cause such violation removed and Licensee shall pay on demand all of Village's costs in connection therewith.

14. Breach by Licensee. If Licensee breaches any provision in this Agreement and fails to take steps to cure any such breach within five (5) business after written notice thereof, in addition to any other right or remedy available at law or in equity, including but not limited to termination of this Agreement, the Village shall have the right, but not the obligation, to cure any such breach and Licensee agrees to reimburse Village for the cost thereof upon demand.

15. No Warranty. Village hereby makes and has made no representations, statements, warranties or agreements to Licensee in or in connection with this Agreement or the Property.

16. Notices. All notices and other communications given pursuant to this Agreement shall be in writing and shall be deemed properly served if delivered in person to the party to whom it is addressed or on the third (3rd) day after deposit in the U.S. mail as registered or certified mail, return receipt requested, postage prepaid or sent by facsimile transmission, as follows:

If to Village:

Village of Palatine
200 East Wood Street
Palatine, Illinois 60067
Attention: Village Manager
Fax: (847) 359-9094

With copies to: Schain, Burney, Ross & Citron, Ltd.
222 North LaSalle Street, Suite 1910
Chicago, Illinois 60601
Attention: Robert C. Kenny
Fax: (312) 332-4514

If to Licensee: Focus Development Inc. - 211 Waukegan Rd - Suite 220 -
Northfield, IL
60093

With a copy to: William Mitchell
MELTZER PARTIL & STELLER LLC
1515 E WOODFIELD RD # 250
SCHUMBERG, IL 60173

17. Prevailing Party. In the event either party shall use legal counsel to enforce this Agreement, the non-prevailing party shall pay the legal fees of the prevailing party.

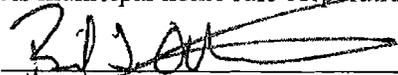
18. Binding on Successors. This Agreement shall be binding upon and shall inure to the benefit of the Village and the Licensee and the respective successors and permitted assigns of each upon execution hereof by the Village and the Licensee. Two (2) duly executed duplicate originals of this Agreement shall be provided to each party. This Agreement creates no rights as a third party beneficiary or otherwise in any person not a party.

19. Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed to be an original and all of which shall together constitute one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

VILLAGE:

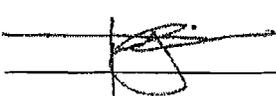
VILLAGE OF PALATINE,
an Illinois municipal home rule corporation

By: 
Reid T. Ottesen, Village Manager

Attest: 
DEPUTY Village Clerk

LICENSEE:

An Illinois Corporation
Focus Development Inc.

By: 
Printed Name: Timothy J. Anderson

Title: President

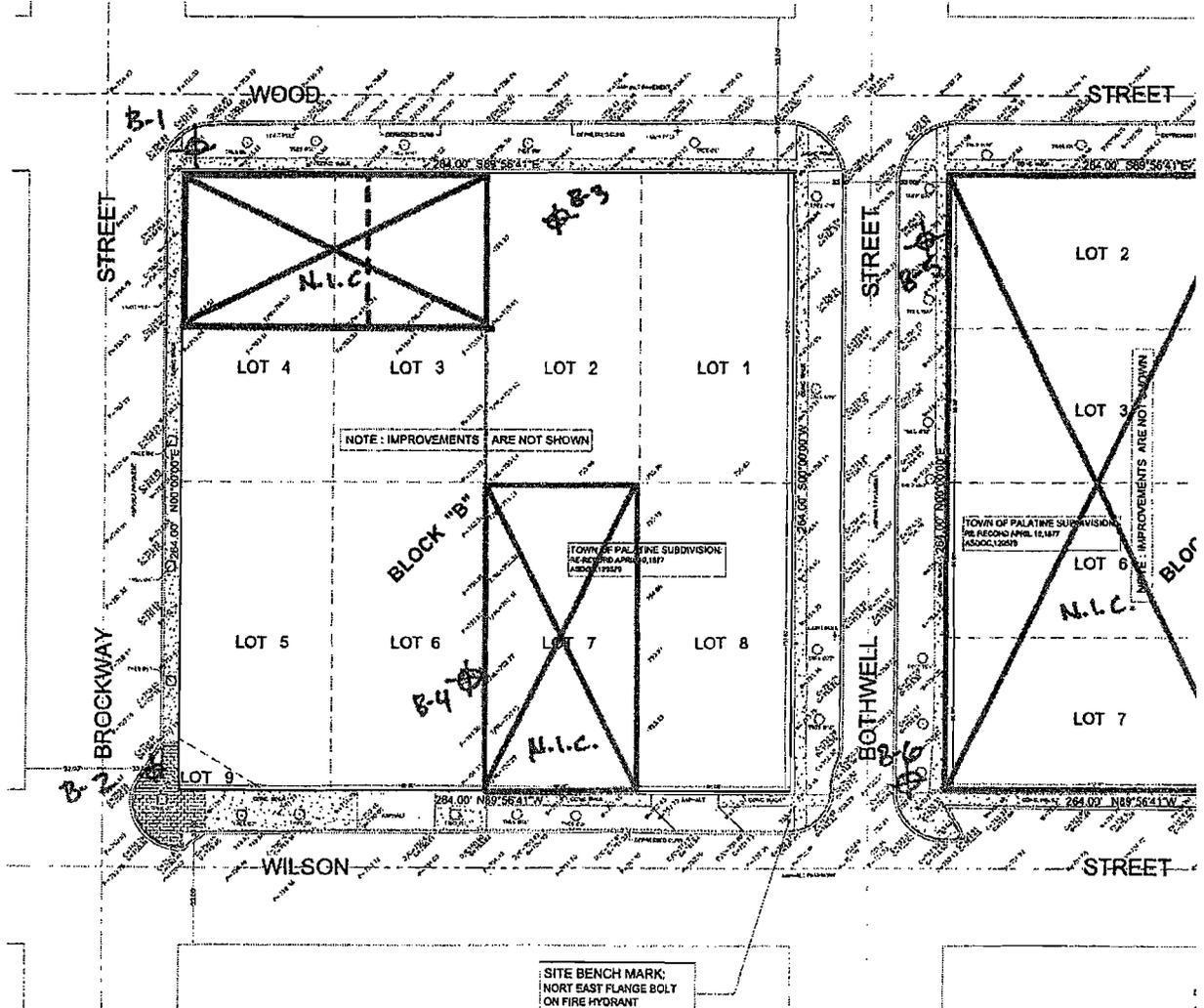
EXHIBIT 1
PLAN OF PLOTT



UNITED SURVEY SERVICE LLC
CONSTRUCTION AND LAND SURVEYORS
9681 ELIAS TERRACE, DES PLAINES, ILLINOIS 60016
TEL: (847) 289-1310 FAX: (847) 298-5847
E-MAIL: USURVEY@SUN.METCOM.COM

PLAT OF TOPOGRAPHY

LOCATION: WOOD STREET, WILSON STREET, BROCKWAY STREET,
BOTHWELL STREET, PALATINE, ILLINOIS PART OF THE SOUTHEAST 1/4 OF THE
SOUTHEAST 1/4 OF SECTION 18-42-10



ORDERED BY: HANDLER THAYER BCH/GRANVILLE	
SCALE: 1" = 20'	
DATE: 10/28/2006 AM	
FILE NO: 2006 - 16513	DATE: REVISION:

REFERENCE BENCH MARK:
BENCH MARK NO. 1
LOCATION:
EAST NORTH FLANGE BOLT OF FIRE HYDRANT
ON THE NORTH EAST CORNER OF WILSON AND
BOTHWELL STREETS
ELEVATION 755.31 U.S.G.S. DATUM

LEGEND
 - - - - - UNIMPROVED
 - - - - - EXISTING
 - - - - - PROPOSED
 - - - - - ADJACENT
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EXHIBIT I

Walkway Easement

(Left intentionally blank, pending PD application
for proposed Phase II Residential portion of development)

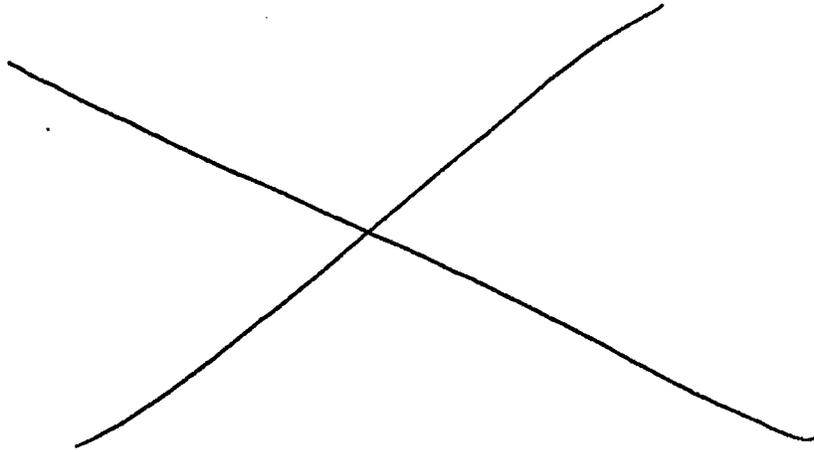


EXHIBIT J

Development Schedule

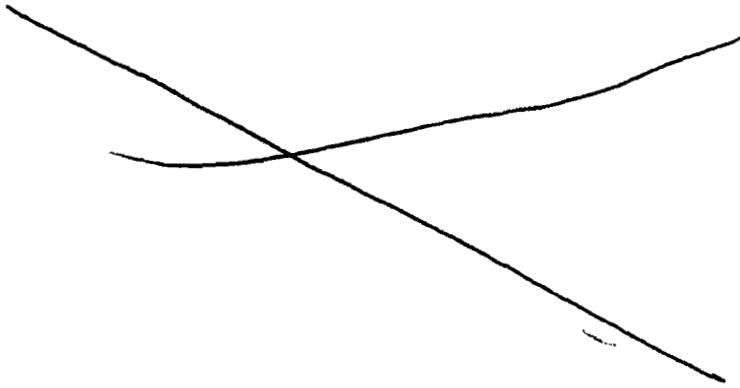
Action	Target Date	Default Date	Penalty Amount
Apply for Planned Development Approval	3/13/07	6/11/07	
Commence Phase II Environmental Field Work	4/2/07	7/1/07	
Complete Phase II Environmental Field Work	4/16/07	7/15/07	
Complete review and analysis of Phase II Environmental results and action plan	4/30/07	7/29/07	
Apply for Building Permit	6/1/07	8/30/07	\$25,000
Commence Demolition	6/15/07	9/13/07	
Submit construction financing commitment and development budget	6/18/07 or 30 days after PD approval, whichever is earlier	9/16/07	
Commence Environmental Remediation (if necessary)	7/16/07	10/14/07	
Complete Demolition	7/23/07	10/21/07	
Close on the Property	7/25/07	10/23/07	
Obtain Foundation Permit and Commence Site Work including Shoring and Excavation	8/2/07	10/31/07	
Obtain Building Permit	8/15/07	11/13/07	\$25,000
Commence Foundation Construction	8/16/07	11/14/07	\$50,000
Complete Environmental Remediation (if necessary)	11/26/07	2/24/08	
Complete Foundation Installation	12/5/07	3/4/08	
Commence Vertical Construction	12/11/07	3/10/08	\$100,000
Complete Shell and Core	10/30/08	1/28/09	\$200,000
Complete Development, Final Unit C of O	6/5/09	9/3/09	\$250,000

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EXHIBIT K

Permitted Exceptions

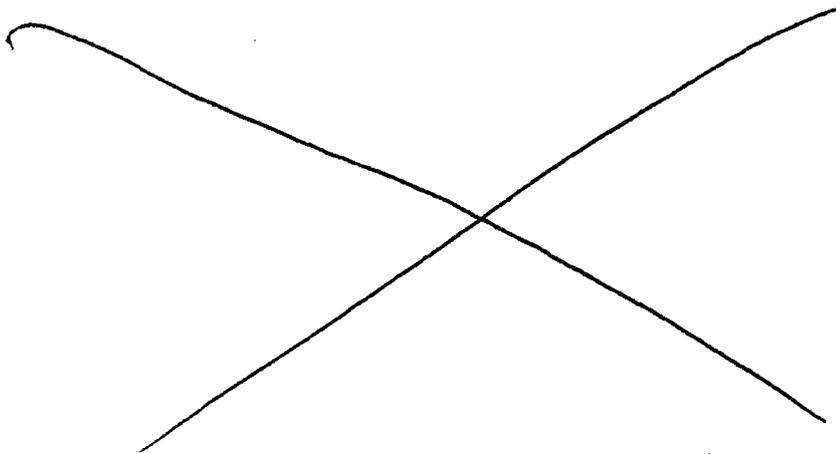
To be agreed upon during the the title review period as
described in Section 15.3 Title of this document.



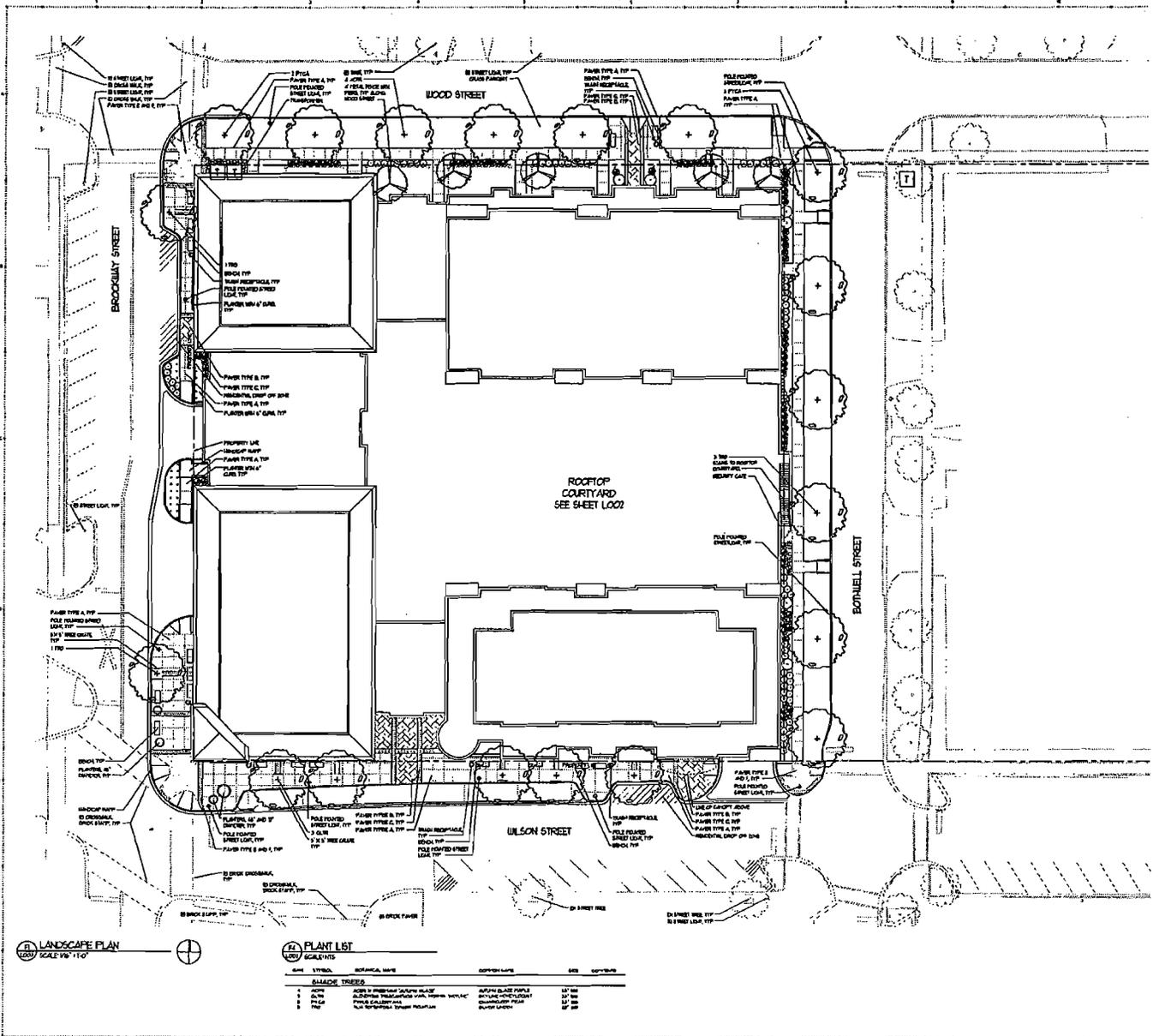
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EXHIBIT L
Landscape Plan



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ORDINANCE NO. 0-106-07

**AN ORDINANCE AUTHORIZING THE VILLAGE MANAGER TO EXECUTE THE
FIRST AMENDMENT TO REDEVELOPMENT AGREEMENT BETWEEN THE
VILLAGE OF PALATINE AND FOCUS DEVELOPMENT, INC. AND FOCUS
PALATINE PLACE, LLC FOR THE PROPERTY IN DOWNTOWN PALATINE
123 N. BROCKWAY STREET, 35 & 5 W. WOOD STREET AND
36, 44, 56 & 58 W. WILSON STREET (BLOCK 27)
PALATINE PLACE DEVELOPMENT**

**Published in pamphlet form by authority of the
Mayor and Village Council of the Village of Palatine
On June 18, 2007**

ORDINANCE NO. 0-106-07

**AN ORDINANCE AUTHORIZING THE VILLAGE MANAGER TO EXECUTE
THE FIRST AMENDMENT TO REDEVELOPMENT AGREEMENT BETWEEN
THE VILLAGE OF PALATINE AND FOCUS DEVELOPMENT, INC., AND
FOCUS PALATINE PLACE LLC FOR PROPERTY IN DOWNTOWN PALATINE
123 N. BROCKWAY STREET, 35 & 55 W. WOOD STREET AND
36, 44, 56 & 58 W. WILSON STREET (BLOCK 27)
(PALATINE PLACE DEVELOPMENT)**

WHEREAS, the Village of Palatine by Ordinance Nos. 0-224-99, 0-225-99, 0-226-99 and passed by the Mayor and Village Council on December 16, 1999, established a Tax Increment Financing District, adopted a Tax Increment Redevelopment Plan for its downtown and designated a Redevelopment Project Area; and

WHEREAS, on January 24, 2000, the Village Council, at a meeting duly held, did adopt Ordinance No. 0-12-00 correcting certain scrivener's errors in the legal description attached as Exhibit A to Ordinances Nos. 0-224-99, 0-225-99 and 0-226-99 of the Village of Palatine, Cook County, Illinois; and

WHEREAS, pursuant to Ordinance #0-52-07, the Village of Palatine entered into a Redevelopment Agreement with Focus Development, Inc., dated April 16, 2007, for Block 27 (123 N. Brockway Street, 35 & 55 W. Wood Street and 36, 44, 56 & 58 W. Wilson Street) in Downtown Palatine; and

WHEREAS, the Mayor and Village Council have on June 18, 2007, considered the proposed First Amendment to Redevelopment Agreement with

Focus Development, Inc. and Focus Palatine Place LLC, and have determined that entering into this Agreement furthers the purposes of the Tax Increment Financing District and the Redevelopment Plan for Downtown and furthers the public interest.

NOW, THEREFORE, BE IT ORDAINED, by the Mayor and Village Council of the Village of Palatine, acting in the exercise of their home rule power that:

SECTION 1: The Village of Palatine hereby authorizes the Village Manager to execute the First Amendment to Redevelopment Agreement attached hereto as Exhibit "A", pursuant to the Tax Increment Financing Act, Section 65 ILCS 5/11-74/4-4(c) and authorizes the Village Manager to execute any other supporting documents to the extent permitted by law.

SECTION 2: This Ordinance shall be in full force and effect upon passage and approval as provided by law.

PASSED: This 18 day of June, 2007

AYES: 5 NAYS: 0 ABSENT: 0 PASS: 1

APPROVED by me 18 day of June, 2007



Mayor of the Village of Palatine

ATTESTED and FILED in the office of the Village Clerk

This 18 day of June, 2007



Village Clerk

06/14/2007 11:23 AM

TYPE: ORDINANCE **SUBMITTED BY:** ADMINISTRATION **DATE:** 6/18/2007

DESCRIPTION: Consider an Ordinance authorizing the Village Manager to execute an Amended Redevelopment Agreement for the property commonly known as Block 27 (Focus Development) (District: 6)

BACKGROUND:

On April 16, 2007 the Village approved a Redevelopment Agreement with Focus Development for the redevelopment of Block 27 within the downtown redevelopment area. As the developer has proceeded through his obligations prior to commencement of construction, their lender has requested an amendment to the Redevelopment Agreement.

KEY ISSUES:

Throughout the agreement, the Village has the ability or requirement to repurchase properties under the control of the developer dependent upon the circumstances.

Section 18.1 of the Redevelopment Agreement provided for some unwinding provision in the event the Redevelopment were to cancel. The lender has requested a modification to clarify the Village would repurchase all properties under ownership of the developer in the event any remaining parcels were not successfully acquired through condemnation proceedings.

Approval of the amendment would allow the Village to control all property within the block other than a parcel not conveyed through the court proceeding. Ownership would allow the Village to pursue other development opportunities.

ALTERNATIVES:

1. Recommend approval of the Ordinance
2. Do not recommend approval of the Ordinance

RECOMMENDATION:

Staff recommends approval of an Ordinance authorizing the Village Manager to execute an Amended Redevelopment Agreement for the property commonly known as Block 27 within the Downtown Redevelopment area.

ACTION REQUIRED:

Motion to recommend approval of an Ordinance authorizing the Village Manager to execute an Amended Redevelopment Agreement.

FIRST AMENDMENT TO
REDEVELOPMENT AGREEMENT

THIS FIRST AMENDMENT TO REDEVELOPMENT AGREEMENT (this "Amendment"), is made and entered into as of the ____ day of _____, 2007 ("Amendment Date") by and between the VILLAGE OF PALATINE, ILLINOIS, an Illinois municipal home rule corporation, located in Cook County, Illinois (the "Village"), and FOCUS DEVELOPMENT, INC., an Illinois corporation ("Developer") and FOCUS PALATINE PLACE LLC, an Illinois limited liability company ("Developer's Assignee") (Village, Developer and Developer's assignee are sometimes referred to individually as a "Party" and collectively as the "Parties").

RECITALS

WHEREAS, the Village is a home rule unit of government in accordance with Article VII, Section 6, of the Constitution of the State of Illinois, 1970; and

WHEREAS, the Village has the authority, pursuant to the laws of the State of Illinois, to promote the health, safety and welfare of the Village and its inhabitants, to prevent the presence of blight, to encourage private development in order to enhance the local tax base, to increase additional tax revenues realized by the Village, foster increased economic activity within the Village, to increase employment opportunities within the Village, and to enter into contractual agreements with third parties for the purpose of achieving the aforesaid purposes, and otherwise be in the best interests of the Village; and

WHEREAS, the Village is authorized under the provisions of the Tax Increment Allocation Redevelopment Act, 65 ILCS 5/11-74.4-1, et seq., as amended (the "Act"), to finance redevelopment in accordance with the conditions and requirements set forth in the Act; and

WHEREAS, the parties hereto previously entered into that certain Redevelopment Agreement dated as of the ___ day of ___, 2007 and recorded on _____, 2007 (the "Original Redevelopment Agreement"); and

WHEREAS, the parties now wish to amend section 18.1 of the Original Redevelopment Agreement as provided herein below; and

WHEREAS, the terms of the Original Redevelopment Agreement shall remain in full force and effect and the terms of the Original Redevelopment Agreement except with respect to Section 18.1 therein; and

WHEREAS, this Amendment has been submitted to the corporate authorities of the Village for consideration and review. The corporate authorities have taken all actions required to be taken prior to the execution of this Amendment in order to make the same binding upon the Village according to the terms hereof and any and all actions of the corporate authorities of the Village precedent to the execution of this Amendment have been undertaken and performed in the manner required by law; and

WHEREAS, this Agreement has been submitted to the directors of Developer and manager of the Developer's Assignee for consideration and review, the directors and manager have taken all actions required to be taken prior to the execution of this Amendment in order to make the same binding upon

the Developer and Developer's Assignee according to the terms hereof, and any and all action of the directors of the Developer and manager of the Developer's Assignee precedent to the execution of this Amendment have been undertaken and performed in the manner required by law.

NOW THEREFORE, in consideration of the foregoing and of the mutual covenants and agreements herein contained, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties do hereby agree as follows:

ARTICLE ONE

INCORPORATION OF RECITALS.

The findings, representations and agreements set forth in the above Recitals are material to this Amendment and are hereby incorporated into and made a part of this Amendment as though fully set out in this Article One, and constitute findings, representations and agreements of the Village, Developer's Assignee and of the Developer according to the tenor and import of the statements in such Recitals.

ARTICLE TWO

DEFINITIONS

For the purposes of this Agreement, unless the context clearly requires otherwise, words and terms used in this Amendment shall have the meanings provided in the Original Redevelopment Agreement.

ARTICLE THREE

CANCELLATION - SECTION 18.1

Section 18.1 of the Redevelopment Agreement shall be replaced in its entirety with the following provision:

18.1 Cancellation. In the event prior to Closing on any portion of the Property, Developer or Village shall be prohibited, for a period of more than ninety (90) days, in any material respect, from performing covenants and agreements or enjoying the rights and privileges herein contained, or contained in the Redevelopment Plan, including Developer's duty to build the Project, by any Uncontrollable Circumstance, or in the event that all or any part of the Act or any ordinance adopted by Village in connection with the Project, shall be declared invalid or unconstitutional, in whole or in part, by a final decision of a court of competent jurisdiction and such declaration shall materially affect the Redevelopment Plan or the covenants and agreements or rights and privileges of Developer or Village, or if Village is unsuccessful in any eminent domain or Quick Take proceedings initiated pursuant to this Agreement, then and in any such event, the Party so affected may, at its election, cancel or terminate this Agreement in whole or in part (with respect to that portion of the Project materially affected) by giving written notice thereof to the other prior to Closing. If Village terminates this Agreement pursuant to this Section 18.1, then Village, at its option, may also terminate its duties, obligation and liability under all or any related documents and agreements. In the event of any termination/cancellation, other than as a result of the Developer's default hereunder, the letter of credit

shall be released to Developer unless required to cure a default and the Village shall repurchase of the Property then owned by the Developer and reimburse Developer the amounts set forth in Section 9.20, as the Village would otherwise reimburse Developer in the event that the Village elected not to proceed under such Section 9.20. The forgoing shall not operate to modify the termination provisions of any provision of this Agreement.

ARTICLE FOUR

MISCELLANEOUS PROVISIONS

- 4.1 Time of the Essence. Time is of the essence of this Amendment.
- 4.2 Counterparts. This Amendment may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same Amendment.
- 4.3 Recordation of Amendment. The Parties agree to record this Amendment in the appropriate land or governmental records.
- 4.4 Severability. If any provision of this Amendment, or any Section, sentence, clause, phrase or word, or the application thereof, in any circumstance, is held to be invalid, the remainder of this Amendment shall be construed as if such invalid part were never included herein, and this Amendment shall be and remain valid and enforceable to the fullest extent permitted by law.
- 4.5 Successors in Interest. This Amendment shall be binding upon and inure to the benefit of the Parties hereto and their respective authorized successors and assigns.

4.6 No Joint Venture, Agency or Partnership Created. Nothing in this Amendment, or any actions of the Parties to this Amendment, shall be construed by the Parties or any third person to create the relationship of a partnership, agency or joint venture between or among such parties.

4.7 No Personal Liability of Officials of Village or Developer. No covenant or agreement contained in this Amendment shall be deemed to be the covenant or agreement of the Mayor, Village Council member, Village Manager, any official, officer, partner, member, director, agent, employee or attorney of the Village or Developer, in his or her individual capacity, and no official, officer, partner, member, director, agent, employee or attorney of the Village or Developer shall be liable personally under this Amendment or be subject to any personal liability or accountability by reason of or in connection with or arising out of the execution, delivery and performance of this Amendment, or any failure in that connection.

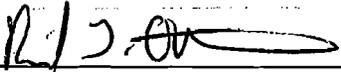
4.8 Term. This Amendment shall remain in full force and effect for twenty-three (23) years from the date the Downtown Redevelopment Project Area was created, unless the Redevelopment Plan with respect to the Redevelopment Project is extended or until termination of the Redevelopment Project Area or until otherwise terminated pursuant to the terms of this Amendment; provided, however, that the Developer's construction obligations hereunder shall terminate pursuant to certificates of completion issued by the Village.

4.9 Municipal Limitations. All municipal commitments are limited to the extent required by law.

4.10 Conflicts. Wherever the terms and conditions of this Amendment conflict with the terms and conditions of the Redevelopment Agreement between the Parties, the terms and conditions of this Agreement shall control and govern.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed on or as of the day and year first above written.

VILLAGE OF PALATINE, an Illinois municipal corporation


By: Village Manager

ATTEST:


By: Village Clerk

DEVELOPER:

FOCUS DEVELOPMENT, INC.

By: _____
Name: _____
Its: _____

STATE OF ILLINOIS)
) SS
COUNTY OF _____)

I, _____, a Notary Public in and for said County, in the State aforesaid, DO HEREBY CERTIFY, that _____ of Focus Development, Inc., an Illinois corporation, 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 of said Focus Development, Inc., for the uses and purposes therein set forth.

GIVEN under my hand and Notarial Seal this _____ day of _____, 2007.

Notary Public

My commission expires _____.

DEVELOPER:

FOCUS PALATINE PLACE, LLC

By: _____
Name: _____
Its: _____

STATE OF ILLINOIS)
) SS
COUNTY OF _____)

I, _____, a Notary Public in and for said County, in the State aforesaid, DO HEREBY CERTIFY, that _____ of Focus Palatine Place, LLC, an Illinois limited liability company, 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 of said Focus Palatine Place LLC, for the uses and purposes therein set forth.

GIVEN under my hand and Notarial Seal this _____ day of _____, 2007.

Notary Public

My commission expires _____.



Doc#: 0805955030 Fee: \$54.00
Eugene "Gene" Moore
Cook County Recorder of Deeds
Date: 02/28/2008 10:05 AM Pg: 1 of 16

ORDINANCE NO. 0-198-07

**AN ORDINANCE AUTHORIZING THE VILLAGE MANAGER
TO EXECUTE A REDEVELOPMENT AGREEMENT
BETWEEN THE VILLAGE OF PALATINE AND ALE HOUSE III, D/B/A EMMETT'S
FOR PROPERTY IN DOWNTOWN PALATINE – 110 N. BROCKWAY STREET**

PINS: 02-15-413-004--007

Village Clerk's Office
Village of Palatine
200 E. Wood Street
Palatine, IL 60067

Published in pamphlet form by authority of the
Mayor and Village Council of the Village of Palatine
on December 3, 2007

165

ORDINANCE NO. 0-198-07

**AN ORDINANCE AUTHORIZING THE VILLAGE MANAGER TO EXECUTE
A REDEVELOPMENT AGREEMENT BETWEEN THE VILLAGE OF PALATINE
AND ALE HOUSE III, LLC D/B/A EMMETT'S
FOR PROPERTY IN DOWNTOWN PALATINE
110 N. BROCKWAY STREET**

WHEREAS, the Village of Palatine by Ordinance Nos. 0-224-99, 0-225-99, 0-226-99 and passed by the Mayor and Village Council on December 16, 1999, established a Tax Increment Financing District, adopted a Tax Increment Redevelopment Plan for its downtown and designated a Redevelopment Project Area; and

WHEREAS, on January 24, 2000, the Village Council, at a meeting duly held, did adopt Ordinance No. 0-12-00 correcting certain scrivener's errors in the legal description attached as Exhibit A to Ordinances Nos. 0-224-99, 0-225-99 and 0-226-99 of the Village of Palatine, Cook County, Illinois; and

WHEREAS, the Mayor and Village Council have on December 3, 2007, considered the proposed Redevelopment Agreement with Ale House III, LLC. and have determined that entering into this Agreement furthers the purposes of the Tax Increment Financing District and the Redevelopment Plan for Downtown and furthers the public interest; and

NOW, THEREFORE, BE IT ORDAINED, by the Mayor and Village Council of the Village of Palatine, acting in the exercise of their home rule power that:

11/29/2007 8:48 AM

STATE OF ILLINOIS)
COUNTY OF COOK) SS

I, MARGARET R. DUER, do hereby certify that I am the duly elected, qualified and acting Clerk of the Village of Palatine, Cook County, Illinois, and that I am the keeper of the records, journals, entries, ordinances and resolutions of the said Village of Palatine.

I do further certify that the foregoing Ordinance is a true and correct copy of an Ordinance passed and adopted by the Village Council of the Village of Palatine at a Regular meeting held on the 3rd day of December, 2007, and that said ordinance was deposited and filed in the office of the Village Clerk on the 3rd day of December, 2007.

I do further certify that the original of which the foregoing is a true copy, is entrusted to my care for safekeeping and that I am the keeper of the same.

I further certify that the vote of the Village Council on the motion to adopt said ordinance was as follows:

AYES: 6 NAYS: 0 ABSENT: 0 PASS: 0

BY WITNESS WHEREOF, I have hereunto set my hand and affixed the corporate seal of the Village of Palatine this 9th day of January, 2008.

(S E A L)


Margaret R. Duer
Palatine Village Clerk

REDEVELOPMENT AGREEMENT

ALE House III

THIS AGREEMENT ("Agreement"), made and entered into as of this 3rd day of Dec., 2007 ("Agreement Date"), by and between the **Village of Palatine, Illinois, an Illinois municipal home rule corporation** located in Cook County, Illinois ("Village") and **Ale House III, LLC, an Illinois Limited Liability Company** ("Ale House"). The Village and Ale House are sometimes referred to individually as a "Party" and collectively as the "Parties".

WITNESSETH:

WHEREAS, the Village is a home rule unit of government in accordance with Article VII Section 6 of the Constitution of the State of Illinois, 1977; and

WHEREAS, the Village is authorized, under the provisions of the Tax Increment Allocation Redevelopment Act 65 ILCS 5/74.4-1 *et seq.*, as amended ("the Act") to finance redevelopment in accordance with the conditions and requirements set forth in the Act; and

WHEREAS, to stimulate and induce redevelopment in the Downtown, pursuant to the Act, the Village adopted the necessary ordinances, after giving all notices required and after conducting the public hearings required by law, and created the Village of Palatine Downtown TIF District.

WHEREAS, in furtherance of the purpose of those ordinances and in furtherance of the redevelopment of Downtown, the Village adopted ordinances that facilitated the redevelopment of the 100-110 N. Brockway Street property, Palatine, Illinois for commercial purposes including a micro-brewery/restaurant facility ("Micro-Brewery").

WHEREAS, a steak restaurant recently occupied the portion of the Property that was originally designed for a Micro-Brewery known as 110 N. Brockway Street ("Property"); and

SECTION 1: The Village of Palatine hereby authorizes the Village Manager to execute the Redevelopment Agreement that substantially conforms to Exhibit "A" attached hereto, pursuant to the Tax Increment Financing Act, Section 65 ILCS 5/11-74/4-4(c) and authorizes the Village Manager to execute any other supporting documents to the extent permitted by law.

SECTION 2: This Ordinance shall be in full force and effect upon passage and approval as provided by law.

PASSED: This 3rd day of December, 2007

AYES: 6 **NAYS:** 0 **ABSENT:** 0 **PASS:** 0

APPROVED by me this 3rd day of December, 2007



Mayor of the Village of Palatine

ATTESTED and FILED in the office of the Village Clerk this 3rd day of
December, 2007



Village Clerk

WHEREAS, Ale House has expressed a willingness to locate its micro-brewery/restaurant business in the Property formerly occupied by the steak restaurant operation; and

WHEREAS, Ale House desires to lease and remodel the Property formerly occupied by the steak restaurant operation for a Micro-Brewery; and

WHEREAS, Ale House will be the tenant of the Micro-Brewery at the Property under the terms of a lease agreement dated _____, 2007; and

WHEREAS, Developer has been and continues to be unwilling to remodel the Micro-Brewery at the Property but for certain tax increment financing ("TIF") incentives from Village, which Village is willing to provide under the terms and conditions contained herein; and

WHEREAS, this Agreement has been submitted to the Members of the Ale House III, Limited Liability Company for consideration and review, the Members have taken all actions required to be taken prior to the execution of this Agreement in order to make the same binding upon Ale House according to the terms hereof, and any and all action of Ale House's Manager precedent to the execution of this Agreement have been undertaken and performed in the manner required by law.

WHEREAS, the Village finds that the Agreement set forth below serves the public interest, assisting Ale House in locating and operating its Micro-Brewery within the Village, while at the same time furthering the Village's purposes for Downtown redevelopment.

NOW, THEREFORE, in consideration of the foregoing and of the mutual covenants and agreements herein contained, and other good and valuable consideration, the receipt and sufficiency which are hereby acknowledged, the Parties do hereby agree as follows:

ARTICLE ONE

INCORPORATION OF RECITALS.

The findings, representations and agreements set forth in the above Recitals are material to this Agreement and are hereby incorporated into and made a part of this Agreement as though fully set out in this Article One, and constitute findings, representations and agreements of the Village and of Ale House.

ARTICLE TWO

ASSISTANCE FOR REMODELING AT 100-110 N. BROCKWAY STREET, PALATINE, ILLINOIS

2.1 Maximum Amount of TIF Benefit. Because Ale House is willing to remodel the Property in order to open its Micro-Brewery operation, the Village agrees to provide financial assistance to Ale House in the form of cash payment(s) to assist Ale House in the expense of remodeling to accommodate the Micro-Brewery. This financial assistance shall be only for TIF eligible remodeling expenses under the Act, which are limited to costs of rehabilitation, reconstruction, repair or remodeling of the existing fixtures and leasehold improvements. This financial assistance shall not exceed forty thousand (\$40,000.00) dollars and shall not be paid to Ale House unless and until: 1) the Micro-Brewery was open and operating for the prior year, barring uncontrollable circumstances; and 2) Ale House establishes to the Village's satisfaction, via copies of all actual paid invoices, associated waivers of liens, receipts and other proof of remodeling payments, incurred by Ale House, In the event that evidence of all remodeling expenses are not provided to the Village prior to June 1, 2008, Ale House shall not be entitled to any reimbursement of remodeling expenses and this Agreement shall be null and void.

For purposes of this Agreement Uncontrollable Circumstances shall be defined to mean any event which:

- (a) is beyond the reasonable control of and without the fault of Ale House; and
- (b) is one or more of the following events:

- (i) a Change in Law;
 - (ii) insurrection, riot, civil disturbance, sabotage, act of the public enemy, explosion, nuclear incident, war or naval blockade;
 - (iii) epidemic, hurricane, tornado, landslide, earthquake, lightning, fire, windstorm, other extraordinary weather conditions or other similar Act of God;
- (iv) governmental condemnation or taking other than by the Village;
- (v) strikes or labor disputes, other than those caused by the acts of Ale House;
- (vi) unreasonable delay in the issuance of building or other permits or approvals by the Village or other governmental authority having jurisdiction;
- (vii) shortage or unavailability of essential materials for a period not in excess of sixty (60) days and which materially change the ability of Ale House to carry out its obligations under this Agreement;

Uncontrollable Circumstance shall not include: (1) economic hardship or impracticability of performance, (2) commercial or economic frustration of purpose, (3) unavailability of materials, strikes or labor disputes caused by the acts of Ale House, or (4) a failure of performance by a contractor.

2.2 Payment of TIF Benefit Subject to Ale House establishing that its costs to remodel are TIF eligible expenses under the Act, subject to Ale House providing the Village with proof of payment in a form satisfactory to the Village as set forth in Section 2.1 above, and subject to the Micro-Brewery open and operating for the prior year, barring uncontrollable circumstances, the Village shall pay to Ale house an amount not to exceed forty thousand (\$40,000.00) dollars as

follows. Said TIF payment by the Village to Ale House shall be made annually on a "pay as you go" basis. The amount of the annual TIF Assistance payments made by the Village to Ale House shall be equal to fifty percent (50%) of the annual combined food and beverage sales taxes received by the Village from the Micro-Brewery during the preceding year. No later than March 31st of each year, the Village shall reimburse Ale House on the basis of fifty (50%) percent of the annual combined food and beverage sales tax received by the Village in the preceding year from the Micro-Brewery as the TIF Assistance until Ale House has received not more than Forty Thousand (\$40,000.00) Dollars, subject to Ale House having spent sufficient TIF Eligible Expenses under the Act to justify said amount for TIF Reimbursement, and also subject to Ale House being open and operating for the prior year, subject to uncontrollable circumstances. Prior to and as a condition of payments set forth in this Section, Ale House shall submit actual receipts evidencing payment of up to or in excess of forty thousand (\$40,000.00) dollars of TIF Eligible Expenses under this Agreement which will be used to determine the amount of funds to be provided. Prior to any payment to Ale House from the Village, the Ale House must be up to date on all applicable fees, taxes, licenses, permits, or fines. This Agreement shall not constitute a debt of the Village within the meaning of any constitutional statutory provision or limitation. Because the Special Tax Allocation Fund is a special fund, the aforesaid deposits into the Special Tax Allocation Fund shall not be subject to the appropriation process of the Corporate Authorities of the Village and the amounts deposited therein shall be disbursed in accordance with this Agreement without further action of the Corporate Authorities.

ARTICLE THREE

REMEDIES FOR DEFAULT

In the case of default by either Party, hereunder:

A. The defaulting Party shall, upon written notice from the non-defaulting Party, take action to cure or remedy such default. If, in case any monetary default is not cured or, if in the case of a non-monetary default, action is not taken or not diligently pursued, or if action is taken and diligently pursued but such default or breach shall not be cured or remedied within a reasonable time, but in no event more than thirty additional days unless extended by mutual agreement, the non-defaulting Party may institute such proceedings as may be necessary or desirable, in its opinion, to cure or remedy such default or breach, including but not limited to, proceedings to compel specific performance of the defaulting Party's obligations under this Agreement.

B. In the case of default by Ale House, in addition to any other remedies at law or equity, the Village shall be relieved of its obligations under this Agreement, including but not limited to, its obligations to make any payment to Ale House. Any payment made to Ale House shall be returned to the Village in the event the Micro-Brewery remains closed for more than thirty days subject to uncontrollable circumstances.

C. In the event a default is not cured within the applicable cure period, and the Parties employ an attorney or attorneys or incur other expenses for the collection of the payments due under this Agreement or the enforcement of performance or observance of any obligations or agreements herein contained, the non-prevailing Party shall pay, on demand, the prevailing Party's reasonable fees of such attorneys and such other reasonable expenses in connection with such enforcement action.

D. Any delay by either Party in instituting or prosecuting any actions or proceedings or otherwise asserting its rights under this Agreement, shall not operate, to act as a waiver of such rights or to deprive it of or, limit such rights in any such way, it being the intent of this provision that neither Party shall be deprived of or limited in the exercise

of the remedies provided in this Agreement because of concepts of waiver, laches or otherwise nor shall any waiver in fact made with respect to any specific Event of Default be considered or treated as a waiver of the rights by the waiving party of any future Event of Default hereunder, except to the extent specifically waived in writing. No waiver made with respect to the performance, nor the manner or time thereof, of any obligation or any condition under the Agreement shall be considered a waiver of any rights except if expressly waived in writing.

Section 3.1 Rights and Remedies Cumulative. The rights and remedies of the Parties to this Agreement, whether provided by law or by this Agreement, shall be cumulative, and the exercise of any one or more of such remedies shall not preclude the exercise by such Party, at that time or different times, of any other such remedies for the same Event of Default.

Section 3.2 Notices. All notices, certificates, approvals, consents or other communications desired or required to be given hereunder shall be given in writing at the addresses set forth below, by any of the following means: (a) personal service, (b) overnight courier, or (c) registered or certified first class mail, postage prepaid, return receipt requested.

If to Village: Village of Palatine
200 E Wood Street
Palatine, IL 60067
Attn: Village Clerk

With a copy to: Village of Palatine
200 E Wood Street
Palatine, IL 60067
Attn: Village Manager

With a copy to: Schain, Burney, Ross & Citron, Ltd.
222 N. LaSalle Street, Suite 1910
Chicago, IL 60601
Attn: Robert C. Kenny

To Ale House Emmetts Micro-Brewery
 110 N. Brockway Street
 Palatine, IL 60067

The Parties, by notice hereunder, may designate any further or different addresses to which subsequent notices, certificates, approvals, consents or other communications shall be sent. Any notice, demand or request sent pursuant to clause (a) shall be deemed received upon such personal service or upon dispatch by electronic means. Any notice, demand or request sent pursuant to clause (b) shall be deemed received on the day immediately following deposit with the overnight courier, and any notices, demands or requests sent pursuant to clause (c) shall be deemed received forty-eight (48) hours following deposit in the mail.

Section 3.3 **Time of the Essence.** Time is of the essence of this Agreement.

Section 3.4 **Integration.** This Agreement supercedes all prior agreements, negotiations and discussions relative to the subject matter hereof and is a full integration of the agreement of the Parties.

Section 3.5 **Execution.** This Agreement may be executed in counterparts, each of which shall be an original and all of which will constitute one and the same Agreement.

Section 3.6 **Severability.** If any provision of this Agreement, or any Section, sentence, clause, phrase or word, or the application thereof, in any circumstance, is held to be invalid, the remainder of this Agreement shall be construed as if such invalid part were never included herein, and this Agreement shall be and remain valid and enforceable to the fullest extent permitted by law.

Section 3.7 **Choice of Law.** This Agreement shall be governed by and construed in accordance with the laws of the State of Illinois.

Section 3.8 **Entire Contract And Amendments.** This Agreement (together with the exhibits attached hereto) is the entire contract between the Village and Ale House relating to the

subject matter hereof, supersedes all prior and contemporaneous negotiations, understandings and agreements, written or oral, between the Village and Ale House, and may not be modified or amended except by a written instrument executed by the Parties hereto.

Section 3.9 Third Parties. Nothing in this Agreement, whether expressed or implied, is intended to confer any rights or remedies under or by reason of this Agreement on any other persons other than the Village and Ale House, nor is anything in this Agreement intended to relieve or discharge the obligation or liability of any third persons to either the Village or Ale House, nor shall any provision give any third parties any rights of subrogation or action over or against either the Village or Ale House. This Agreement is not intended to and does not create any third party beneficiary rights whatsoever.

Section 3.10 Waiver. Any party to this Agreement may elect to waive any right or remedy it may enjoy hereunder, provided that no such waiver shall be deemed to exist unless such waiver is in writing. No such waiver shall obligate the waiver of any other right or remedy hereunder, or shall be deemed to constitute a waiver of other rights and remedies provided pursuant to this Agreement.

Section 3.11 No Assignment. Ale House may not assign its rights under this Agreement to any other person without the express written approval of the Village.

Section 3.12 No Joint Venture, Agency or Partnership Created. Nothing in this Agreement, or any actions of the Parties to this Agreement, shall be construed by the Parties or any third person to create the relationship of a partnership, agency or joint venture between or among such parties.

Section 3.13 No Personal Liability of Officials of Village or Ale House. No covenant or agreement contained in this Agreement shall be deemed to be the covenant or agreement of the Mayor, Village Council member, Village Manager, any official, officer, partner, member, director,

agent, employee or attorney of the Village or Ale House, in his or her individual capacity, and no official, officer, partner, member, director, agent, employee or attorney of the Village or Ale House shall be liable personally under this Agreement or be subject to any personal liability or accountability by reason of or in connection with or arising out of the execution, delivery and performance of this Agreement, or any failure in that connection.

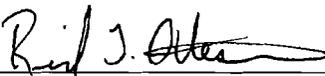
Section 3.14 Term. This Agreement shall remain in full force and effect until effect for twenty-three (23) years from the date the Downtown Redevelopment Project Area was created. or until otherwise terminated pursuant to the terms of this Agreement.

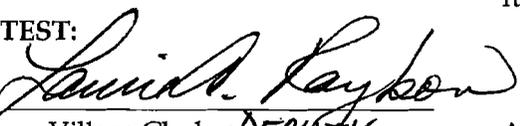
ARTICLE FOUR
EFFECTIVENESS

The effective date for this Agreement shall be the day on which this Agreement is fully executed pursuant to a duly enacted Village ordinance authorizing the execution of an adoption of this Agreement. Ale House shall execute this Agreement not later than twenty-one (21) days after Village Council's authorization and execution of this Agreement, or else this Agreement will be deemed void.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed on or as of the day and year first above written.

VILLAGE OF PALATINE, an Illinois
municipal corporation

By: 
Its: Village Manager

ATTEST:
By: 
Its: Village Clerk - ~~DEPUTY~~

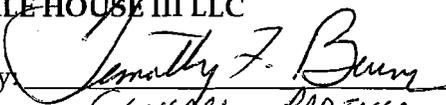
ALE HOUSE III LLC
By: 
Its: GENERAL PARTNER

EXHIBIT B

THE SOUTHWEST 26.6 FEET OF LOT 7 IN BLOCK A IN JOEL WOODS ADDITION TO THE VILLAGE OF PALATINE, A SUBDIVISION OF 5.15 ACRES IN THE SOUTHEAST QUARTER OF SECTION 15, TOWNSHIP 42 NORTH, RANGE 10 EAST OF THE THIRD PRINCIPAL MERIDIAN, PER DOCUMENT NUMBER 12085454, TOGETHER WITH LOTS 1, 2, AND 5 IN BLOCK A IN THE ASSESSOR'S MAP OF THE TOWN OF PALATINE, A SUBDIVISION IN THE SOUTHWEST QUARTER OF SECTION 14, THE SOUTHEAST QUARTER OF SECTION 15, THE NORTHEAST QUARTER OF SECTION 22 AND THE NORTHWEST QUARTER OF SECTION 23, TOWNSHIP 42 NORTH, RANGE 10 EAST OF THE THIRD PRINCIPAL MERIDIAN, PER DOCUMENT NUMBER 129579, ALL IN COOK COUNTY, ILLINOIS.



Doc#: 0805955031 Fee: \$52.00
Eugene "Gene" Moore
Cook County Recorder of Deeds
Date: 02/28/2008 10:09 AM Pg: 1 of 15

ORDINANCE NO. 0-207-07

**AN ORDINANCE AUTHORIZING THE MAYOR TO EXECUTE
A REDEVELOPMENT AGREEMENT BETWEEN THE VILLAGE OF PALATINE
AND MINT JULEP BISTRO, INC.
FOR PROPERTY IN DOWNTOWN PALATINE
53 & 55 W. SLADE STREET**

PIN 02-15-430-001

Village Clerk's Office
Village of Palatine
200 E. Wood Street
Palatine, IL 60067

Published in pamphlet form by authority of the
Mayor and Village Council of the Village of Palatine
on December 10, 2007

REDEVELOPMENT AGREEMENT

FOR MINT JULEP BISTRO, INC.

THIS AGREEMENT ("Agreement"), made and entered into as of this 10th day of DEC, 2007 ("Agreement Date"), by and between the Village of Palatine, Illinois, an Illinois municipal home rule corporation located in Cook County, Illinois ("Village") and Mint Julep Bistro, Inc., an Illinois Corporation ("Mint Julep"). The Village and Mint Julep are sometimes referred to individually as a "Party" and collectively as the "Parties".

WITNESSETH:

WHEREAS, the Village is a home rule unit of government in accordance with Article VII Section 6 of the Constitution of the State of Illinois, 1977; and

WHEREAS, the Village is authorized, under the provisions of the Tax Increment Allocation Redevelopment Act 65 ILCS 5/74.4-1 *et seq.*, as amended ("the Act") to finance redevelopment in accordance with the conditions and requirements set forth in the Act; and

WHEREAS, to stimulate and induce redevelopment in the Downtown, pursuant to the Act, the Village adopted the necessary ordinances, after giving all notices required and after conducting the public hearings required by law, and created the Village of Palatine Downtown TIF District.

WHEREAS, in furtherance of the purpose of those ordinances and in furtherance of the redevelopment of Downtown, the Village adopted ordinances that facilitated the redevelopment of the property known as 53 & 55 W. Slade Street, Palatine, Illinois for use as a restaurant facility ("Restaurant").

WHEREAS, Mint Julep has expressed a willingness to locate its Restaurant business in the Property; and

WHEREAS, Mint Julep desires to lease and remodel the Property; and

WHEREAS, Mint Julep will be the tenant of the Restaurant at the Property under the terms of a lease agreement dated _____, 2007; and

WHEREAS, Developer has been and continues to be unwilling to remodel the Restaurant at the Property but for certain tax increment financing ("TIF") incentives from Village, which Village is willing to provide under the terms and conditions contained herein; and

WHEREAS, this Agreement has been submitted to the Officers of the Mint Julep Bistro, Inc., for consideration and review, the Officers have taken all actions required to be taken prior to the execution of this Agreement in order to make the same binding upon Mint Julep according to the terms hereof, and any and all action of Mint Julep's President precedent to the execution of this Agreement have been undertaken and performed in the manner required by law.

WHEREAS, the Village finds that the Agreement set forth below serves the public interest, assisting Mint Julep in locating and operating its Restaurant within the Village, while at the same time furthering the Village's purposes for Downtown redevelopment.

NOW, THEREFORE, in consideration of the foregoing and of the mutual covenants and agreements herein contained, and other good and valuable consideration, the receipt and sufficiency which are hereby acknowledged, the Parties do hereby agree as follows:

ARTICLE ONE

INCORPORATION OF RECITALS.

The findings, representations and agreements set forth in the above Recitals are material to this Agreement and are hereby incorporated into and made a part of this Agreement as though fully set out in this Article One, and constitute findings, representations and agreements of the Village and of Mint Julep.

ORDINANCE NO. 0-207-07

**AN ORDINANCE AUTHORIZING THE MAYOR TO EXECUTE
A REDEVELOPMENT AGREEMENT BETWEEN THE VILLAGE OF PALATINE
AND MINT JULEP BISTRO, INC.
FOR PROPERTY IN DOWNTOWN PALATINE
53 & 55 W. SLADE STREET**

WHEREAS, the Village of Palatine by Ordinance Nos. 0-224-99, 0-225-99, 0-226-99 and passed by the Mayor and Village Council on December 16, 1999, established a Tax Increment Financing District, adopted a Tax Increment Redevelopment Plan for its downtown and designated a Redevelopment Project Area; and

WHEREAS, on January 24, 2000, the Village Council, at a meeting duly held, did adopt Ordinance No. 0-12-00 correcting certain scrivener's errors in the legal description attached as Exhibit A to Ordinances Nos. 0-224-99, 0-225-99 and 0-226-99 of the Village of Palatine, Cook County, Illinois; and

WHEREAS, the Mayor and Village Council have on December 10, 2007, considered the proposed Redevelopment Agreement with Mint Julep Bistro, Inc. and have determined that entering into this Agreement furthers the purposes of the Tax Increment Financing District and the Redevelopment Plan for Downtown and furthers the public interest; and

NOW, THEREFORE, BE IT ORDAINED, by the Mayor and Village Council of the Village of Palatine, acting in the exercise of their home rule power that:

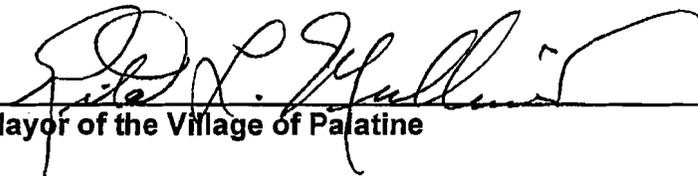
SECTION 1: The Village of Palatine hereby authorizes the Mayor to execute the Redevelopment Agreement that substantially conforms to Exhibit "A" attached hereto, pursuant to the Tax Increment Financing Act, Section 65 ILCS 5/11-74/4-4(c) and authorizes the Mayor to execute any other supporting documents to the extent permitted by law.

SECTION 2: This Ordinance shall be in full force and effect upon passage and approval as provided by law.

PASSED: This 10 day of December, 2007

AYES: 6 NAYS: 0 ABSENT: 0 PASS: 0

APPROVED by me this 10 day of December, 2007



Mayor of the Village of Palatine

ATTESTED and FILED in the office of the Village Clerk this 10 day of
December, 2007



Village Clerk

- (vii) shortage or unavailability of essential materials for a period not in excess of sixty (60) days and which materially change the ability of Mint Julep to carry out its obligations under this Agreement;

Uncontrollable Circumstance shall not include: (1) economic hardship or impracticability of performance, (2) commercial or economic frustration of purpose, (3) unavailability of materials, strikes or labor disputes caused by the acts of Mint Julep, or (4) a failure of performance by a contractor.

2.2 Payment of TIF Benefit Subject to Mint Julep establishing that its costs to remodel are TIF eligible expenses under the Act, subject to Mint Julep providing the Village with proof of payment in a form satisfactory to the Village as set forth in Section 2.1 above, and subject to the Restaurant open and operating for the prior year, barring uncontrollable circumstances, the Village shall pay to Mint Julep a total amount not to exceed forty thousand (\$40,000.00) dollars as follows.

Ten thousand (\$10,000.00) dollars shall be paid not more than thirty (30) days after the Restaurant opens for business. The remaining TIF assistance of not more than thirty (\$30,000.00) thousand dollars shall not be paid to Mint Julep unless and until: 1) the Restaurant was open and operating for the prior year, barring uncontrollable circumstances; and 2) Mint Julep establishes to the Village's satisfaction, via copies of all actual paid invoices, associated waivers of liens, receipts and other proof of remodeling payments, incurred by Mint Julep. In the event that evidence of all TIF eligible expenses are not provide to the Village prior to June 1, 2008, Mint Julep shall not be entitled to any reimbursement of any TIF eligible expenses and this Agreement shall be null and void.

The remaining \$30,000 TIF reimbursement by the Village to Mint Julep shall be made annually on a "pay as you go" basis. The amount of the annual TIF Assistance payments made by the Village to Mint Julep shall be equal to fifty percent (50%) of the annual combined food and beverage sales taxes received by the Village from the Restaurant during the preceding year. No later than May 31st of each year, the Village shall reimburse Mint Julep on the basis of fifty (50%) percent of the annual combined

food and beverage sales tax received by the Village in the preceding year from the Restaurant as the TIF Assistance until Mint Julep has received not more than Forty Thousand (\$40,000.00) Dollars in total TIF reimbursement, subject to Mint Julep having spent sufficient TIF Eligible Expenses under the Act to justify said amount for TIF Reimbursement, and also subject to Mint Julep being open and operating for the prior year, subject to uncontrollable circumstances. Prior to and as a condition of payments set forth in this Section, Mint Julep shall submit actual receipts evidencing payment of up to or in excess of forty thousand (\$40,000.00) dollars of TIF Eligible Expenses under this Agreement. Prior to payment of Incremental Property Taxes to Mint Julep, Mint Julep agrees to provide the financial information requested by the Village for the Village to determine the amount of funds to be provided. This Agreement shall not constitute a debt of the Village within the meaning of any constitutional statutory provision or limitation. Because the Special Tax Allocation Fund is a special fund, the aforesaid deposits into the Special Tax Allocation Fund shall not be subject to the appropriation process of the Corporate Authorities of the Village and the amounts deposited therein shall be disbursed in accordance with this Agreement without further action of the Corporate Authorities.

ARTICLE THREE

REMEDIES FOR DEFAULT

In the case of default by either Party, hereunder:

A. The defaulting Party shall, upon written notice from the non-defaulting Party, take action to cure or remedy such default. If, in case any monetary default is not cured or, if in the case of a non-monetary default, action is not taken or not diligently pursued, or if action is taken and diligently pursued but such default or breach shall not be cured or remedied within a reasonable time, but in no event more than thirty additional days unless extended by mutual agreement, the non-defaulting Party may institute such proceedings as may be necessary or desirable, in its opinion, to cure or remedy such default or breach, including but

ARTICLE TWO

**TIF ASSISTANCE FOR RESTAURANT AT
53 & 55 W. SLADE STREET, PALATINE, ILLINOIS**

2.1 Maximum Amount of TIF Benefit. Because Mint Julep is willing to remodel the Property in order to open its Restaurant operation, the Village agrees to provide financial assistance to Mint Julep in the form of cash payment(s) to assist Mint Julep in the expense of remodeling to accommodate the Restaurant. This financial assistance shall be only for TIF eligible remodeling expenses under the Act. This financial assistance shall not exceed forty thousand (\$40,000.00) dollars.

For purposes of this Agreement Uncontrollable Circumstances shall be defined to mean any event which:

- (a) is beyond the reasonable control of and without the fault of Mint Julep; and
- (b) is one or more of the following events:
 - (i) a Change in Law;
 - (ii) insurrection, riot, civil disturbance, sabotage, act of the public enemy, explosion, nuclear incident, war or naval blockade;
 - (iii) epidemic, hurricane, tornado, landslide, earthquake, lightning, fire, windstorm, other extraordinary weather conditions or other similar Act of God;
 - (iv) governmental condemnation or taking other than by the Village;
 - (v) strikes or labor disputes, other than those caused by the acts of Mint Julep;
 - (vi) unreasonable delay in the issuance of building or other permits or approvals by the Village or other governmental authority having jurisdiction;

not limited to, proceedings to compel specific performance of the defaulting Party's obligations under this Agreement.

B. In the case of default by Mint Julep, in addition to any other remedies at law or equity, the Village shall be relieved of its obligations under this Agreement, including but not limited to, its obligations to make any payment to Mint Julep. Any payment made to Mint Julep shall be returned to the Village in the event the Restaurant remains closed for more than thirty days subject to uncontrollable circumstances.

C. In the event a default is not cured within the applicable cure period, and the Parties employ an attorney or attorneys or incur other expenses for the collection of the payments due under this Agreement or the enforcement of performance or observance of any obligations or agreements herein contained, the non-prevailing Party shall pay, on demand, the prevailing Party's reasonable fees of such attorneys and such other reasonable expenses in connection with such enforcement action.

D. Any delay by either Party in instituting or prosecuting any actions or proceedings or otherwise asserting its rights under this Agreement, shall not operate, to act as a waiver of such rights or to deprive it of or, limit such rights in any such way, it being the intent of this provision that neither Party shall be deprived of or limited in the exercise of the remedies provided in this Agreement because of concepts of waiver, laches or otherwise nor shall any waiver in fact made with respect to any specific Event of Default be considered or treated as a waiver of the rights by the waiving party of any future Event of Default hereunder, except to the extent specifically waived in writing. No waiver made with respect to the performance, nor the manner or time thereof, of any obligation or any condition under the Agreement shall be considered a waiver of any rights except if expressly waived in writing.

Section 3.1 Rights and Remedies Cumulative. The rights and remedies of the Parties to this Agreement, whether provided by law or by this Agreement, shall be cumulative, and the exercise of any one or more of such remedies shall not preclude the exercise by such Party, at that time or different times, of any other such remedies for the same Event of Default.

Section 3.2 Notices. All notices, certificates, approvals, consents or other communications desired or required to be given hereunder shall be given in writing at the addresses set forth below, by any of the following means: (a) personal service, (b) overnight courier, or (c) registered or certified first class mail, postage prepaid, return receipt requested.

If to Village:	Village of Palatine 200 E Wood Street Palatine, IL 60067 Attn: Village Clerk
With a copy to:	Village of Palatine 200 E Wood Street Palatine, IL 60067 Attn: Village Manager
With a copy to:	Schain, Burney, Ross & Citron, Ltd. 222 N. LaSalle Street, Suite 1910 Chicago, IL 60601 Attn: Robert C. Kenny
To Mint Julep	Mint Julep Bistro, Inc. <hr/> <hr/>

The Parties, by notice hereunder, may designate any further or different addresses to which subsequent notices, certificates, approvals, consents or other communications shall be sent. Any notice, demand or request sent pursuant to clause (a) shall be deemed received upon such personal service or upon dispatch by electronic means. Any notice, demand or request sent pursuant to clause (b) shall be deemed received on the day immediately following deposit with the overnight courier, and any notices, demands or requests sent pursuant to clause (c) shall be deemed received forty-eight (48) hours following deposit in the mail.

Section 3.3 Time of the Essence. Time is of the essence of this Agreement.

Section 3.4 Integration. This Agreement supercedes all prior agreements, negotiations and discussions relative to the subject matter hereof and is a full integration of the agreement of the Parties.

Section 3.5 Execution. This Agreement may be executed in counterparts, each of which shall be an original and all of which will constitute one and the same Agreement.

Section 3.6 Severability. If any provision of this Agreement, or any Section, sentence, clause, phrase or word, or the application thereof, in any circumstance, is held to be invalid, the remainder of this Agreement shall be construed as if such invalid part were never included herein, and this Agreement shall be and remain valid and enforceable to the fullest extent permitted by law.

Section 3.7 Choice of Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Illinois.

Section 3.8 Entire Contract And Amendments. This Agreement (together with the exhibits attached hereto) is the entire contract between the Village and Mint Julep relating to the subject matter hereof, supersedes all prior and contemporaneous negotiations, understandings and agreements, written or oral, between the Village and Mint Julep, and may not be modified or amended except by a written instrument executed by the Parties hereto.

Section 3.9 Third Parties. Nothing in this Agreement, whether expressed or implied, is intended to confer any rights or remedies under or by reason of this Agreement on any other persons other than the Village and Mint Julep, nor is anything in this Agreement intended to relieve or discharge the obligation or liability of any third persons to either the Village or Mint Julep, nor shall any provision give any third parties any rights of subrogation or action over or against either the Village or Mint Julep. This Agreement is not intended to and does not create any third party beneficiary rights whatsoever.

Section 3.10 Waiver. Any party to this Agreement may elect to waive any right or remedy it may enjoy hereunder, provided that no such waiver shall be deemed to exist unless such

waiver is in writing. No such waiver shall obligate the waiver of any other right or remedy hereunder, or shall be deemed to constitute a waiver of other rights and remedies provided pursuant to this Agreement.

Section 3.11 No Assignment. Mint Julep may not assign its rights under this Agreement to any other person without the express written approval of the Village.

Section 3.12 No Joint Venture, Agency or Partnership Created. Nothing in this Agreement, or any actions of the Parties to this Agreement, shall be construed by the Parties or any third person to create the relationship of a partnership, agency or joint venture between or among such parties.

Section 3.13 No Personal Liability of Officials of Village or Mint Julep. No covenant or agreement contained in this Agreement shall be deemed to be the covenant or agreement of the Mayor, Village Council member, Village Manager, any official, officer, partner, member, director, agent, employee or attorney of the Village or Mint Julep, in his or her individual capacity, and no official, officer, partner, member, director, agent, employee or attorney of the Village or Mint Julep shall be liable personally under this Agreement or be subject to any personal liability or accountability by reason of or in connection with or arising out of the execution, delivery and performance of this Agreement, or any failure in that connection.

Section 3.14 Term. This Agreement shall remain in full force and effect until effect for twenty-three (23) years from the date the Downtown Redevelopment Project Area was created. or until otherwise terminated pursuant to the terms of this Agreement.

ARTICLE FOUR

EFFECTIVENESS

The effective date for this Agreement shall be the day on which this Agreement is fully executed pursuant to a duly enacted Village ordinance authorizing the execution of an adoption of this Agreement. Mint Julep shall execute this Agreement not later than twenty-one (21) days after Village Council's authorization and execution of this Agreement, or else this Agreement will be deemed void.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed on or as of the day and year first above written.

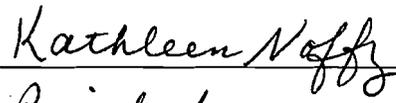
VILLAGE OF PALATINE, an Illinois
municipal corporation

By: 
Its: Village Manager

ATTEST:

By: 
Its: Village Clerk - ~~DEPUTY~~

MINT JULEP BISTRO, INC.

By: 
Its: President

STATE OF ILLINOIS)
) SS
COUNTY OF COOK)

I, Susan Minott, a Notary Public in and for said County, in the State aforesaid, DO HEREBY CERTIFY, that Kathleen Noffz, president of Mint Julep, an Illinois Limited Liability Company, 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 of said Mint Julep, LLC, for the uses and purposes therein set forth.

GIVEN under my hand and Notarial Seal this 4 day of January, ~~2007~~ 2008

Susan Minott

Notary Public



My commission expires _____

Rck/palatine/downtown TIF/MINT JULEP-RDA-12-04-07

LEGAL DESCRIPTION OF PREMISES –
53 & 55 WEST SLADE, PALATINE

Lot 4, Block L, Town of Palatine
E 1/2, SE 1/4, Section 15, Township 42
Range 10, East of the Third Principal Meridian,
Cook County, Illinois

No Plat of Survey is Currently Available

4

Date of Sale: Monday, May 7, 2007
10:30 A.M. C.D.T.

Investment Rating:
Moody's Investors Service, Inc. . . . Aa2
(See page ii)



**FINAL
OFFICIAL STATEMENT
\$20,320,000**

**VILLAGE OF PALATINE
Cook County, Illinois**

**GENERAL OBLIGATION BONDS, SERIES 2007
\$3,100,000 General Obligation Bonds, Series 2007A, 2007C and 2007E
\$17,220,000 General Obligation Bonds, Taxable Series 2007B and 2007D**

BOND DETAILS

Callable Fully Registered Bonds issued under the Global Book Entry System (The Depository Trust Company will act as securities depository) . . . Dated May 15, 2007. . . Due Serially as shown on page (i) . . . Denomination multiples of \$5,000. The record date shall be the 15th day of the calendar month next preceding an interest payment date. Principal payable at Wells Fargo Bank, N.A., Chicago, Illinois which is Bond Registrar and Paying Agent. Interest due December 1, 2007 and semi-annually thereafter payable by check or draft mailed by the Bond Registrar to the registered owners. Bonds of each Series due December 1, 2008-2017, inclusive, are not callable in advance of maturity. Bonds of each Series due December 1, 2018-2026 are callable in whole or in part and, if in part, in such order of maturity as determined by the Village and within a maturity by lot beginning December 1, 2017 and any date thereafter at par plus accrued interest to the date of redemption. Notice of such redemption shall be given once not less than 30 days nor more than 60 days prior to the date of redemption by first class mail to the registered holders thereof.

[Maturities, Coupon Rates, Reoffering Yields and CUSIP Numbers (See Page i)]

Principal of and interest on the \$3,100,000 General Obligation Bonds, Series 2007A, 2007C and 2007E when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Bonds by Financial Security Assurance Inc. [See Appendix D].



Principal and interest of the \$17,220,000 General Obligation Bonds, Taxable Series 2007B and Series 2007D when due are guaranteed by a financial guaranty insurance policy issued by CIFG Assurance North America, Inc. [See Appendix E].



PURPOSE, SECURITY AND LEGALITY

These Bonds have been authorized without referendum pursuant to the Village's powers as a home-rule unit under the 1970 Illinois Constitution. Proceeds of the Bonds will be used for improvements and land acquisition in the Village's Downtown and Rand Corridor tax increment financing redevelopment areas and for improvement of the water utility system by the acquisition and installation of a SCADA control system. See "This Issue" herein.

These Bonds, in the opinion of bond counsel, Katten Muchin Rosenman LLP, Chicago, Illinois, will constitute valid and legally binding general obligations of the Village of Palatine, Illinois, payable both as to principal and interest from ad valorem taxes levied against all taxable property therein, without limitation as to rate or amount. The Village will furnish the written approving opinions of said bond attorneys evidencing legality of the Bonds. See Appendices B and C for the Forms of Opinion of Bond Counsel.

The delivery of the Series 2007A, 2007C, and 2007E (Tax-Exempt) Bonds is subject to the opinion of Katten Muchin Rosenman LLP, Bond Counsel, to the effect that under existing law, interest on the Bonds is not includable in the gross income of the owners thereof for federal income tax purposes and that, assuming continuing compliance with the applicable requirements of the Internal Revenue Code of 1986, interest on the Bonds will continue to be excluded from the gross income of the owners thereof for federal income tax purposes. Interest on the Bonds is not an item of tax preference for purposes of computing individual or corporate alternative minimum taxable income, but must be taken into account as earnings and profits of a corporation when computing, for example, corporate minimum taxable income for purposes of the corporate alternative minimum tax. See "TAX EXEMPTION" herein. Interest on the Bonds is not exempt from present Illinois income taxes.

Interest on the Series 2007B and D (Taxable) Bonds is not exempt from Federal or Illinois income taxes. For additional information on the Village's covenant regarding continuing disclosure for secondary market purposes pursuant to S.E.C. Rule 15c2-12, see page 14.

AUTHORIZATION

This Final Official Statement has been prepared under the authority of the Mayor and Village Council of the Village of Palatine, Cook County, Illinois by Crowe Chizek and Company LLC, Municipal/Public Finance Consultants, and is authorized for distribution to HARRIS N.A. and Associates the underwriters of the Series 2007A, 2007C and 2007E Bonds, and BB & T CAPITAL MARKETS, the underwriter of the Series 2007B and Series 2007D Bonds. The information herein has been compiled from sources believed to be reliable, but is not guaranteed. As far as any statements herein involve matters of opinion, whether or not so stated, they are intended as opinion and not representations of fact. This Final Official Statement is dated May 7, 2007.

MUNICIPAL / PUBLIC FINANCE CONSULTANTS

MUNICIPAL / PUBLIC FINANCE CONSULTANTS

\$3,100,000 GENERAL OBLIGATION BONDS, SERIES 2007A, 2007C AND 2007E

\$365,000 Series 2007A

<u>Due 12/1</u>	<u>Amount</u>	<u>Coupon Rate</u>	<u>Reoffering Yield</u>	<u>CUSIP Base 696089</u>
2015 ..	\$ 100,000	4.00%	3.88%	RP 8
2016 ..	100,000	4.00%	3.93%	RQ 6
2017 ..	165,000	4.00%	3.96%	RR 4
	<u>\$ 365,000</u>			

\$1,215,000 Series 2007C

<u>Due 12/1</u>	<u>Amount</u>	<u>Coupon Rate</u>	<u>Reoffering Yield</u>	<u>CUSIP Base 696089</u>	<u>Due 12/1</u>	<u>Amount</u>	<u>Coupon Rate</u>	<u>Reoffering Yield</u>	<u>CUSIP Base 696089</u>
2010	\$ 100,000	4.00%	3.70%	SH 5	2016	\$ 100,000	4.00%	3.93%	SP 7
2011	100,000	4.00%	3.70%	SJ 1	2017	100,000	4.00%	3.96%	SQ 5
2012	100,000	4.00%	3.73%	SK 8	2018	100,000	4.00%	4.01%	SR 3
2013	100,000	4.00%	3.76%	SL 6	2019	100,000	4.00%	4.08%	SS 1
2014	100,000	4.00%	3.81%	SM 4	2020	100,000	4.25%	4.13%	ST 9
2015	100,000	4.00%	3.88%	SN 2	2021	115,000	4.25%	4.17%	SU 6
						<u>\$1,215,000</u>			

\$1,520,000 Series 2007E

<u>Due 12/1</u>	<u>Amount</u>	<u>Coupon Rate</u>	<u>Reoffering Yield</u>	<u>CUSIP Base 696089</u>	<u>Due 12/1</u>	<u>Amount</u>	<u>Coupon Rate</u>	<u>Reoffering Yield</u>	<u>CUSIP Base 696089</u>
2008	\$ 130,000	4.00%	3.68%	TP 6	2013	\$ 155,000	4.00%	3.76%	TU 5
2009	130,000	4.00%	3.69%	TQ 4	2014	160,000	4.00%	3.81%	TV 3
2010	135,000	4.00%	3.70%	TR 2	2015	165,000	4.00%	3.88%	TW 1
2011	145,000	4.00%	3.70%	TS 0	2016	170,000	4.00%	3.93%	TX 9
2012	150,000	4.00%	3.73%	TT 8	2017	180,000	4.00%	3.96%	TY 7
						<u>\$1,520,000</u>			

\$17,220,000 GENERAL OBLIGATION BONDS, TAXABLE SERIES 2007B AND 2007D

\$7,335,000 Series 2007B

<u>Due 12/1</u>	<u>Amount</u>	<u>Coupon Rate</u>	<u>Reoffering Yield</u>	<u>CUSIP Base 696089</u>	<u>Due 12/1</u>	<u>Amount</u>	<u>Coupon Rate</u>	<u>Reoffering Yield</u>	<u>CUSIP Base 696089</u>
2008	\$ 340,000	5.20%	5.18%	RS 2	2015	\$ 475,000	5.20%	5.220%	RZ 6
2009	355,000	5.20%	5.04%	RT 0	2016	500,000	5.20%	5.230%	SA 0
2010	375,000	5.20%	5.05%	RU 7	***	***	***	***	***
2011	390,000	5.20%	5.09%	RV 5	2019*	1,665,000	5.25%	5.316%	SD 4
2012	410,000	5.20%	5.10%	RW 3	***	***	***	***	***
2013	430,000	5.20%	5.12%	RX 1	2022*	1,940,000	5.40%	5.496%	SG 7
2014	455,000	5.20%	5.19%	RY 9		<u>\$7,335,000</u>			

* Represents term bonds due December 1, 2019 and 2022 and are subject to mandatory redemption on December 1 of the years as follows: 2019: \$525,000 in 2017 and \$555,000 in 2018; 2022: \$615,000 in 2020 and \$645,000 in 2021.

\$9,885,000 Series 2007D

<u>Due 12/1</u>	<u>Amount</u>	<u>Coupon Rate</u>	<u>Reoffering Yield</u>	<u>CUSIP Base 696089</u>	<u>Due 12/1</u>	<u>Amount</u>	<u>Coupon Rate</u>	<u>Reoffering Yield</u>	<u>CUSIP Base 696089</u>
2009	\$ 350,000	5.20%	5.040%	SV 4	2016	\$ 490,000	5.20%	5.230%	TC 6
2010	365,000	5.20%	5.050%	SW 2	***	***	***	***	***
2011	385,000	5.20%	5.090%	SX 0	2019*	1,625,000	5.25%	5.316%	TF 8
2012	400,000	5.20%	5.100%	SY 8	***	***	***	***	***
2013	425,000	5.20%	5.120%	SZ 5	2022*	1,895,000	5.40%	5.496%	TJ 0
2014	445,000	5.20%	5.180%	TA 9	***	***	***	***	***
2015	465,000	5.20%	5.220%	TB 7	2026*	3,040,000	5.60%	5.600%	TN 1
						<u>\$9,885,000</u>			

* Represents term bonds due December 1 of the years 2019, 2022 and 2026 and are subject to mandatory redemption on December 1 of the years as follows: 2019: \$515,000 in 2017; \$540,000 in 2018; 2022: \$600,000 in 2020 and \$630,000 in 2021; 2026: \$700,000 in 2023, \$740,000 in 2024 and \$780,000 in 2025.

BOND RATING

In connection with the sale of the Bonds, the Village applied to Moody's Investors Service ("Moody's") for a rating. On May 2, 2007, Moody's affirmed its Aa2 rating of the Village's General Obligation Bonds, including the Series 2007A-E Bonds. An explanation of such rating may be obtained from Moody's. The rating reflects only the view of Moody's and the Village makes no representation as to the appropriateness of such rating.

There is no assurance that the Moody's rating of the Village's Bonds will continue for any period of time or that it will not be revised upward or downward or withdrawn entirely by Moody's if, in the judgment of Moody's, circumstances so warrant. Any such revision or withdrawal of the rating may have an effect on the market price of the Bonds.

The Village did not apply to any other rating agency for a rating on these Bonds.

INSURANCE RATINGS

In connection with the Village of Palatine, Cook County, Illinois, \$3,100,000 GENERAL OBLIGATION BONDS, SERIES 2007A, SERIES 2007C and SERIES 2007E, the Moody's Investors Service, Inc. "Aaa" rating of the claims paying ability of Financial Security Assurance Inc. ("FSA") is applicable. Harris N.A., has chosen not to purchase the "AAA" ratings of FitchRatings or Standard & Poor's.

In connection with the Village of Palatine, Cook County, Illinois, \$17,220,000 GENERAL OBLIGATION BONDS, TAXABLE SERIES 2007B and SERIES 2007D, the Moody's Investors Service, Inc. "Aaa" rating of the claims paying ability of CIFG Assurance North America, Inc. ("CIFG") is applicable. BB & T Capital Markets has chosen not to purchase the "AAA" ratings of FitchRatings or Standard & Poor's.

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VILLAGE OF PALATINE
Cook County, Illinois

ELECTED OFFICIALS

Rita L. Mullins
Mayor

COUNCIL

Brad Helms
Michael E. Jeziarski
Gregory J. Solberg

Daniel A. Varroney
Jack Wagner
Jim Wilson

Margaret R. Duer
Village Clerk

APPOINTED OFFICIALS

Reid T. Ottesen
Village Manager

Robert C. Kenny
Village Attorney

Thomas D. Coy
Treasurer

Paul D. Mehring
Finance Director

GENERAL INFORMATION

The Village of Palatine is located in northwestern Cook County 31 miles from downtown Chicago. Its immediate neighbors include the Village of Arlington Heights on the east, portions of the City of Rolling Meadows and the Village of Schaumburg on the south, Deer Park on the north, and a portion of the Village of Inverness on the west.

Incorporated in 1866, the Village grew around the Illinois and Wisconsin Railroad (now the Chicago and North Western Railway) depot. Lelsurely population growth occurred up to 1950 when the Census recorded 4,079 residents within a land area of approximately two square miles. A variety of factors contributed to the acceleration of the Village's growth in the 1950's including: the opening of the nearby Northwest Route of the Illinois Tollroad and O'Hare International Airport both of which opened in the mid-1950's; the significant upgrading of commuter rail service by the Chicago and North Western Railway through its use of bi-level air conditioned trains; the annexation to the Metropolitan Water Reclamation District of Greater Chicago relieving the Village of sewage treatment responsibilities; and, the annexation to the Village of large tracts of land by major residential developers. The 1960 Census recorded the Village's population at 11,504 within the 3.2 square mile corporate limits.

Growth in area and population continued through the 1960's with the 1970 Census reporting that population had increased by 14,400 to 25,904 within the then 6.5 square mile land area. During the 1970's growth continued albeit at a slower pace. The 1980 Census recorded a population of 32,166 up 23.5% from 1970's 25,904 and an almost two square mile increase in the Village's size to 8.4 square miles. At the 1990 Census, the Village's population was 39,655, up 23.3% for the decade; the land area of the Village was 10 square miles. At the 2000 Census, the Village's population was 65,479. As of January 1, 2003, the Census certified the Village's population at 65,920, which reflects annexations since the 2000 Census. The Village's land area is 13.11 square miles.

The table below sets out Illinois' ten wealthiest communities with at least 50,000 population at the 2000 Census in descending order of median family income. The Village of Palatine's 2000 median family income was \$76,270, ranking it 7th of the 27 Illinois municipalities with at least 50,000 population. The Village's 2000 median family income was 37.3% greater than the State's \$55,545 and 53.8% greater than the \$49,600 recorded for the United States. In addition, only 3.5% of families in the Village had incomes below the poverty level, compared to 7.8% for the State.

**ILLINOIS' TEN WEALTHIEST COMMUNITIES WITH 50,000 PLUS POPULATION
AT THE 2000 CENSUS (Note 1)
(Listed in Descending Order of Median Family Income)**

Rank	Municipality/County	Population		2000 Median Family Income		2000 Per Capita Income		2000 Families Below Poverty
		2000 Census	1990-2000 Increase	Amount	Percent of U.S.	Amount	Percent of U.S.	
1	Naperville, DuPage/Will	128,300	+50.4%	\$101,590	204.8%	\$35,551	163.9%	1.6%
2	Wheaton, DuPage	55,439	+7.7%	90,475	182.4%	34,147	157.4%	2.4%
3	Arlington Heights, Cook	76,098	+8%	84,488	170.3%	33,544	154.7%	1.8%
4	Oak Park, Cook	52,524	-2.1%	81,703	164.7%	36,340	167.5%	3.6%
5	Evanston, Cook	74,239	+1.4%	78,886	159.0%	33,845	155.2%	5.1%
6	Orland Park, Cook	51,103	+43.0%	77,507	156.3%	30,487	140.5%	2.1%
7	Palatine, Cook	65,156(2)	+66.8%	76,270	153.8%	30,661	141.4%	3.5%
8	Hoffman Estates, Cook/Kane	50,352	+8.1%	73,685	148.6%	26,689	123.0%	3.4%
9	Schaumburg, Cook/DuPage	74,511	+9.9%	72,631	146.4%	30,587	141.0%	2.0%
10	Bolingbrook, Will/DuPage	56,454	+37.8%	71,527	144.2%	23,468	108.2%	2.9%
	State of Illinois	12,419,293	+8.6%	\$ 55,545	112.0%	\$23,104	106.5%	7.8%
	United States	284,421,906	+14.3%	49,600	100.0%	21,690	100.0%	9.6%

Notes: 1. At the 2000 Census, 27 Illinois municipalities had populations in excess of 50,000.
2. The U.S. Census Bureau on September 23, 2003 revised the Village's April 1, 2000 population count to 65,920 to reflect boundary updates reported to the U.S. Census Bureau.

The 2000 Census reported that the Village's Median Home Value was \$199,200, which was 52.3% greater than Illinois' \$130,800. The table below compares the Village's 2000 Median Home Value by value groupings with those applicable for Cook County, the State's 101 other counties and the State as a whole. With the Statewide median home

valued at \$130,800 it can be seen that over 78.4% of the homes in the Village were valued in excess of the Statewide median. The 2000 median rental in the Village was reported at \$884 or 46.1% greater than the Statewide \$605.

2000 CENSUS—MEDIAN HOME VALUE

	Village of	State of Illinois		
	Palatine	Cook County	101 Other Counties	Total
Median Home Value*	\$199,200	\$157,700	\$ N.A.	\$ 130,800
Number of Single Family Homes*	13,985	816,532	1,653,806	2,470,338
Percent of Homes Valued:				
Under \$100,000	3.0%	19.2%	43.8%	35.7%
\$100,000-\$149,999	18.6%	26.8%	22.1%	23.6%
\$150,000-\$199,999	28.9%	22.5%	14.8%	17.4%
\$200,000-\$299,999	30.8%	18.1%	11.9%	13.9%
\$300,000 or more	18.7%	13.4%	7.4%	9.4%
Total	100.0%	100.0%	100.0%	100.0%

* Owner occupied condominium and non-condominium units.

Supporting these relative wealth statistics was employment data reported in the 2000 Census. As will be noted in the table below, the Village's 43.7% of its work force employed in "Management, Professional and Related" occupational categories compared very favorably to the 34.2% for the State as a whole and the 35.2% reported for Cook County. Employment in the "Production, Transportation and Material Moving" occupation category was reported at 10.0% for the Village versus 15.7% for the State and 14.4% for the Chicago PMSA.

2000 EMPLOYED PERSONS BY OCCUPATIONAL CATEGORY

Occupational Category	Palatine-- Employed Persons		Percent Total Employees		
	Number	Percent Total	Cook County	Chicago PMSA*	State of Illinois
Management, Professional and Related	16,154	43.7%	35.2%	36.4%	34.2%
Sales and Office	11,062	30.0%	28.5%	28.6%	27.6%
Service	3,871	10.5%	14.0%	12.9%	14.0%
Production, Transportation and Mat'l Moving	3,685	10.0%	15.1%	14.4%	15.7%
Construction, Extraction and Maintenance	2,104	5.7%	7.1%	7.6%	8.2%
Farming, Fishing and Forestry	35	0.1%	0.1%	0.1%	0.3%
Total	36,911	100.0%	100.0%	100.0%	100.0%

* Chicago PMSA includes nine counties: Cook, DuPage, Kane, Lake, McHenry, Will, DeKalb, Kendall and Grundy counties.

As shown in the table "2000 Employed Persons by Industry" below, the Village has a relatively high percentage of its workforce employed in "Manufacturing" (17.5% for the Village compared to 15.4% for the Chicago MSA) and "Wholesale and Retail Trade" (17.2% for the Village compared to 14.9% for the Chicago MSA). As indicated in the previous table, a large percentage of the Village's employed persons are managers in their respective industries.

2000 EMPLOYED WORKERS BY INDUSTRY (Source: 2000 Census)

Industry	Palatine Employed Persons		Percent of Total Employees		
	Number	Percent Total	Cook County	Chicago PMSA*	State of Illinois
Manufacturing	6,472	17.5%	14.1%	15.4%	16.0%
Wholesale & Retail Trade	6,355	17.2%	13.9%	14.9%	14.9%
Education, Health & Social Services	5,686	15.4%	18.8%	18.0%	19.4%
Professional, Scientific, Mgmt., Administrative & Waste Mgmt.	4,631	12.5%	12.7%	12.2%	10.1%
Finance, Insurance, Real Estate & Rental Leasing	3,765	10.2%	9.1%	8.9%	7.9%
Arts, Entertainment, Recreation, Accommodation & Food Service	2,405	6.5%	7.7%	7.0%	7.2%
Transportation, Warehousing & Utilities	1,980	5.4%	6.7%	6.2%	6.0%
Construction	1,932	5.2%	4.9%	5.6%	5.7%
Information	1,511	4.1%	3.4%	3.4%	3.0%
Public Administration	674	1.8%	3.9%	3.4%	4.0%
All Other	1,500	4.1%	5.1%	4.9%	5.9%
Total	36,911	100.0%	100.0%	100.0%	100.0%

* Chicago PMSA includes nine counties: Cook, DuPage, Kane, Lake, McHenry, Will, DeKalb, Kendall and Grundy counties.

The table below contains a listing of the largest employers in the Village based upon an April 2007 telephone canvass. The institutional nature of the largest employers should be noted.

LARGEST EMPLOYERS (Within Palatine Village Limits)

Rank	Employer	Business/Service	No. Of Employees (f)
1	United Parcel Service	Package Delivery Service-Hub Facility	2,000
2	United States Postal Service	Mail Processing Facility	1,810
3	Palatine Comm. Consol. S.D. No. 15	Elementary School District	1,200(2)
4	Township High S.D. No. 211	High School District	927(3)
5	Harper Community College No. 512	Community College Campus	834(4)
6	Village of Palatine	Municipal Government	363
7	Arlington Plating	Job Shop Electroplater	135
8	The Intec Group Incorporated	Plastic Injection Molders	80

- Notes: 1. From a telephone canvass conducted in April 2007. Excludes large retail employers, such as Target, Dominick's (2 stores), Jewel (2 stores), Whole Foods, Home Depot, Wal-Mart, Staples, Michael's, Menard's, and Linens and Things. Also excludes Weber Stephen Products Company (manufacturer of Weber Grills/Corporate Headquarters) and Square D Company (Corporate Headquarters) which do not disclose employment information.
2. Represents the employment at the District's administrative offices and the 11 schools located in Palatine (the District has a total of 19 schools).

3. Represents the employment at the District's administrative offices and the two schools in Palatine (the District has a total of 5 schools and is the largest high school district in the State).
4. Excludes student aides, part-time temporary employees and part-time instructors.

The following table sets out the Building Permit Activity in the Village since 2000.

BUILDING PERMIT ACTIVITY (Note 1)

Calendar Years	New Residential						All Other Value(2)	Total Value
	Single Family			Multiple Family				
	No. Units	Value	Average Value	No. Units	Value	Average Value		
2000	107	\$20,552,975	\$192,084	26	\$14,452,650	\$25,920,225	\$60,925,850	
2001	98	20,009,857	204,182	160	16,098,293	50,365,981	86,474,111	
2002	126	44,266,755	351,323	281	28,625,286	34,640,957	107,532,998	
2003	113	23,300,509	206,199	118	17,029,345	40,319,655	80,649,509	
2004	55	15,768,970	288,709	36	20,011,375	93,141,740	128,922,085	
2005	80	18,546,230	231,828	29	17,732,285	58,587,850	94,866,365	
2006	63	17,345,680	275,328	15	11,365,480	60,464,965	89,176,145	

- Notes: 1. Summarized from Village records. Values for new residential building reflect the cost of construction only—not land or builder's profit.
 2. Includes additions/remodeling of existing single family and multiple family residences, additions/remodeling of commercial and industrial buildings, additions/remodeling of public buildings, and other miscellaneous building permits.

The table below compares the Village's average unemployment rate to that of Cook County, the State and the United States for each year since 2001.

UNEMPLOYMENT RATES—Civilian Labor Force (Note)

Source: U.S. Department of Labor and Illinois Department of Employment Security

	Annual Average					
	2001	2002	2003	2004	2005	2006
Village of Palatine . . .	5.1%	6.8%	6.0%	4.9%	4.5%	3.3%
Cook County	5.9%	7.3%	7.4%	6.8%	6.5%	4.7%
State of Illinois	5.4%	6.5%	6.7%	6.2%	5.7%	4.5%
United States	4.8%	5.8%	6.0%	5.5%	5.1%	4.6%

Note: By place of residence, not place of work.

Commercial Development

During 1995-1997, the Village created two tax increment financing (TIF) districts to encourage development within the Rand-Dundee commercial corridors. Redevelopment Project Number 1, created in 1995, consists of approximately 40 acres and includes the Deer Grove Shopping Center, Northwest Shopping Center, and the Walgreen's Shopping Center. The major stores within the Deer Grove Center include Target, Staples, Michael's, Dominick's, Linens N' Things, and a variety of smaller stores. The tenants within the Northwest Shopping Center include a Jewel grocery store and a variety of smaller stores. The Walgreen's Center contains a free-standing Walgreen's store and a separate 12,000 square foot multi-tenant commercial building. Redevelopment Project Number 2 (Deer Grove Crossing), created in 1997, consists of 16 acres and includes a Home Depot and several other small tenants. In 1998, the Village combined the two redevelopment areas, which are contiguous, and issued TIF bonds to refinance bonds issued in 1995, 1996 and 1997 to finance the redevelopment projects. The Village estimates that these two redevelopment areas are generating over \$1 Million in new sales tax revenue.

In 1999, a third tax increment financing district was created to promote redevelopment of a 40-square block area within downtown Palatine. Proceeds of the Village's \$14,565,000 Series 2001 and \$3,205,000 Taxable Series 2001 (after costs of issuance and capitalized interest), together with a \$1 million state grant were used to construct a 1,244 space parking deck and various other infrastructure improvements within the downtown TIF. The parking deck was completed in October 2002. A 100,000-square foot office building was completed in the downtown area in December 2002. Other recent development projects include a 21,000 square foot restaurant and music venue (Durdy Nellies), a 20,000 square foot brew-pub, and 20,000 square feet of offices. In addition, one mixed-use development is nearing completion (which contains 109 condominium units and 18,500 square feet of retail) while another mixed-use development (which will contain 101 condominium units and 11,500 square feet of retail) just received final approval and is scheduled to start construction in the summer of 2007. Since the adoption of the TIF district redevelopment projects have resulted in over 1,000 new residential units and over 250,000 square feet of office/commercial space within downtown Palatine.

In 2003, the Village created the Rand Road Corridor TIF District. Wal-Mart opened a 120,000 square foot store in September, 2004. A 26,000 square foot retail development was completed in 2005 which contains a variety of restaurant and retail uses. In 2005, the remodeling and expansion of an existing shopping center resulted in a new 39,000 square foot grocery store and an additional 20,000 square feet of retail space. Smaller development projects have included the conversion of an old automotive repair facility into a new flooring store, as well as the construction of a new Advanced Auto (auto parts) store. Panda Express recently opened a new restaurant and White Castle has obtained approval to construct a new drive-thru restaurant.

VILLAGE GOVERNMENT

The Village of Palatine operates under the Council-Manager form of government with legislative authority vested in the Mayor (elected at-large for a four year term) and Council of six members (elected to overlapping four year terms from districts). The appointed Village Manager is responsible for the administration of policy set by the governing body, the day-to-day operation of the Village and the administration of the Village's 363 full-time employees and 53 part-time or seasonal employees. The Village bargains with two collective bargaining units: police (100 employees; 3-year contract

expires December 31, 2007) and public works (42 employees; 3-year contract expired December 31, 2006, new contract being negotiated).

National recognition was received by the Police Department in 1986 when the Commission on Accreditation for Law Enforcement Agencies in the United States and Canada accredited the Department—the 2nd department so accredited in Illinois (out of 1,011 departments) and the 35th so accredited in the United States and Canada out of 19,180 departments/agencies. The department was last re-accredited in December 2004. Accreditation signifies that the Department's operations and procedures are "State-of-the-Art". Excellence of the operations of the 97-member fire department (more than 80% of whom are certified paramedics) and the water supply and distribution system is evidenced by the Village's very high Class 3 fire insurance rating which rating is bettered by only 23 of the 2,050 fire department/protection district ratings in the State of Illinois. The Village has five modern fire stations. Pursuant to referendum approval, the Village has instituted an enhanced 911 emergency dispatch system. The Village established one of the first paramedic programs in the United States in 1972.

The Village has successfully used cooperative intergovernmental relationships to minimize the cost of providing services. In 1985, the Village and the Villages of Arlington Heights, Buffalo Grove and Wheeling began receiving Lake Michigan water from the Northwest Water Commission (a municipal corporation) which they collectively formed several years earlier for the express purpose of obtaining Lake Michigan water to replace their ground water sources. The Commission purchases water from the City of Evanston (approximately 17 miles east at Lake Michigan) under a long-term automatically renewable contract. The Village is one of the 26 members of the Solid Waste Agency of Northern Cook County. The Village is a member of the Intergovernmental Risk Management Agency (IRMA) which is a proprietary venture established to manage and fund claims for its 73 member municipalities. The Village is a member of the Northwest Municipal Conference (48 governmental bodies) which provides certain purchasing and planning economies.

The Village has a modern complement of buildings. In 1978, the Village and the Palatine Park District (a separate municipal corporation) acquired the 12.1-acre site of the former Palatine High School. The three story high school building had a gymnasium and an auditorium and the site contained athletic fields, parking, etc. The Village and the Park District independently remodeled/renovated their spaces with the Village's 61,540 square feet for the police department and administrative offices—each governmental body has sufficient space for the foreseeable future. A portion of the proceeds of the Series 1997 issue funded improvements to Village administrative offices at Village Hall. The Village and the Park District jointly constructed a \$7.2 Million Public Works/Park District Combined Service Building in 1990.

Village Water and Sewer System

The Village operates a water distribution system (as noted above, Lake Michigan water is provided by the Northwest Water Commission) and a sewage collection system (treatment is the responsibility of the Metropolitan Water Reclamation District). The Village maintains 200 miles of water main and has 21.5 million gallons of storage. The Village maintains 200 miles of sewer lines.

The Capital Improvement Program

The Village's 2007-2011 Capital Improvement Program ("CIP") totaling \$48,465,435 is set out below.

2007-2011 CAPITAL IMPROVEMENTS PROGRAM SUMMARY

Project Cost Category:	2007	2008	2009	2010	2011	Total	
						Amount	Percent
Public Works	\$ 6,040,185	\$5,482,700	\$ 5,201,000	\$ 5,238,800	\$5,066,500	\$27,029,185	55.8%
Engineering	3,253,000	2,769,000	2,947,000	3,897,000	2,403,000	15,269,000	31.5%
Fire	2,022,250	350,000	625,000	725,000	575,000	4,297,250	8.9%
Information Systems	270,000	240,000	370,000	245,000	195,000	1,320,000	2.7%
All Other	- 0 -	550,000	- 0 -	- 0 -	- 0 -	550,000	1.1%
Total	\$11,585,435	\$9,391,700	\$9,143,000	\$10,105,800	\$8,239,500	\$48,465,435	100.0%
Project Funding Category:							
Capital Improvement Fund	\$3,778,550	\$1,915,400	\$2,418,500	\$ 3,345,300	\$1,968,000	\$13,423,750	27.7%
Waterworks Fund	4,047,000	2,685,000	1,995,000	2,221,000	2,803,000	13,731,000	28.3%
Motor Fuel Tax Fund	1,897,500	2,081,800	2,168,500	2,035,000	2,200,000	10,362,800	21.4%
Capital Equipment Fund	1,396,385	2,389,500	2,086,000	2,209,500	1,210,500	9,291,885	19.2%
All Other	468,000	360,000	475,000	295,000	60,000	1,656,000	3.4%
Total	\$11,585,435	\$9,391,700	\$9,143,000	\$10,105,800	\$8,239,500	\$48,465,435	100.0%

Home Rule and Village Finances

Pursuant to its population being in excess of 25,000, the Village automatically became a home rule unit when the 1970 Illinois Constitution was adopted. As a home rule unit, the Village has no tax rate or debt limits, nor is it required to conduct a referendum to authorize the issuance of debt or to increase property taxes. The Village has never resorted to tax anticipation financing. The Village has not availed itself of the statutorily authorized 5% Utility Tax (on the bills of private electric, telephone and gas utilities), which it can by the simple adoption of an ordinance providing virtually immediate cash flow. The Village imposed an ambulance service fee on July 1, 2003. The Village adopted a ½% home rule sales tax in fiscal year 1993 and an additional ¼% effective January 1, 2004. A 1% food and beverage tax was also effective as of January 1, 2004.

Financial planning in the Village is excellent. The Village received the Certificate of Achievement for Excellence in Financial Reporting from the GFOA for fiscal years 1986 through 1997 the last full year using April 30 as year end. Due to the Village's change in its fiscal year from April 30 to December 31 the Village chose not to submit for a 1998 Certificate. The Village's 1999-2005 Comprehensive Annual Financial Reports received the Certificate. The significance of the GFOA's award is emphasized by their statement . . . "The Certificate of Achievement is the highest form of recognition in the area of governmental financial reporting, and its attainment represents a significant accomplishment by a government and its management". At the time of adoption of the Annual Budget, the Village also approves the five year plan to evaluate trends and projections resulting from the proposed budget and the five year Capital Improvement Program.

Pension Fund Obligations

The Village is required by State law to annually provide funds sufficient to accumulate the actuarial requirements of its pension fund obligations. The amounts necessary to fund the Police and Fire Pension obligations are determined annually by an outside actuarial service. As of December 31, 2006, there was an unfunded actuarial accrued liability ("AAL") of \$4,206,731 (91.20% funded) in the Firefighters' Pension Fund and an unfunded AAL of \$10,297,992 (78.44% funded) in the Police Pension Fund. Illinois law requires any unfunded amounts to be funded over a 40 year period ending in 2033. All other full-time municipal employees are covered by the Illinois Municipal Retirement Fund (IMRF). As of December 31, 2005, there was an unfunded AAL of \$4,363,416 (79.12% funded). The IMRF annually determines the contribution rate necessary to provide full funding of the unfunded prior service costs, including interest, over a 40 year period. Pension tax rates are set out in the table of tax rates herein.

This Issue

These Bonds have been authorized without referendum pursuant to the Village's powers as a home-rule unit under the 1970 Illinois Constitution. Proceeds of the Series 2007A and 2007B Bonds will be used for improvements and land acquisition in the Village's Downtown tax increment financing redevelopment area. Additional improvements in the Downtown TIF development area may be undertaken by the Village in the next twelve months. Proceeds of the Series 2007C and 2007D Bonds will be used for improvements and land acquisition in the Rand Corridor tax increment financing development area. The Series 2007E proceeds will be used for improvement of the water utility system by the acquisition and installation of a SCADA control system.

LITIGATION

The Village reports no material litigation which would affect its ability to issue or pay these Series 2007 Bonds.

SCHOOLS AND OTHER GOVERNMENTAL SERVICES

The Village of Palatine is served by Palatine Community Consolidated School District No. 15 and Township High School District No. 211 serving Palatine and Schaumburg Townships. School District No. 15 serves a population of approximately 112,740 in the Village of Palatine, the neighboring City of Rolling Meadows, and surrounding areas with a total service area of 35.7 square miles. Township High School District No. 211 serves all of Schaumburg Township and approximately 88% (by valuation) of Palatine Township. The District operates five campuses, two of which are located in the Village of Palatine. William Rainey Harper College District 512, a public community college which serves a 200 square mile district, has its main campus in the Village of Palatine. The College opened in 1967 and completed building expansion programs in 1977, 1980 and 1992. In November 2000, voters approved an \$88.8 million referendum (bonds sold on February 22, 2001) for the construction of a 281,661 gross square foot structure to house instructional space for three areas: Science, Health Careers, and Emerging Technologies. Construction of these facilities was completed in 2004. An instructional conference center (50,000 square feet) and a performing arts center (38,000 square feet) were completed in summer 2002.

The major provider of open space and recreation programs is the Palatine Park District, which serves 94.2% of the Village (by valuation). Major facilities include an 18-hole championship golf course with clubhouse and pro shop, a recreation center, a community center, a 12 mile bike trail, an outdoor amphitheater, a 430-seat auditorium, horse stables, and an historical museum. The District also has a Family Aquatic Center with zero-depth pool, lap swimming area, and a separate plunge pool for two water slides. The Salt Creek Rural Park District, the other primary provider of recreation facilities in the Village, has a 100-acre flood control site known as the Twin Lake Recreation Area which includes a 9-hole executive par 3 golf course and driving range and a passive area with paddleboats, bicycle paths, fishing, etc. An 1,800 acre Cook County Forest Preserve is adjacent to the northwest portion of the Village. Library services are provided by the Palatine Public Library District which operates a main library in Palatine and a branch library in Hoffman Estates.

FINANCIAL INFORMATION

STATEMENT OF INDEBTEDNESS

	Amount Applicable as of May 1, 2007	As Per Cent of		Per Capita (2007 Est. Pop. 65,920)
		Assessed Value	Estimated True Value	
Assessed Valuation of Taxable Real Property, 2005	\$1,934,729,059 (3)	100.00%	33.33%	\$29,349.65
Estimated True Value of Taxable Real Property, 2005	5,804,187,177	300.00%	100.00%	88,048.96
Direct General Obligation Bonded Debt (1):				
Payable From Property Taxes	\$ 16,952,015	0.88%	0.29%	\$ 257.16
Self-Supporting Debt	71,176,044	3.68%	1.23%	1,079.73
Total Direct Bonded Debt	\$ 88,128,059	4.56%	1.52%	\$ 1,336.89
Overlapping Bonded Debt Payable from Property Taxes (2):				
Schools	\$ 40,403,064	2.09%	0.70%	\$ 612.91
Other than Schools	81,773,564	4.22%	1.41%	1,240.50
Total Overlapping Bonded Debt	\$ 122,176,628	6.31%	2.11%	\$ 1,853.41
Total Direct and Overlapping Bonded Debt	\$ 210,304,687	10.87%	3.63%	\$ 3,190.30
Total Direct and Overlapping Exclud. Self-Supporting	\$ 139,128,643	7.19%	2.40%	\$ 2,110.57

- Notes: 1. The Village is a home-rule unit under the 1970 Illinois Constitution and as such has no debt limit nor is it required to seek referendum approval for the issuance of general obligation debt. See "Retirement Schedule of Outstanding Village General Obligation Debt" below for a listing of the Village's non-general obligation debt and currently outstanding general obligation debt.
2. See "Detailed Overlapping Bonded Indebtedness Payable From Property Taxes at May 1, 2007".
3. Includes the incremental valuation in the Village's tax increment financing districts.

RETIREMENT SCHEDULE OF OUTSTANDING VILLAGE GENERAL OBLIGATION DEBT
(As of May 1, 2007)

Due 12/31	Principal Maturities(1)						Tax Exempt Series 2007	Taxable Series 2007	Total Maturities(2)	
	Pre Series 2000	Series 2000	Series 2000/01	Series 2002	Series 2003	Series 2004/05			Amount	Cumulative Percent
2007	\$ 650,000	\$1,760,000	\$ 810,000	\$ 385,000	\$ 947,416	\$1,955,000	\$ - 0 -	\$ - 0 -	\$ 6,507,416	7.4%
2008	265,000	1,850,000	1,135,000	400,000	985,939	1,910,000	130,000	340,000	6,995,939	15.3%
2009	275,000	1,950,000	1,490,000	415,000	1,009,582	625,000	130,000	705,000	8,599,582	22.8%
2010	275,000	2,055,000	1,510,000	430,000	1,033,350	545,000	235,000	740,000	6,823,350	30.6%
2011	280,000	2,165,000	1,570,000	450,000	1,102,249	560,000	245,000	775,000	7,147,249	38.7%
2012	590,000	- 0 -	2,140,000	470,000	1,131,281	2,415,000	250,000	810,000	7,806,281	47.5%
2013	435,000		2,250,000	490,000	350,452	1,890,000	255,000	855,000	6,525,452	54.9%
2014	627,473		2,355,000	510,000	- 0 -	1,135,000	260,000	900,000	5,787,473	61.5%
2015	1,213,137		3,235,000	535,000		1,200,000	365,000	940,000	7,488,137	70.0%
2018	302,180		1,880,000	560,000		1,215,000	370,000	990,000	5,317,180	78.0%
2017	- 0 -		- 0 -	585,000		1,285,000	445,000	1,040,000	3,355,000	79.8%
2018				610,000		1,150,000	100,000	1,095,000	2,955,000	83.2%
2019				840,000		1,195,000	100,000	1,155,000	3,080,000	86.7%
2020				875,000		1,285,000	100,000	1,215,000	3,255,000	90.4%
2021				705,000		610,000	115,000	1,275,000	2,705,000	93.5%
2022				740,000		645,000	- 0 -	1,345,000	2,730,000	96.6%
2023				- 0 -		- 0 -		700,000	700,000	97.3%
2024								740,000	740,000	98.2%
2025								780,000	780,000	99.1%
2026								820,000	820,000	100.0%
	\$4,912,790	\$9,780,000	\$18,375,000	\$8,800,000	\$6,540,269	\$19,600,000	\$3,100,000	\$17,220,000	\$88,128,059	

Notes: 1. The Village is a home rule unit under the 1970 Illinois Constitution and as such has no debt limit, nor is it required to seek referendum approval for the issuance of general obligation debt. This table excludes \$16,050,000 principal outstanding (as of December 31, 2005) on tax increment financing bonds and notes secured only by incremental revenues generated by the district; various industrial revenue bonds which are fully secured by payments from the benefiting entities; and, special assessment bonds, which are secured by the levy of special assessments on property within the special assessment area. This table also excludes the Village's obligations as a member of the Solid Waste Agency of Cook County (SWANCC), a municipal joint action agency created to construct and equip a waste project to dispose of the municipal waste of its members.

2. The Village has chosen to fund certain projects with general obligation bonds and abate the taxes thereon from other sources. Of the Village's \$88,128,059 principal outstanding at May 1, 2007, the Village estimates that \$71,176,044 is self-supporting from non-property tax sources.

BONDED DEBT RATIOS AND PER CAPITA DEBT—LAST TEN GENERAL OBLIGATION BOND SALES

Village Issue Date	Amount	Ratio to Estimated Actual Value(1)				Per Capita(1)			
		Direct Debt		Direct and Overlapping Debt		Direct and Overlapping Debt		Population Estimate	
		Including Self-Supporting	Excluding Self-Supporting(2)	Including Self-Supporting	Excluding Self-Supporting(2)	Including Self-Supporting	Excluding Self-Supporting(2)		
December 14, 1998	\$ 6,915,000	1.42%	.95%	4.51%	4.04%	\$2,135.10	\$1,912.37	57,066	
November 8, 1999	24,120,000(3)	1.36%	1.15%	4.28%	4.07%	2,062.69	1,983.65	82,000	
October 23, 2000	9,380,000	1.40%	.98%	3.89%	3.47%	1,865.32	1,662.76	68,000	
June 25, 2001	17,770,000	1.95%	.98%	4.88%	3.81%	2,430.17	1,948.43	65,479	
June 24, 2002	10,000,000	2.10%	.89%	5.48%	4.27%	2,841.32	2,214.48	65,479	
December 16, 2002	2,975,000	1.69%	.72%	4.58%	3.61%	2,861.13	2,255.66	65,479	
September 15, 2003	4,625,000	1.61%	.69%	4.44%	3.52%	2,919.04	2,312.73	65,479	
February 17, 2004	12,425,000	1.80%	.59%	4.30%	3.09%	2,899.00	2,086.20	65,920	
December 6, 2004	8,395,000(4)	1.70%	.56%	4.33%	3.19%	2,962.33	2,182.95	65,920	
May 7, 2007	20,320,000(5)	1.52%	.29%	3.63%	2.40%	3,190.30	2,110.57	65,920	

Notes: 1. Taken from applicable Official Statements.
2. Excludes the Village's general obligation debt which is payable from non-property tax revenues.
3. Final Issue amount \$24,150,000.
4. Final Issue amount \$8,200,000.
5. This issue.

DETAILED OVERLAPPING BONDED INDEBTEDNESS PAYABLE FROM PROPERTY TAXES AT MAY 1, 2007

	Percent of Village's 2005 Real Property in Taxing Body	Gross Bonded Debt	Village's Applicable Share (Note 1) of Gross Debt to be Paid From Real Property Taxes	
			Percent	Amount
SCHOOL DISTRICTS:				
Palatine Community Consol. S.D. No. 15	100.0%	\$ 42,364,901	49.2%	\$20,836,753
Township H.S. (Palatine and Schaumburg) No. 211	99.9%	61,255,000	22.2%	13,614,536
Township H.S. No. 214	0.1%	12,078,195	0.2%	21,741
Harper Community College	100.0%	65,860,000(2)	9.0%	5,930,034
Total Schools				\$40,403,084
OTHER THAN SCHOOL DISTRICTS:				
Cook County, Inc. Forest Preserve District	100.0%	\$3,130,980,000	1.4%	\$42,612,638
Metropolitan Water Reclamation District	100.0%	1,521,282,085	1.4%	21,145,821
Park Districts:				
Palatine	94.2%	11,450,000(2)	74.8%	8,560,386
Arlington Heights	0.1%	22,395,649(2)	0.6%	127,655
Palatine Public Library District	99.9%	12,225,000	76.3%	9,327,064
Total Other Than Schools				\$81,773,564

Notes: 1. Village's share based upon 2005 Real Property valuations.
2. Excludes the following "alternate" bonds, which are considered to be self-supporting since they are payable from pledged non-property tax sources: Harper Community College No. 512 - \$2,265,000; Palatine Park District - \$1,235,000; and Arlington Heights Park District - \$2,959,000.

EQUALIZED ASSESSED VALUATION FOR TAXING PURPOSES

Property Classification	Levy Years(1)				
	2001	2002	2003	2004	2005
Residential	\$ 862,113,017	\$ 949,368,098	\$ 963,534,181	\$1,138,490,510	N/A
Commercial	343,541,840	350,040,146	345,897,963	394,146,124	N/A
Industrial	123,621,909	132,519,388	128,678,367	145,428,977	N/A
Railroad	308,241	368,046	395,865	445,859	N/A
Farm	2,045	2,045	5,175	180	N/A
Net for Gen'l Taxing Purposes	\$1,329,587,052	\$1,432,285,723	\$1,438,611,551	\$1,678,511,650	\$1,814,735,721
Add: Incremental Valuation(2)	31,571,463	48,520,555	62,457,767	100,008,109	119,993,338
Total for all Taxing Purposes	\$1,361,158,515	\$1,480,816,278	\$1,501,069,318	\$1,778,517,759	\$1,934,729,059
Percentage Increase	20.4%	8.8%	1.4%	18.5%	8.8%

- Notes: 1. Property in Cook County is separated into eight classifications for assessment purposes (ranging from 16% for residential to 38% for commercial/industrial property). After the assessor establishes the fair market value of a parcel of land, that value is multiplied by one of the classification percentages to arrive at the assessed valuation for that parcel. The Illinois Department of Revenue furnishes each county with an adjustment factor (the equalization factor) to equalize the level of assessment between counties. After the equalization factor is applied, the valuation of the property for taxing purposes has been established—tax rates are applied to the equalized valuation. Under the current triennial reassessment system, the Village was reassessed in 2001 and 2004. This table excludes statutory exemptions—see discussion on page 12.
2. The Village's tax rate is calculated based on the Village's net equalized assessed valuation (shown in this table as "Net for General Taxing Purposes") and is extended against its entire Equalized Assessed Valuation (shown in this table as "Total for all Taxing Purposes") excluding only the statutory exemptions. Of the taxes collected, that portion applicable to incremental valuation (valuation of tax increment districts) is remitted to the Village by the County Collector for deposit in the applicable tax allocation fund. The Equalized Assessed Valuation for which the Village receives its portion of the total tax rate for all non-TIF purposes is shown in this table as "Net for General Taxing Purposes".

TAX RATES PER \$100 EQUALIZED ASSESSED VALUATION

Village of Palatine(1):	Levy Years				
	2001	2002	2003	2004	2005
Corporate	\$.155	\$.226	\$.249	\$.229	\$.220
Bonds and Interest	.251	.241	.242	.195	.181
Pensions (Police, Fire, IMRF and Soc. Sec.)	.221	.228	.286	.275	.281
Fire Protection	.423	.439	.409	.385	.370
Water and Sewage	.086	.000	.000	.000	.000
Total Village of Palatine	\$ 1.136	\$1.134	\$ 1.186	\$ 1.084	\$1.052
Cook County (Incl. Forest Preserve)	.813	.751	.689	.853	.593
Metropolitan Water Reclamation District	.401	.371	.361	.347	.315
Palatine Park District	.455	.422	.482	.437	.422
Palatine Public Library District	.322	.310	.315	.280	.271
Palatine Community Consolidated S.D. No. 15	3.289	3.185	3.313	2.925	2.840
Palatine and Schaumburg Twp. H.S. No. 211	2.147	2.087	2.165	2.158	2.191
Harper Community College No. 512	.308	.295	.310	.279	.281
Township and All Other	.176	.138	.172	.126	.142
Total(2)	\$ 9.047	\$8.673	\$ 8.993	\$ 8.289	\$8.107
Village Rate as a Percent of Total	12.6%	13.1%	13.2%	13.1%	13.0%

- Notes: 1. As a home rule unit under the 1970 Illinois Constitution, the Village has no statutory tax rate or levy limitations. Totals may not add due to rounding.
2. Total rate shown is for the largest tax code, which accounted for 78.5% of the Village's 2005 equalized assessed valuation.

**TAX EXTENSIONS AND COLLECTIONS
(Village Purposes Only)**

Levy Year	Collection Year	Total Taxes Extended	Total Taxes Collected(1)	
			Amount	Percent(2)
2001	2002	\$15,104,109	\$14,954,154	99.01%
2002	2003	16,242,234	16,135,132	99.34%
2003	2004	17,061,932	16,882,993	98.95%
2004	2005	18,187,861	17,943,439	98.66%
2005	2006	19,090,228	18,689,606	97.90%
2006	2007	19,798,958	-----In Process-----	

- Notes: 1. Source: Cook County Treasurer's Office.
2. Cook County property taxes are payable in two installments: the first on March 1, and the second on the latter of August 1 or 30 days after the mailing of the tax bills. The first installment is an estimated bill and is one-half of the prior year's bill. The second installment is based on the current levy, assessment and equalization and reflects any changes from the prior year in those factors.

TEN LARGEST TAXPAYERS

Rank	Taxpayer	Business/Properties	Equalized Assessed Valuation(1)	Percent of Village(2)
1	Mid America Park Place	Park Place Shopping Center	\$32,743,370	1.7%
2	PFC Marquette Company	Apartments	24,914,641	1.3%
3	AL LH DB LP	Apartments	22,843,014	1.2%
4	Individual Taxpayer	Shopping Center	18,525,219	1.0%
5	Brookind Corp. Tax Department	United Parcel Service	16,655,220	0.9%
6	Concord Mills Estates	Various Real Property	15,098,447	0.8%
7	Village Park Palatine 300	Apartments	13,521,515	0.7%
8	Regency Plaza Partners	Shopping Center	11,258,307	0.6%
9	Square D Company	Corporate Headquarters	9,871,187	0.5%
10	Hamilton Partners	Commercial Building	8,742,397	0.5%
	Total Ten Largest Taxpayers		\$173,973,317	9.0%

- Notes: 1. Valuations as of January 1, 2005 for 2006 taxing purposes.
2. Total 2005 Village valuation of \$1,934,729,059 (includes incremental valuation in the Village's tax increment financing districts).

FINANCIAL STATEMENTS

As of January 1, 2003 (for fiscal years ending December 31, 2003 and thereafter), the Village adopted the provisions of: Governmental Accounting Standards Board Statements No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – For State and Local Governments*; Statement No. 37, *Basic Financial Statements and Management's Discussion and Analysis – For State and Local Governments: Omnibus*; Statement No. 38, *Certain Financial Statement Note Disclosures*; and GASB Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*. This resulted in a change in the Village's method of accounting and a change in the format and content of the basic financial statements including notes to financial statements. As a result, direct comparisons with certain results from prior fiscal years are not possible.

As a part of the requirements of Statement No. 34 referred to above, there is a section "Management's Discussion and Analysis" which is a narrative overview and analysis of the financial activities for the fiscal year. Set out below is the section "Financial Highlights" from that narrative.

FINANCIAL HIGHLIGHTS -- Fiscal Year Ended December 31, 2005

- The Village's net assets increased by \$20,137,505 (13%) during the fiscal year ending December 31, 2005. The governmental net assets increased by \$12,850,165 due to the first time capitalization of storm sewers and bridges and \$5,937,871 from operations. Business-type activities net assets increased by \$1,349,469.
- The Village's combined Governmental Funds ending fund balance increased \$2,177,387 as of December 31, 2005.
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$16,285,665 or 44% of General Fund expenditures.
- During the current year, the Village issued \$965,000 in General Obligation Refunding Bonds Series 2005 to refund \$825,000 of the General Obligation Bonds Series 1999A to reduce its debt service by approximately \$29,483.

GENERAL FUND

Summary Statement of Revenue, Expenditures and Changes in Fund Balance (Fiscal Years Ending December 31)

Revenue(3):	Audited (Note 1)				Preliminary 2006	2007 Budget(2)
	2002	2003	2004	2005		
Taxes:						
Property Taxes	\$10,377,518	\$ 12,632,584	\$13,629,102	\$ 15,362,641	\$16,169,543	\$16,607,585
Sales Tax	8,934,817	9,009,385	11,743,223	12,503,160	12,723,170	12,358,900
Other Taxes	1,408,485	1,468,048	1,959,056	2,181,131	2,359,091	2,212,790
Licenses and Permits	2,665,519	2,686,698	3,212,245	3,121,288	3,242,695	3,064,000
Intergovernmental:						
State Income Tax	4,350,481	4,057,697	4,189,384	4,919,232	5,403,355	4,932,080
Other	874,343	683,014	789,750	868,098	1,187,414	2,170,405
Charges For Services	2,167,080	1,043,774	1,969,394	1,950,734	1,768,571	2,069,000
Fines and Forfeits	707,736	763,501	718,827	741,524	885,018	837,000
Interest Income	156,565	67,631	69,180	348,592	1,137,977	250,000
Transfers-In	- 0 -	1,643,440	1,766,675	93,530	600,475	5,725
All Other Revenues	512,680	344,070	469,046	338,619	371,053	293,150
Total Revenues	\$32,155,224	\$34,397,842	\$40,513,892	\$42,428,549	\$45,848,362	\$44,800,635
Expenditures:						
General Government:						
Finance/Data Processing	\$ 1,948,193	\$ 1,783,746	\$ 1,609,058	\$ 1,862,200	\$ 1,969,941	\$ 2,286,645
Community Services	2,414,036	2,025,024	2,049,548	1,989,349	1,652,076	1,920,115
Insurance	836,072	997,313	1,101,123	1,329,771	1,653,535	2,437,980
All Other	2,462,695	2,316,229	2,011,583	1,526,531	3,044,805	3,573,815
Total General Gov't	\$ 7,660,996	\$ 7,122,312	\$ 6,771,312	\$ 6,707,851	\$ 8,320,357	\$10,218,555
Public Safety:						
Police	\$12,652,417	\$12,817,742	\$13,674,135	\$14,413,178	\$15,213,535	\$16,574,360
Fire	9,564,127	10,208,028	10,848,633	11,089,532	11,951,093	13,051,387
Emergency Management	27,452	48,313	80,627	137,744	221,502	- 0 -
Total Public Safety	\$22,243,996	\$23,074,083	\$24,603,395	\$25,640,454	\$27,386,130	\$29,625,747
Public Works	3,946,316	4,556,489	4,625,704	4,710,929	4,657,122	5,444,430
Transfers-Out	317,200	2,329,488	48,925	1,400,000	4,149,105	- 0 -
Total Expenditures	\$34,168,508	\$37,082,370	\$36,049,336	\$38,459,234	\$44,512,714	\$45,288,732
Revenues Over (Under) Expend.	\$ (2,013,284)	\$ (2,684,528)	\$ 4,464,556	\$ 3,969,315	\$ 1,335,648	\$ (488,097)(4)
Adjustments to Fund Balance	(191,299)	(549,955)	55,575	- 0 -	- 0 -	- 0 -
Fund Balance -- Ending	\$11,057,172	\$ 7,822,689	\$12,342,820	\$16,312,135	\$17,647,783	

Balance Sheet

Assets:	2002	2003	2004	2005
Cash and Investments	\$ 8,233,409	\$ 5,086,606	\$10,698,069	\$15,123,023
Receivables:				
Property Tax	12,652,000	13,433,500	14,759,690	15,645,500
All Other	257,386	523,827	692,886	541,668
Prepaid Items	1,362,464	- 0 -	- 0 -	26,470
Due From Other Governments	2,247,790	2,757,394	3,287,266	3,433,314
Due From Other Funds	1,621,154	2,210,292	258,130	219,252
All Other Assets	20,745	21,885	25,985	- 0 -
Total Assets	\$26,394,948	\$24,033,504	\$29,722,006	\$34,989,227
Liabilities and Fund Balance:				
Accounts Payable	\$ 336,620	\$ 428,930	\$ 332,281	\$ 212,728
Deferred Revenues	12,826,424	13,806,670	14,966,556	16,090,618
All Other Liabilities	2,174,732	1,975,215	2,080,349	2,373,746
Total Liabilities	\$15,337,776	\$16,210,815	\$17,379,186	\$18,677,092
Fund Balance:				
Reserved	\$ 1,383,209	\$ 21,885	\$ 25,965	\$ 26,470
Unreserved	9,673,963	7,800,804	12,316,855	16,285,665
Total Fund Balance	\$11,057,172	\$ 7,822,689	\$12,342,820	\$16,312,135
Total Liabilities & Fund Balance	\$26,394,948	\$24,033,504	\$29,722,006	\$34,989,227

- Notes: 1 See Note 1 to the "Combined Statement — All Funds" table for auditor's basis of accounting, etc.
2. Budgets are adopted on a basis consistent with generally accepted accounting principles. The Village Manager prepares a proposed budget which is presented to the Village Council for review and adoption after public hearings. The Manager is authorized to transfer budgeted amounts between departments within any fund, however, any revisions that alter the total expenditures of a fund must be approved by the Village Council. The Manager regularly conducts quarterly reviews and initiates supplemental appropriations as necessary. The adopted Village Budget is based on the use of the budgetary tool known as "Target Budgeting". The target budget is a tool to involve department heads, municipal administrators, finance officers and policy officials in a joint effort to maximize the use of funds. This method of budgeting is a modification of zero based budgeting. It accepts the premise that the Village provides certain basic services and attempts to "target" funds for these basic service levels. Beyond the basic service levels, discretionary expenditures are identified, and then evaluated, prioritized and matched against available revenues. A shifting pattern of services can therefore be created without inadvertent disruption of basic services.
3. The Village has not availed itself of the statutorily authorized 5% Utility Tax (piggyback on the billings of the private gas, electric and telephone companies), which can be accessed by the adoption of an ordinance.
4. As of the date of this Official Statement the Village projects that revenues and expenditures for the fiscal year ending December 31, 2007 will be as shown in the budget. The budget has been adjusted for prior year encumbrances.

COMBINED STATEMENT—ALL FUNDS (Note 1)

**Fund Balances 2001-2005
(Fiscal Years Ending December 31)**

	2001	2002	2003	2004	2005
Governmental Fund Types:					
General Fund	\$13,261,755	\$11,057,172	\$7,822,689	\$12,342,820	\$16,312,135
Special Revenue Funds:					
Motor Fuel Tax	\$ 871,751	\$ 1,317,567	\$ 1,433,092	849,535	\$ 353,229
Community Dev. Block Grant	(48,151)	- 0 -	- 0 -	- 0 -	- 0 -
Downtown TIF	1,207,166	(205,515)	141,884	7,109,515	3,749,848
Dundee Rd. TIF	- 0 -	- 0 -	1,812,321	2,575,013	3,661,519
Total Special Revenue	\$ 2,122,766	\$ 1,112,052	\$ 3,388,197	\$10,534,063	\$ 24,076,731
Debt Service Funds	18,126,622	18,349,344	13,167,153	8,274,820	10,409,015
Capital Projects Funds	15,497,562	8,789,391	4,644,878	2,841,873	1,685,217
Total Governmental Funds	\$49,008,705	\$39,307,959	\$29,022,917	\$33,993,576	\$36,170,963
Proprietary Fund Types(2):					
Enterprise Funds:					
Waterworks	\$ 22,045,280	\$ 14,542,500	\$ 13,568,185	\$ 13,137,787	\$ 14,575,540
Sewage	13,557,161	11,877,201	11,479,059	11,139,576	11,827,844
Motor Vehicle Parking Sys.	3,126,160	18,492,412	17,838,167	17,145,072	16,440,972
Refuse Collection	137,273	254,140	513,181	583,650	511,198
Total Enterprise Funds	\$ 38,865,874	\$ 45,166,253	\$ 43,398,592	\$42,006,085	\$ 43,355,554
Internal Service Funds:					
Self Insurance	858,761	(347,908)	- 0 -	446,526	1,221,653
Central Equipment	79,066	(50,213)	(231,496)	(123,827)	(62,211)
Total Proprietary Funds	\$ 39,803,701	\$ 44,768,132	\$ 43,167,096	\$42,328,784	\$ 44,514,986
Fiduciary Fund Types(3):					
Pension Trust:					
Police Pension Fund	\$ 24,022,745	\$ 24,025,255	\$ 26,339,997	\$ 28,578,027	\$ 30,382,994
Firefighters' Pension	27,005,457	27,458,820	31,110,180	33,612,547	35,594,313
Total Fiduciary Funds	\$ 51,028,202	\$ 51,484,075	\$ 57,450,177	\$ 62,190,574	\$ 65,977,307
Total All Funds (Memo Only)	\$139,840,608	\$135,560,166	\$129,640,190	\$138,512,934	\$146,663,266
Cash and Investments at Dec. 31:					
General Fund	\$12,463,754	\$ 8,233,409	\$ 5,086,606	\$10,698,069	\$ 15,123,023
Special Revenue	2,037,130	1,427,567	1,682,959	2,609,912	2,341,408
Debt Service	4,134,143	3,336,187	13,169,679	8,296,390	10,410,715
Capital Projects	16,891,529	8,745,568	3,940,034	2,207,095	1,268,425
Enterprise Funds	5,556,783	5,484,439	4,453,710	3,024,363	6,024,238
Internal Service Funds	1,047,892	113,227	211,551	768,879	1,654,176
Pension Trust	50,949,122	51,407,555	57,371,199	62,111,900	65,900,784
Total Cash and Investments(4)	\$92,880,353	\$78,747,952	\$85,925,738	\$89,716,608	\$102,722,769

- Notes: 1. These condensed financial statements for the years ending December 31, 2001-2005 have been excerpted from the full Comprehensive Annual Financial Reports of the Village of Palatine and do not purport to be complete audits. The full financial statements, together with the report of the Village's independent accountants, are available upon request. The financial statements of the Village have been prepared in conformity with generally accepted accounting principles (GAAP) as applicable to governmental units. The Governmental Funds are accounted for using the modified accrual basis of accounting, with revenues being recorded when they become measurable and available as net current assets and expenditures recognized when the related fund liability is incurred. The accrual basis of accounting is used for the proprietary and pension trust funds. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The Village's Comprehensive Annual Financial Report for the fiscal year ended December 31, 2005 included an unqualified "Report of Independent Auditors". Similar unqualified opinions were included in the Village's Comprehensive Annual Financial Reports for the fiscal years ending December 31, 2001-2004. The "Report of Independent Auditors" included in the latest audit states, in part: "In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Village of Palatine, Illinois, as of December 31, 2005, and the results of its operations and cash flows of its proprietary funds for the year then ended in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the combining and individual fund financial statements referred to above present fairly, in all material respects, the financial position of each of the individual funds of the Village of Palatine, Illinois, as of December 31, 2005, and the results of operations of such funds and cash flows of individual proprietary funds for the year then ended in conformity with accounting principles generally accepted in the United States of America."
2. The amounts shown as fund balances for the Proprietary Funds are net assets and the amounts shown as "Revenues Over Expenditures" represent the change in that amount. "Total Revenues" represent operating revenues.
3. Excludes the Village's Agency Funds.

CAPITAL ASSETS
(At December 31, 2005)

	<u>Governmental Activities</u>		<u>Business Type Activities</u>
Capital Assets not Being Depreciated:		Capital Assets not Being Depreciated:	
Land	\$ 2,967,075	Land	\$ 2,470,700
Land Right of Way	<u>139,482,627</u>	Total Capital Assets not Being Depreciated	\$ 2,470,700
Total Capital Assets not Being Depreciated	\$142,449,702		
Capital Assets Being Depreciated:		Capital Assets Being Depreciated:	
Buildings and Improvements	\$ 13,613,705	Equipment	\$ 469,915
Machinery and Equipment	6,525,914	Water System	21,551,965
Storm Sewer	28,726,850	Sewer System	18,950,845
Streets	23,681,430	Parking Improvements	<u>15,541,755</u>
Bridges	<u>1,596,735</u>	Total Capital Assets Being Depreciated	\$56,514,480
Total Capital Assets Being Depreciated	\$ 73,694,634	Less Accumulated Depreciation ...	<u>(22,607,225)</u>
Less Accumulated Depreciation ...	<u>(33,963,764)</u>	Total Capital Assets Being Depreciated, Net	<u>\$33,907,255</u>
Total Capital Assets Being Depreciated, Net	<u>\$ 39,730,870</u>		
Governmental Activities Capital Assets, Net*	\$182,180,572	Business Activities Capital Assets, Net*	\$36,377,955

* Capital assets, which include property, plant, equipment and infrastructure assets (e.g. roads, bridges, storm water), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Village as assets with an initial, individual cost in excess of certain thresholds (\$200,000 for building improvements and land improvements, \$250,000 for infrastructure, and \$50,000 for vehicles, machinery and equipment) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Exemptions From Equalized Assessed Valuation For Taxing Purposes

An annual General Homestead Exemption provides that the Equalized Assessed Valuation ("EAV") of certain property owned and used for residential purposes ("Residential Property") may be reduced by the amount of any increase over the 1977 EAV, up to a maximum reduction of \$4,500 for taxable years prior to tax year 2004 and \$5,000 for each taxable year thereafter (the "General Homestead Exemption").

The Alternative General Homestead Exemption (the "Alternative General Homestead Exemption") caps property tax assessment increases for homeowners at 7% a year for a total of three years. Homes that do not increase by at least 7% a year are entitled to the General Homestead Exemption as discussed above. However, pursuant to an ordinance adopted by the County on July 13, 2004, the County has elected to allow the amount of the Alternative General Homestead Exemption to be increased to an amount not greater than \$20,000 for taxable years 2003, 2004 and 2005 in the City of Chicago, for taxable years 2004, 2005 and 2006 in the North Suburbs, and for taxable years 2005, 2006 and 2007 in the South and West Suburbs. Specifically, the amount of the Alternative General Homestead Exemption is the EAV of the Residential Property for the current tax year minus the Adjusted Homestead Value. Assessors calculate the Adjusted Homestead Value by determining the lesser of (i) the homestead property's Base Homestead Value increased by 7% for each tax year after the base year (2002), through and including the current tax year, or (ii) the EAV of the homestead property for the current tax year minus \$4,500 in tax year 2003 or \$5,000 in all counties in tax year 2004 and thereafter. The Base Homestead Value equals the EAV of the homestead property for the base year prior to exemptions, minus \$4,500 in tax year 2003 or \$5,000 in all counties in tax year 2004 and thereafter. Furthermore, for the first tax year that the Alternative General Homestead Exemption no longer applies, there shall be an additional General Homestead Exemption of \$5,000 awarded to Residential Property owners (i) who have not been granted a Senior Citizens Assessment Freeze Exemption for the taxable year, (ii) whose Residential Property has increased by more than 20% over the previous assessed valuation and (iii) who have a household income of \$30,000 or less. The Alternative General Homestead Exemption expired on January 9, 2007, after the 94th General Assembly failed to renew the exemption. In 2006, the Senate passed legislation that would have renewed the exemption, but the House did not act upon the legislation prior to the conclusion of the 94th General Assembly. Legislation is pending in the 95th General Assembly that would renew the exemption.

The Homestead Improvement Exemption applies to Residential Properties that have been improved or rebuilt in the two years following a catastrophic event. The exemption is limited to \$45,000 through December 31, 2003, and \$75,000 per year beginning January 1, 2004 and thereafter, to the extent the assessed value is attributable solely to such improvements or rebuilding.

Additional exemptions exist for senior citizens. The Senior Citizens Homestead Exemption operates annually to reduce the EAV on a senior citizen's home by \$2,500 for taxable years prior to 2004 and \$3,000 for taxable years 2004 and 2005. For taxable years 2006 and thereafter, the maximum reduction is \$3,500 in all counties. Furthermore, beginning with assessment year 2003, for taxes payable in 2004, property that is first occupied as a residence after January 1 of any assessment year by a person who is eligible for the Senior Citizens Homestead Exemption must be granted a pro-rata exemption for the assessment year based on the number of days during the assessment year that the property is occupied as a residence by a person eligible for the exemption.

A Senior Citizens Assessment Freeze Homestead Exemption freezes property tax assessments for homeowners who are 65 and older and have annual incomes of \$35,000 or less prior to taxable year 1999, \$40,000 or less in taxable years 1999 through 2003, \$45,000 or less in taxable years 2004 and 2005, and \$50,000 or less in taxable year 2006 and thereafter. In general, the Exemption limits the annual real property tax bill of such property by granting to qualifying senior citizens an exemption as to a portion of the valuation of their property. Through taxable year 2005, the exempt amount is the difference between (i) the current EAV of their residence and (ii) the EAV of a senior citizen's residence for the year prior to the year in which he or she first qualifies and applies for the Exemption (plus the EAV of improvements since such year). For taxable year 2006 and thereafter, the amount of the exemption phases out as the amount of household income increases. The amount of the exemption is calculated by using the same formula as above, and then multiplying that answer by a ratio that varies according to household income.

The Homeowner Exemption for Long-term Properties ("H.E.L.P.") provides relief to certain longtime homeowners facing a dramatic rise in property taxes attributable to gentrification in established neighborhoods. H.E.L.P. exempts from property tax an amount equal to the current EAV for an eligible property which exceeds the sum of: (i) the EAV for the year prior to reassessment, plus (ii) the prior-year EAV multiplied by a factor equal to 150% of the average assessment increase for the most current reassessment of the assessment district. In order to qualify for the exemption, a homeowner must own and occupy Class 2 property for ten years or more as their principal residence, or five years or more if the owner received governmental assistance in acquiring the property.

Another exemption available to disabled veterans operates annually to exempt up to \$70,000 of the Assessed Valuation of property owned and used exclusively by such veterans or their spouses for residential purposes. Lastly, certain property is exempt from taxation on the basis of ownership and/or use, such as public parks, not-for-profit schools and public schools, churches, and not-for-profit hospitals and public hospitals.

GLOBAL BOOK-ENTRY SYSTEM

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered bonds registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered bond certificate will be issued for each maturity of each Series of the Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust and Clearing Corporation ("DTCC"). DTCC, in turn is owned by a number of its Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCG, GSCG, MBSCC, and EMCCG, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange, LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The Rules applicable to DTC and its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchases. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other nominee, do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Securities may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, premium and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon

DTC's receipt of funds and corresponding detail information from the Village or the Paying Agent on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC from time to time. Payment of principal, premium and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Village or the Paying Agent, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the Village or the Paying Agent. Under such circumstances, in the event that a successor securities depository is not obtained, bond certificates are required to be printed and delivered.

CONTINUING DISCLOSURE

In the bond ordinance, the Village has covenanted and agreed, for the benefit of the beneficial owners of the Bonds, to provide certain financial information and operating data relating to the Village within 210 days after the close of the Village's fiscal year (the "Annual Report"); and, in a timely manner, to provide notices of the occurrence of certain enumerated events, if material. The Annual Report will be filed by the Village with each Nationally Recognized Municipal Securities Information Repository and with the Illinois state information depository, if any. The information to be contained in the Annual Report will consist of the annual audited financial statements (if the audited financial statements are not available, unaudited statements will be provided and the audited statements will be filed within 30 days after they become available) of the Village. Each annual audited financial statement will conform to generally accepted accounting principles applicable to governmental units and will be prepared in accordance with standards of the Governmental Accounting Standards Board. The notices of material events and timely notice of any failure of the Village to file its Annual Report within the 210 day period will be filed by the Village with each Nationally Recognized Municipal Securities Information Repository and with the Illinois state information depository, if any. The Village's undertaking with respect to material events includes timely notice of the occurrence of any of the following events with respect to the Bonds, if material:

1. Principal and interest payment delinquencies;
2. Non-payment related defaults;
3. Unscheduled draws on debt service reserves reflecting financial difficulties;
4. Unscheduled draws on credit enhancements reflecting financial difficulties;
5. Substitution of credit or liquidity providers, or their failure to perform;
6. Adverse tax opinions or events affecting the tax-exempt status of the Bonds;
7. Modifications to rights of Bondholders;
8. Bond calls;
9. Defeasances;
10. Release, substitution or sale of property securing repayment of the Bonds; and
11. Rating changes.

The Village has agreed to the foregoing undertakings in order to assist participating underwriters of the Bonds and brokers, dealers and municipal securities dealers in complying with Securities and Exchange Commission Rule 15c2-12(b)(5) promulgated under the Securities Exchange Act of 1934. The Village will provide the foregoing information for so long as Rule 15c2-12(b)(5) is applicable to the Bonds and the Village remains an "obligated person" under the Rule with respect to the Bonds. No provision of the bond ordinances limits the remedies available to any beneficial owner of the Bonds with respect to the enforcement of the continuing disclosure covenants of the Village described above. Failure to comply with the continuing disclosure covenants will not constitute an event of default under the bond ordinance.

The Village may amend the continuing disclosure undertakings contained in the bond ordinance upon a change in circumstances provided that (a) the undertakings, as amended, would have complied with the requirements of Rule 15c2-12(b)(5) at the time of this offering, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances and (b) in the opinion of nationally recognized bond counsel selected by the Village, the amendment does not materially impair the interests of the beneficial owners of the Bonds.

The Village is in compliance with each and every undertaking previously entered into by it pursuant to the Rule.

DEFEASANCE

Bonds shall be deemed to have been paid and the pledge of taxes, securities and funds pledged by the bond ordinance and the covenants, agreements and other obligations of the Village to the owners of the Bonds shall be discharged and satisfied, if (1) in case any such bonds are to be redeemed prior to maturity, there shall have been taken all action necessary to call such bonds for redemption and notice of such redemption shall have been duly given or provision shall have been made for the giving of such notice, and (2) there shall have been deposited in trust with a bank, trust company or national banking association acting as fiduciary for such purpose either (i) moneys in an amount which shall be sufficient, or (ii) "Federal Obligations" as defined below, the principal of and the interest on which when due will provide moneys which, together with any moneys on deposit with such fiduciary at the same time for such purpose, shall be sufficient, to pay when due the principal of, redemption premium, if any, and interest due and to become due on said bonds on and prior to the applicable redemption date or maturity date.

The term "Federal Obligations" means (i) non-callable, direct obligations of the United States of America, (ii) non-callable and non-prepayable, direct obligations of any agency of the United States of America, which are unconditionally guaranteed by the United States of America as to full and timely payment of principal and interest, (iii) non-callable, non-prepayable coupons or interest installments from the securities described in clause (i) or clause (ii) which are stripped pursuant to programs of the Department of the Treasury of the United States of America, or (iv) coupons or interest installments stripped from bonds of the Resolution Funding Corporation.

CERTAIN LEGAL MATTERS

Certain legal matters incident to the authorization, issuance and sale of the Bonds are subject to the approving legal opinion of Katten Muchin Rosenman LLP, Chicago, Illinois as bond counsel ("Bond Counsel"), who have been retained by and act as Bond Counsel to the Village. Other than the statements under the caption "TAX EXEMPTION", the second and third paragraphs under the caption "PURPOSE, SECURITY, AND LEGALITY", "DEFEASANCE", "CONTINUING DISCLOSURE" (except for the Village's representation in the last paragraph of that section) and the Proposed Forms of Opinion of Bond Counsel in Appendices B and C, Bond Counsel has not been retained or consulted on disclosure matters and has not independently reviewed and assumes no responsibility for the statements or information contained in the Official Statement. Certain legal matters will be passed upon for the Village by the Village Attorney.

OFFICIAL STATEMENT CERTIFICATION

Based upon our examination of the attached Final Official Statement dated May 7, 2007, for the \$3,100,000 General Obligation Bonds, Series 2007A, 2007C and 2007E and the \$17,220,000 General Obligation Bonds, Taxable Series 2007B and 2007D, we believe it to be true and correct. We will provide to the purchaser of the Bonds, at the time of delivery of the bonds, a certificate confirming that to the best of our knowledge and belief the information in the Official Statement, including any addenda thereto, was at the time of acceptance of the bid and at the delivery, true and correct in all material respects and does not include any untrue statement of material fact, nor does it omit the statement of any material fact required to be stated therein, or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

*/s/ Paul D. Mehring
Finance Director*

*/s/ Reid T. Ottesen
Village Manager*

Village of Palatine
200 East Wood Street
Palatine, Illinois 60067
(847) 358-7500

May 7, 2007

APPENDIX A – TAX EXEMPTION

(Applicable to Series 2007A, 2007C and 2007E Only)

Summary of Bond Counsel Opinion. Katten Muchin Rosenman LLP, Bond Counsel, is of the opinion that under existing law, interest on the Bonds is not includable in the gross income of the owners thereof for federal income tax purposes. If there is continuing compliance with the applicable requirements of the Internal Revenue Code of 1986 (the "Code"), Bond Counsel is of the opinion that interest on the Bonds will continue to be excluded from the gross income of the owners thereof for federal income tax purposes. In addition, interest on the Bonds is not an item of tax preference for purposes of computing individual or corporate alternative minimum taxable income, but must be taken into account as earnings and profits of a corporation when computing, for example, corporate alternative minimum taxable income for purposes of the corporate alternative minimum tax. Interest on the Bonds is not exempt from Illinois income taxes.

Exclusion from Gross Income: Requirements. The Code contains certain requirements that must be satisfied from and after the date of issuance of the Bonds in order to preserve the exclusion from gross income for federal income tax purposes of interest on the Bonds. These requirements relate to the use and investment of the proceeds of the Bonds, the payment of certain amounts to the United States, the security and source of payment of the Bonds and the use of the property financed with the proceeds of the Bonds. The Village covenants in the Bond Ordinance to comply with these requirements. Among these specific requirements are the following:

- (a) **Investment Restrictions.** Except during certain "temporary periods," proceeds of the Bonds and investment earnings thereon (other than amounts held in a reasonably required reserve or replacement fund, if any, or as part of a "minor portion") may generally not be invested in investments having a yield that is materially higher than the yield on the Bonds.
- (b) **Rebate of Permissible Arbitrage Earnings.** Earnings from the investment of the "gross proceeds" of the Bonds in excess of the earnings that would have been realized if such investments had been made at a yield equal to the yield on the Bonds are required to be paid to the United States at periodic intervals. For this purpose, the term "gross proceeds" includes the original proceeds of the Bonds, amounts received as a result of investing such proceeds and amounts to be used to pay debt service on the Bonds.
- (c) **Restrictions on Ownership and Use.** The Code includes restrictions on the ownership and use of the facilities financed with the proceeds of the Bonds. Such provisions may restrict future changes in the use of any property financed with the proceeds of the Bonds.

Covenants to Comply. The Village covenants in the Bond Ordinance to comply with the requirements of the Code relating to the exclusion from gross income for federal income tax purposes of interest on the Bonds.

Risk of Non-Compliance. In the event that the Village fails to comply with the requirements of the Code, interest on the Bonds may become includable in the gross income of the owners thereof for federal income tax purposes retroactively to the date of issue. In such event, the Bond Ordinance does not require acceleration of payment of principal or interest on the Bonds or payment of any additional interest or penalties to the owners of the Bonds.

Federal Income Tax Consequences. Pursuant to Section 103 of the Code, interest on the Bonds is not includable in the gross income of the owners thereof for federal income tax purposes. However, the Code contains a number of other provisions relating to the treatment of interest on the Bonds that may affect the taxation of certain types of owners, depending on their particular tax situations. Some of the potentially applicable federal income tax provisions are described in general terms below. PROSPECTIVE PURCHASERS SHOULD CONSULT THEIR TAX ADVISORS CONCERNING THE PARTICULAR FEDERAL INCOME TAX CONSEQUENCES OF THEIR OWNERSHIP OF THE BONDS.

- (a) **Cost of Carry.** Owners of the Bonds will generally be denied a deduction for otherwise deductible interest on any debt that is treated for federal income tax purposes as incurred or continued to purchase or carry the Bonds. Financial institutions are denied a deduction for their otherwise allowable interest expense in an amount determined by reference to their adjusted basis in the Bonds.
- (b) **Corporate Owners.** Interest on the Bonds is generally taken into account in computing earnings and profits of a corporation and consequently may be subject to federal income taxes based thereon. Thus, for example, interest on the Bonds is taken into account not only in computing the corporate alternative minimum tax but also the branch profits tax imposed on certain foreign corporations, the passive investment income tax imposed on certain S corporations, and the accumulated earnings tax.
- (c) **Individual Owners.** Receipt of interest on the Bonds may increase the amount of social security and railroad retirement benefits included in the gross income of the recipients thereof for federal income tax purposes.
- (d) **Certain Blue Cross or Blue Shield Organizations.** Receipt of interest on the Bonds may reduce a special deduction otherwise available to certain Blue Cross or Blue Shield organizations.
- (e) **Property or Casualty Insurance Companies.** Receipt of interest on the Bonds may reduce otherwise deductible underwriting losses of a property or casualty insurance company.
- (f) **Foreign Personal Holding Company Income.** A United States shareholder of a foreign personal holding company may realize taxable income to the extent that interest on the Bonds held by such a company is properly allocable to the shareholder.

Bonds Purchased at a Premium or at a Discount. The difference (if any) between the initial price at which a substantial amount of each maturity of the Bonds is sold to the public (the "Offering Price") and the principal amount payable at maturity of such Bonds is given special treatment for federal income tax purposes. If the Offering Price is higher than the maturity value of a Bond, the difference between the two is known as "bond premium;" if the Offering Price is lower than the maturity value of a Bond, the difference between the two is known as "original issue discount."

Bond premium and original issue discount are amortized over the term of a Bond on the basis of the owner's yield from the date of purchase to the date of maturity, compounded at the end of each accrual period of one year or less with straight line interpolation between compounding dates, as provided more specifically in the Income Tax Regulations. The amount of bond premium accruing during each period is subtracted from the owner's tax basis in the Bond. The amount of original issue discount accruing during each period is treated as interest that is excludable from the gross income of the owner of such Bond for federal income tax purposes, to the same extent and with the same limitations as current interest, and is added to the owner's tax basis in the Bond. A Bond's adjusted tax basis is used to determine whether, and to what extent, the owner realizes taxable gain or loss upon the disposition of the Bond (whether by reason of sale, acceleration, redemption prior to maturity or payment at maturity of the Bond).

Owners who purchase Bonds at a price other than the Offering Price, after the termination of the initial public offering or at a market discount should consult their tax advisors with respect to the tax consequences of their ownership of the Bonds. In addition, owners of Bonds should consult their tax advisors with respect to the state and local tax consequences of owning the Bonds; under the applicable provisions of state or local income tax law, bond premium and original issue discount may give rise to taxable income at different times and in different amounts than they do for federal income tax purposes.

Change of Law. The opinion of Bond Counsel and the descriptions of the tax law contained in this Official Statement are based on statutes, judicial decisions, regulations, rulings, and other official interpretations of law in existence on the date the Bonds were issued. There can be no assurance that such law or the interpretation thereof will not be changed or that new provisions of law will not be enacted or promulgated at any time while the Bonds are outstanding in a manner that would adversely affect the value or the tax treatment of ownership of the Bonds.

APPENDIX B – PROPOSED FORM OF OPINION OF BOND COUNSEL (SERIES 2007A, 2007C AND 2007E)

[Letterhead of Katten Muchin Rosenman LLP]

May 30, 2007

The Mayor and Village Council
of the Village of Palatine, Illinois

Dear Members:

We have examined a record of proceedings relating to the issuance of \$365,000 principal amount of General Obligation Bonds, Series 2007A (the "2007A Bonds"); \$1,215,000 principal amount of General Obligation Bonds, Series 2007C (the "2007C Bonds") and \$1,520,000 principal amount of General Obligation Bonds, Series 2007E (the "2007E Bonds," and together with the 2007A Bonds and the 2007C Bonds, the "Bonds") of the Village of Palatine, a municipal corporation and a home rule unit of the State of Illinois situate in the County of Cook. The Bonds are authorized and issued pursuant to the provisions of Section 6 of Article VII of the Illinois Constitution of 1970 and the Code of Ordinances of Palatine and by virtue of an ordinance adopted by the Mayor and Village Council of the Village on May 7, 2007 and entitled: "Ordinance Authorizing the Issuance of Five Series of General Obligation Bonds of the Village of Palatine, Illinois in the Aggregate Principal Amount of \$20,320,000" (the "Bond Ordinance").

The Bonds are issuable in the form of fully registered bonds in the denominations of \$5,000 or any integral multiple thereof. Bonds delivered on original issuance are dated May 15, 2007 and bear interest from their date payable on December 1, 2007 and semiannually thereafter on each June 1 and December 1.

The 2007A Bonds bear interest at the rate of four percentum (4.00%) per annum and mature (without option of prior redemption) on December 1 in each of the following years in the respective principal amount set opposite each such year in the following table:

Year	Principal Amount
2015	\$100,000
2016	100,000
2017	165,000

The 2007C Bonds mature on December 1 in each of the following years in the respective principal amount set opposite each such year in the following table, and the 2007C Bonds maturing in each such year bear interest at the respective rate of interest per annum set forth opposite such year:

Year	Principal Amount	Interest Rate
2010	\$100,000	4.00%
2011	100,000	4.00
2012	100,000	4.00
2013	100,000	4.00
2014	100,000	4.00
2015	100,000	4.00
2016	100,000	4.00
2017	100,000	4.00
2018	100,000	4.00
2019	100,000	4.00
2020	100,000	4.25
2021	115,000	4.25

The 2007C Bonds maturing on or after December 1, 2018, are subject to redemption prior to maturity at the option of the Village, in such principal amounts and from such maturities as the Village shall determine and by lot within a single maturity, on December 1, 2017 and on any date thereafter, at a redemption price equal to the principal amount thereof to be redeemed.

The 2007E Bonds bear interest at the rate of four percentum (4.00%) per annum and mature (without option of prior redemption) on December 1 in each of the following years in the respective principal amount set opposite each such year in the following table:

Year	Principal Amount
2008	\$130,000
2009	130,000
2010	135,000
2011	145,000
2012	150,000
2013	155,000
2014	160,000
2015	165,000
2016	170,000
2017	180,000

In our opinion, the Bonds are valid and legally binding general obligations of the Village of Palatine and the Village is obligated to levy ad valorem taxes upon all the taxable property within the Village for the payment of the Bonds and the interest thereon without limitation as to rate or amount. However, the enforceability of rights or remedies with respect to the Bonds may be limited by bankruptcy, insolvency or other laws affecting creditors' rights and remedies heretofore or hereafter enacted.

We are of the opinion that under existing law, interest on the Bonds is not includable in the gross income of the owners thereof for Federal income tax purposes. If there is continuing compliance with the requirements of the Internal Revenue Code of 1986 (the "Code"), we are of the opinion that interest on the Bonds will continue to be excluded from the gross income of the owners thereof for Federal income tax purposes. We are further of the opinion that the Bonds are not "private activity bonds" within the meaning of Section 141(a) of the Code. Accordingly, interest on the Bonds is not an item of tax preference for purposes of computing individual or corporate alternative minimum taxable income. However, interest on the Bonds is includable in corporate earnings and profits and therefore must be taken into account when computing corporate alternative minimum taxable income for purposes of the corporate alternative minimum tax.

The Code contains certain requirements that must be satisfied from and after the date hereof in order to preserve the exclusion from gross income for Federal income tax purposes of interest on the Bonds. These requirements relate to the use and investment of the proceeds of the Bonds, the payment of certain amounts to the United States, the security and source of payment of the Bonds and the use of the property financed with the proceeds of the Bonds. The Village has covenanted in the Bond Ordinance to comply with these requirements.

Interest on the Bonds is not exempt from Illinois income taxes.

Very truly yours,

LG/be

APPENDIX C – PROPOSED FORM OF OPINION OF BOND COUNSEL (SERIES 2007B AND 2007D)

[Letterhead of Katten Muchin Rosenman LLP]

May 30, 2007

The Mayor and Village Council
of the Village of Palatine, Illinois

Dear Members:

We have examined a record of proceedings relating to the issuance of \$7,335,000 principal amount of General Obligation Bonds, Taxable Series 2007B (the "2007B Bonds") and \$9,885,000 principal amount of General Obligation Bonds, Taxable Series 2007D (the "2007D Bonds," and together with the 2007B Bonds, the "Bonds") of the Village of Palatine, a municipal corporation and a home rule unit of the State of Illinois situate in the County of Cook. The Bonds are authorized and issued pursuant to the provisions of Section 6 of Article VII of the Illinois Constitution of 1970 and the Code of Ordinances of Palatine and by virtue of an ordinance adopted by the Mayor and Village Council of the Village on May 7, 2007 and entitled: "Ordinance Authorizing the Issuance of Five Series of General Obligation Bonds of the Village of Palatine, Illinois in the Aggregate Principal Amount of \$20,320,000".

The Bonds are issuable in the form of fully registered bonds in the denominations of \$5,000 or any integral multiple thereof. Bonds delivered on original issuance are dated May 15, 2007 and bear interest from their date payable on December 1, 2007 and semiannually thereafter on each June 1 and December 1.

The 2007B Bonds mature on December 1 in each of the following years in the respective principal amount set opposite each such year in the following table, and the 2007B Bonds maturing in each such year bear interest at the respective rate of interest per annum set forth opposite such year:

Year	Principal Amount	Interest Rate
2008	\$ 340,000	5.20%
2009	355,000	5.20
2010	375,000	5.20
2011	390,000	5.20
2012	410,000	5.20
2013	430,000	5.20
2014	455,000	5.20
2015	475,000	5.20
2016	500,000	5.20
2019	1,665,000	5.25
2022	1,940,000	5.40

The 2007B Bonds maturing on or after December 1, 2019, are subject to redemption prior to maturity at the option of the Village, in such principal amounts and from such maturities as the Village shall determine and by lot within a single maturity, on December 1, 2017 and on any date thereafter, at a redemption price equal to the principal amount thereof to be redeemed.

The 2007B Bonds maturing in the years 2019 and 2022 are subject to mandatory redemption, in part and by lot, on December 1 of the years and in the respective principal amounts set forth in the following tables, by the application of sinking fund installments, at a redemption price equal to the principal amount thereof to be redeemed:

2019 Bonds		2022 Bonds	
Year	Principal Amount	Year	Principal Amount
2017	\$525,000	2020	\$615,000
2018	555,000	2021	645,000

The 2007D Bonds mature on December 1 in each of the following years in the respective principal amount set opposite each such year in the following table, and the 2007D Bonds maturing in each such year bear interest at the respective rate of interest per annum set forth opposite such year:

Year	Principal Amount	Interest Rate
2009	\$ 350,000	5.20%
2010	365,000	5.20
2011	385,000	5.20
2012	400,000	5.20
2013	425,000	5.20
2014	445,000	5.20
2015	465,000	5.20
2016	490,000	5.20
2019	1,625,000	5.25
2022	1,895,000	5.40
2026	3,040,000	5.60

The 2007D Bonds maturing on or after December 1, 2019, are subject to redemption prior to maturity at the option of the Village, in such principal amounts and from such maturities as the Village shall determine and by lot within a single maturity, on December 1, 2017 and on any date thereafter, at a redemption price equal to the principal amount thereof to be redeemed.

The 2007D Bonds maturing in the years 2019, 2022 and 2026 are subject to mandatory redemption, in part and by lot, on December 1 of the years and in the respective principal amounts set forth in the following tables, by the application of sinking fund installments, at a redemption price equal to the principal amount thereof to be redeemed:

2019 Bonds		2022 Bonds		2026 Bonds	
Year	Principal Amount	Year	Principal Amount	Year	Principal Amount
2017	\$515,000	2020	\$600,000	2023	\$700,000
2018	540,000	2021	630,000	2024	740,000
				2025	780,000

In our opinion, the Bonds are valid and legally binding general obligations of the Village of Palatine and the Village is obligated to levy ad valorem taxes upon all the taxable property within the Village for the payment of the Bonds and the interest thereon without limitation as to rate or amount. However, the enforceability of rights or remedies with respect to the Bonds may be limited by bankruptcy, insolvency or other laws affecting creditors' rights and remedies heretofore or hereafter enacted.

Interest on the Bonds is not exempt from Federal or Illinois income taxes.

Very truly yours,

LG/be

The 2007D Bonds maturing on or after December 1, 2019, are subject to redemption prior to maturity at the option of the Village, in such principal amounts and from such maturities as the Village shall determine and by lot within a single maturity, on December 1, 2017 and on any date thereafter, at a redemption price equal to the principal amount thereof to be redeemed.

The 2007D Bonds maturing in the years 2019, 2022 and 2026 are subject to mandatory redemption, in part and by lot, on December 1 of the years and in the respective principal amounts set forth in the following tables, by the application of sinking fund installments, at a redemption price equal to the principal amount thereof to be redeemed:

2019 Bonds		2022 Bonds		2026 Bonds	
Year	Principal Amount	Year	Principal Amount	Year	Principal Amount
2017	\$515,000	2020	\$600,000	2023	\$700,000
2018	540,000	2021	630,000	2024	740,000
				2025	780,000

In our opinion, the Bonds are valid and legally binding general obligations of the Village of Palatine and the Village is obligated to levy ad valorem taxes upon all the taxable property within the Village for the payment of the Bonds and the interest thereon without limitation as to rate or amount. However, the enforceability of rights or remedies with respect to the Bonds may be limited by bankruptcy, insolvency or other laws affecting creditors' rights and remedies heretofore or hereafter enacted.

Interest on the Bonds is not exempt from Federal or Illinois income taxes.

Very truly yours,

LG/be



**FINANCIAL
SECURITY
ASSURANCE**

**MUNICIPAL BOND
INSURANCE POLICY**

ISSUER:

BONDS:

Policy No.: -N

Effective Date:

Premium: \$

FINANCIAL SECURITY ASSURANCE INC. ("Financial Security"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of Financial Security, directly to each Owner, subject only to the terms of this Policy (which includes such endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment on the Business Day next following the Business Day on which Financial Security shall have received Notice of Nonpayment, Financial Security will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by Financial Security, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in Financial Security. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by Financial Security is incomplete, it shall be deemed not to have been received by Financial Security for purposes of the preceding sentence and Financial Security shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, Financial Security shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by Financial Security hereunder. Payment by Financial Security to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of Financial Security under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless Financial Security shall elect in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment

made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to Financial Security which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

Financial Security may appoint a fiscal agent (the "Insurer's Fiscal Agent" for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and office address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to Financial Security pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to Financial Security and shall not be deemed received until received by both and (b) all payments required to be made by Financial Security under this Policy may be made directly by Financial Security or by the Insurer's Fiscal Agent on behalf of Financial Security. The Insurer's Fiscal Agent is the agent of Financial Security only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of Financial Security to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, Financial Security agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to Financial Security to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of Financial Security, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto: (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, FINANCIAL SECURITY ASSURANCE INC. has caused this Policy to be executed on its behalf by its Authorized Officer.

[Counter signature]

FINANCIAL SECURITY ASSURANCE INC.

By _____

By _____
Authorized Officer

A subsidiary of Financial Security Assurance Holdings Ltd.
31 West 52nd Street, New York, N.Y. 10019

(212) 826-0100

Form 500NY (5/90)

APPENDIX E – BOND INSURANCE INFORMATION
(Applicable to Series 2007B and 2007D)

THE BOND INSURER

CIFG Assurance North America, Inc.

The information set forth in the following paragraphs has been provided by CIFG Assurance North America, Inc. ("CIFG" or the "Insurer") for inclusion in this Official Statement. CIFG does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding CIFG set forth under the heading "The Bond Insurer." CIFG makes no representation regarding the Bonds or the advisability of investing in the Bonds.

General

CIFG is a monoline financial guaranty insurance company incorporated under the laws of the State of New York. The address of the principal executive offices of the Insurer is 825 Third Avenue, Sixth Floor, New York, New York 10022; its toll-free telephone number is (866) CIFG-212 and its general telephone number is (212) 909-3939; and its website is located at www.cifg.com.

The Insurer is a member of the CIFG Group of financial guaranty companies, which also includes CIFG Europe, a French insurance company licensed to do business in the European Union, and CIFG Guaranty, a dedicated French reinsurance corporation. In addition to its capital and surplus as set forth below, the Insurer is supported by a net worth maintenance agreement from CIFG Guaranty, which provides that CIFG Guaranty will maintain the Insurer's New York statutory capital and surplus at no less than \$80 million. The Insurer also may cede a substantial portion (not to exceed 90%) of its exposure on each transaction to CIFG Guaranty through a facultative reinsurance agreement.

Each of the Insurer, CIFG Europe and CIFG Guaranty has received an insurer financial strength rating of "AAA" from Fitch, an insurer financial strength rating of "Aaa" from Moody's, and an insurer financial enhancement rating of "AAA" from Standard and Poor's, the highest rating assigned by each rating agency. Each such rating should be evaluated independently. The ratings reflect the respective rating agency's current assessment of each company's capacity to pay claims on a timely basis and are not recommendations to buy, sell or hold the Bonds. Such ratings may be subject to revision or withdrawal at any time.

The Insurer is licensed and subject to regulation as a financial guaranty insurance corporation under the laws of the State of New York, its state of domicile, and is licensed to do business in 48 jurisdictions. The Insurer is subject to Article 69 of the New York Insurance Law which, among other things, limits the business of such insurers to financial guaranty insurance and related lines, requires that such insurers maintain a minimum surplus to policyholders, establishes contingency, loss and unearned premium reserve requirements for such insurers, and limits the size of individual transactions and the volume of transactions that may be underwritten by such insurers. Other provisions of the New York Insurance Law applicable to non-life insurance companies such as the Insurer regulate, among other things, permitted investments, payment of dividends, transactions with affiliates, mergers, consolidations, acquisitions or sales of assets and incurrence of liabilities for borrowings.

Capitalization. The following tables set forth the capitalization of the Insurer on the basis of accounting principles generally accepted in the United States ("US GAAP") and statutory accounting practices prescribed or permitted by the New York State Insurance Department, respectively.

	US GAAP	US GAAP
	September 30, 2006	December 31, 2005
	(in thousands of US dollars)	(in thousands of US dollars)
Total Assets	\$369,050	\$ 324,134
Total Liabilities	\$248,239	\$ 202,042
Shareholder's Equity...	\$120,811	\$ 122,092
	Statutory Accounting	Statutory Accounting Practices
	Practices	December 31, 2005
	September 30, 2006	December 31, 2005
	(in thousands of US dollars)	(in thousands of US dollars)
Admitted Assets	\$183,468	\$ 175,333
Liabilities.....	\$78,045	\$ 66,758
Capital and Surplus	\$105,423	\$ 108,575

For further information concerning the Insurer, see the audited financial statements of the Insurer, including the notes thereto, prepared in accordance with US GAAP as of December 31, 2005 and 2004 and for each of the three years in the period ended December 31, 2005, and the unaudited interim financial statements of the Insurer as of September 30, 2006 and for the nine-month period ended September 30, 2006, which are available on the CIFG Group's website at www.cifg.com. Copies of the most recent audited annual and unaudited interim financial statements of the Insurer prepared in accordance with accounting principles prescribed or permitted by the New York State Insurance Department, are also available on the website and may be obtained, without charge, upon request to the Insurer at its address above, Attention: Finance Department.



CIFG Assurance North America, Inc.
825 Third Avenue, Sixth Floor
New York, NY 10022
For information, contact (212) 909-3939
Toll-free (866) 243-4212

FINANCIAL GUARANTY INSURANCE POLICY

ISSUER: _____ Policy No.: CIFG NA-##
CUSIP: _____ Effective Date: _____, 20__
OBLIGATIONS: _____

CIFG ASSURANCE NORTH AMERICA, INC. ("CIFG NA"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY GUARANTEES to each Policyholder, subject only to the terms and conditions of this Policy (which includes each endorsement hereto), the full and complete payment by or on behalf of the Issuer of Regular Payments of principal of and interest on the Obligations.

For the further protection of each Policyholder, CIFG NA irrevocably and unconditionally guarantees:

- (1) payment of any amount required to be paid under this Policy by CIFG NA following CIFG NA's receipt of notice and instruments of assignment as described in Endorsement No. 1 hereto and
- (2) payment of the amount of any distribution of principal of and interest on the Obligations made during the Term of this Policy to such Policyholder that is subsequently avoided in whole or in part as a preference payment under applicable law, all as described in Endorsement No. 1 hereto.

CIFG NA shall be subrogated to the rights of each Policyholder to receive payments under the Obligations to the extent of any payment by CIFG NA hereunder. Upon disbursement in respect of an Obligation, CIFG NA shall become the owner of the Obligation, appurtenant coupon, if any, and all rights to payment of principal thereof or interest thereon.

The following terms shall have the meanings specified below, subject to and including any modifications set forth in any endorsement hereto, for all purposes of this Policy. "Effective Date," "Issuer" and "Obligations" mean, respectively, the Effective Date, Issuer and Obligations referenced above. "Policyholder" means, if the Obligations are in book-entry form, the registered owner of any Obligation as indicated on the registration books maintained by or on behalf of the Issuer for such purpose or, if the Obligations are in bearer form, the holder of any Obligation; provided, however, that any trustee acting on behalf of and for the benefit of such registered owner or holder shall be deemed to be the Policyholder to the extent of such trustee's authority. "Regular Payments" means payments of interest and principal which are agreed to be made during the Term of this Policy in accordance with the original terms of the Obligations when issued and without regard to any amendment or modification of such Obligations thereafter; payments which become due on an accelerated basis as a result of (a) a default by the Issuer or any other person, (b) an election by the Issuer to pay principal or other amounts on an accelerated basis or (c) any other cause, shall not constitute "Regular Payments" unless CIFG NA shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration. "Term of this Policy" has the meaning set forth in Endorsement No. 1 hereto.

This Policy sets forth in full the undertaking of CIFG NA, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto or to the Obligations (except a contemporaneous or subsequent agreement or instrument given by CIFG NA or to which CIFG NA has given its written consent) or by the merger, consolidation or dissolution of the Issuer. The premiums paid in respect of this Policy are nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Obligations prior to maturity. This Policy may not be cancelled or revoked during the Term of this Policy, including for nonpayment of premium due to CIFG NA. Payments under this Policy may not be accelerated except at the sole option of CIFG NA.

In witness whereof, CIFG ASSURANCE NORTH AMERICA, INC. has caused this Policy to be executed on its behalf by its Authorized Officer.

CIFG ASSURANCE NORTH AMERICA, INC.

By _____
Authorized Officer

CIFGNA Bonds-1 (8-04)



998 Corporate Boulevard • Aurora, IL 60502

Members of American Institute of
Certified Public Accountants &
Illinois CPA Society

INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY INFORMATION

The Honorable Mayor
Members of the Village Council
Village of Palatine, Illinois

We have audited the accompanying schedule of revenues and other sources, expenditures and other financing uses and changes in fund balances of the Dundee Road and Rand/Dundee Tax Increment Financing District Fund, Downtown Tax Increment Financing District Fund, and the Rand Road Corridor Tax Increment Financing District Fund of the Village of Palatine, Illinois for the year ended December 31, 2007. These financial statements are the responsibility of the Village of Palatine, Illinois' management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit also includes assessing the accounting principles used and significant estimated made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying financial statements present only the Dundee Road and Rand/Dundee Tax Increment Financing District Fund, Downtown Tax Increment Financing District Fund, and the Rand Road Corridor Tax Increment Financing District Fund and are not intended to present fairly the financial position and changes in financial position of the Village of Palatine, Illinois in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the changes in financial position of the Dundee Road and Rand/Dundee Tax Increment Financing District Fund, Downtown Tax Increment Financing District Fund, and the Rand Road Corridor Tax Increment Financing District Fund of the Village of Palatine, Illinois for the year ended December 31, 2007, in conformity with accounting principles generally accepted in the United States of America.

A handwritten signature in cursive script that reads 'Sikich LLP'.

Aurora, Illinois
June 12, 2008

VILLAGE OF PALATINE, ILLINOIS

TAX INCREMENT FINANCING DISTRICTS FUNDS

SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES,
EXPENDITURES AND OTHER FINANCING USES
AND CHANGES IN FUND BALANCES

For the Year Ended
December 31, 2007

	Dundee Road and Rand/Dundee TIF	Downtown TIF	Rand Road Corridor TIF
REVENUES AND OTHER FINANCING SOURCES			
Property taxes			
Rand/Dundee TIF	\$ 3,448,785	\$ -	\$ -
Downtown TIF	-	4,247,090	-
Rand Road Corridor TIF	-	-	2,653,053
Bond proceeds	-	7,700,000	11,100,000
Premium on bonds issued	-	2,885	9,605
Investment income	527,585	191,900	187,462
Miscellaneous	-	800	-
Total revenues	3,976,370	12,142,675	13,950,120
EXPENDITURES AND OTHER FINANCING USES			
Capital outlay			
Economic development	-	990,390	1,800,304
Administration	-	43,446	33,329
Debt service			
Principal	1,020,000	1,655,616	3,062,783
Interest and fiscal charges	705,320	2,000,923	600,845
Issuance costs	-	61,150	92,828
Discount on bonds issued	-	18,512	24,947
Total expenditures	1,725,320	4,770,037	5,615,036
NET CHANGES IN FUND BALANCES	2,251,050	7,372,638	8,335,084
FUND BALANCES, JANUARY 1	10,337,685	(731,475)	5,175,681
FUND BALANCES, DECEMBER 31	\$ 12,588,735	\$ 6,641,163	\$ 13,510,765

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS
TAX INCREMENT FINANCING DISTRICTS FUNDS
SCHEDULE OF FUND BALANCES BY SOURCE

For the Year Ended
December 31, 2007

	Dundee Road and Rand/Dundee TIF	Downtown TIF	Rand Road Corridor TIF
BEGINNING BALANCES, JANUARY 1, 2007	\$ 10,337,685	\$ (731,475)	\$ 5,175,681
ADDITIONS			
Property taxes			
Dundee Road TIF	3,448,785	-	-
Downtown TIF	-	4,247,090	-
Rand Road Corridor TIF	-	-	2,653,053
Bond proceeds	-	7,700,000	11,100,000
Premium on bonds issued	-	2,885	9,605
Investment income	527,585	191,900	187,462
Miscellaneous	-	800	-
Total additions	3,976,370	12,142,675	13,950,120
BEGINNING BALANCES PLUS ADDITIONS	14,314,055	11,411,200	19,125,801
DEDUCTIONS			
Economic development			
Project expenses	-	990,390	1,800,304
Administration	-	43,446	33,329
Debt service			
Principal	1,020,000	1,655,616	3,062,783
Interest and fiscal charges	705,320	2,000,923	600,845
Issuance costs	-	61,150	92,828
Discount on bonds issued	-	18,512	24,947
Total deductions	1,725,320	4,770,037	5,615,036
ENDING BALANCES, DECEMBER 31, 2007	\$ 12,588,735	\$ 6,641,163	\$ 13,510,765
ENDING BALANCES BY SOURCE			
Property taxes	\$ 9,110,567	\$ 95,005	\$ 1,817,470
Investment income	3,478,168	757,172	303,243
Proceeds from land held for resale	-	5,788,986	11,390,052
Subtotal	12,588,735	6,641,163	13,510,765
Less Surplus Funds	-	-	-
ENDING BALANCES, DECEMBER 31, 2007	\$ 12,588,735	\$ 6,641,163	\$ 13,510,765

(See independent auditor's report.)



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
WITH PUBLIC ACT 85-1142

The Honorable Mayor
Members of the Village Council
Village of Palatine, Illinois

We have audited the basic, combining and individual fund financial statements of the Village of Palatine, Illinois, as of and for the year ended December 31, 2007, and have issued our separate report thereon dated June 12, 2008. These financial statements are the responsibility of the Village of Palatine, Illinois' management. Our responsibility is to express an opinion on these financial statements based on our audit.

We have also audited the Village of Palatine's compliance with the provisions of subsection (q) of Illinois Compiled Statutes 65 (ILCS) 5/11-74.43 of the Illinois Tax Increment Redevelopment Allocation Act (Illinois Public Act 85-1142) for the year ended December 31, 2007, for the Dundee Road and Rand/Dundee Tax Increment Financing District Fund, Downtown Tax Increment Financing District Fund, and the Rand Road Corridor Tax Increment Financing District Fund. The management of the Village of Palatine, Illinois, is responsible for the Village's compliance with those requirements. Our responsibility is to express an opinion on compliance with those requirements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the Village of Palatine, Illinois' compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the Village of Palatine, Illinois, complied, in all material respects, with the requirements of subsection (q) of Illinois Compiled Statutes 65 (ILCS) 5/11-74.43 of the Illinois Tax Increment Redevelopment Allocation Act (Illinois Public Act 85-1142) for the year ended December 31, 2007, for the Dundee Road and Rand/Dundee Tax Increment Financing District Fund, Downtown Tax Increment Financing District Fund, and the Rand Road Corridor Tax Increment Financing District Fund.

A handwritten signature in cursive script, appearing to read 'Sikich LLP'.

Aurora, Illinois
June 12, 2008