

**SMALL TOWN ENERGY PROGRAM FOR UNIVERSITY PARK (STEP-UP)  
LOAN LOSS RESERVE FUND AGREEMENT**

This Small Town Energy Program for University Park (“Step Up”) Loan Loss Reserve Fund Agreement (this "Agreement") is effective as of \_\_\_\_\_, 2012, between the Town of University Park, Maryland, a Maryland corporation ("Town"), and Sandy Spring Bank, a Maryland corporation, ("Bank") (hereinafter, collectively the "Parties").

**WHEREAS**, the Town of University Park, MD (“UP” or the “Town”) has been awarded a three-year, \$1.425 million grant by the Department of Energy (“DOE”) to carry out an energy efficiency program within the Town, namely the *Small Town Energy Program for University Park (STEP-UP)* (see Confirmation of Award attached as Attachment A); and

**WHEREAS** the DOE contract specifies that grant funds may be used to establish financing instruments such as loan loss reserves to facilitate greater deployment of energy efficient retrofits; and

**WHEREAS**, Town and the Bank are entering into this Agreement regarding the Small Town Energy Program for Town (“STEP-UP” or the "Program") to provide a loan loss reserve for certain types of energy efficiency loans ("Program Loans") to be made by Bank to certain eligible borrowers; and

**WHEREAS**, in consideration for the above-referenced loan loss reserve, Bank has agreed to make the Program Loans at an interest rate that is lower than the rate being charged by Bank for existing unsecured loans.

**NOW, THEREFORE**, the Parties agree as follows:

**1. Term of Agreement.**

1.1 Term of this Agreement. This Agreement shall continue in effect for a period of \_\_\_\_\_. Thereafter either party may terminate the agreement upon sixty (60) days prior written notice; PROVIDED, HOWEVER, that sufficient funds, calculated as set out in subsection 3.3, shall be maintained in the Loan Reserve Account until each Program Loan made by the Bank prior to termination has been repaid in full by the borrower.

**2. Program Loans.**

2.1 Bank agrees to use its best efforts to make Programs Loans to qualified applicants as provided in this section provided that there are sufficient funds in the Loan Reserve Account as provided hereafter.

2.2 Requirements. Program Loans shall meet the following criteria:

- (a) All Loan applications must be made through the Laurel Branch of Sandy Spring Bank (unless otherwise agreed);
- (b) All applicants must be confirmed participants in the *Small Town Energy Program for Town (STEP-UP)*;

- (c) All Loan applications must be accompanied by a statement of intended work, listing the specific energy efficiency upgrades, the estimated cost, and loan amount (see Attachment B);
- (d) Prior to loan approval and funding, each statement of intended work must be reviewed by the STEP-UP Energy Coach to ensure compliance with criteria (b) and (c) above, as well as any related STEP-UP and DOE program requirements. Bank shall have no responsibility for ensuring compliance with any such criteria or DOE requirements;
- (e) The standard loan amount will not exceed \$10,000. Any application for a loan in excess of \$10,000 must be reviewed and approved by both Bank and the STEP-UP Program Director on a case by case basis.
- (f) The interest rate to be charged by Bank shall be less than the rate then being charged by Bank for similar but unsecured loans.

### 2.3 Underwriting and Loan Administration.

(a) Underwriting. Program Loans must satisfy the minimum underwriting criteria specified in the Requirements (Subparagraph 2.2). Bank has sole responsibility for underwriting decisions and legal compliance with respect to the Program Loans it makes. Bank agrees that for each Program Loan it makes, the creditworthiness of the applicant will be investigated and evaluated in a manner consistent with its customary practice for a business loan in the amount proposed without the benefit of a loss reserve.

(b) Loan Administration. The Bank will receive all loan payments and will service each Program Loan until it is paid in full. The Bank will follow its normal collection procedures with respect to any delinquent Program Loan. Bank shall maintain such records with respect to the Program Loans as it customarily maintains with respect to other loans it makes of a similar nature.

(c) Consent to Information Sharing. Bank shall require each borrower under a Program Loan to sign a consent form provided by Town that allows Bank to share information about the account with Town. See Attachment C.

### 2.4 Monthly Reporting of Program Loans and Portfolio Status.

Bank will assign a unique tracking number to loans made through the Program, and will provide to the Town within fifteen (15) business days after the end of each quarter a report listing the related Loan Reserve Account activity during the previous quarter in a format substantially in conformance with Attachment D.

## 3. **Loan Reserve Account.**

3.1 Reserve Fund. Town agrees to deposit and maintain with Bank sufficient funds to act as collateral for any and all outstanding Program Loan balances. Such funds shall be maintained in a non-interest-bearing escrow account for the benefit of Town. Bank shall have no obligation to invest such funds while on deposit.

3.2 Security Interest in Loan Reserve Account. Town hereby grants to Bank a security interest in such funds as collateral for the prompt and timely repayment of such Program Loans made in reliance on the Bank's investigation and evaluation of the creditworthiness of the

applicant in a manner consistent with its customary practice for a consumer loan in the amount proposed without the benefit of a loss reserve. Any amounts remaining in Loan Reserve Account after the full and final payment of all Program loans shall be transferred to Town upon termination of this Agreement.

3.3 Program Loan Default/Bank's Right of Offset. Bank shall notify the Town in the event of a Program Loan default, once the Bank has completed its standard client notification and documentation processes as outlined in Attachment E. Town may request reasonable documentation of Bank's efforts to effect collection of the loan balance. Bank shall have the right to immediately offset any funds in the Loan Reserve Account against any balances (including principal, interest, and fees), not to exceed 102% of the outstanding principal balance at the time of offset, owing to Bank on any Program Loans that are in default and at least 90 days past due provided that Bank has exercised commercially reasonable efforts to collect the Program Loan or bring the Program Loan current in a manner consistent with its practices for other business loans that are not Program Loans.

3.4 Transfer of Loans. Bank shall transfer and assign to Town all rights in any defaulted Program Loan upon Bank's offset of the Loan Reserve Account for the full amount due as set forth in subsection 3.3 above. In the event that any payment on a defaulted loan for which funds have been offset pursuant to subsection 3.3 is received by Bank, said funds shall be paid into the Reserve Fund.

3.5 Initial Deposit. Within five business days of the date of this Agreement, Town shall deposit \$50,000.00 (the "Initial Loan Loss Reserve Amount") as the initial Bank's Reserve Fund Balance.

3.6 Additions to Bank's Reserve Fund Balance. Town shall have no obligation to make additional contributions after the Initial Loan Loss Reserve Amount. As and when the initial security deposit is committed to outstanding loans, Bank will contact Town to discuss future options, which may include: (a) discontinuing the loan program, (b) continuing to offer loans but at increasing rates of interest based on less than 100% (1:1) reserve coverage, or (c), making a further deposit of grant funds into the loan loss reserve account to continue the initial arrangement unchanged.

3.7 Non-Disclosure of Loan Reserve Account. Neither the Bank nor the Town shall disclose or provide information with respect to the Loan Reserve Account to potential borrowers as part of loan documents, promotional materials or other communications.

3.8 Publicity. The Bank and the Town shall provide a copy of all publicity materials and other communications intended to be used to promote the Program Loans to the other party for review and approval prior to their dissemination.

#### **4. General Terms and Conditions**

6.1 Expenses. The expenses incurred by each party hereto incident to the execution, delivery and performance by each party under this Agreement, unless expressly provided herein, shall be paid for by each party.

6.2 Amendment. This Agreement may be amended at any time and from time to time by one or more writings executed by all parties hereto.

6.3 Notices. All notices shall be delivered or mailed, certified mail, to:

Town  
John Rogard Tabori  
Mayor  
Town of University Park  
6724 Baltimore Avenue  
University Park, MD 20782

Bank  
17801 Georgia Avenue  
Olney, MD 20832  
Attn: Steve Anderson  
Senior Vice President

6.4 Severability. In case any one or more of the provisions in the Agreements are invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall be not be affected thereby.

6.5 Governing Law. This Agreement shall be construed in accordance with the laws of the State of Maryland. All actions or claims relating to this agreement shall be brought exclusively in the Circuit Court of Montgomery County Maryland.

6.6 Counterparts. This Agreement may be signed in any number of counterparts with the same effect as if the signatures thereto were upon the same instrument.

6.7 Independent Parties. This Agreement shall not be deemed to constitute the parties as partners or joint venturers, nor shall any party be deemed to constitute the other party as its agent.

6.8 Successors and Assigns. This Agreement shall be binding on the parties' successors and assigns provided that this Agreement shall not be assigned by either party without the prior written consent of the other party.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their respective authorized officers or representatives as of the date and year first above written.

TOWN OF UNIVERSITY PARK,

By: \_\_\_\_\_  
John Rogard Tabori

Its: Mayor

Approved for form and legal sufficiency:

\_\_\_\_\_  
Suellen M. Ferguson, Town Attorney

SANDY SPRING BANK

By: \_\_\_\_\_

Print name: \_\_\_\_\_

Its: \_\_\_\_\_