

VILLAGE OF DWIGHT
COMMERCIAL REHABILITATION LOAN PROGRAM
BY LAWS

PURPOSE

The Downtown Dwight Commercial Rehabilitation Loan Program, hereafter “the Program”, has been established to stimulate, promote and assist in the redevelopment and revitalization of the Village of Dwight’s central business district by forming a consortium of lending institutions that will participate in funding loans for financing the restoration and/or rehabilitation of properties in the downtown area.

MEMBERSHIP

Eligibility. The Program membership shall consist of the Village of Dwight and local lending institutions. The Village of Dwight shall always be a member; except as otherwise provided in the by laws. All local lending institutions are eligible for membership and shall become members upon submitting a written notice of intent to participate in the Program to the Village of Dwight.. The Village of Dwight shall maintain a membership list.

Number of Members. The Program may not operate with fewer than two members, not including the Village of Dwight. There shall be no limit to the maximum number of members.

Terminating Membership. Except for the Village of Dwight, any member may terminate its membership at any time by submitting a written notice of intent to terminate to the Village of Dwight. Members who terminate their memberships shall have no further rights and responsibilities with respect to loans made by the Program. However, they shall remain liable for and shall receive the benefits of any loans they participated in during the term of their membership to the same extent they would have been had they not terminated their membership. Terminated members shall have the right to continue to

participate in the Program for the limited purpose of making decisions about any such loans.

The Village of Dwight may terminate its membership at any time the Village Board determines that continued participation in the Program would not be in the public's best interest. The Village may not terminate for any other reason without the consent of all of the members; except that the Village's membership shall terminate automatically at any time there are fewer than two members, not including the Village. The Village shall have the same rights and responsibilities as any other member that has terminated its membership.

LOAN PARTICIPATION

Required participation. Every Member shall have the right to participate in every loan made by the program, but members shall not be required to participate in every loan made by the Program. However, there must be a minimum of two members, not including the Village of Dwight, participating for any loan to be made by the Program.

Amount of participation. The amount of each member's participation in any loan made by the Program shall be equal to the number of members participating in that loan divided by the principal amount of the loan. There shall be no minimum requirement or maximum limit on the aggregate amount of participations for any member except for the Village of Dwight. The Village shall be limited to an aggregate amount of \$40,000 in participations during the initial fiscal year, running from April 1, 2009 – March 31, 2010; provided however that the Village shall be required to participate in loans to the maximum extent allowed each year.

Loan Funds. Members shall provide funds for loans made by the Program at the time loans are to be disbursed. Members shall receive a "Certificate of Participation" to acknowledge receipt of their funds for each loan in which they participate. The designated "Lead" financial institution shall assume responsibility for collecting funds from each Member participating in a particular loan and issuing the Certificate of Participation.

Earnings/Expenses. The designated “Lead” financial institution may charge a fee and receive a higher rate of interest to offset the costs of payment collection, record keeping, notice processing and reporting to other members. Members participating in loans made by the Program shall otherwise share equally in the profits, expenses and risks of each loan. Members shall be entitled to receive a share of the interest earned on the loans made by the Program in accordance with their level of participation in each loan. Each Members share of the interest shall be equal to the interest earned divided by the number of Members participating in the loan net of the “Lead” institution fee.

LOAN POLICY

Geographic Restrictions. Loans shall be made primarily for the rehabilitation of properties located in the Downtown Dwight Central Business District, but include all Commercial properties located in the Village of Dwight.

Eligible expenses. Loan funds shall be used to pay for Capital Improvements such as renovating property as necessary to make it comply with applicable building, property maintenance, life safety codes, to replace mechanical equipment and/or to make it functional for a particular use. Loans funds may not be used to pay for non-structural, “cosmetic” improvements unless such work is included in the overall rehabilitation and renovation of a property.

Loan Disbursements: Prior to funds being advanced, the borrower must provide lien waivers and/or invoices for work completed and/or supplies purchased AND; the property must pass applicable Village of Dwight inspections with written verification from the Village of Dwight.

Construction funds. Loan funds shall not be used in advance of the cost of rehabilitating or renovating a property. Loan funds may be used to retire construction loans so long as and to the extent the construction funds were used to rehabilitate/renovate properties as allowed by the Program’s loan policy.

Term of Loan. All loans shall have a maximum term of ten years. Loans may be amortized over a longer period of time as long as full payment is made within ten years. Existing loans may not be refinanced except under circumstances where there is a new extension of credit and the existing loan is being consolidated with the new loan. All loans shall become immediately due and payable upon the sale, transfer, assignment or other termination of the borrower's interest in the property.

Loan Limits. Loans may not exceed \$150,000.00 per loan. Multiple loans may be made to single borrowers.

Interest rate. All loans made by the Program shall bear interest at a rate better than or favorable to normal borrowing rates. The high rate of Wall Street Prime as published in the Wall Street Journal; Midwest Edition shall be used as an index with the rate of interest adjusted annually, on the anniversary date of each loan.

LOAN PROCESSING

Loan Committee. All applications for loans from the Program shall be reviewed by a Loan Committee. The Loan Committee shall consist of one representative for each member desiring to participate in the loan under consideration. The Loan Committee shall convene as necessary to review loan applications. The Village of Dwight shall chair the Loan Committee meetings and serve as secretary to the Loan Committee. As secretary, the Village of Dwight shall have responsibility for scheduling Committee meetings, distributing loan application packets, taking minutes of meetings and otherwise coordinating communication within the Loan Committee.

Loan Origination. All loans shall be originated by members of the Program. Any member may submit a loan application to the Loan Committee for review. The member submitting an application shall be considered the lead bank for that loan and shall be responsible for preparing and submitting the loan application for the Borrower, presenting the loan application to the Loan Committee, preparing all loan documents and closing the loan. The lead bank may assess a loan application fee, in an amount not to exceed 2% of the loan, and retain the full amount of any fee paid.

Loan Servicing. One of the members shall serve as the “Lead” institution and shall service all of the loans made by the Program. The member acting as the loan servicer shall hold all loan Documents; record mortgages, file UCC statements or take such other acts as necessary to perfect an interest in the security for the loan; collect and apply loan payments; maintain loan records; notify Borrowers of changes in interest rate or monthly payment amounts and distribute interest due members for their participation in the various loans. The servicer shall also prepare reports periodically, but no less than annually; showing the status of all outstanding loans and distribute a copy of the report to each member. The servicer shall notify the members and Village of Dwight immediately of any default in the terms of that bank’s loan, including but not limited to failure to make payments when due, failure to pay taxes, special assessment other charges that could effect the lien of the mortgage, failure to maintain insurance or provide annual financial statements . The loan servicer is responsible for contacting the Borrower regarding the default and attempting to obtain a cure.

Legal Services. The Village of Dwight’s Attorney shall provide legal advice and services for the Program. The Village’s legal services shall include reviewing all loan documents prior to closing and the filing of foreclosure proceedings or exercising other remedies at law in the case of a default. The promissory note, mortgage, UCC statement and any other loan document evidencing the debt and collateral given shall be made in the name of the Village of Dwight as agent for the Village of Dwight Downtown Rehabilitation Loan Program to make the Village the legal holder of the documents for collection purposes.

AMENDMENTS TO BY LAWS

Vote Required. Amendments or changes to the by-laws must be approved by a vote of three-fourths of the Members of the Program.

PROGRAM TERMINATION

Method of Termination. The Program shall terminate automatically at such time as there are fewer than two members, not including the Village of Dwight. The Program can be terminated at any time by agreement of the membership.

Loans. In the event the Program terminates, all existing loans made by the Program shall remain in full force and effect. The member servicing the Program loans at that time shall continue to do so until such time as all such loans have been paid in full or referred to the Village for collection. Members shall have the same rights and responsibilities for those loans that they would have had had the Program not terminated.

APPENDIX 1

ELIGIBLE ACTIVITIES

Architectural and title services

Building permits and related fees

Ceilings: Repair/replace structurally deficient members and/or finished ceilings

Chimneys/Flues: Repair/replace as necessary

Credit reports

Decoration and Renovation of Building; Exterior/Interior

Electrical: Install to upgrade to current code standards

Elevators: Install/repair/replace to current code standards

Exit Doors: Install/repair/replace including hardware

Extermination: Interior and exterior

Facade Improvement

Floors: Repair/replace

Foundation: Repair/reconstruction

Guards and Screens: Install/repair for protection against vermin

Gutters: Repair/replace

Heating and Air Conditioning Facilities: Install/repair

Insulation: Install

Landscaping: Planting of trees/shrubs

Loading Docks and Areas: Install/repair

Parking Lots: Surface/resurface

Plumbing: Install/repair to current code standards

Real Estate Appraisals

Roof: Repair/replace structural defects

Screening; Exterior rubbish areas
Shutters/Awnings; Install/repair/replace
Siding: Installation
Sidewalks: Replacement
Sprinkler Systems: Install/repair
Stairs/Porches/Railings/Exits: Install/replace/repair
Utilities: Water/Sewer Service Lines: Upgrade/replace/repair
Vaults (under sidewalks); Remove and fill
Ventilation: Installation of skylights, exhausts, louvers, stacks
Walls, Exterior and Interior: Repair including tuck pointing, painting, sealing
Windows: Install/repair/replace

EXAMPLES OF INELIGIBLE ACTIVITIES

Trade fixtures signs (unless they are an Integral part of the building facade; furniture; inventory; interior decorating; drapes/blinds unless incidental to total interior renovation (business only); flooring/carpeting (unless incidental to the total renovation).

SERVICING AGREEMENT
VILLAGE OF DWIGHT
LOAN PROGRAM

The Agreement is made and entered into by and between the Village of Dwight and the undersigned Participants.

Whereas, the Village of Dwight, the participants and the Servicer are members of the Commercial Rehabilitation Loan Program established by an “ Agreement to Establish and Participate in a Commercial Rehabilitation Loan Revolving Fund” approved by the Village Board of Trustees, _____, 2009.

WHEREAS, the Servicer is in the business of servicing commercial loans and desires to service the loans made pursuant to this Program; and

WHEREAS, the Participants desire to have the Servicer service the loans made pursuant to this Program;

NOW THEREFORE, in consideration of the covenants and agreements contained herein the parties agree as follows:

1. The Servicer at its own expense and without charge to the other Participants, except as provided hereinafter in paragraph 5, shall perform all loan servicing and duties incidental to the servicing of loans authorized by the Loan Committee. With respect to the loans, the Servicer shall maintain accurate records of the loans made, the security for such loans, the status of taxes, liens, special assessments, and any other charges which may be or may become a lien upon the subject properties. The Servicer may rely upon legal counsel employed by the Village of Dwight for legal opinions and assistance relative to such encumbrances on properties to be mortgaged pursuant to the Program. After loans and

mortgages are made pursuant to the Program, the Servicer shall maintain all records necessary to determine the status of the loans and mortgages including records of payments, insurance payments and coverage, tax bills, special assessments, additional funds, agreements, or any other collateral associated therewith. Such records shall be made available upon request to any Participant for its review and inspection.

2. The Servicer shall use its best efforts to collect all sums payable under the provisions of all notes and mortgages and all sums so collected shall be promptly deposited in a special bank account established and maintained by the Servicer.

3. The Servicer shall remit to the other Participants on a monthly basis each Participant's share of a payments received by the Servicer (except that the Village as a Participant shall not share in any interest received) less the service charge of the Servicer as established hereunder.

4. With respect to all loans and mortgages made pursuant to the Program, the Servicer shall furnish reports of all delinquent mortgages and loans, and of collections and disbursements with respect to Individual mortgages and loans, and the conveyance of any mortgaged property by the original mortgagor or any of its successors in title.

5. The Servicer shall receive as compensation for the services to be performed under this Servicing Agreement a fee to be computed by multiplying a rate under current market conditions as approved by the unanimous vote of the other members of the Loan Committee, times the gross loans outstanding from time to time in be computed on a monthly basis for the distribution of receipts.

6. The Servicer shall prepare monthly status of funds reports to be distributed to Participants.

7. The mortgages and notes shall be held in the name of the Village of Dwight as agent for the Commercial Rehabilitation Loan Fund and the Servicer may rely on the Village of Dwight to collect any delinquent notes and mortgages.

8. The Term of this Agreement shall run concurrently with the Agreement to Establish the Loan Fund.

IN WITNESS WHEREOF, the parties hereto have set their hands and seals this _____ day of _____, 2009

VILLAGE OF DWIGHT

VILLAGE PRESIDENT

ATTEST:

VILLAGE CLERK